ARCH COAL INC
Form 424B5
June 06, 2011

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Prospectus Supplement
(To Prospectus dated August 2, 2010)

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-157880

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Maximum Offering Price per Share	Maximum Aggregate Offering Price(1)	Amount of Registered Fee(2)
Common Stock, par value $0.01 per share	55,200,000	$27.00	$1,490,400,000	$173,035.44

(1) Assuming exercise in full of the underwriters option to purchase additional shares of common stock, par value $0.01 per share.

(2) Calculated in accordance with Rule 457(r) promulgated under the Securities Act of 1933, as amended.

48,000,000 Shares

COMMON STOCK

Arch Coal, Inc. is offering 48,000,000 shares of its common stock.

Our common stock is listed on the New York Stock Exchange under the symbol ACI. On June 2, 2011, the reported last sale price of our common stock on the New York Stock Exchange was $27.43 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-20 of this prospectus supplement.

PRICE $27.00 A SHARE

	Price to Public	***Underwriting Discounts and Commissions***	***Proceeds to Arch Coal, Inc.***
Per share	$27.00	$0.945	$26.055
Total	$1,296,000,000	$45,360,000	$1,250,640,000

We have granted the underwriters the right to purchase up to an additional 7,200,000 shares to cover over-allotments.

The underwriters are offering the common stock as set forth under Underwriting.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on or about June 8, 2011.

Joint Book-Running Managers

Morgan Stanley ***PNC Capital Markets LLC*** ***BofA Merrill Lynch*** ***Citi***

Senior Co-Managers

BMO Capital Markets ***Credit Suisse*** ***RBS*** ***Wells Fargo Securities*** ***Mitsubishi UFJ Securities***

Co-Managers

Santander ***Credit Agricole CIB*** ***Natixis*** ***Piper Jaffray*** ***FBR Capital Markets***

ING	*Stifel Nicolaus Weisel*	*BB&T Capital Markets*	*Howard Weil Incorporated*	*Macquarie Capital*	*Simmons & Company International*

June 2, 2011

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part consists of this prospectus supplement, which describes the specific terms of this offering. The second part consists of the accompanying prospectus, which gives more general information about securities that we may offer from time to time, some of which may not be applicable to the shares of common stock offered by this prospectus supplement and the accompanying prospectus. For more information about our common stock offered in this offering, see Description of Common Stock in this prospectus supplement and Description of Capital Securities Common Stock in the accompanying prospectus.

Before you invest in our common stock, you should read the registration statement of which this prospectus supplement and the accompanying prospectus form a part. You also should read the exhibits to that registration statement, as well as this prospectus supplement, the accompanying prospectus, any free writing prospectus we may file and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The documents incorporated by reference are described in this prospectus supplement under Where You Can Find More Information.

If the information set forth in this prospectus supplement varies in any way from the information set forth in the accompanying prospectus, you should rely on the information contained in this prospectus supplement. If the information set forth in this prospectus supplement varies in any way from the information set forth in a document that we have incorporated by reference into this prospectus supplement, you should rely on the information in the more recent document.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus we may file. We have not, and the underwriters have not, authorized any other person to provide you with different information. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, any free writing prospectus we may file and the documents incorporated by reference is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

In this prospectus supplement, unless otherwise specified or the context requires otherwise, we use the terms Arch Coal, the company, we, us and our to refer to Arch Coal, Inc. and its subsidiaries and the terms International Co Group, Inc. and ICG to refer to International Coal Group, Inc. and its subsidiaries.

The term merger refers to our acquisition of the outstanding common shares of ICG and the term transactions refers to the merger and the related financing transactions as described in Prospectus Supplement Summary The Transactions in this prospectus supplement. The term combined company refers to Arch Coal and its subsidiaries (including ICG and its subsidiaries) after the completion of the transactions, including the merger.

The term ton refers to short or net tons, equal to 2,000 pounds (907.18 kilograms) and tonne refers to metric tons, equal to 2,294.62 pounds (1,000 kilograms).

MARKET AND INDUSTRY DATA

This prospectus supplement includes market and industry data and forecasts that we have derived from a variety of sources, including independent reports, publicly available information, various industry publications, other published industry sources and internal data and estimates. Third-party publications and surveys and forecasts generally state

that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although we believe that such information is reliable, we have not had this information verified by any independent sources.

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FORWARD-LOOKING STATEMENTS

Information we have included or incorporated by reference in this prospectus supplement and the accompanying prospectus contains or may contain forward-looking statements. These forward-looking statements include, among others, statements of our plans, objectives, expectations (financial or otherwise) or intentions. Words such as anticipates, believes, could, estimates, expects, intends, may, plans, predicts, projects, seeks, comparable words and phrases are intended to identify such forward-looking statements. All statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus that we expect or anticipate will, should or may occur in the future, including, without limitation, statements in this prospectus supplement under the captions Prospectus Supplement Summary, Management s Discussion and Analysis of Financial Condition and Results of Operations of Arch Coal, Management s Discussion and Analysis of Financial Condition of Operations of ICG, Business Overview, and Industry Overview, and located elsewhere in this prospectus supplement regarding our financial position, business strategy and measures to implement that strategy, including changes to operations, competitive strengths, goals, expansion and growth of our business and operations, plans, references to future success and other similar matters are forward-looking statements.

Our forward-looking statements involve risks and uncertainties. Our actual results may differ significantly from those projected or suggested in any forward-looking statements. We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Factors that might cause such a difference to occur include, but are not limited to:

our ability to successfully integrate the Arch Coal and ICG businesses;

delay or failure to realize the expected benefits, including anticipated cost savings, we expect to realize in the merger;

market demand for coal and electricity;

geologic conditions, weather, including flooding, and other inherent risks of coal mining that are beyond our control;

competition within our industry and with producers of competing energy sources;

excess production and production capacity;

our ability to acquire or develop coal reserves in an economically feasible manner;

inaccuracies in our estimates of our coal reserves;

availability and price of mining and other industrial supplies;

availability of skilled employees and other workforce factors;

disruptions in the quantities of coal produced by our contract mine operators;

our ability to collect payments from our customers;

defects in title or the loss of a leasehold interest;

railroad, barge, truck and other transportation performance and costs;

our ability to successfully integrate the operations that we acquire;

our ability to secure new coal supply arrangements or to renew existing coal supply arrangements;

our relationships with, and other conditions affecting, our customers;

the deferral of contracted shipments of coal by our customers;

our ability to service our outstanding indebtedness;

our ability to comply with the restrictions imposed by our credit facility and other financing arrangements;

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- the availability and cost of surety bonds;
- failure by Magnum Coal Company, which we refer to as Magnum, a subsidiary of Patriot Coal Corporation, to satisfy certain below-market contracts that we guarantee;
- our ability to manage the market and other risks associated with certain trading and other asset optimization strategies;
- terrorist attacks, military action or war;
- our ability to obtain and renew various permits, including permits authorizing the disposition of certain mining waste;
- existing and future legislation and regulations affecting both our coal mining operations and our customers coal usage, governmental policies and taxes, including those aimed at reducing emissions of elements such as mercury, sulfur dioxides, nitrogen oxides, particulate matter or greenhouse gases;
- the accuracy of our estimates of reclamation and other mine closure obligations;
- the existence of hazardous substances or other environmental contamination on property owned or used by us; and
- other factors, including those discussed in Risk Factors.

These and other relevant factors, including those risk factors identified in our Annual Report on Form 10-K for the year ended December 31, 2010, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 and our other filings with the Securities and Exchange Commission (the SEC) under the Securities Exchange Act of 1934, as amended (the Exchange Act), which are incorporated by reference in this prospectus supplement, should be carefully considered when reviewing any forward-looking statement. See Where You Can Find More Information.

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information about us and this offering. This summary is not complete and does not contain all of the information that may be important to you. You should read carefully this entire prospectus supplement and the accompanying prospectus, including the Risk Factors section, and the other documents that we refer to and incorporate by reference in this prospectus supplement and the accompanying prospectus for a more complete understanding of us and this offering. In particular, we incorporate by reference important business and financial information into this prospectus supplement and the accompanying prospectus. This summary contains forward-looking statements that involve risks and uncertainties. Except as otherwise noted, all information in this prospectus supplement assumes no exercise of the underwriters option to purchase additional shares of our common stock.

Our Combined Company

We are one of the world s largest private sector coal producers. We produce, process and sell steam and metallurgical coal. Our combined company will have operations in all major U.S. coal basins, providing us with important geographical diversity and operational flexibility. The diversity of our operations enables us to source coal from multiple locations to meet the needs of our customers, including U.S. and international power producers and steel manufacturers.

The high quality of our coal, our access to key infrastructure hubs and the availability of multiple transportation options (including rail, truck and barge) equip us to compete both in the domestic coal market as well as the growing global seaborne coal markets. For the year ended December 31, 2010, on a pro forma basis giving effect to our acquisition of ICG, we would have sold 179 million tons of coal, including eight million tons of metallurgical coal, and generated net sales of $4.3 billion.

Prior to the ICG acquisition, our principal assets as of December 31, 2010 included:

- Powder River Basin operations, including two mining complexes;
- Western Bituminous operations, including five mining complexes;
- Central Appalachian operations, including four mining complexes;
- transportation and logistics holdings, including a 22% partnership interest in Dominion Terminal Associates which operates a coal export facility on the East Coast and a shipping terminal with a six million ton annual capacity with access to the Ohio River for shipment on inland waterways; and
- approximately 4,700 full and part-time employees.

In addition, during the first quarter of 2011, we expanded our access to the seaborne coal markets by purchasing a 38% ownership interest in Millennium Bulk Terminals-Longview LLC which is developing coal export capacity on the West Coast and by entering into a throughput agreement with Canadian Crown Corporation Ridley Terminals Inc. in British Columbia, Canada.

As a result of the ICG acquisition, we will acquire a number of new assets, including:

Central Appalachian operations, including eight mining complexes;

Northern Appalachian operations, including four mining complexes;

an Illinois Basin operation, including one mining complex;

three development properties, including the Tygart Valley #1 mine complex which is designed to have up to 3.5 million tons of capacity per year of high quality metallurgical and steam coal; and

approximately 2,800 employees.

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Supplemental Pro Forma Combined Reserve and Production Data

The supplemental pro forma combined reserve and production data set forth in the tables below has been prepared for illustrative purposes only and is not necessarily indicative of the reserve data of Arch Coal had the merger occurred on December 31, 2010. Additionally, we have not yet completed all of the due diligence to fully assess ICG s proven and probable reserve data. Upon completion of this detailed due diligence, there may be increases or decreases to the reserve data presented below for ICG and for Arch Coal on a pro forma basis.

The following table presents Arch Coal historical data by region for proven and probable reserves as of December 31, 2010.

	Arch Coal Historical				
Region	**Proven and Probable Reserves**	**Assigned**	**Unassigned**	**Owned**	**Leased**
		(tons in millions)			
Powder River Basin	3,258	1,591	1,667		3,258
Western Bituminous	455	162	293	108	347
Illinois	364		364	307	57
Central Appalachia	368	175	193	63	305
Northern Appalachia					
Total	4,445	1,928	2,517	478	3,967

The following table presents ICG historical data by region for proven and probable reserves as of December 31, 2010.

	ICG Historical				
Region	**Proven and Probable Reserves**	**Assigned**	**Unassigned**	**Owned**	**Leased**
		(tons in millions)			
Illinois	372	48	324	332	40
Central Appalachia	265	177	88	35	230
Northern Appalachia	451	87	364	356	95
Total	1,088	312	776	723	365

The following table presents Arch Coal pro forma data by region for proven and probable reserves as of December 31, 2010. The table assumes the merger was completed on that date.

	Arch Coal Pro Forma(1)
	Proven and

Region	Probable Reserves	Assigned	Unassigned	Owned	Leased
		(tons in millions)			
Powder River Basin	3,258	1,591	1,667		3,258
Western Bituminous	455	162	293	108	347
Illinois	736	48	688	639	97
Central Appalachia	633	352	281	98	535
Northern Appalachia	451	87	364	356	95
Total	5,533	2,240	3,293	1,201	4,332

(1) The Arch Coal pro forma data has been calculated by adding the Arch Coal historical data and ICG historical data.

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The following tables present Arch Coal historical, ICG historical and Arch Coal pro forma data by region for production of saleable tons for the year ended December 31, 2010. The table assumes the acquisition was completed on January 1, 2010. This supplemental pro forma combined production data has been prepared for illustrative purposes only and is not necessarily indicative of the production data of Arch Coal had the merger occurred on January 1, 2010.

Region	Arch Coal Historical	2010 Production ICG Historical (tons in millions)	Arch Pro Forma[1]
Powder River Basin	128		128
Western Bituminous	16		16
Illinois		2	2
Central Appalachia	12	9	21
Northern Appalachia		4	4
Total	156	16	172

(1) The Arch Coal pro forma data has been calculated by adding the Arch Coal historical data and the ICG historical data.

Pro Forma Reserve Base

5.5 Billion Ton Reserve Base (pro forma reserves at December 31, 2010)

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Strategic Rationale

We believe that the acquisition offers numerous strategic benefits, including:

Creating a Leading Global Metallurgical Coal Producer. On a pro forma basis, we expect the combined company to be the second largest U.S. metallurgical coal producer based on 2010 production and 2011 production guidance and a top 10 global metallurgical coal producer based on 2010 production. The merger increases our product diversity and provides significant blending opportunities between ICG s low-volatile and rank A high-volatile metallurgical coals and Arch s existing rank B high-volatile metallurgical products.

Strengthening Our Growth Profile. The combined company will have the industry s second largest U.S. reserve position, with 5.5 billion tons, providing significant opportunities for future coal volume growth. In particular, the combined company s existing and planned development projects are expected to increase annual metallurgical coal production capacity to approximately 14 million tons by 2015, while creating opportunities for further expansion thereafter.

Increasing Our Presence in Global Seaborne Thermal and Metallurgical Coal Markets. We expect to expand our participation in global markets via the offering of a greatly expanded metallurgical and steam coal product slate, and through the increased utilization of our extensive transportation and logistics network.

Creating One of the Industry s Most Balanced Operating Portfolios. The acquisition extends our geographic diversity, greatly strengthening our position in Central Appalachia while creating the only U.S. coal producer with assets in every major U.S. coal supply basin.

Driving Significant Synergies. We expect to generate annual synergies of $70-$80 million beginning in 2012 across a wide range of marketing, operational and administrative activities and functions.

We believe that these strategic benefits enhance our scale, competitive profile, and ability to respond to economic, regulatory, legislative and other developments that affect the coal industry in general and our combined business in particular.

Business Strategy

Our objective is to increase shareholder value through sustained earnings growth and free cash flow generation. Our key strategies to achieve this objective are described below:

Increasing Metallurgical Coal Production. We expect 2011 pro forma metallurgical coal sales to reach approximately 11 million tons. Over the next four years, we anticipate metallurgical coal production capacity to increase to approximately 14 million tons by 2015 from the combined operations primarily from ICG s growth asset in Tygart Valley. The Tygart Valley #1 mine is currently scheduled to begin development production in late 2011. At full output, currently projected for early 2014, Tygart Valley #1 is designed to have 3.5 million tons of capacity per year of high quality coal that is well suited to both the high-volatile metallurgical market and the steam market.

Establishing a Preeminent Position in All Major U.S. Coal Producing Basins. We maintain one of the industry s most geographically balanced operating portfolios and upon completion of the merger we expect to be the only U.S. coal producer with assets in every major U.S. coal producing basin. In particular, we believe that ICG s Central and Northern Appalachian assets, in conjunction with our existing Central Appalachian operations, provide a strong growth platform in the high quality thermal and metallurgical coal market. We

expect that the acquisition, which will add approximately 1.1 billion tons of proven and probable reserves, will create attractive new opportunities and increase our flexibility in evaluating potential future growth opportunities.

Expanding Our Product Offerings. By operating and owning reserves in all major U.S. coal producing regions, we will be able to source and blend coal from multiple mines to meet the needs of our domestic and international customers. For example, blending ICG s low-volatile and rank A high-volatile metallurgical coals with our existing rank B high-volatile metallurgical products will allow us to create new synthetic mid-volatile metallurgical coals that command a premium in the global market. We anticipate that marketing synergies, including these expanded blending opportunities, will allow us to generate approximately an additional $27 million annually as a result of increased sales prices. Additionally, we believe the robust product offerings of the combined company will enhance our value proposition to customers, which will allow us to grow our customer base and customer loyalty.

Continuing to Position Our Business to Take Advantage of Favorable Long-Term Trends for Global Coal Consumption and Associated Export of Domestic Coal Production. We expect that international demand for U.S. coal will increase in the future, driven by favorable projected global growth trends and the high quality of U.S. coal compared to many other producing regions around the world. We have actively strengthened our logistical positioning through our recent investment in the development of port capacity at Millennium Bulk Terminal and our throughput agreement with Ridley Terminals in Canada.

Upholding Our Commitment to Excellence in Safety and Environmental Stewardship. In 2010 we were honored with a national Sentinels of Safety certificate from the U.S. Department of Labor and eight state awards for outstanding safety practices. We intend to maintain our recognized leadership in operating some of the safest mines in the United States and in achieving environmental excellence. We intend to integrate ICG s already strong safety and environmental processes with our own. Our ability to minimize workplace incidents and environmental violations improves our operating efficiency, which directly improves our cost structure and financial performance.

Competitive Strengths

Second Largest Publicly Traded Coal Producer in U.S. The combined company will represent the second largest publicly traded coal producer in the U.S. based on pro forma 2010 sales of approximately 179 million tons. As of December 31, 2010, on a pro forma basis giving effect to the merger, we would have had approximately 5.5 billion tons of coal reserves. We will also represent the second largest producer of domestic metallurgical coal based on our combined pro forma 2010 production and 2011 production guidance.

Diversity of Production and Reserves with Operations in Every Major U.S. Coal Basin. Upon completion of the merger, we will be a leading producer in each of the five major coal producing regions in the United States, which provides important geographical diversity in terms of markets, transportation and labor. Our combined company will operate or contract out the operation of 46 mines, which we believe gives us substantial operational flexibility and makes us less reliant on any single mine for a significant portion of our earnings or cash flow. We believe the diversity of our operations and reserves also provides us with a significant advantage over those competitors with operations located primarily in a single coal producing region, as it allows us to source coal from multiple operations to meet the needs of our customers. In addition, we believe our operations are well positioned to take advantage of the growing global seaborne coal markets in Asia, Europe and South America.

Low Cost Producer. We seek to maintain our operational excellence with an emphasis on investing selectively in new equipment and advanced technologies. We will continue to focus on profitability and efficiency by leveraging our significant economies of scale, large fleet of mining equipment, information technology and logistics systems and coordinated purchasing and land management functions. In addition, we intend to

continue to focus on productivity through our culture of workforce involvement by leveraging our strong base of experienced, well-trained employees.

Significant Leverage to Coal Prices Given Uncommitted Position. As of March 31, 2011, the combined company would have had 85 million tons committed and priced for 2012 delivery. Based on planned pro forma 2011 sales volumes, the 2012 committed and priced volume would represent 49% of total company sales for 2012. We believe our uncommitted position provides us with substantial leverage in a stronger coal

price environment and allows us to take advantage of the growing seaborne coal markets. In addition, we believe we are well-positioned to increase our export volumes through strategic infrastructure investments that guarantee us throughput, such as our 22% partnership interest in Dominion Terminal located in Newport News, Virginia, our 38% ownership interest in the Millennium Bulk Terminals located near Longview, Washington and our agreement with Ridley Terminals in Canada.

Low Amount of Legacy Liabilities. Compared to other publicly traded U.S. coal producers, we believe we have among the lowest legacy liabilities. As of December 31, 2010, we had pro forma total legacy liabilities of $640 million (including accrued workers compensation, pension, post-retirement medical and reclamation liabilities). Approximately two-thirds of our pro forma legacy liabilities relate to reclamation liabilities, which we consider an ordinary course liability. In addition, substantially all of our workforce is non-unionized, which minimizes employee-related liabilities commonly associated with union-represented mines.

Experienced and Skilled Management Team. Our top nine senior officers have an average of more than 25 years of industry experience. Our management team has demonstrated a history of increasing productivity, effectively managing mining costs, maintaining strong customer relationships, enhancing work safety practices, and improving environmental compliance. In addition, our management team has demonstrated its ability to successfully integrate large acquisitions in the past such as our North Rochelle and Jacobs Ranch acquisitions.

The Transactions

Acquisition of ICG

Merger Agreement

On May 2, 2011, Arch Coal, Atlas Acquisition Corp., a wholly-owned subsidiary of Arch Coal (Merger Sub), and ICG entered into a definitive Agreement and Plan of Merger (as amended on May 26, 2011, the Merger Agreement), pursuant to which Arch Coal, through Merger Sub, agreed to commence a tender offer to acquire all of the outstanding shares of ICG s common stock, par value $0.01 per share (the ICG Shares), for $14.60 per share in cash, without interest (the Offer Price). The tender offer was commenced on May 16, 2011 and is scheduled to expire on June 14, 2011, unless extended.

Completion of the tender offer is subject to several conditions, including:

a majority of the ICG Shares outstanding (generally determined on a fully diluted basis) must be validly tendered and not validly withdrawn prior to the expiration of the tender offer;

the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (HSR);

the absence of a material adverse effect on ICG; and

certain other customary conditions.

The tender offer is not subject to a financing condition and this common stock offering is not conditioned on the tender offer, the completion of the New Senior Notes offering (as discussed below) or the consummation of the proposed acquisition of ICG.

The Merger Agreement also provides that following consummation of the tender offer and satisfaction of certain customary conditions, Merger Sub will be merged with and into ICG, with ICG surviving as a wholly-owned subsidiary of Arch Coal. Upon completion of the merger, each ICG Share outstanding immediately prior to the effective time of the merger (excluding those ICG Shares that are held by (1) Arch Coal, Merger Sub, ICG or their respective subsidiaries and (2) stockholders of ICG who properly exercised their appraisal rights under the Delaware General Corporation Law) will be converted into the right to receive the Offer Price.

If Merger Sub holds 90% or more of the outstanding ICG Shares following the completion of the tender offer (the Short-Form Threshold), the parties will effect the merger as a short-form merger without the need for approval by ICG s stockholders. In addition, subject to the terms of the Merger Agreement and applicable law, ICG has granted Merger Sub an irrevocable option, exercisable after completion of the tender offer and Arch Coal s purchase of a majority of the ICG Shares, to purchase additional ICG Shares from ICG as necessary so that Arch Coal, Merger Sub or their subsidiaries own one ICG Share more than the Short-Form Threshold. If for whatever reason Merger Sub does not attain the Short-Form Threshold, ICG will hold a special stockholders meeting to obtain stockholder approval of the merger. In this event, ICG will call and convene a stockholders meeting to obtain such approval, and Merger Sub will vote all ICG Shares it acquires pursuant to the tender offer in favor of the adoption of the Merger Agreement, thereby assuring approval.

The Merger Agreement can be terminated by Arch Coal or ICG under certain circumstances, and ICG will be required to pay Arch Coal a termination fee of $105.0 million in connection with certain termination events.

Tender and Voting Agreements

In connection with the parties entry into the Merger Agreement, (1) certain affiliates of WL Ross & Co. LLC who collectively own approximately 6% of the outstanding stock of ICG have entered into a tender and voting agreement with Arch Coal and Merger Sub and (2) certain affiliates of Fairfax Financial Holdings Limited who collectively own approximately 11% of the outstanding stock of ICG have entered into a tender and voting agreement with Arch and Merger Sub pursuant to which they have agreed to, among other things, tender their shares of ICG s common stock into the tender offer and vote their shares of ICG s common stock in favor of adopting the Merger Agreement, if applicable.

Financing Transactions

Concurrent Arch Coal Notes Offering. Concurrently with this offering of common stock, we are separately offering $2,000.0 million aggregate principal amount of senior notes due 2019 and senior notes due 2021, which we collectively refer to as the New Senior Notes, in accordance with Rule 144A under the Securities Act of 1933, as amended (the Securities Act). All of our subsidiaries that guarantee indebtedness under our existing senior secured credit facility will be guarantors of the New Senior Notes on a senior basis. Neither the completion of the New Senior Notes offering nor the completion of this offering is contingent on the completion of the other; however, the completion of the New Senior Notes offering is contingent on the concurrent consummation of the proposed acquisition of ICG. We anticipate closing this offering of common stock prior to closing our concurrent offering of New Senior Notes. We plan to use the net proceeds from the New Senior Notes offering, together with the net proceeds of this offering as described under Use of Proceeds. We estimate that the net proceeds of the New Senior Notes offering, after deducting the initial purchasers discounts and estimated fees and expenses, will be approximately $1,958.2 million.

The concurrent offering of New Senior Notes will not be registered under the Securities Act, or the securities laws of any other jurisdiction, and the New Senior Notes may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. The New Senior Notes will be offered only to qualified institutional buyers in the United States pursuant to Rule 144A under the Securities Act and outside the United States pursuant to Regulation S under the Securities Act. This description and other information in this prospectus supplement regarding our concurrent offering of New Senior Notes is included in this prospectus supplement solely for informational purposes. Nothing in this prospectus supplement should be construed as an offer to sell, or the solicitation of an offer to buy, any New Senior Notes.

Amended and Restated Senior Secured Credit Facility. In connection with the closing of the merger, we expect to enter into an amended and restated senior secured credit facility on substantially similar terms as the existing senior secured credit facility which will increase commitments available under the facility from $860.0 million to $1.75 billion.

Redemption, Conversion or Other Retirement of ICG Indebtedness. In connection with the merger, we expect to redeem, pay cash in connection with the conversion of, or otherwise retire certain outstanding ICG indebtedness, including:

$200.0 million aggregate principal amount of ICG s 9.125% senior secured second-priority notes due 2018;

$115.0 million aggregate principal amount of ICG s 4.00% convertible senior notes due 2017;

$0.7 million aggregate principal amount of ICG s 9.00% convertible senior notes due 2012; and

$50.1 million aggregate principal amount of other ICG indebtedness, including equipment notes and capital leases.

Total cash required to complete the merger and the financing transactions is estimated to be $3.8 billion, which includes $238.3 million in debt premiums and approximately $193.6 million of fees and expenses (including $79.8 million of merger expenses but excluding accrued and unpaid interest which must be paid to debtholders on the applicable redemption dates). These cash requirements are expected to be financed with proceeds from the common stock offered hereby, proceeds from the concurrent Arch Coal New Senior Notes offering and borrowings under our amended and restated senior secured credit facility. In addition, the existing ICG asset-based loan facility (the ABL loan facility) will be terminated in connection with the financing transactions.

Sources and Uses

We will receive net proceeds from the common stock offering of approximately $1,249.8 million after deducting underwriters discounts and estimated fees and expenses (assuming no exercise by the underwriters of their over-allotment option). If the underwriters exercise their over-allotment option in full, we estimate that the net proceeds of this offering will be approximately $1,437.4 million, after deducting underwriters discounts and estimated fees and expenses. Concurrently with this offering of common stock, we are separately offering $2,000.0 million aggregate principal amount of New Senior Notes. We intend to use the net proceeds of this offering and our concurrent offering of New Senior Notes, together with borrowings under our amended and restated senior secured credit facility, to fund the transactions and to pay fees and expenses in connection with the transactions.

The following table illustrates the estimated sources of funds and uses of funds relating to the transactions, as if the transactions were completed on March 31, 2011. The actual amounts may differ at the time of the consummation of the transactions.

Sources of Funds	**Amount (in millions)**	**Uses of Funds**	**Amount (in millions)**
Common Stock offered hereby	$ 1,296.0	Tender offer for ICG equity[2]	$ 3,044.6
Concurrent New Senior Notes offering	2,000.0	Redeem ICG 9.125% senior secured second-priority notes due 2018[3]	256.9
Amended and restated senior secured credit facility[1]	551.6	Cash conversion of ICG 4.00% convertible senior notes due 2017[4]	300.7
		Cash conversion of ICG 9.00% convertible senior notes due 2012[5]	1.7
		Repay other ICG debt[6]	50.1
		Estimated fees and expenses[7]	193.6

Total sources	$	3,847.6	Total uses	$	3,847.6

(1) In connection with the closing of the merger, we expect to enter into an amended and restated senior secured credit facility on substantially similar terms as the existing senior secured credit facility which will increase commitments available under the facility from $860.0 million to $1.75 billion. Any shortfall from the proceeds of the shares offered hereby or the concurrent New Senior Notes offering will be financed with borrowings under our amended and restated senior secured credit facility.

(footnotes continued on next page)

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(2) Assumes all outstanding shares of common stock are validly tendered and acquired by Merger Sub in the tender offer.
(3) Assumes all of the 9.125% senior secured second-priority notes are redeemed at a price equal to 100% of the principal amount plus an applicable make-whole premium of $51.6 million and accrued and unpaid interest to the redemption date.
(4) Assumes holders elect to convert all of the 4.00% convertible senior notes due 2017 for cash after the closing of the merger at an increased conversion rate applicable as a result of the merger.
(5) Assumes holders elect to convert all of the 9.00% convertible senior notes due 2012 for cash after the closing of the merger at an increased conversion rate applicable as a result of the merger.
(6) Consists of other ICG indebtedness, including equipment notes and capital leases.
(7) Consists of estimated fees and expenses related to the transactions, including legal, accounting and advisory fees, fees associated with the financing transactions and other transaction costs.

Additional Information

We were organized in Delaware in 1969. Our principal executive offices are located at One CityPlace Drive, Suite 300, St. Louis, Missouri 63141, and our telephone number at that address is (314) 994-2700. Our website address is www.archcoal.com. The information on or accessible through our website is not part of this prospectus supplement or the accompanying prospectus and should not be relied upon in connection with making any investment decision with respect to the securities offered by this prospectus supplement and the accompanying prospectus.

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THE OFFERING

The following is a brief summary of some of the terms of this offering and is not intended to be complete. For a more complete description of our common stock, please refer to Description of Common Stock in this prospectus supplement and Description of Capital Stock Common Stock in the accompanying prospectus.

Issuer	Arch Coal, Inc.
Shares of our common stock offered	48,000,000 shares(1)
Option to purchase additional shares	We have granted the underwriters an option exercisable for a period of 30 days from the date of this prospectus supplement to purchase up to an additional 7,200,000 shares of our common stock at the public offering price, less the underwriting discount, to cover over-allotments, if any.
Common stock to be outstanding after this offering	210,834,773 shares(2)
Use of proceeds	We will receive net proceeds from this offering of approximately $1,249.8 million (or approximately $1,437.4 million if the underwriters over-allotment option is exercised in full), after deducting underwriting discounts and estimated fees and expenses. We expect to use the net proceeds of this offering, the concurrent New Senior Notes offering, together with borrowings under our amended and restated senior secured credit facility, to finance the cost of the transactions and pay related fees and expenses. If our acquisition of ICG is not completed, we intend to use the net proceeds from this offering for general corporate purposes, which may include the financing of future acquisitions, including lease-by-applications, or strategic combinations, capital expenditures, additions to working capital, repurchases, repayment or refinancing of debt or stock repurchases. See Use of Proceeds.
Risk factors	You should carefully consider the information set forth in the Risk Factors section of this prospectus supplement as well as all other information included in or incorporated by reference in this prospectus supplement and the accompanying prospectus before deciding whether to invest in our common stock.
NYSE symbol	ACI

(1) If the underwriters exercise their option to purchase such additional shares in full, the total number of shares of common stock offered will be 55,200,000.
(2) The number of shares of common stock that will be outstanding after this offering is based on the number of shares outstanding on May 27, 2011 and assumes no exercise of the underwriters over-allotment option. 162,834,773 shares of our common stock were outstanding at May 27, 2011. The number of issued shares of our common stock as of May 27, 2011 excludes an aggregate of approximately 5.2 million shares of our common stock issuable upon the exercise of stock options outstanding as of May 27, 2011 at a weighted average exercise price of $26.31 per share and an aggregate of approximately 27,000 shares of our common stock issuable upon vesting of certain restricted stock

units that we have issued to our executive officers.

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Summary Consolidated Historical Financial Data for Arch Coal

The historical statement of operations data, the cash flow data and the other data for the years ended December 31, 2010, 2009 and 2008, and the historical balance sheet data as of December 31, 2010 and 2009, presented below have been derived from Arch Coal s audited consolidated financial statements included and incorporated by reference into this prospectus supplement. The historical statement of operations data, the cash flow data and the other data for the three months ended March 31, 2011 and 2010, and the historical balance sheet data as of March 31, 2011 and 2010, have been derived from Arch Coal s unaudited condensed consolidated financial statements included and incorporated by reference into this prospectus supplement. In the opinion of Arch Coal s management, the interim financial information provided herein reflects all adjustments (consisting of normal and recurring adjustments) necessary for a fair statement of the data for the periods presented. Interim results are not necessarily indicative of the results to be expected for the entire fiscal year.

The historical results presented below are not necessarily indicative of results that you can expect for any future period. You should read this table in conjunction with the sections entitled Capitalization, Unaudited Pro Forma Condensed Combined Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations of Arch Coal and the consolidated financial statements of Arch Coal and the related notes included and incorporated by reference into this prospectus supplement.

	Year Ended December 31,			Three Months Ended March 31,	
	2010[2][3]	2009[4]	2008	2011	2010
	(in millions, except per share data)			(unaudited)	
Statement of Operations Data[1]:					
Coal sales revenue	$ 3,186.3	$ 2,576.1	$ 2,983.8	$ 872.9	$ 711.9
Cost of coal sales	2,395.8	2,070.7	2,183.9	653.7	550.8
Depreciation, depletion and amortization, including amortization of acquired sales contracts, net	400.7	321.2	292.8	89.5	99.3
Selling, general and administrative expenses	118.2	97.8	107.1	30.4	27.2
Change in fair value of coal derivatives and coal trading activities, net	8.9	(12.1)	(55.1)	(1.8)	5.9
Gain on Knight Hawk transaction	(41.6)				
Costs related to acquisition of Jacobs Ranch		13.8			
Other operating income, net	(19.7)	(39.0)	(6.3)	(1.1)	(3.4)
Income from operations	324.0	123.7	461.3	102.2	32.2
Interest expense, net	(140.1)	(98.3)	(64.3)	(33.8)	(34.7)
Other non-operating expenses, net	(6.8)				
Income (loss) before income taxes	177.1	25.4	397.0	68.4	(2.5)
(Provision for) benefit from income taxes	(17.7)	16.8	(41.8)	(12.5)	0.8
Income attributable to noncontrolling interest	(0.5)		(0.9)	(0.3)	(0.1)
	$ 158.9	$ 42.2	$ 354.3	$ 55.6	$ (1.8)

Net income (loss) attributable to Arch Coal, Inc.					
Balance Sheet Data (at end of period):					
Cash and cash equivalents	$ 93.6	$ 61.1	$ 70.6	$ 69.2	$ 50.4
Total assets	4,880.8	4,840.6	3,979.0	4,900.0	4,813.3
Working capital	207.6	55.1	46.6	313.2	138.8
Total debt	1,609.7	1,807.7	1,312.4	1,608.5	1,783.7
Other long-term obligations	566.7	544.6	482.7	572.9	567.2
Arch Coal, Inc. stockholders equity	2,237.5	2,115.1	1,728.7	2,291.6	2,105.1

	Year Ended December 31,			Three Months Ended March 31,	
	2010[2][3]	2009[4]	2008	2011	2010
	(in millions, except per share data)			(unaudited)	
Cash Flow Data:					
Cash provided by operating activities	$ 697.1	$ 383.0	$ 679.1	$ 86.1	$ 93.3
Capital expenditures	314.7	323.2	497.3	38.7	32.0
Common Stock Data:					
Weighted average shares outstanding:					
Basic	162.4	151.0	143.6	162.6	162.4
Diluted	163.2	151.3	144.4	163.8	162.4
Basic earnings (loss) per common share	$ 0.98	$ 0.28	$ 2.47	$ 0.34	$ (0.01)
Diluted earnings (loss) per common share	0.97	0.28	2.45	0.34	(0.01)
Other Financial Data:					
Adjusted EBITDA (unaudited)[5]	724.2	458.7	753.2	191.4	131.4
Other Data:					
Tons sold	162.8	126.1	139.6	36.6	37.8
Tons produced	156.3	119.6	133.1	36.6	38.2
Tons purchased from third parties	6.8	7.5	6.0	1.4	1.3

(1) Figures shown as totals in this table may not be the arithmetic aggregation of the figures that precede them due to rounding adjustments made to certain of the figures in this table.

(2) In the second quarter of 2010, we exchanged 68.4 million tons of coal reserves in the Illinois Basin for an additional 9% ownership interest in Knight Hawk Holdings, LLC (Knight Hawk), increasing our ownership to 42%. We recognized a pre-tax gain of $41.6 million on the transaction, representing the difference between the fair value and net book value of the coal reserves, adjusted for our retained ownership interest in the reserves through the investment in Knight Hawk.

(3) On August 9, 2010, we issued $500.0 million in aggregate principal amount of 71/4% senior unsecured notes due 2020 at par. We used the net proceeds from the offering and cash on hand to fund the redemption on September 8, 2010 of $500.0 million aggregate principal amount of our outstanding 63/4% senior notes due 2013 at a redemption price of 101.125%. We recognized a loss on the redemption of $6.8 million.

(4) On October 1, 2009, we purchased the Jacobs Ranch mining complex in the Powder River Basin from Rio Tinto Energy America for a purchase price of $768.8 million. To finance the acquisition, the Company sold 19.55 million shares of its common stock and $600.0 million in aggregate principal amount of senior unsecured notes. The net proceeds received from the issuance of common stock were $326.5 million and the net proceeds received from the issuance of the 83/4% senior unsecured notes were $570.3 million.

(5) Adjusted EBITDA is not a measure of financial performance in accordance with GAAP, and items excluded to calculate Adjusted EBITDA are significant in understanding and assessing our financial condition. Therefore, Adjusted EBITDA should not be considered in isolation nor as an alternative to net income, income from operations, cash flows from operations or as a measure of our profitability, liquidity or performance under GAAP. We believe that Adjusted EBITDA presents a useful measure of our ability to service and incur debt based on ongoing operations. Furthermore, analogous measures are used by industry analysts to evaluate operating performance. In addition, acquisition related expenses are excluded to make results more comparable between periods. Investors should be aware that our presentation of Adjusted EBITDA may not be comparable to similarly titled measures used by other companies.

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The table below shows how we calculate Adjusted EBITDA:

Adjusted EBITDA	Year Ended December 31, 2010	2009	2008	Three Months Ended March 31, 2011	2010
	(in millions)				
Net income (loss) attributable to Arch Coal, Inc.	$ 158.9	$ 42.2	$ 354.3	$ 55.6	$ (1.8)
Adjustments:					
Interest expense, net	140.1	98.3	64.3	33.8	34.7
Provision for (benefit from) income taxes	17.7	(16.8)	41.8	12.5	(0.8)
Depreciation, depletion and amortization, including amortization of sales contracts, net	400.7	321.2	292.8	89.5	99.3
Costs related to acquisition of Jacobs Ranch		13.8			
Other non-operating expenses	6.8				
Adjusted EBITDA	$ 724.2	$ 458.7	$ 753.2	$ 191.4	$ 131.4

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Summary Consolidated Historical Financial Data for ICG

The historical statement of operations data, the cash flow data and the other data for the years ended December 31, 2010, 2009 and 2008, and the historical balance sheet data as of December 31, 2010 and 2009, presented below have been derived from ICG s audited consolidated financial statements included and incorporated by reference into this prospectus supplement. The historical statement of operations data, the cash flow data and the other data for the three months ended March 31, 2011 and 2010, and the historical balance sheet data as of March 31, 2011 and 2010, have been derived from ICG s unaudited condensed consolidated financial statements included and incorporated by reference into this prospectus supplement. In the opinion of ICG s management, the interim financial information provided herein reflects all adjustments (consisting of normal and recurring adjustments) necessary for a fair statement of the data for the periods presented. Interim results are not necessarily indicative of the results to be expected for the entire fiscal year.

The historical results presented below are not necessarily indicative of results that you can expect for any future period. You should read this table in conjunction with the sections entitled Capitalization, Unaudited Pro Forma Condensed Combined Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations of ICG and the consolidated financial statements of ICG and the related notes included and incorporated by reference into this prospectus supplement.

	Year Ended December 31,			Three Months Ended March 31,	
	2010	2009	2008	2011	2010
	(in millions, except per share data)			(unaudited)	
Statement of Operations Data:					
Revenues:					
Coal sales revenues	$ 1,078.2	$ 1,006.6	$ 998.2	$ 283.7	$ 270.5
Freight and handling revenues	35.4	26.3	45.2	7.2	9.4
Other revenues	52.8	92.4	53.3	11.1	8.7
Total revenues	1,166.4	1,125.3	1,096.7	302.0	288.6
Costs and Expenses:					
Cost of coal sales	850.3	832.2	883.0	218.0	220.1
Freight and handling costs	35.4	26.3	45.2	7.2	9.4
Cost of other revenues	48.3	36.1	35.7	7.3	7.2
Depreciation, depletion and amortization	104.6	106.1	96.0	25.6	26.4
Selling, general and administrative	35.6	32.7	38.1	51.2	8.6
Gain on sale of assets	(4.2)	(3.6)	(32.5)	(6.7)	(3.5)
Impairment losses			37.4		
Total costs and expenses	1,070.0	1,029.8	1,102.9	302.6	268.2
Income (loss) from operations	96.4	95.5	(6.2)	(0.6)	20.4
Interest and other income (expense):					
Loss on extinguishment of debt	(29.4)	(13.3)			(22.0)
Interest expense net	(40.7)	(53.0)	(43.6)	(8.1)	(13.3)
Other, net					

Total interest and other income (expense)	(70.1)	(66.3)	(43.6)	(8.1)	(35.3)
Income (loss) before income taxes	26.3	29.2	(49.8)	(8.7)	(14.8)
Income tax benefit (expense)	3.8	(7.7)	23.6	2.4	6.0
Net income (loss)	30.1	21.5	(26.2)	(6.3)	(8.9)
Net (income) loss attributable to noncontrolling interest					
Net income (loss) attributable to International Coal Group, Inc.	$ 30.1	$ 21.5	$ (26.2)	$ (6.3)	$ (8.9)

	Year Ended December 31,			Three Months Ended March 31,	
	2010	2009	2008	2011	2010
	(in millions, except per share data)			(unaudited)	
Balance Sheet Data (at period end):					
Cash and cash equivalents	$ 215.3	$ 92.6	$ 63.9	$ 186.6	$ 301.7
Total assets	1,479.7	1,368.0	1,350.6	1,495.0	1,584.6
Long-term debt and capital leases	326.4	384.3	432.9	332.0	471.9
Total liabilities	725.4	758.8	841.5	745.7	834.3
Total stockholders equity	754.3	609.2	509.1	749.3	750.3
Total liabilities and stockholders equity	1,479.7	1,368.0	1,350.6	1,495.0	1,584.6
Statement of Cash Flows Data:					
Net cash from:					
Operating activities	$ 187.4	$ 115.8	$ 78.7	$ 7.9	$ 5.4
Investing activities	(89.3)	(73.2)	(124.0)	(30.5)	(10.8)
Financing activities	24.5	(13.9)	2.1	(6.1)	214.4
Capital expenditures	102.9	66.3	132.8	31.1	20.6
Common Stock Data:					
Weighted average shares outstanding:					
Basic	197.3	153.6	152.6	202.6	181.3
Diluted	205.2	155.3	152.6	202.6	181.3
Basic earnings (loss) per common share	$ 0.15	$ 0.14	$ (0.17)	$ (0.03)	$ (0.05)
Diluted earnings (loss) per common share	0.15	0.14	(0.17)	(0.03)	(0.05)
Other Financial Data					
Adjusted EBITDA[1]	$ 201.0	$ 201.6	$ 127.2	$ 65.0	$ 46.8
Other Data:					
Tons sold	16.3	16.8	18.9	3.9	4.3
Tons produced	15.5	16.3	17.8	4.0	3.9
Tons purchased from third parties	0.5	1.0	1.2		0.1

(1) Adjusted EBITDA is a non-GAAP financial measure used by ICG management to gauge operating performance. ICG defines Adjusted EBITDA as net income or loss attributable to ICG before deducting interest, income taxes, depreciation, depletion and amortization, loss on extinguishment of debt, certain legal reserves, impairment charges and noncontrolling interest. Adjusted EBITDA is not, and should not be used as, a substitute for operating income, net income and cash flow as determined in accordance with GAAP. ICG presents Adjusted EBITDA because its management considers it an important supplemental measure of ICG s performance and believes it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in ICG s industry, substantially all of which present EBITDA or Adjusted EBITDA when reporting their results. ICG also uses Adjusted EBITDA as its executive compensation plan bases incentive compensation payments on ICG s Adjusted EBITDA performance measured against budgets. ICG s ABL loan facility uses Adjusted EBITDA (with additional adjustments) to measure ICG s compliance with covenants, such as fixed charge coverage. EBITDA or Adjusted EBITDA is also widely used by ICG and others in the industry to evaluate and price potential acquisition candidates. Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of ICG s results as reported under GAAP. Some of these limitations are that Adjusted EBITDA does not reflect all of ICG s cash expenditures or any of ICG s future requirements for capital expenditures or contractual commitments; changes in, or cash requirements

for, our working capital needs; or interest expense, or the cash requirements necessary to service interest or principal payments, on ICG s debt. Although depreciation, depletion and amortization are non-cash charges, the assets being depreciated, depleted and amortized will often have to be replaced in the future. Adjusted EBITDA does not reflect any cash requirements for such replacements. Other companies in the industry may calculate EBITDA or Adjusted EBITDA differently than ICG does, limiting its usefulness as a comparative measure.

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The table below shows how we calculated Adjusted EBITDA.

	Year Ended December 31,			Three Months Ended March 31,	
	2010	2009	2008	2011	2010
			(in millions)		
Net income (loss) attributable to ICG	$ 30.1	$ 21.5	$ (26.2)	$ (6.3)	$ (8.9)
Adjustments:					
Depreciation, depletion and amortization	104.6	106.1	96.0	25.6	26.4
Interest expense, net	40.7	53.0	43.6	8.1	13.3
Income tax (benefit) expense	(3.8)	7.7	(23.6)	(2.4)	(6.0)
Legal reserve for Allegheny lawsuit				40.0	
Impairment losses			37.4		
Loss on extinguishment of debt	29.4	13.3			22.0
Noncontrolling interest					
Adjusted EBITDA	$ 201.0	$ 201.6	$ 127.2	$ 65.0	$ 46.8

Summary Unaudited Pro Forma Condensed Combined Financial Information

The following unaudited pro forma condensed combined financial information is based on the historical financial information of Arch Coal and ICG included and incorporated by reference into this prospectus supplement and has been prepared to reflect the proposed merger of Merger Sub with and into ICG and the related financing transactions. The pro forma data in the unaudited pro forma condensed combined balance sheet as of March 31, 2011 assume that the proposed merger of Merger Sub with and into ICG was completed on that date. The data in the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2010 and the three months ended March 31, 2011 assume the proposed merger was completed at the beginning of each period.

The unaudited pro forma condensed combined financial information should be read in conjunction with the Unaudited Pro Forma Condensed Combined Financial Information, including the notes thereto, beginning on page S-63 and the historical financial statements and related notes thereto of Arch Coal and ICG.

The unaudited pro forma condensed combined financial information has been prepared for illustrative purposes only and is not necessarily indicative of the financial position or results of operations of Arch Coal had the transactions actually occurred on the dates assumed in the unaudited pro forma condensed combined financial statements. See The Transactions.

The proposed merger of Merger Sub with and into ICG will be accounted for under the acquisition method of accounting under U.S. GAAP whereby the total purchase price is allocated to the assets acquired and liabilities assumed based on their respective fair values at the acquisition date. The cash purchase price will be determined based on the number of common shares of ICG tendered plus the fair value of liabilities incurred in conjunction with the merger. The estimated purchase price for this unaudited pro forma condensed combined financial information assumes that all shares of ICG common stock outstanding on March 31, 2011 were tendered. At this time, Arch Coal has not performed detailed valuation analyses to determine the fair values of ICG s assets and liabilities; and accordingly, the unaudited pro forma condensed combined financial information includes a preliminary allocation of the purchase price based on assumptions and estimates which, while considered reasonable under the circumstances, are subject to changes, which may be material. Additionally, Arch Coal has not yet performed all of the due diligence necessary to identify items that could significantly impact the purchase price allocation or the assumptions and adjustments made in preparation of this unaudited pro forma condensed combined financial information. Upon determination of the fair value of assets acquired and liabilities assumed, there may be additional increases or decreases to the recorded book values of ICG s assets and liabilities, including, but not limited to, mineral reserves, property, plant and equipment, asset retirement obligations, coal supply agreements, commitments and contingencies and other intangible assets that will give rise to future amounts of depletion, depreciation and amortization expenses or credits that are not reflected in the information contained in this unaudited pro forma condensed combined financial information. Accordingly, once the necessary due diligence has been performed, the final purchase price has been determined and the purchase price allocation has been completed, actual results may differ materially from the information presented in this unaudited pro forma condensed combined financial information.

Certain amounts in ICG s historical balance sheets and statements of income have been conformed to Arch Coal s presentation.

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	Year Ended December 31, 2010	Three Months Ended March 31, 2011
	(In millions, except per share data)	
Pro Forma Condensed Combined Income Statement Data:		
Total revenues	$ 4,299.9	$ 1,163.8
Cost of coal sales	3,281.6	878.8
Depreciation, depletion and amortization	510.6	122.2
Amortization of acquired sales contracts, net	21.5	2.4
Selling, general and administrative expenses	153.7	81.6
Change in fair value of coal derivatives and coal trading activities, net	8.9	(1.8)
Gain on Knight Hawk transaction	(41.6)	
Other operating income, net	(28.5)	(11.6)
	3,906.2	1,071.6
Income from operations	393.7	92.2
Interest expense, net:	(304.9)	(75.0)
Other non-operating expense		
Loss on early extinguishment of debt	(36.2)	
Income (loss) before income taxes	52.6	17.2
Provision for (benefit from) income taxes	(42.6)	(5.8)
Net income	$ 95.2	$ 23.0
Less: Net income attributable to noncontrolling interest	(0.5)	(0.3)
Net income attributable to Arch Coal, Inc.	$ 94.7	$ 22.7
Earnings per common share		
Basic earnings per common share	$ 0.46	$ 0.11
Diluted earnings per common share	$ 0.46	$ 0.11
Adjusted EBITDA [1]	$ 925.2	$ 256.5

	As of March 31, 2011 (In millions)
Pro Forma Condensed Combined Balance Sheet Data:	
Total assets	$ 10,431.5
Total liabilities and redeemable noncontrolling interest	$ 6,978.7

Total stockholders equity	$	3,452.7

(1) Adjusted EBITDA is defined as net income attributable to the combined company before the effect of net interest expense, income taxes, depreciation, depletion and amortization and the amortization of acquired sales contracts. Adjusted EBITDA may also be adjusted for items that may not reflect the trend of future results.

Adjusted EBITDA is not a measure of financial performance in accordance with generally accepted accounting principles, and items excluded to calculate Adjusted EBITDA are significant in understanding and assessing our financial condition. Therefore, Adjusted EBITDA should not be considered in isolation nor as an alternative to net income, income from operations, cash flows from operations or as a measure of our profitability, liquidity or performance under generally accepted accounting principles. We believe that Adjusted EBITDA presents a useful measure of our ability to service and incur debt

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based on ongoing operations. Furthermore, analogous measures are used by industry analysts to evaluate operating performance. In addition, acquisition related expenses are excluded to make results more comparable between periods. Investors should be aware that our presentation of Adjusted EBITDA may not be comparable to similarly titled measures used by other companies. The table below shows how we calculate Adjusted EBITDA.

	Year Ended December 31, 2010	Three Months Ended March 31, 2011
	(In millions)	
Net income	$ 94.7	$ 22.7
Income tax expense (benefit)	(42.6)	(5.8)
Interest expense, net	304.9	75.0
Depreciation, depletion and amortization	510.6	122.2
Legal reserve for ICG s Allegheny lawsuit		40.0
Amortization of acquired sales contracts, net	21.5	2.4
Other non-operating expense	36.2	
Adjusted EBITDA[a]	$ 925.2	$ 256.5

(a) Figures shown as totals in this table may not be the arithmetic aggregation of the figures that precede them due to rounding adjustments made to certain of the figures in the table.

Other Pro Forma Data

The following table presents certain Arch Coal pro forma operating data, calculated by adding the Arch Coal historical operating data and the ICG historical operating data.

	Year Ended December 31, 2010	Three Months Ended March 31, 2011
	(In millions of tons)	
Pro Forma Operating Data:		
Tons sold	179.1	40.5
Tons produced	171.8	40.6
Tons purchased from third parties	7.3	1.4

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RISK FACTORS

An investment in our common stock involves certain risks. You should carefully consider the risks described below, as well as the Risk Factors contained in our Annual Report on Form 10-K for our fiscal year ended December 31, 2010, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 and the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus before making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The market or trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. In addition, please read Forward-Looking Statements in this prospectus supplement and the accompanying prospectus where we describe additional uncertainties associated with our business and the forward-looking statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus. In addition, you should consider that the risks related to each of the businesses of Arch Coal and ICG may also affect the operations and financial results reported by the combined company. The risks and uncertainties described below and in the incorporated documents are not the only risks and uncertainties that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of those risks actually occurs, our business, financial condition and results of operations would suffer.

Risks Related to the Offering

This offering is expected to be dilutive, and there may be future dilution of our common stock.

Except as described under the heading Underwriting, we are not restricted from issuing additional shares of our common stock, including securities that are convertible into or exchangeable for, or that represent the right to receive shares of our common stock. In this offering, we expect to issue 48,000,000 shares of common stock (or 55,200,000 shares of common stock if the underwriters exercise their over-allotment option in full). Giving effect to the issuance of common stock in this offering, the receipt of the expected net proceeds and the use of those net proceeds as described under Use of Proceeds, we expect that this offering will have a dilutive effect on our expected earnings per share for the year ending December 31, 2011 and possibly future years. The actual amount of such dilution cannot be determined at this time and will be based on numerous factors.

The market price of our common stock may be volatile, which could cause the value of your investment to decline.

Any of the following factors could affect the market price of our common stock:

- general market, political and economic conditions;
- changes in earnings estimates and recommendations by financial analysts;
- our failure to meet financial analysts performance expectations; and
- changes in market valuations of other coal companies.

In addition, many of the risks that are described elsewhere in this Risk Factors section and under Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 (which are incorporated by reference into this prospectus supplement and the accompanying prospectus) could materially and adversely affect our stock price. Stock markets recently have

experienced price and volume volatility that has affected many companies stock prices. Stock prices for many companies recently have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these may affect the market price of our common stock materially.

Other companies may have difficulty acquiring us due to provisions in our certificate of incorporation and bylaws.

Provisions in our certificate of incorporation and our bylaws could make it more difficult for other companies to acquire us, even if that acquisition would benefit our stockholders. Our certificate of incorporation and bylaws contain the following provisions, among others, which may inhibit an acquisition of our company by a third party:

- our board of directors is classified into three classes;
- subject to the rights of holders of our preferred stock, if any, the affirmative vote of the holders of not less than two-thirds of the shares of common stock voting thereon is required in order to:
  - adopt an agreement or plan of merger or consolidation;
  - authorize the sale, lease or exchange of all or substantially all of our property or assets; or
  - authorize the disposition of Arch Coal or the distribution of all or substantially all of our assets to our stockholders;
- subject to the rights of holders of our preferred stock, if any, certain provisions of the restated certificate may be amended only by the affirmative vote of the holders of at least two-thirds of the shares of common stock voting on the proposed amendment;
- subject to the rights of holders of our preferred stock, if any, all actions required to be taken or which may be taken at any annual or special meeting of our stockholders must be taken at a duly called annual or special meeting of stockholders and cannot be taken by a consent in writing without a meeting; and
- special meetings of the stockholders may be called at any time by our board of directors and may not be called by any other person or persons or in any other manner.

Any of these restrictions could have the effect of delaying or preventing a change of control of us.

Risks Related to the Combined Company and the Merger

If completed, the merger may not achieve its intended results, and Arch Coal and ICG may be unable to successfully integrate their operations.

Arch Coal and ICG entered into the Merger Agreement with the expectation that the merger will result in various benefits or synergies, including, among other things, cost savings and operating efficiencies. Achieving the anticipated benefits of the merger is subject to a number of uncertainties, including whether the businesses of Arch Coal and ICG can be integrated in an efficient and effective manner. In addition, the combined company may experience unanticipated issues, expenses and liabilities.

It is possible that the integration process could take longer than anticipated or cost more than anticipated and could result in the loss of valuable employees, the disruption of each company s ongoing businesses, processes and systems or inconsistencies in standards, controls, procedures, practices, policies and compensation arrangements, any of which could adversely affect our ability to achieve the anticipated benefits and synergies of the merger. Our results of operations could also be adversely affected by any issues attributable to either company s operations that arise or are based on events or actions that occur prior to the closing of the merger. The companies may have difficulty addressing possible differences in corporate cultures and management philosophies. The integration process is subject to a

number of uncertainties, and no assurance can be given that the anticipated benefits will be realized or, if realized, the timing or cost of their realization. Failure to achieve these anticipated benefits could result in increased costs or decreases in the amount of expected revenues and could adversely affect our future business, financial condition, operating results and prospects, and may cause the combined company s stock price to decline.

Arch Coal and ICG will be subject to various uncertainties and ICG will be subject to certain contractual restrictions while the merger is pending that could adversely affect their respective financial results and the financial results of the combined company.

Uncertainty about the effect of the merger on employees, suppliers and customers may have an adverse effect on Arch Coal and/or ICG. These uncertainties may impair Arch Coal s and/or ICG s ability to attract, retain and motivate key personnel until the merger is completed and for a period of time thereafter, and could cause customers, suppliers and others who deal with Arch Coal or ICG to seek to change their existing business relationships with Arch Coal or ICG. Employee retention and recruitment may be particularly challenging prior to completion of the merger, as employees and prospective employees may experience uncertainty about their future roles with the combined company.

The pursuit of the merger and the preparation for the integration may place a significant burden on management and internal resources. Any significant diversion of management attention away from ongoing business and new business opportunities and any difficulties encountered in the transition and integration process could affect Arch Coal s and/or ICG s financial results.

In addition, the Merger Agreement restricts ICG, without Arch Coal s consent, from making certain acquisitions and dispositions and taking other specified actions while the merger is pending. These restrictions may prevent ICG from pursuing attractive business opportunities and making other changes to its business prior to completion of the merger or termination of the Merger Agreement.

The pro forma financial statements included in this prospectus supplement are presented for illustrative purposes only and may not be an indication of our financial condition or results of operations following the merger.

The pro forma financial statements included in this prospectus supplement are presented for illustrative purposes only, are based on various adjustments, assumptions and preliminary estimates, and may not be an indication of our financial condition or results of operations following the merger for several reasons. See Unaudited Pro Forma Condensed Combined Financial Information. Our actual financial condition and results of operations following the merger may not be consistent with, or evident from, these pro forma financial statements. In addition, the assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors may affect our financial condition or results of operations following the merger. Any potential decline in our financial condition or results of operations may cause significant variations in our stock price.

A lowering or withdrawal of the ratings assigned to our debt securities, including the notes offered in the New Senior Notes offering, by rating agencies may increase our future borrowing costs and reduce our access to capital.

Depending on the sources of financing used to fund our acquisition of ICG, and on our final pro forma capital structure after giving effect to the transactions, rating agencies may lower or withdraw ratings assigned to our debt securities, including the notes offered in the New Senior Notes offering. Our debt, including the notes offered in the New Senior Notes offering, currently has a non-investment grade rating, and there can be no assurance that any rating assigned will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in that rating agency s judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. A lowering or withdrawal of the ratings assigned to our debt securities by rating agencies may increase our future borrowing costs and reduce our access to capital, which could have a material adverse impact on our financial condition, cash flows and results of operations.

Risks Related to Arch Coal s Business

Coal prices are subject to change and a substantial or extended decline in prices could materially and adversely affect our profitability and the value of our coal reserves.

Our profitability and the value of our coal reserves depend upon the prices we receive for our coal. The contract prices we may receive in the future for coal depend upon factors beyond our control, including the following:

the domestic and foreign supply and demand for coal;

the quantity and quality of coal available from competitors;

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competition for production of electricity from non-coal sources, including the price and availability of alternative fuels;

domestic air emission standards for coal-fueled power plants and the ability of coal-fueled power plants to meet these standards by installing scrubbers or other means;

adverse weather, climatic or other natural conditions, including natural disasters;

domestic and foreign economic conditions, including economic slowdowns;

legislative, regulatory and judicial developments, environmental regulatory changes or changes in energy policy and energy conservation measures that would adversely affect the coal industry, such as legislation limiting carbon emissions or providing for increased funding and incentives for alternative energy sources;

the proximity to, capacity of and cost of transportation and port facilities; and

market price fluctuations for sulfur dioxide emission allowances.

A substantial or extended decline in the prices we receive for our future coal sales contracts could materially and adversely affect us by decreasing our profitability and the value of our coal reserves.

Our coal mining operations are subject to operating risks that are beyond our control, which could result in materially increased operating expenses and decreased production levels and could materially and adversely affect our profitability.

We mine coal at underground and surface mining operations. Certain factors beyond our control, including those listed below, could disrupt our coal mining operations, adversely affect production and shipments and increase our operating costs:

poor mining conditions resulting from geological, hydrologic or other conditions that may cause instability of highwalls or spoil piles or cause damage to nearby infrastructure or mine personnel;

a major incident at the mine site that causes all or part of the operations of the mine to cease for some period of time;

mining, processing and plant equipment failures and unexpected maintenance problems;

adverse weather and natural disasters, such as heavy rains or snow, flooding and other natural events affecting operations, transportation or customers;

unexpected or accidental surface subsidence from underground mining;

accidental mine water discharges, fires, explosions or similar mining accidents; and

competition and/or conflicts with other natural resource extraction activities and production within our operating areas, such as coalbed methane extraction or oil and gas development.

If any of these conditions or events occurs, particularly at our Black Thunder mining complex, which accounted for approximately 75% of the coal volume we sold in 2010, our coal mining operations may be disrupted, we could experience a delay or halt of production or shipments or our operating costs could increase significantly. In addition, if our insurance coverage is limited or excludes certain of these conditions or events, then we may not be able to recover any of the losses we may incur as a result of such conditions or events, some of which may be substantial.

Competition within the coal industry could put downward pressure on coal prices and, as a result, materially and adversely affect our revenues and profitability.

We compete with numerous other coal producers in various regions of the United States for domestic sales. International demand for U.S. coal also affects competition within our industry. The demand for U.S. coal exports depends upon a number of factors outside our control, including the overall demand for electricity in foreign markets, currency exchange rates, ocean freight rates, port and shipping capacity, the demand for foreign-priced steel, both in foreign markets and in the U.S. market, general economic conditions in foreign countries,

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technological developments and environmental and other governmental regulations. Foreign demand for Central Appalachian coal has increased in recent periods. If foreign demand for U.S. coal were to decline, this decline could cause competition among coal producers for the sale of coal in the United States to intensify, potentially resulting in significant downward pressure on domestic coal prices.

In addition, during the mid-1970s and early 1980s, increased demand for coal attracted new investors to the coal industry, spurred the development of new mines and resulted in additional production capacity throughout the industry, all of which led to increased competition and lower coal prices. Increases in coal prices over the past several years have encouraged the development of expanded capacity by coal producers and may continue to do so. Any resulting overcapacity and increased production could materially reduce coal prices and therefore materially reduce our revenues and profitability.

Decreases in demand for electricity resulting from economic, weather changes or other conditions could adversely affect coal prices and materially and adversely affect our results of operations.

Our coal is primarily used as fuel for electricity generation. Overall economic activity and the associated demand for power by industrial users can have significant effects on overall electricity demand. An economic slowdown can significantly slow the growth of electrical demand and could result in contraction of demand for coal. Declines in international prices for coal generally will impact U.S. prices for coal. During the past several years, international demand for coal has been driven, in significant part, by fluctuations in demand due to economic growth in China and India as well as other developing countries. Significant declines in the rates of economic growth in these regions could materially affect international demand for U.S. coal, which may have an adverse effect on U.S. coal prices.

Weather patterns can also greatly affect electricity demand. Extreme temperatures, both hot and cold, cause increased power usage and, therefore, increased generating requirements from all sources. Mild temperatures, on the other hand, result in lower electrical demand, which allows generators to choose the sources of power generation when deciding which generation sources to dispatch. Any downward pressure on coal prices, due to decreases in overall demand or otherwise, including changes in weather patterns, would materially and adversely affect our results of operations.

The use of alternative energy sources for power generation could reduce coal consumption by U.S. electric power generators, which could result in lower prices for our coal. Declines in the prices at which we sell our coal could reduce our revenues and materially and adversely affect our business and results of operations.

In 2010, approximately 76% of the tons we sold were to domestic electric power generators. The amount of coal consumed for U.S. electric power generation is affected by, among other things:

- the location, availability, quality and price of alternative energy sources for power generation, such as natural gas, fuel oil, nuclear, hydroelectric, wind, biomass and solar power; and

- technological developments, including those related to alternative energy sources.

Gas-fueled generation has the potential to displace coal-fueled generation, particularly from older, less efficient coal-powered generators. We expect that many of the new power plants needed to meet increasing demand for electricity generation will be fueled by natural gas because gas-fired plants are cheaper to construct and permits to construct these plants are easier to obtain as natural gas is seen as having a lower environmental impact than coal-fueled generators. In addition, state and federal mandates for increased use of electricity from renewable energy sources could have an impact on the market for our coal. Several states have enacted legislative mandates requiring electricity suppliers to use renewable energy sources to generate a certain percentage of power. There have been numerous proposals to establish a similar uniform, national standard although none of these proposals have been

enacted to date. Possible advances in technologies and incentives, such as tax credits, to enhance the economics of renewable energy sources could make these sources more competitive with coal. Any reduction in the amount of coal consumed by domestic electric power generators could reduce the price of coal that we mine and sell, thereby reducing our revenues and materially and adversely affecting our business and results of operations.

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Our inability to acquire additional coal reserves or our inability to develop coal reserves in an economically feasible manner may adversely affect our business.

Our profitability depends substantially on our ability to mine and process, in a cost-effective manner, coal reserves that possess the quality characteristics desired by our customers. As we mine, our coal reserves decline. As a result, our future success depends upon our ability to acquire additional coal that is economically recoverable. If we fail to acquire or develop additional coal reserves, our existing reserves will eventually be depleted. We may not be able to obtain replacement reserves when we require them. If available, replacement reserves may not be available at favorable prices, or we may not be capable of mining those reserves at costs that are comparable with our existing coal reserves. Our ability to obtain coal reserves in the future could also be limited by the availability of cash we generate from our operations or available financing, restrictions under our existing or future financing arrangements, and competition from other coal producers, the lack of suitable acquisition or lease-by-application, or LBA, opportunities or the inability to acquire coal properties or LBAs on commercially reasonable terms. If we are unable to acquire replacement reserves, our future production may decrease significantly and our operating results may be negatively affected. In addition, we may not be able to mine future reserves as profitably as we do at our current operations.

Inaccuracies in our estimates of our coal reserves could result in decreased profitability from lower than expected revenues or higher than expected costs.

Our future performance depends on, among other things, the accuracy of our estimates of our proven and probable coal reserves. We base our estimates of reserves on engineering, economic and geological data assembled, analyzed and reviewed by internal and third-party engineers and consultants. We update our estimates of the quantity and quality of proven and probable coal reserves annually to reflect the production of coal from the reserves, updated geological models and mining recovery data, the tonnage contained in new lease areas acquired and estimated costs of production and sales prices. There are numerous factors and assumptions inherent in estimating the quantities and qualities of, and costs to mine, coal reserves, including many factors beyond our control, including the following:

- quality of the coal;
- geological and mining conditions, which may not be fully identified by available exploration data and/or may differ from our experiences in areas where we currently mine;
- the percentage of coal ultimately recoverable;
- the assumed effects of regulation, including the issuance of required permits, taxes, including severance and excise taxes and royalties, and other payments to governmental agencies;
- assumptions concerning the timing for the development of the reserves; and
- assumptions concerning equipment and productivity, future coal prices, operating costs, including for critical supplies such as fuel, tires and explosives, capital expenditures and development and reclamation costs.

As a result, estimates of the quantities and qualities of economically recoverable coal attributable to any particular group of properties, classifications of reserves based on risk of recovery, estimated cost of production, and estimates of future net cash flows expected from these properties as prepared by different engineers, or by the same engineers at different times, may vary materially due to changes in the above factors and assumptions. Actual production recovered from identified reserve areas and properties, and revenues and expenditures associated with our mining operations, may vary materially from estimates. Any inaccuracy in our estimates related to our reserves could result in decreased profitability from lower than expected revenues and/or higher than expected costs.

Increases in the costs of mining and other industrial supplies, including steel-based supplies, diesel fuel and rubber tires, or the inability to obtain a sufficient quantity of those supplies, could negatively affect our operating costs or disrupt or delay our production.

Our coal mining operations use significant amounts of steel, diesel fuel, explosives, rubber tires and other mining and industrial supplies. The cost of roof bolts we use in our underground mining operations depend on the

price of scrap steel. We also use significant amounts of diesel fuel and tires for the trucks and other heavy machinery we use, particularly at our Black Thunder mining complex. If the prices of mining and other industrial supplies, particularly steel-based supplies, diesel fuel and rubber tires, increase, our operating costs could be negatively affected. In addition, if we are unable to procure these supplies, our coal mining operations may be disrupted or we could experience a delay or halt in our production.

Disruptions in the quantities of coal produced by our contract mine operators or purchased from other third parties could temporarily impair our ability to fill customer orders or increase our operating costs.

We use independent contractors to mine coal at certain of our mining complexes, including select operations at our Coal-Mac and Cumberland River mining complexes. In addition, we purchase coal from third parties that we sell to our customers. Operational difficulties at contractor-operated mines or mines operated by third parties from whom we purchase coal, changes in demand for contract miners from other coal producers and other factors beyond our control could affect the availability, pricing, and quality of coal produced for or purchased by us. Disruptions in the quantities of coal produced for or purchased by us could impair our ability to fill our customer orders or require us to purchase coal from other sources in order to satisfy those orders. If we are unable to fill a customer order or if we are required to purchase coal from other sources in order to satisfy a customer order, we could lose existing customers and our operating costs could increase.

Our ability to collect payments from our customers could be impaired if their creditworthiness deteriorates.

We have contracts to supply coal to energy trading and brokering companies under which they purchase the coal for their own account or resell the coal to end users. Our ability to receive payment for coal sold and delivered depends on the continued creditworthiness of our customers. If we determine that a customer is not creditworthy, we may not be required to deliver coal under the customer s coal sales contract. If this occurs, we may decide to sell the customer s coal on the spot market, which may be at prices lower than the contracted price, or we may be unable to sell the coal at all. Furthermore, the bankruptcy of any of our customers could materially and adversely affect our financial position. In addition, our customer base may change with deregulation as utilities sell their power plants to their non-regulated affiliates or third parties that may be less creditworthy, thereby increasing the risk we bear for customer payment default. These new power plant owners may have credit ratings that are below investment grade or may become below investment grade after we enter into contracts with them. In addition, competition with other coal suppliers could force us to extend credit to customers and on terms that could increase the risk of payment default.

A defect in title or the loss of a leasehold interest in certain property could limit our ability to mine our coal reserves or result in significant unanticipated costs.

We conduct a significant part of our coal mining operations on properties that we lease. A title defect or the loss of a lease could adversely affect our ability to mine the associated coal reserves. We may not verify title to our leased properties or associated coal reserves until we have committed to developing those properties or coal reserves. We may not commit to develop property or coal reserves until we have obtained necessary permits and completed exploration. As such, the title to property that we intend to lease or coal reserves that we intend to mine may contain defects prohibiting our ability to conduct mining operations. Similarly, our leasehold interests may be subject to superior property rights of other third parties. In order to conduct our mining operations on properties where these defects exist, we may incur unanticipated costs. In addition, some leases require us to produce a minimum quantity of coal and require us to pay minimum production royalties. Our inability to satisfy those requirements may cause the leasehold interest to terminate.

The availability and reliability of transportation facilities and fluctuations in transportation costs could affect the demand for our coal or impair our ability to supply coal to our customers.

We depend upon barge, ship, rail, truck and belt transportation systems to deliver coal to our customers. Disruptions in transportation services due to weather-related problems, mechanical difficulties, strikes, lockouts,

bottlenecks, and other events could impair our ability to supply coal to our customers. As we do not have long-term contracts with transportation providers to ensure consistent and reliable service, decreased performance levels over longer periods of time could cause our customers to look to other sources for their coal needs. In addition, increases in transportation costs, including the price of gasoline and diesel fuel, could make coal a less competitive source of energy when compared to alternative fuels or could make coal produced in one region of the United States less competitive than coal produced in other regions of the United States or abroad. If we experience disruptions in our transportation services or if transportation costs increase significantly and we are unable to find alternative transportation providers, our coal mining operations may be disrupted, we could experience a delay or halt of production or our profitability could decrease significantly.

Our profitability depends upon the long-term coal supply agreements we have with our customers. Changes in purchasing patterns in the coal industry could make it difficult for us to extend our existing long-term coal supply agreements or to enter into new agreements in the future.

We sell a portion of our coal under long-term coal supply agreements, which we define as contracts with terms greater than one year. Under these arrangements, we fix the prices of coal shipped during the initial year and may adjust the prices in later years. As a result, at any given time the market prices for similar-quality coal may exceed the prices for coal shipped under these arrangements. Changes in the coal industry may cause some of our customers not to renew, extend or enter into new long-term coal supply agreements with us or to enter into agreements to purchase fewer tons of coal than in the past or on different terms or prices. In addition, uncertainty caused by federal and state regulations, including the Clean Air Act, could deter our customers from entering into long-term coal supply agreements.

Because we sell a portion of our coal production under long-term coal supply agreements, our ability to capitalize on more favorable market prices may be limited. Conversely, at any given time we are subject to fluctuations in market prices for the quantities of coal that we have produced but which we have not committed to sell. As described above under Coal prices are subject to change and a substantial or extended decline in prices could materially or adversely affect our profitability and the value of our coal reserves, the market prices for coal may be volatile and may depend upon factors beyond our control. Our profitability may be adversely affected if we are unable to sell uncommitted production at favorable prices or at all. For more information about our long-term coal supply agreements, you should see the section entitled Item 1. Business Long-Term Coal Supply Arrangements in our Form 10-K for the year ended December 31, 2010, which is incorporated by reference into this prospectus supplement.

The loss of, or significant reduction in, purchases by our largest customers could adversely affect our profitability.

For the year ended December 31, 2010, we derived approximately 20% of our total coal revenues from sales to our three largest customers and approximately 40% of our total coal revenues from sales to our ten largest customers. We expect to renew, extend or enter into new long-term coal supply agreements with those and other customers. However, we may be unsuccessful in obtaining long-term coal supply agreements with those customers, and those customers may discontinue purchasing coal from us. If any of those customers, particularly any of our three largest customers, was to significantly reduce the quantities of coal it purchases from us, or if we are unable to sell coal to those customers on terms as favorable to us as the terms under our current long-term coal supply agreements, our profitability could suffer significantly. We have limited protection during adverse economic conditions and may face economic penalties if we are unable to satisfy certain quality specifications under our long-term coal supply agreements.

Our long-term coal supply agreements typically contain force majeure provisions allowing the parties to temporarily suspend performance during specified events beyond their control. Most of our long-term coal supply agreements also contain provisions requiring us to deliver coal that satisfies certain quality specifications, such as heat value, sulfur content, ash content, hardness and ash fusion temperature. These provisions in our long-term coal supply agreements

could result in negative economic consequences to us, including price adjustments, purchasing replacement coal in a higher-priced open market, the rejection of deliveries or, in the extreme, contract termination. Our profitability may be negatively affected if we are unable to seek protection during adverse economic conditions

or if we incur financial or other economic penalties as a result of these provisions of our long-term supply agreements.

We have a substantial amount of debt, which limits our flexibility and imposes restrictions on us, and a downturn in economic or industry conditions may materially affect our ability to meet our future financial commitments and liquidity needs.

We have, and after this offering and our concurrent New Senior Notes offering will continue to have, a significant amount of indebtedness. As of March 31, 2011, on a pro forma basis giving effect to the transactions, we would have had consolidated indebtedness of approximately $4.2 billion outstanding, representing approximately 55% of our total pro forma capitalization. Our ability to satisfy our debt, lease and royalty obligations, and our ability to refinance our indebtedness, will depend upon our future operating performance, which will be affected by prevailing economic conditions in the markets that we serve and financial, business and other factors, many of which are beyond our control. We may be unable to generate sufficient cash flow from operations and future borrowings or other financing may be unavailable in an amount sufficient to enable us to fund our future financial obligations or our other liquidity needs.

The amount and terms of our debt could have material consequences to our business, including, but not limited to:

- limiting our ability to obtain additional financing to fund growth, such as new lease-by-application acquisitions or other mergers and acquisitions, working capital, capital expenditures, debt service requirements or other cash requirements;
- exposing us to the risk of increased interest costs if the underlying interest rates rise;
- limiting our ability to invest operating cash flow in our business due to existing debt service requirements;
- making it more difficult to obtain surety bonds, letters of credit or other financing, particularly during periods in which credit markets are weak;
- causing a decline in our credit ratings;
- limiting our ability to compete with companies that are not as leveraged and that may be better positioned to withstand economic downturns;
- limiting our ability to acquire new coal reserves and/or plant and equipment needed to conduct operations; and
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we compete and general economic and market conditions.

If we further increase our indebtedness, the related risks that we now face, including those described above, could intensify. In addition to the principal repayments on our outstanding debt, we have other demands on our cash resources, including capital expenditures and operating expenses. Our ability to pay our debt depends upon our operating performance. In particular, economic conditions could cause our revenues to decline, and hamper our ability to repay our indebtedness. If we do not have enough cash to satisfy our debt service obligations, we may be required to refinance all or part of our debt, sell assets or reduce our spending. We may not be able to, at any given time, refinance our debt or sell assets on terms acceptable to us or at all.

We may be unable to comply with restrictions imposed by our credit facilities and other financing arrangements.

The agreements governing our outstanding financing arrangements impose a number of restrictions on us. For example, the terms of our credit facilities, leases and other financing arrangements contain financial and other covenants that create limitations on our ability to borrow the full amount under our credit facilities, effect acquisitions or dispositions and incur additional debt and require us to maintain various financial ratios and comply with various other financial covenants. Our ability to comply with these restrictions may be affected by events beyond our control. A failure to comply with these restrictions could adversely affect our ability to borrow under our

credit facilities or result in an event of default under these agreements. In the event of a default, our lenders and the counterparties to our other financing arrangements could terminate their commitments to us and declare all amounts borrowed, together with accrued interest and fees, immediately due and payable. If this were to occur, we might not be able to pay these amounts, or we might be forced to seek an amendment to our financing arrangements which could make the terms of these arrangements more onerous for us. As a result, a default under one or more of our existing or future financing arrangements could have significant consequences for us. For more information about some of the restrictions contained in our credit facilities, leases and other financial arrangements, you should see the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations of Arch Coal Liquidity and Capital Resources.

Failure to obtain or renew surety bonds on acceptable terms could affect our ability to secure reclamation and coal lease obligations and, therefore, our ability to mine or lease coal.

Federal and state laws require us to obtain surety bonds to secure performance or payment of certain long-term obligations, such as mine closure or reclamation costs, federal and state workers compensation costs, coal leases and other obligations. We may have difficulty procuring or maintaining our surety bonds. Our bond issuers may demand higher fees, additional collateral, including letters of credit or other terms less favorable to us upon those renewals. Because we are required by state and federal law to have these bonds in place before mining can commence or continue, or failure to maintain surety bonds, letters of credit or other guarantees or security arrangements would materially and adversely affect our ability to mine or lease coal. That failure could result from a variety of factors, including lack of availability, higher expense or unfavorable market terms, the exercise by third party surety bond issuers of their right to refuse to renew the surety and restrictions on availability on collateral for current and future third-party surety bond issuers under the terms of our financing arrangements.

Our profitability may be adversely affected if we must satisfy certain below-market contracts with coal we purchase on the open market or with coal we produce at our remaining operations.

We have agreed to guarantee Magnum s obligations to supply coal under certain coal sales contracts that we sold to Magnum. In addition, we have agreed to purchase coal from Magnum in order to satisfy our obligations under certain other contracts that have not yet been transferred to Magnum, the longest of which extends to the year 2017. If Magnum cannot supply the coal required under these coal sales contracts, we would be required to purchase coal on the open market or supply coal from our existing operations in order to satisfy our obligations under these contracts. At March 31, 2011, if we had purchased the 12.4 million tons of coal required under these contracts over their duration at market prices then in effect, we would have incurred a loss of approximately $457.4 million.

We may incur losses as a result of certain marketing, trading and asset optimization strategies.

We seek to optimize our coal production and leverage our knowledge of the coal industry through a variety of marketing, trading and other asset optimization strategies. We maintain a system of complementary processes and controls designed to monitor and control our exposure to market and other risks as a consequence of these strategies. These processes and controls seek to balance our ability to profit from certain marketing, trading and asset optimization strategies with our exposure to potential losses. While we employ a variety of risk monitoring and mitigation techniques, those techniques and accompanying judgments cannot anticipate every potential outcome or the timing of such outcomes. In addition, the processes and controls that we use to manage our exposure to market and other risks resulting from these strategies involve assumptions about the degrees of correlation or lack thereof among prices of various assets or other market indicators. These correlations may change significantly in times of market turbulence or other unforeseen circumstances. As a result, we may experience volatility in our earnings as a result of our marketing, trading and asset optimization strategies.

Risks to Arch Coal Related to Environmental, Other Regulations and Legislation

Extensive environmental regulations, including existing and potential future regulatory requirements relating to air emissions, affect our customers and could reduce the demand for coal as a fuel source and cause coal prices and sales of our coal to materially decline.

Coal contains impurities, including but not limited to sulfur, mercury, chlorine, carbon and other elements or compounds, many of which are released into the air when coal is burned. The operations of our customers are subject to extensive environmental regulation particularly with respect to air emissions. For example, the federal Clean Air Act and similar state and local laws extensively regulate the amount of sulfur dioxide, particulate matter, nitrogen oxides, and other compounds emitted into the air from electric power plants, which are the largest end-users of our coal. A series of more stringent requirements relating to particulate matter, ozone, haze, mercury, sulfur dioxide, nitrogen oxide and other air pollutants are expected to be proposed or become effective in coming years. In addition, concerted conservation efforts that result in reduced electricity consumption could cause coal prices and sales of our coal to materially decline.

Considerable uncertainty is associated with these air emissions initiatives. The content of regulatory requirements in the U.S. is in the process of being developed, and many new regulatory initiatives remain subject to review by federal or state agencies or the courts. Stringent air emissions limitations are either in place or are likely to be imposed in the short to medium term, and these limitations will likely require significant emissions control expenditures for many coal-fueled power plants. As a result, these power plants may switch to other fuels that generate fewer of these emissions or may install more effective pollution control equipment that reduces the need for low-sulfur coal, possibly reducing future demand for coal and a reduced need to construct new coal-fueled power plants. The expectations of the Energy Information Administration (the EIA) for the coal industry assume there will be a significant number of as yet unplanned coal-fired plants built in the future which may not occur. Any switching of fuel sources away from coal, closure of existing coal-fired plants, or reduced construction of new plants could have a material adverse effect on demand for and prices received for our coal. Alternatively, less stringent air emissions limitations, particularly related to sulfur, to the extent enacted, could make low-sulfur coal less attractive, which could also have a material adverse effect on the demand for and prices received for our coal.

You should see Item 1. Business Environmental and Other Regulatory Matters in our Form 10-K for the year ended December 31, 2010 which is incorporated by reference in this prospectus supplement for more information about the various governmental regulations affecting us.

Our failure to obtain and renew permits necessary for our mining operations could negatively affect our business.

Mining companies must obtain numerous permits that impose strict regulations on various environmental and operational matters in connection with coal mining. These include permits issued by various federal, state and local agencies and regulatory bodies. The permitting rules, and the interpretations of these rules, are complex, change frequently and are often subject to discretionary interpretations by the regulators, all of which may make compliance more difficult or impractical, and may possibly preclude the continuance of ongoing operations or the development of future mining operations. The public, including non-governmental organizations, anti-mining groups and individuals, have certain statutory rights to comment upon and submit objections to requested permits and environmental impact statements prepared in connection with applicable regulatory processes, and otherwise engage in the permitting process, including bringing citizens lawsuits to challenge the issuance of permits, the validity of environmental impact statements or performance of mining activities. Accordingly, required permits may not be issued or renewed in a timely fashion or at all, or permits issued or renewed may be conditioned in a manner that may restrict our ability to efficiently and economically conduct our mining activities, any of which would materially reduce our production, cash flow and profitability.

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Federal or state regulatory agencies have the authority to order certain of our mines to be temporarily or permanently closed under certain circumstances, which could materially and adversely affect our ability to meet our customers demands.

Federal or state regulatory agencies have the authority under certain circumstances following significant health and safety incidents, such as fatalities, to order a mine to be temporarily or permanently closed. If this occurred, we may be required to incur capital expenditures to re-open the mine. In the event that these agencies order the closing of our mines, our coal sales contracts generally permit us to issue force majeure notices which suspend our obligations to deliver coal under these contracts. However, our customers may challenge our issuances of force majeure notices. If these challenges are successful, we may have to purchase coal from third-party sources, if it is available, to fulfill these obligations, incur capital expenditures to re-open the mines and/or negotiate settlements with the customers, which may include price reductions, the reduction of commitments or the extension of time for delivery or terminate customers contracts. Any of these actions could have a material adverse effect on our business and results of operations.

Extensive environmental regulations impose significant costs on our mining operations, and future regulations could materially increase those costs or limit our ability to produce and sell coal.

The coal mining industry is subject to increasingly strict regulation by federal, state and local authorities with respect to environmental matters such as:

- limitations on land use;
- mine permitting and licensing requirements;
- reclamation and restoration of mining properties after mining is completed;
- management of materials generated by mining operations;
- the storage, treatment and disposal of wastes;
- remediation of contaminated soil and groundwater;
- air quality standards; water pollution;
- protection of human health, plant-life and wildlife, including endangered or threatened species;
- protection of wetlands;
- the discharge of materials into the environment;
- the effects of mining on surface water and groundwater quality and availability; and
- the management of electrical equipment containing polychlorinated biphenyls.

The costs, liabilities and requirements associated with the laws and regulations related to these and other environmental matters may be costly and time-consuming and may delay commencement or continuation of exploration or production operations. We cannot assure you that we have been or will be at all times in compliance with the applicable laws and regulations. Failure to comply with these laws and regulations may result in the

assessment of administrative, civil and criminal penalties, the imposition of cleanup and site restoration costs and liens, the issuance of injunctions to limit or cease operations, the suspension or revocation of permits and other enforcement measures that could have the effect of limiting production from our operations. We may incur material costs and liabilities resulting from claims for damages to property or injury to persons arising from our operations. If we are pursued for sanctions, costs and liabilities in respect of these matters, our mining operations and, as a result, our profitability could be materially and adversely affected.

New legislation or administrative regulations or new judicial interpretations or administrative enforcement of existing laws and regulations, including proposals related to the protection of the environment that would further regulate and tax the coal industry, may also require us to change operations significantly or incur increased costs. Such changes could have a material adverse effect on our financial condition and results of operations. You should see Item 1. Business Environmental and Other Regulatory Matters in our Form 10-K for the year ended

December 31, 2010 which is incorporated by reference in this prospectus supplement for more information about the various governmental regulations affecting us.

If the assumptions underlying our estimates of reclamation and mine closure obligations are inaccurate, our costs could be greater than anticipated.

The Surface Mining Control and Reclamation Act (the SMCRA) and counterpart state laws and regulations establish operational, reclamation and closure standards for all aspects of surface mining, as well as most aspects of underground mining. We base our estimates of reclamation and mine closure liabilities on permit requirements, engineering studies and our engineering expertise related to these requirements. Our management and engineers periodically review these estimates. The estimates can change significantly if actual costs vary from our original assumptions or if governmental regulations change significantly. We are required to record new obligations as liabilities at fair value under generally accepted accounting principles. In estimating fair value, we considered the estimated current costs of reclamation and mine closure and applied inflation rates and a third-party profit, as required. The third-party profit is an estimate of the approximate markup that would be charged by contractors for work performed on our behalf. The resulting estimated reclamation and mine closure obligations could change significantly if actual amounts change significantly from our assumptions, which could have a material adverse effect on our results of operations and financial condition.

Our operations may impact the environment or cause exposure to hazardous substances, and our properties may have environmental contamination, which could result in material liabilities to us.

Our operations currently use hazardous materials and generate limited quantities of hazardous wastes from time to time. We could become subject to claims for toxic torts, natural resource damages and other damages as well as for the investigation and clean up of soil, surface water, groundwater, and other media. Such claims may arise, for example, out of conditions at sites that we currently own or operate, as well as at sites that we previously owned or operated, or may acquire. Our liability for such claims may be joint and several, so that we may be held responsible for more than our share of the contamination or other damages, or even for the entire share.

We maintain extensive coal refuse areas and slurry impoundments at a number of our mining complexes. Such areas and impoundments are subject to extensive regulation. Slurry impoundments have been known to fail, releasing large volumes of coal slurry into the surrounding environment. Structural failure of an impoundment can result in extensive damage to the environment and natural resources, such as bodies of water that the coal slurry reaches, as well as liability for related personal injuries and property damages, and injuries to wildlife. Some of our impoundments overlie mined-out areas, which can pose a heightened risk of failure and of damages arising out of failure. If one of our impoundments were to fail, we could be subject to substantial claims for the resulting environmental contamination and associated liability, as well as for fines and penalties.

Drainage flowing from or caused by mining activities can be acidic with elevated levels of dissolved metals, a condition referred to as acid mine drainage, which we refer to as AMD. The treating of AMD can be costly. Although we do not currently face material costs associated with AMD, it is possible that we could incur significant costs in the future.

These and other similar unforeseen impacts that our operations may have on the environment, as well as exposures to hazardous substances or wastes associated with our operations, could result in costs and liabilities that could materially and adversely affect us.

Judicial rulings that restrict how we may dispose of mining wastes could significantly increase our operating costs, discourage customers from purchasing our coal and materially harm our financial condition and operating results.

To dispose of mining overburden generated by our surface mining operations, we often need to obtain permits to construct and operate valley fills and surface impoundments. Some of these permits are Clean Water Act Section 404 permits issued by the Army Corps of Engineers (the ACOE). Two of our operating subsidiaries were identified in an existing lawsuit, which challenged the issuance of such permits and asked that the Corps be ordered to rescind them. Two of our operating subsidiaries intervened in the suit to protect their interests in being allowed to

operate under the issued permits, and one of them thereafter was dismissed. On January 13, 2011, the EPA issued its Final Determination to withdraw the specification of two of the three watersheds as a disposal site for dredged or fill material approved under the current Section 404 permit. The court has been notified of the Final Determination.

Changes in the legal and regulatory environment, particularly in light of developments in 2010, could complicate or limit our business activities, increase our operating costs or result in litigation.

The conduct of our businesses is subject to various laws and regulations administered by federal, state and local governmental agencies in the United States. These laws and regulations may change, sometimes dramatically, as a result of political, economic or social events or in response to significant events. Certain recent developments particularly may cause changes in the legal and regulatory environment in which we operate and may impact our results or increase our costs or liabilities. Such legal and regulatory environment changes may include changes in: the processes for obtaining or renewing permits; costs associated with providing healthcare benefits to employees; health and safety standards; accounting standards; taxation requirements; and competition laws.

For example, in April 2010, the EPA issued comprehensive guidance regarding the water quality standards that EPA believes should apply to certain new and renewed Clean Water Act permit applications for Appalachian surface coal mining operations. Under the EPA s guidance, applicants seeking to obtain state and federal Clean Water Act permits for surface coal mining in Appalachia must perform an evaluation to determine if a reasonable potential exists that the proposed mining would cause a violation of water quality standards. According to the EPA Administrator, the water quality standards set forth in the EPA s guidance may be difficult for most surface mining operations to meet. Additionally, the EPA s guidance contains requirements for the avoidance and minimization of environmental and mining impacts, consideration of the full range of potential impacts on the environment, human health and local communities, including low-income or minority populations, and provision of meaningful opportunities for public participation in the permit process. EPA s guidance is subject to several pending legal challenges related to its legal effect and sufficiency including consolidated challenges pending in Federal District Court in the District of Columbia led by the National Mining Association. We may be required to meet these requirements in the future in order to obtain and maintain permits that are important to our Appalachian operations. We cannot give any assurance that we will be able to meet these or any other new standards.

In response to the April 2010 explosion at Massey Energy Company s Upper Big Branch Mine and the ensuing tragedy, we expect that safety matters pertaining to underground coal mining operations will be the topic of new legislation and regulation, as well as the subject of heightened enforcement efforts. For example, federal and West Virginia state authorities have announced special inspections of coal mines to evaluate several safety concerns, including the accumulation of coal dust and the proper ventilation of gases such as methane. In addition, both federal and West Virginia state authorities have announced that they are considering changes to mine safety rules and regulations which could potentially result in additional or enhanced required safety equipment, more frequent mine inspections, stricter and more thorough enforcement practices and enhanced reporting requirements. Any new environmental, health and safety requirements may increase the costs associated with obtaining or maintain permits necessary to perform our mining operations or otherwise may prevent, delay or reduce our planned production, any of which could adversely affect our financial condition, results of operations and cash flows.

Further, mining companies are entitled a tax deduction for percentage depletion, which may allow for depletion deductions in excess of the basis in the mineral reserves. The deduction is currently being reviewed by the federal government for repeal. If repealed, the inability to take a tax deduction for percentage depletion could have a material impact on our financial condition, results of operations, cash flows and future tax payments.

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Risks Related to ICG s Business

A decline in coal prices could reduce ICG s revenues and the value of its coal reserves.

ICG s results of operations are dependent upon the prices it receives for its coal, as well as its ability to improve productivity and control costs. Any decreased demand would cause spot prices to decline and require ICG to increase productivity and decrease costs in order to maintain its margins. A decrease in the price ICG receives for coal could adversely affect its operating results and its ability to generate the cash flows required to meet its bank loan requirements, improve its productivity and invest in its operations. The prices ICG receive for coal depends upon factors beyond its control, including:

- supply of and demand for domestic and foreign coal;
- demand for electricity;
- domestic and foreign demand for steel and the continued financial viability of the domestic and/or foreign steel industry;
- proximity to, capacity of and cost of transportation facilities;
- domestic and foreign governmental legislation, regulations and taxes;
- the imposition of regulatory requirements which restrict the ability of electric power companies to use coal to generate electricity;
- regulatory, administrative and judicial decisions;
- price and availability of alternative fuels, including the effects of technological developments; and
- effect of worldwide energy conservation measures.

ICG s coal mining operations are subject to operating risks that could result in decreased coal production, which could reduce its revenues.

ICG s revenues depend on its level of coal mining production. The level of its production is subject to operating conditions and events beyond its control that could disrupt operations and affect production at particular mines for varying lengths of time. These conditions and events include:

- unavailability of qualified labor;
- ICG s inability to acquire, maintain or renew necessary permits or mining or surface rights in a timely manner, if at all;
- unfavorable geologic conditions, such as the thickness of the coal deposits and the amount of rock embedded in or overlying the coal deposits;
- failure of reserve estimates to prove correct;

changes in governmental regulation of the coal industry, including the imposition of additional taxes, fees or actions to suspend or revoke ICG s permits or changes in the manner of enforcement of existing regulations, or changes in governmental regulation affecting the use of coal by ICG s customers;

mining and processing equipment failures and unexpected maintenance problems;

adverse weather and natural disasters, such as heavy rains and flooding;

increased water entering mining areas and increased or accidental mine water discharges;

increased or unexpected reclamation costs;

interruptions due to transportation delays;

unavailability of required equipment of the type and size needed to meet production expectations; and

unexpected mine safety accidents, including fires and explosions.

These conditions and events may increase ICG s cost of mining and delay or halt production at particular mines either permanently or for varying lengths of time.

Reduced coal consumption by North American electric power generators could result in lower prices for ICG s coal, which could reduce its revenues and adversely impact its earnings and the value of its coal reserves.

Restrictions on the emission of greenhouse gases, including carbon dioxide, continue to be proposed and adopted by various legislative and regulatory bodies at federal, state and local levels of government and at the international level. The intended effect of these restrictions is to discourage the combustion of fossil fuels in general, and the generation of electricity by coal in particular, in favor of alternative sources of energy which do not involve the combustion of fossil fuels. The enactment of federal legislation designed to restrict greenhouse gas emissions is uncertain. Federal legislation has been proposed and may continue to be proposed that would create or expand a myriad of federal programs designed to reduce energy produced by burning fossil fuels and increase alternative energy sources. One such program proposed to reduce greenhouse gas emissions via a cap and trade system for larger emitters, including coal-fired power plants. The imposition of such programs, or the effect of negative public perceptions of coal due to climate change issues, may result in more electric power generators shifting from coal to natural gas-fired plants or alternative energy sources. Any reduction in the amount of coal consumed by North American electric power generators could reduce the price of steam coal that ICG mines and sells, thereby reducing its revenues and adversely impacting its earnings and the value of its coal reserves.

The United States is participating in international discussions to develop a treaty or other agreement to require reductions in greenhouse gas emissions after 2012 and has signed the Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. The outcome of these discussions is also uncertain.

Restrictions on greenhouse gas emissions under the Clean Air Act are being adopted by the EPA. In its Endangerment Finding, the EPA found that the emission of six greenhouse gases, including carbon dioxide (which is emitted from coal combustion) and methane (which is emitted from coal beds) may reasonably be anticipated to endanger public health and welfare. Based on this finding, the EPA determined these six greenhouse gases to be air pollutants subject to regulation under the Clean Air Act. Although the EPA has stated a preference that greenhouse gas regulation be based on new federal legislation rather than the existing Clean Air Act, the EPA has already adopted regulations that impact major stationary sources of greenhouse gas emissions, including coal-fired power plants and has announced plans to propose additional regulations restricting greenhouse gas emissions.

States have adopted a variety of greenhouse gas control programs which impact electric utilities in particular. In addition to programs that would cap or otherwise control greenhouse gas emissions, various programs require electric utilities to generate a percentage of their electricity using alternative energy sources. There have also been public nuisance lawsuits brought against power, coal, oil and gas companies, alleging that their operations are contributing to climate change.

Weather patterns also can greatly affect electricity generation. Extreme temperatures, both hot and cold, cause increased power usage and, therefore, increased generating requirements from all sources. Mild temperatures, on the other hand, result in lower electrical demand, which allows generators to choose the lowest-cost sources of power generation when deciding which generation sources to dispatch. Accordingly, significant changes in weather patterns could reduce the demand for ICG coal.

Overall economic activity and the associated demands for power by industrial users can have significant effects on overall electricity demand. Robust economic activity can cause much heavier demands for power, particularly if such activity results in increased utilization of industrial assets during evening and nighttime periods. An economic

slowdown can significantly slow the growth of electrical demand and, in some locations, result in contraction of demand. The economy suffered a significant slowdown in the fourth quarter of 2008 that resulted in lower demand. Any downward pressure on coal prices, whether due to increased use of alternative energy sources, changes in weather patterns, decreases in overall demand or otherwise, would likely cause ICG s profitability to decline.

The capability and profitability of ICG s operations may be adversely affected by the status of its long-term coal supply agreements and changes in purchasing patterns in the coal industry.

ICG sells a significant portion of its coal under long-term coal supply agreements, which ICG defines as contracts with a term greater than 12 months. For the year ended December 31, 2010, approximately 72% of its coal sales revenues were derived from coal sales that were made under long-term coal supply agreements. As of that date, ICG had 25 long-term sales agreements with a volume-weighted average term of approximately 4.2 years. The prices for coal shipped under these agreements are typically fixed for at least the initial year of the contract, subject to certain adjustments in later years and thus may be below the current market price for similar type coal at any given time, depending on the timeframe of contract execution or initiation. As a consequence of the substantial volume of its sales that are subject to these long-term agreements, ICG has less coal available with which to capitalize on higher coal prices, if and when they arise. In addition, in some cases, ICG s ability to realize the higher prices that may be available in the spot market may be restricted when customers elect to purchase higher volumes allowable under some contracts. When ICG s current contracts with customers expire or are otherwise renegotiated, its customers may decide not to extend or enter into new long-term contracts or, in the absence of long-term contracts, its customers may decide to purchase fewer tons of coal than in the past or on different terms, including under different pricing terms.

Furthermore, as electric utilities seek to adjust to requirements of the Clean Air Act, and the potential for more stringent requirements, they could become increasingly less willing to enter into long-term coal supply agreements and instead may purchase higher percentages of coal under short-term supply agreements. To the extent the electric utility industry shifts away from long-term supply agreements, it could adversely affect ICG and the level of its revenues. For example, fewer electric utilities will have a contractual obligation to purchase coal from ICG, thereby increasing the risk that ICG will not have a market for its production. Furthermore, spot market prices tend to be more volatile than contractual prices, which could result in decreased revenues.

Certain provisions in ICG s long-term supply agreements may provide limited protection during periods of adverse economic conditions. For example, the customer may be forced to reduce electricity output due to weak demand. If the low demand were to persist for an extended period, the customer might be forced to delay its contract shipments thereby reducing ICG s revenue.

Price adjustment, price reopener and other similar provisions in long-term supply agreements may reduce the protection from short-term coal price volatility traditionally provided by such contracts. Most of ICG s coal supply agreements contain provisions that allow for the purchase price to be renegotiated at periodic intervals. These price reopener provisions may automatically set a new price based on the prevailing market price or, in some instances, require the parties to agree on a new price, sometimes between a specified range of prices. In some circumstances, failure of the parties to agree on a price under a price reopener provision can lead to termination of the contract. Any adjustment or renegotiations leading to a significantly lower contract price would result in decreased revenues. Accordingly, supply contracts with terms of one year or more may provide only limited protection during adverse market conditions.

Coal supply agreements also typically contain force majeure provisions allowing temporary suspension of performance by ICG or its customers during the duration of specified events beyond the control of the affected party. Additionally, most of its coal supply agreements contain provisions requiring ICG to deliver coal meeting quality thresholds for certain characteristics such as heat value (measured in Btus), sulfur content, ash content, hardness and ash fusion temperature. Failure to meet these specifications could result in economic penalties, including price adjustments, the rejection of deliveries or, in the extreme, termination of the contracts.

Consequently, due to the risks mentioned above, ICG may not achieve the revenue or profit it expects to achieve from its long-term supply agreements.

A decline in demand for metallurgical coal would limit ICG s ability to sell its high quality steam coal as higher-priced metallurgical coal.

Portions of ICG s coal reserves possess quality characteristics that enable it to mine, process and market them as either metallurgical coal or high quality steam coal, depending on the prevailing conditions in the metallurgical

and steam coal markets. A decline in the metallurgical market relative to the steam market could cause ICG to shift coal from the metallurgical market to the steam market, thereby reducing its revenues and profitability. However, some of ICG s mines operate profitably only if all or a portion of their production is sold as metallurgical coal to the steel market. If demand for metallurgical coal declined to the point where ICG could earn a more attractive return marketing the coal as steam coal, these mines may not be economically viable and may be subject to closure. Such closures would lead to accelerated reclamation costs, as well as reduced revenue and profitability.

Inaccuracies in ICG s estimates of economically recoverable coal reserves could result in lower than expected revenues, higher than expected costs or decreased profitability.

ICG bases its reserves information on engineering, economic and geological data assembled and analyzed by its staff, which includes various engineers and geologists, and which is periodically reviewed by outside firms. The reserves estimates as to both quantity and quality are updated quarterly to reflect production of coal from the reserves, acquisitions, dispositions, depleted reserves and new drilling or other data received. There are numerous uncertainties inherent in estimating quantities and qualities of and costs to mine recoverable reserves, including many factors beyond ICG s control. Estimates of economically recoverable coal reserves and net cash flows necessarily depend upon a number of variable factors and assumptions, all of which may vary considerably from actual results such as:

- geological and mining conditions which may not be fully identified by available exploration data or which may differ from experience in current operations;

- historical production from the area compared with production from other similar producing areas; and

- assumed effects of regulation and taxes by governmental agencies and assumptions concerning coal prices, operating costs, mining technology improvements, severance and excise taxes, development costs and reclamation costs.

For these reasons, estimates of the economically recoverable quantities and qualities attributable to any particular group of properties, classifications of reserves based on risk of recovery and estimates of net cash flows expected from particular reserves prepared by different engineers or by the same engineers at different times may vary substantially. Actual coal tonnage recovered from identified reserve areas or properties, and revenues and expenditures with respect to its reserves, may vary materially from estimates. These estimates, thus, may not accurately reflect ICG s actual reserves. Any inaccuracy in ICG s estimates related to its reserves could result in lower than expected revenues, higher than expected costs or decreased profitability.

Disruptions in transportation services could limit ICG s ability to deliver coal to its customers, which could cause revenues to decline.

ICG depends primarily upon railroads, trucks and barges to deliver coal to its customers. Disruption of railroad service due to weather-related problems, strikes, lockouts and other events could temporarily impair its ability to supply coal to its customers, resulting in decreased shipments and related sales revenues. Decreased performance levels over longer periods of time could cause its customers to look elsewhere for their fuel needs, negatively affecting ICG s revenues and profitability.

Several of ICG s mines depend on a single transportation carrier or a single mode of transportation. Disruption of any of these transportation services due to weather-related problems, mechanical difficulties, strikes, lockouts, bottlenecks and other events could temporarily impair ICG s ability to supply coal to its customers. ICG s transportation providers may face difficulties in the future that may impair its ability to supply coal to its customers, resulting in decreased revenues.

If there are disruptions of the transportation services provided by its primary rail carriers that transport its produced coal and ICG is unable to find alternative transportation providers to ship its coal, its business could be adversely affected.

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Fluctuations in transportation costs could impair ICG s ability to supply coal to its customers.

Transportation costs represent a significant portion of the total cost of coal for its customers and, as a result, the cost of transportation is a critical factor in a customer s purchasing decision. Increases in transportation costs could make coal a less competitive source of energy or could make its coal production less competitive than coal produced from other sources.

Conversely, significant decreases in transportation costs could result in increased competition from coal producers in other parts of the country. For instance, coordination of the many eastern loading facilities, the large number of small shipments, the steeper average grades of the terrain and a more unionized workforce are all issues that combine to make shipments originating in the eastern United States inherently more expensive on a per-mile basis than shipments originating in the western United States. The increased competition could have a material adverse effect on ICG s business, financial condition and results of operations.

The unavailability of an adequate supply of coal reserves that can be mined at competitive costs could cause ICG s profitability to decline.

ICG s profitability depends substantially on its ability to mine coal reserves that have the geological characteristics that enable them to be mined at competitive costs and to meet the quality needed by its customers. Because ICG s reserves decline as ICG mines its coal, its future success and growth depend, in part, upon its ability to acquire additional coal reserves that are economically recoverable. Replacement reserves may not be available when required or, if available, may not be capable of being mined at costs comparable to those characteristic of the depleting mines. ICG may not be able to accurately assess the geological characteristics of any reserves that it acquires, which may adversely affect its profitability and financial condition. Exhaustion of reserves at particular mines also may have an adverse effect on ICG s operating results that is disproportionate to the percentage of overall production represented by such mines. ICG s ability to obtain other reserves in the future could be limited by restrictions under its existing or future debt agreements, competition from other coal companies for attractive properties, the lack of suitable acquisition candidates or the inability to acquire coal properties on commercially reasonable terms.

Unexpected increases in raw material costs or decreases in availability could significantly impair ICG s operating profitability.

ICG s coal mining operations use significant amounts of steel, rubber, petroleum products and other raw materials in various pieces of mining equipment, supplies and materials. Scrap steel prices have risen significantly and, historically, the prices of scrap steel and petroleum have fluctuated. There may be other acts of nature, terrorist attacks or threats or other conditions that could also increase the costs of raw materials. If the price of steel, rubber, petroleum products or other of these materials increase, its operational expenses will increase, which could have a significant negative impact on its profitability. Additionally, shortages in raw materials used in the manufacturing of supplies and mining equipment could limit its ability to obtain such items which could have an adverse effect on ICG s ability to carry out its business plan.

A shortage of skilled labor in the mining industry could pose a risk to achieving optimal labor productivity and competitive costs, which could adversely affect ICG s profitability.

Efficient coal mining using modern techniques and equipment requires skilled laborers, preferably with at least a year of experience and proficiency in multiple mining tasks. In order to support its planned expansion opportunities, ICG intends to continue sponsoring both in-house and vocational coal mining programs at the local level in order to train additional skilled laborers. Competitive labor markets require competitive compensation packages. As a result, $16.50 of ICG s cost of coal sales per ton in 2010 was attributable to labor and benefits, compared to $15.48 for 2009. In the

event that a shortage of experienced labor were to arise or ICG is unable to train the necessary amount of skilled laborers, there could be an adverse impact on ICG s labor productivity and costs and ICG s ability to expand production, which could have a material adverse effect on ICG s earnings.

ICG s ability to operate its company effectively could be impaired if they fail to attract and retain key personnel.

ICG s senior management team averages 27 years of experience in the coal industry, which includes developing innovative, low-cost mining operations, maintaining strong customer relationships and making strategic, opportunistic acquisitions. The loss of any of its senior executives could have a material adverse effect on its business. There may be a limited number of persons with the requisite experience and skills to serve in its senior management positions. ICG may not be able to locate or employ qualified executives on acceptable terms. In addition, as its business develops and expands, ICG believes that its future success will depend greatly on its continued ability to attract and retain highly skilled personnel with coal industry experience. Competition for these persons in the coal industry is intense and ICG may not be able to successfully recruit, train or retain qualified personnel. ICG may not be able to continue to employ key personnel or attract and retain qualified personnel in the future. ICG s failure to retain or attract key personnel could have a material adverse effect on their ability to effectively operate its business.

Acquisitions that ICG may undertake involve a number of inherent risks, any of which could cause it not to realize the anticipated benefits.

ICG continually seeks to expand its operations and coal reserves through selective acquisitions. If it is unable to successfully integrate the companies, businesses or properties acquired, its profitability may decline and ICG could experience a material adverse effect on its business, financial condition or results of operations. Acquisition transactions involve various inherent risks, including:

- uncertainties in assessing the value, strengths and potential profitability of, and identifying the extent of all weaknesses, risks, contingent and other liabilities (including environmental or mine safety liabilities) of, acquisition candidates;
- potential loss of key customers, management and employees of an acquired business;
- ability to achieve identified operating and financial synergies anticipated to result from an acquisition;
- discrepancies between the estimated and actual reserves of the acquired business;
- problems that could arise from the integration of the acquired business; and
- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying ICG s rationale for pursuing the acquisition.

Any one or more of these factors could cause ICG not to realize the benefits anticipated to result from an acquisition. Any acquisition opportunities ICG pursues could materially affect its liquidity and capital resources and may require ICG to incur indebtedness, seek equity capital or both. In addition, future acquisitions could result in ICG assuming more long-term liabilities relative to the value of the acquired assets than it has assumed in its previous acquisitions.

Risks inherent to mining could increase the cost of operating its business.

ICG s mining operations is subject to conditions that can impact the safety of its workforce or delay coal deliveries or increase the cost of mining at particular mines for varying lengths of time. These conditions include:

- fires and explosions from methane gas or coal dust;
- accidental minewater discharges;

weather, flooding and natural disasters;

unexpected maintenance problems;

key equipment failures;

variations in coal seam thickness;

variations in the amount of rock and soil overlying the coal deposit; and

variations in rock and other natural materials and variations in geologic conditions.

ICG maintains insurance policies that provide limited coverage for some of these risks, although there can be no assurance that these risks would be fully covered by its insurance policies. Despite its efforts, significant mine accidents could occur and have a substantial impact.

Inability of contract miner or brokerage sources to fulfill the delivery terms of their contracts with ICG could reduce its profitability.

In conducting its mining operations, ICG utilizes third-party sources of coal production, including contract miners and brokerage sources, to fulfill deliveries under its coal supply agreements. ICG s profitability or exposure to loss on transactions or relationships such as these is dependent upon the reliability (including financial viability) and price of the third-party supply, its obligation to supply coal to customers in the event that adverse geologic mining conditions restrict deliveries from its suppliers, its willingness to participate in temporary cost increases experienced by its third-party coal suppliers, its ability to pass on temporary cost increases to its customers, the ability to substitute, when economical, third-party coal sources with internal production or coal purchased in the market and other factors. Brokerage sources and contract miners may experience adverse geologic mining and/or financial difficulties that make their delivery of coal to ICG at the contractual price difficult or uncertain, which could temporarily impair its ability to fill ICG s customers orders or require ICG to pay higher prices in order to obtain the required coal from other sources. If ICG has difficulty with its third-party sources of coal, ICG s profitability could decrease.

ICG may be unable to generate sufficient taxable income from future operations to fully utilize its significant tax net operating loss carryforwards or maintain its deferred tax assets.

As a result of ICG s acquisition of Anker and of historical financial results, ICG has recorded deferred tax assets. If ICG fails to generate profits in the foreseeable future, its deferred tax assets may not be fully utilized. ICG evaluates its ability to utilize its net operating loss (NOL) and tax credit carryforwards each period and, in compliance with the Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 740, Income Taxes (ASC 740), record any resulting adjustments that may be required to deferred income tax expense. In addition, ICG will reduce the deferred income tax asset for the benefits of NOL and tax credit carryforwards used in future periods and will recognize and record federal and state income tax expense at statutory rates in future periods. If, in the future, ICG determines that it is more likely than not that it will not realize all or a portion of the deferred tax assets, ICG will record a valuation allowance against deferred tax assets which would result in a charge to income tax expense.

Failure to obtain or renew surety bonds in a timely manner and on acceptable terms could affect ICG s ability to secure reclamation and coal lease obligations, which could adversely affect its ability to mine or lease coal.

Federal and state laws require ICG to obtain surety bonds to secure payment of certain long-term obligations, such as mine closure or reclamation costs and federal and state workers compensation costs. Certain business transactions, such as coal leases and other obligations, may also require bonding. These bonds are typically renewable annually. Surety bond issuers and holders may not continue to renew the bonds or may demand additional collateral or other less favorable terms upon those renewals. The ability of surety bond issuers and holders to demand additional collateral or other less favorable terms has increased as the number of companies willing to issue these bonds has decreased over time. ICG s failure to maintain, or its inability to acquire, surety bonds that are required by state and federal law would affect its ability to secure reclamation and coal lease obligations, which could adversely affect its ability to mine or lease coal. That failure could result from a variety of factors including, without limitation:

lack of availability, higher expense or unfavorable market terms of new bonds;

restrictions on availability of collateral for current and future third-party surety bond issuers under the terms of ICG s amended and restated credit facility; and

exercise by third-party surety bond issuers of their right to refuse to renew the surety.

Failure to maintain capacity for required letters of credit could limit ICG s ability to obtain or renew surety bonds.

At December 31, 2010, ICG had $86.3 million of letters of credit in place, of which $65.8 million serve as collateral for reclamation surety bonds and $20.5 million secured miscellaneous obligations. ICG s ABL loan facility provides for a revolving credit facility of $125.0 million, all of which may be used for letters of credit. If ICG does not maintain sufficient borrowing capacity under its ABL loan facility for additional letters of credit, it may be unable to obtain or renew surety bonds required for its mining operations.

ICG s business requires continued capital investment, which it may be unable to provide.

ICG s business strategy requires continued capital investment for, among other purposes, managing acquired assets, acquiring new equipment, maintaining the condition of its existing equipment and maintaining compliance with environmental laws and regulations. To the extent that cash generated internally and cash available under its credit facilities are not sufficient to fund capital requirements, ICG will require additional debt and/or equity financing. However, this type of financing may not be available, or if available, may not be on satisfactory terms. Future debt financings, if available, may result in increased interest and amortization expense, increased leverage and decreased income available to fund further acquisitions and expansion. In addition, future debt financings may limit ICG s ability to withstand competitive pressures and render it more vulnerable to economic downturns. If ICG fails to generate sufficient earnings or to obtain sufficient additional capital in the future or fail to manage its capital investments effectively, it could be forced to reduce or delay capital expenditures, sell assets or restructure or refinance its indebtedness.

In addition, the ABL loan facility contains covenants that, in the event ICG s liquidity falls below a specified amount, limits the amount of capital expenditures and requires ICG to maintain a minimum ratio of EBITDA to fixed charges.

The ABL loan facility also contains customary events of default, including, but not limited to, failure to pay principal or interest, breach of covenants or representations and warranties, cross-default to other indebtedness, judgment default and insolvency. If an event of default occurs under the ABL loan facility, the lenders under the ABL loan facility will be entitled to take various actions, including demanding payment for all amounts outstanding thereunder and foreclosing on any collateral. If the lenders were to do so, ICG s other debt obligations including the senior notes and the convertible notes, would also have the right to accelerate those obligations which it would be unable to satisfy.

Increased consolidation and competition in the U.S. coal industry may adversely affect its ability to retain or attract customers and may reduce domestic coal prices.

During the last several years, the U.S. coal industry has experienced increased consolidation, which has contributed to the industry becoming more competitive. According to the EIA, in 1995, the top ten coal producers accounted for approximately 50% of total domestic coal production. By 2009, however, the top ten coal producers share had increased to approximately 67% of total domestic coal production. Consequently, many of its competitors in the domestic coal industry are major coal producers who have significantly greater financial resources than ICG. The intense competition among coal producers may impact ICG s ability to retain or attract customers and may therefore adversely affect its future revenues and profitability.

The demand for U.S. coal exports is dependent upon a number of factors outside of ICG s control, including the overall demand for electricity in foreign markets, currency exchange rates, ocean freight rates, the demand for foreign-produced steel both in foreign markets and in the U.S. market (which is dependent in part on tariff rates on steel), general economic conditions in foreign countries, technological developments and environmental and other governmental regulations and any other pressures placed on companies that are connected to the emission of

greenhouse gases. If foreign demand for U.S. coal were to decline, this decline could cause competition among coal producers in the United States to intensify, potentially resulting in additional downward pressure on domestic coal prices.

ICG s ability to collect payments from its customers could be impaired if their creditworthiness deteriorates.

ICG s ability to receive payment for coal sold and delivered depends on the continued creditworthiness of its customers. Its customer base is changing with an increasing focus on metallurgical sales to domestic and export steel customers. Despite the recent improvement in steel output, the steel industry experienced a dramatic downturn in late 2008 that continued for most of 2009, with most of the industry experiencing steep losses. If the current recovery does not continue, ICG s ability to collect from some of its customers could be impaired.

Continued deregulation by its utility customers that sell their power plants to their non-regulated affiliates or third parties that may be less creditworthy, thereby increasing the risk ICG bears on payment default. These new power plant owners may have credit ratings that are below investment grade. Further, competition with other coal suppliers could force us to extend credit to customers and on terms that could increase the risk ICG bears on payment default.

In the current economic climate certain of ICG s customers and their customers may be affected by cash flow problems, which can increase the time it takes to collect accounts receivable.

Defects in title or loss of any leasehold interests in its properties could limit ICG s ability to conduct mining operations on these properties or result in significant unanticipated costs.

ICG conducted a significant part of its mining operations on properties that it leases. A title defect or the loss of any lease upon expiration of its term, upon a default or otherwise, could adversely affect its ability to mine the associated reserves and/or process the coal that it mines. Title to most of ICG s owned or leased properties and mineral rights is not usually verified until it makes a commitment to develop a property, which may not occur until after it has obtained necessary permits and completed exploration of the property. In some cases, ICG relies on title information or representations and warranties provided by its lessors or grantors. ICG s right to mine some of its reserves has in the past been, and may again in the future be, adversely affected if defects in title or boundaries exist or if a lease expires. Any challenge to its title or leasehold interests could delay the exploration and development of the property and could ultimately result in the loss of some or all of its interest in the property. Mining operations from time to time may rely on an expired lease that ICG is unable to renew. From time to time ICG also may be in default with respect to leases for properties on which it has mining operations. In such events, ICG may have to close down or significantly alter the sequence of such mining operations which may adversely affect its future coal production and future revenues. If ICG mines on property that it does not own or lease, it could incur liability for such mining. Also, in any such case, the investigation and resolution of title issues would divert management s time from ICG s business and its results of operations could be adversely affected. Additionally, if ICG loses any leasehold interests relating to any of its preparation plants, ICG may need to find an alternative location to process its coal and load it for delivery to customers, which could result in significant unanticipated costs.

In order to obtain leases or mining contracts to conduct its mining operations on property where these defects exist, ICG may in the future have to incur unanticipated costs. In addition, ICG may not be able to successfully negotiate new leases or mining contracts for properties containing additional reserves, or maintain its leasehold interests in properties where ICG has not commenced mining operations during the term of the lease. Some leases have minimum production requirements. Failure to meet those requirements could result in losses of prepaid royalties and, in some rare cases, could result in a loss of the lease itself.

ICG s work force could become unionized in the future, which could adversely affect the stability of its production and reduce its profitability.

All of ICG s coal production is from mines operated by union-free employees. However, its subsidiaries employees have the right at any time under the National Labor Relations Act to form or affiliate with a union. If the terms of a union collective bargaining agreement are significantly different from its current compensation

arrangements with its employees, any unionization of its subsidiaries employees could adversely affect the stability of its production and reduce its profitability.

If the coal industry experiences overcapacity in the future, ICG s profitability could be impaired.

During the mid-1970s and early 1980s, a growing coal market and increased demand for coal attracted new investors to the coal industry, spurred the development of new mines and resulted in production capacity in excess of market demand throughout the industry. Similarly, increases in future coal prices could encourage the development of expanded capacity by new or existing coal producers.

ICG is subject to various legal and governmental proceedings which may have a material adverse effect on its business.

ICG is party to a number of legal proceedings incidental to normal business activities, including several complaints related to an accident at its Sago mine in January 2006, a breach of contract complaint by one of its customers related to the idling of its Sycamore No. 2 mine and a class action lawsuit that alleges that the registration statements filed in connection with its initial public offering contained false and misleading statements, and that investors relied upon those securities filings and suffered damages as a result. Some actions brought against ICG from time to time may have merit and, in addition, there may be claims asserted against ICG that are not covered, in whole or in part, by its insurance policies. There is always the potential that an individual matter or the aggregation of many matters could have an adverse effect on its financial condition, results of operations or cash flows. See note 16 to ICG s audited consolidated financial statements for the year ended December 31, 2010 and note 13 to ICG s unaudited consolidated financial statements for the three month period ended March 31, 2011, included and incorporated by reference in this prospectus supplement for additional information.

Although ICG strives to maintain compliance with all applicable laws at all times, from time to time it receives citations, orders and notices of violation from applicable governmental authorities, particularly those governing health, safety and the environment. When this occurs, ICG attempts to abate immediately the condition cited, whether or not it agrees as to whether it constitutes a violation. When ICG receive citations, orders or notices of violation, it either pays the assessed penalties, or if ICG disputes the fact of such alleged violation or the amount of the penalty relative to such violation, ICG contests such matter. While such matters typically would not be expected to have a material adverse effect, they could in the future have a material adverse effect on its business. None of ICG s mines has ever received a notice of a potential pattern of violations. If one or more of ICG s operations, however, were placed on a pattern of violations by the regulatory authorities, such designation and the enhanced enforcement regime that such designation entails, could have a material adverse effect on its business.

Risks to ICG Relating to Governmental Regulation

Extensive government regulations impose significant costs on ICG s mining operations, and future regulations could increase those costs or limit its ability to produce and sell coal.

The coal mining industry is subject to increasingly strict regulation by federal, state and local authorities with respect to matters such as:

- limitations on land use;
- employee health and safety;
- mandated benefits for retired coal miners;

mine permitting and licensing requirements;

reclamation and restoration of mining properties after mining is completed;

air quality standards;

water pollution;

construction and permitting of facilities required for mining operations, including valley fills and other structures, including those constructed in natural water courses and wetlands;

protection of human health, plant life and wildlife;

discharge of materials into the environment;

surface subsidence from underground mining; and

effects of mining on groundwater quality and availability.

In particular, federal and state statutes require ICG to restore mine property in accordance with specific standards and an approved reclamation plan, and require that ICG obtain and periodically renew permits for mining operations. If ICG does not make adequate provisions for all expected reclamation and other costs associated with mine closures, it could harm ICG s future operating results.

Federal and state safety and health regulation in the coal mining industry may be the most comprehensive and pervasive system for protection of employee safety and health affecting any segment of the U.S. industry. It is costly and time-consuming to comply with these requirements and new regulations or orders may materially adversely affect ICG s mining operations or cost structure, any of which could harm its future results.

Under federal law, each coal mine operator must secure payment of federal black lung benefits to claimants who are current and former employees and contribute to a trust fund for the payment of benefits and medical expenses to claimants who last worked in the coal industry before July 1973. The trust fund is funded by an excise tax on coal production. If this tax increases, or if ICG could no longer pass it on to the purchaser of its coal under many of its long-term sales contracts, it could increase operating costs and harm ICG s results. Recently, there has been a renewed focus on rates of black lung disease among coal workers. As a result, there may be greater federal scrutiny of the industry that could lead to new and more costly regulation which may increase ICG s cost of contributions to the trust fund.

The costs, liabilities and requirements associated with existing and future regulations may be costly and time-consuming and may delay commencement or continuation of exploration or production operations. Failure to comply with these regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of cleanup and site restoration costs and liens, the issuance of injunctions to limit or cease operations, the suspension or revocation of permits and other enforcement measures that could have the effect of limiting production from ICG s operations. ICG may also incur costs and liabilities resulting from claims for damages to property or injury to persons arising from its operations. ICG must compensate employees for work-related injuries. If ICG does not make adequate provisions for its workers compensation liabilities, it could harm its future operating results. If ICG is pursued for these sanctions, costs and liabilities, its mining operations and, as a result, its profitability could be adversely affected.

The possibility exists that new legislation and/or regulations and orders may be adopted that may materially adversely affect ICG s mining operations, its cost structure and/or its customers ability to use coal. New legislation or administrative regulations (or new judicial interpretations or administrative enforcement of existing laws and regulations), including proposals related to the protection of the environment that would further regulate and tax the coal industry, may also require ICG or its customers to change operations significantly or incur increased costs. These regulations, if proposed and enacted in the future, could have a material adverse effect on ICG s financial condition and results of operations.

Restrictions on the disposal of mining spoil material could significantly increase ICG s operating costs, discourage customers from purchasing its coal and materially harm its financial condition and operating results.

Mining in the mountainous terrain of Appalachia typically requires the use of valley fills for the disposal of excess spoil (rock and soil material) generated by construction and mining activities. In ICG s surface mining operations, it selects the mining method that allows it to recover more tons of coal per acre and facilitates the permitting of larger projects, which enables mining to continue over a longer period of time. All methods of surface mining in Appalachia depend on valley fills to dispose of excess mining spoil material. Construction of roads,

underground mine portal sites, coal processing and handling facilities and coal refuse embankments or impoundments related to both surface and underground mining also require the development of valley fills. ICG obtains permits to construct and operate valley fills and surface impoundments from the ACOE under the auspices of Section 404 of the federal Clean Water Act (the CWA). Regulations that govern the issuance of such permits are under agency review and may become more stringent in the future. Lawsuits challenging the ACOE s authority to authorize surface mining activities under comprehensive individual permits have been instituted by environmental groups, which also advocate for changes in federal and state laws that would prevent or further restrict the issuance of such permits.

Litigation of this type, which is designed to prevent or delay the issuance of permits needed for mining or to make permitting or regulatory standards more stringent, whether brought directly against ICG or against governmental agencies that establish environmental standards and issue permits, could greatly lengthen the time needed to permit the mining of reserves, significantly increase ICG s operating costs, make it more difficult to economically recover a significant portion of its reserves and lead to a material adverse effect on its financial condition and results of operation. ICG may not be able to increase the price of its coal to cover higher production costs without reducing customer demand for its coal.

New government regulations as a result of recent mining accidents could continue increasing ICG s costs.

Both the federal and state governments impose stringent health and safety standards on the mining industry. Regulations are comprehensive and affect nearly every aspect of mining operations, including training of mine personnel, mining procedures, blasting, the equipment used in mining operations and other matters. As a result of past mining accidents, including the explosion at ICG s Sago mine in January 2006, additional federal and state health and safety regulations have been adopted that have increased operating costs and affect its mining operations. State and federal legislation has been adopted that, among other things, requires additional oxygen supplies, communication and tracking devices, refuge chambers, stronger seal construction and monitoring standards and mine rescue teams. As a result of the April 5, 2010 explosion that caused fatal injuries to 29 workers at a competitor s mine, both the federal government and the state of West Virginia have announced that they are considering additional changes to mine safety rules and regulations which may require changes to ICG s mining practices that could further increase its capital and operating costs and decrease its productivity, which would adversely affect its results of operations. ICG expects that increased efforts to expand investigations and types of violations, as well as increased penalties for non-compliance will increase its costs related to worker health and safety. Additionally, it could be subject to civil penalties and other penalties if it violates mining regulations.

Mining in Northern and Central Appalachia is more complex and involves more regulatory constraints than mining in the other areas, which could affect productivity and cost structures of these areas.

The geological characteristics of Northern and Central Appalachian coal reserves, such as depth of overburden and coal seam thickness, make them complex and costly to mine. As mines become depleted, replacement reserves may not be available when required or, if available, may not be capable of being mined at costs comparable to those characteristic of the depleting mines. In addition, as compared to mines in the Powder River Basin in northeastern Wyoming and southeastern Montana, permitting, licensing and other environmental and regulatory requirements are more dynamic and thus more costly and time-consuming to satisfy. These factors could materially adversely affect the mining operations and cost structures of, and customers ability to use coal produced by, ICG s mines in Northern and Central Appalachia.

ICG must obtain governmental permits and approvals for mining operations, which can be a costly and time-consuming process, can result in restrictions on its operations and is subject to litigation that may delay or prevent it from obtaining necessary permits.

ICG s operations are principally regulated under surface mining permits issued pursuant to the Surface Mining Control and Reclamation Act and state counterpart laws. Such permits, which are issued for terms of five years with the right of successive renewal, grant approval for surface mining or the surface effects of underground mining. Separately, the CWA requires permits for operations that discharge water or place fill material into waters of the

United States. Water discharges are authorized under CWA Section 402 permits typically issued by state regulatory agencies under EPA oversight while valley fills, refuse impoundments and other types of disturbances in streams are authorized under CWA Section 404 permits issued by the ACOE. The EPA has the authority, which it has rarely exercised until recently, to object to permits issued by the ACOE. While the ACOE is authorized to issue permits even when the EPA has objections, the EPA does have the ability to override the ACOE decision and veto the permits.

A Memorandum of Understanding executed on June 11, 2009 between the EPA, the ACOE and the Department of the Interior provided a blueprint for proposed changes to the regulation of coal mining activities in the Appalachian region of Kentucky, Ohio, Pennsylvania, Tennessee, Virginia and West Virginia. The Department of Interior s Office of Surface Mining Reclamation and Enforcement (OSMRE) stated that it intended to revise certain rules to afford greater protections to streams and to revisit its regulation of surface mine restoration. The EPA announced an enhanced coordination procedure for the review of all pending CWA Section 404 permit applications for mining in Appalachia.

In September 2009, the EPA announced 79 pending CWA Section 404 permit applications for Appalachian coal mining warranted further review because of continuing concerns about water quality and/or regulatory compliance issues. The list included four of ICG s permit applications. Three of its four permit applications were withdrawn following its evaluation of other spoil disposal options, which are less economical than the proposed projects. ICG s application for a coarse refuse fill at its Knott County mine remains pending. While the EPA has stated that its identification of these 79 permits does not constitute a determination that the mining involved cannot be permitted under the CWA and does not constitute a final recommendation from the EPA to the ACOE on these projects, it is unclear how long the further review will take for its permits or what the final outcome will be. Excessive delays in permitting may require adjustments of ICG s production budget and mining plans.

On April 1, 2010, the EPA released a guidance document entitled Improving EPA Review of Appalachian Surface Coal Mining Operations under the Clean Water Act, National Environmental Policy Act, and the Environmental Justice Executive Order. This guidance, if applied by states within this six-state region (KY, OH, PA, TN, VA and WV), will result in the imposition of exceedingly stringent water quality-based limitations in CWA Section 402 wastewater discharge permits and CWA Section 404 dredge and fill permits. Specifically, a maximum conductivity limitation of 500 microSiemens per centimeter is not considered attainable for water discharges from most mining operations, including underground mines. This guidance may cause delays in ICG s ability to obtain permits, may increase its operating and capital costs to comply with permits or may prevent its ability to obtain permits that will allow it to conduct certain operations. The issuance of this guidance is being appealed by the National Mining Association, Kentucky Coal Association, the State of West Virginia and the Commonwealth of Kentucky.

Additionally, certain operations (particularly preparation plants) have permits issued pursuant to the Clean Air Act and state counterpart laws allowing and controlling the discharge of air pollutants. Regulatory authorities exercise considerable discretion in the timing of permit issuance. Requirements imposed by these authorities may be costly and time consuming and may result in delays in, or in some instances preclude, the commencement or continuation of development or production operations. Adverse outcomes in lawsuits challenging permits or failure to comply with applicable regulations could result in the suspension, denial or revocation of required permits, which could have a material adverse impact on ICG s financial condition, results of operations or cash flows.

The Mine Safety and Health Administration or other federal or state regulatory agencies may order certain of ICG s mines to be temporarily or permanently closed, which could adversely affect its ability to meet customers demands.

The Mine Safety and Health Administration (MSHA) or other federal or state regulatory agencies may order certain of ICG s mines to be temporarily or permanently closed. Its customers may challenge its issuance of force majeure notices in connection with such closures. If these challenges are successful, ICG may have to purchase coal from

third-party sources to satisfy those challenges, incur capital expenditures to re-open the mines and negotiate settlements with the customers, which may include price reductions, the reduction of commitments or the extension of time for delivery, terminate customers contracts or face claims initiated by its customers against ICG. The

resolution of these challenges could have an adverse impact on its financial position, results of operations or cash flows.

Federal or state legislation that restricts disposal of mining spoil material or coal refuse material could eliminate certain mining methods, significantly increase ICG s operating costs and materially harm its financial condition and operating results.

The U.S. Congress and state legislatures have in the past and are currently considering proposals that would effectively prohibit the placement of materials generated by coal mining into waters of the United States, which practice is essential to surface mining in central Appalachia. A prohibition against excess spoil placement in streams would essentially eliminate surface mining in steep terrain, thus rendering much of ICG s coal reserves unmineable. Restrictions on the placement of coal refuse material in streams or in abandoned underground coal mines could limit the life of existing coal processing operations, potentially block new coal preparation plants and at minimum significantly increase ICG s operating costs. Public concerns regarding the environmental, health and aesthetic impacts of surface mining could, independent of regulation, affect ICG s reputation and reduce demand for its coal.

Promulgation of a federal stream protection plan regulation that would restrict disposal of mining spoil material or place stringent restrictions on mining in, near or beneath streams could eliminate certain mining methods, significantly increase ICG s operating costs and materially harm its financial condition and operating results.

The OSMRE published an Advance Notice of Proposed Rulemaking (ANPRM) in November 2009 regarding the alternatives under consideration for revision of its 2008 Stream Buffer Zone Rule which solicits public comment on changes to mining regulatory programs that are more restrictive than indicated by the ANPRM. The OSMRE, after receiving over 30,000 comments during a brief public comment period, decided to expand its formal rulemaking to encompass issues beyond the Stream Buffer Zone Rule. The OSMRE, in April and June 2010, published Notices of Intent to conduct an Environmental Impact Statement for a Stream Protection Rule, which would replace the Stream Buffer Zone Rule. The notice included a list of concepts under consideration for the proposed rule, such as requirements for coal mining companies to gather more specific baseline data on a proposed mine site s hydrology, geology and aquatic biology; a proposal to establish a definition of the term material damage to the hydrologic balance of watersheds outside the permit area; revising regulations for mining activities in, near or beneath streams; and development of revised and expanded requirements for mine operators seeking a variance from the requirement that mined areas be reclaimed to their approximate original contour. A proposed revised rule has not yet been released for public review and comment. However, internal draft OSMRE documents indicate that consideration has been given to proposing a rule that is much broader in scope than the Stream Buffer Zone Rule, which would prohibit widely accepted mining techniques and destroy tens of thousands of coal mining and related jobs nationwide. If any of these or other more restrictive stream protection alternatives are adopted, such added requirements could impact coal mining operations, particularly in Appalachia, by reducing locations where coal mining operations can be conducted. Such measures could impact the cost and productivity of mining and may affect the economic viability of mining certain reserves. Certain of the proposed alternatives would effectively prohibit the placement of materials generated by coal mining into intermittent or perennial streams, which practice is essential to surface mining in central Appalachia. A prohibition against excess spoil placement in such streams would essentially eliminate surface mining in steep terrain, thus rendering much of ICG s coal reserves unmineable. A prohibition on impacts to streams due to mining in, near or beneath such streams would adversely affect certain mining methods, including longwall mining. The OSMRE had announced that it intended to release a proposed revised rule for public review and comment in early 2011, but the OSMRE s decision in March 2011 to terminate the contractor that had been retained to conduct the environmental impact study is expected to delay the proposed rulemaking.

ICG may be unable to obtain and renew permits necessary for its operations, which would reduce its production, cash flow and profitability.

Mining companies must obtain numerous permits that impose strict regulations on various environmental and safety matters in connection with coal mining. These include permits issued by various federal and state agencies

and regulatory bodies. The permitting rules are complex and may change over time or become more stringent, making ICG s ability to comply with the applicable requirements more difficult or even impossible, thereby precluding continuing or future mining operations. The public has certain rights to comment upon and otherwise engage in the permitting process, including through court intervention. Furthermore, in the current regulatory environment, with enhanced scrutiny by regulators, increased opposition by environmental groups and others and potential resultant delays and permit application denials, ICG now anticipates that mining permit approvals will take even longer than previously experienced, and some permits may not be issued at all. Accordingly, the permits ICG needs may not be issued, maintained or renewed, may not be issued or renewed in a timely fashion and may involve requirements that restrict ICG s ability to conduct its mining operations. An inability to conduct its mining operations pursuant to applicable permits would reduce its production, cash flows and profitability.

If the assumptions underlying its reclamation and mine closure obligations are materially inaccurate, ICG could be required to expend greater amounts than anticipated.

The SMCRA establishes operational, reclamation and closure standards for all aspects of surface mining, as well as the surface effects of deep mining. Estimates of ICG s total reclamation and mine closure liabilities are based upon permit requirements, engineering studies and its engineering expertise related to these requirements. The estimate of ultimate reclamation liability is updated annually by an independent engineering consulting firm and reviewed periodically by ICG s management and engineers. The estimated liability can change significantly if actual costs vary from assumptions or if governmental regulations change significantly. Asset retirement obligations are recorded as a liability based on fair value, which is calculated as the present value of the estimated future cash flows. In estimating future cash flows, ICG considered the estimated current cost of reclamation and applied inflation rates and a third-party profit, as necessary. The third-party profit is an estimate of the approximate markup that would be charged by contractors for work performed on behalf of ICG. The resulting estimated reclamation and mine closure obligations could change significantly if actual amounts change significantly from its assumptions.

ICG s operations may substantially impact the environment or cause exposure to hazardous materials, and its properties may have significant environmental contamination, any of which could result in material liabilities to it.

ICG uses, and in the past has used, hazardous materials and generates, and in the past has generated, hazardous wastes. In addition, many of the locations that ICG owns or operates were used for coal mining and/or involved hazardous materials usage either before or after it was involved with those locations. ICG may be subject to claims under federal and state statutes and/or common law doctrines for personal injury, property damages, natural resource damages and other damages, as well as the investigation and clean up of soil, surface water, groundwater and other media. Such claims may arise, for example, out of current or former activities at sites that it owns or operates currently, as well as at sites that it or predecessor entities owned or operated in the past, and at contaminated sites that have always been owned or operated by third parties. ICG s liability for such claims may be joint and several, so that it may be held responsible for more than its share of the remediation costs or other damages, or even for the entire share. ICG has from time to time been subject to claims arising out of contamination at its own and other facilities and may incur such liabilities in the future.

ICG uses, and in the past has used, alkaline coal combustion byproducts (CCBs) during the reclamation process at certain of its mines to aid in preventing the formation of acid mine drainage and it has agreed to dispose of CCBs in some instances. Use of CCBs on a mined area is subject to regulatory approval and is allowed only after it is proved to be of beneficial use. The EPA has issued a proposed regulation discussing potential regulatory options for CCBs generated by electricity generators under the Resource Conservation and Recovery Act, one of which is the regulation of CCBs as hazardous or special waste and the other as non-hazardous waste. This proposed rule contains an exemption, the scope of which is not completely clear, for the use of CCBs as minefills at coal mines, and the EPA has stated that it will defer to the OSMRE to undertake regulatory action. If in the future CCBs were to be classified as

a hazardous or special waste or if more stringent disposal requirements were to be otherwise established for these wastes, ICG may be required to cease using or disposing of CCBs at certain of its mines and

find a replacement alkaline material for this purpose, which may add to the cost of mine reclamation or decrease its revenue generated from disposal contracts with certain of its customers.

ICG maintains extensive coal slurry impoundments at a number of its mines. Such impoundments are subject to stringent regulation. Slurry impoundments maintained by other coal mining operations have been known to fail, releasing large volumes of coal slurry. Structural failure of an impoundment can result in extensive damage to the environment and natural resources, such as bodies of water that the coal slurry reaches, as well as liability for related personal injuries and property damages and injuries to wildlife. Some of ICG s impoundments overlie mined-out areas, which can pose a heightened risk of failure and of damages arising out of failure, unless preventive measures are implemented in a timely manner. ICG has commenced such measures to modify its method of operation at one surface impoundment containing slurry wastes in order to reduce the risk of releases to the environment from it, a process that has been incorporated into the construction sequence of the impoundment and thus will take several years to complete. If one of its impoundments were to fail, ICG could be subject to substantial claims for the resulting environmental contamination and associated liability, as well as for fines and penalties.

These and other impacts that ICG s operations may have on the environment, as well as exposures to hazardous substances or wastes associated with its operations and environmental conditions at its properties, could result in costs and liabilities that would materially and adversely affect it.

Extensive environmental regulations affect ICG s customers and could reduce the demand for coal as a fuel source and cause its sales to decline.

The Clean Air Act and similar state and local laws extensively regulate the amount of sulfur dioxide, particulate matter, nitrogen oxides and other compounds emitted into the air from coke ovens and electric power plants, which are the largest end users of ICG s coal. Such regulations will require significant emissions control expenditures for many coal-fired power plants to comply with applicable ambient air quality standards. As a result, these generators may switch to other fuels that generate less of these emissions, possibly reducing future demand for coal and the construction of coal-fired power plants.

The Federal Clean Air Act, including the Clean Air Act Amendments of 1990, and corresponding state laws that regulate emissions of materials into the air affect coal mining operations both directly and indirectly. Measures intended to improve air quality that reduce coal s share of the capacity for power generation could diminish ICG s revenues and harm its business, financial condition and results of operations. The price of lower sulfur coal may decrease as more coal-fired utility power plants install additional pollution control equipment to comply with stricter sulfur dioxide emission limits, which may reduce ICG s revenues and harm its results. In addition, regulatory initiatives including the sulfur dioxide and nitrogen oxide rules, new ozone and particulate matter standards, regional haze regulations, new source review, new source performance standards, regulation of mercury emissions and legislation or regulations that establish restrictions on greenhouse gas emissions or provide for other multiple pollutant reductions could make coal a less attractive fuel to ICG s utility customers and substantially reduce its sales.

Various new and proposed laws and regulations may require further significant reductions in emissions from coal-fired utilities. More stringent emissions standards may require many coal-fired sources to install additional pollution control equipment, such as wet scrubbers. Increasingly, the EPA has been undertaking multi-pollutant rulemakings to reduce emissions from coal-fired utilities. The EPA has issued a proposed rule to regulate the disposal of CCBs under the Resource Conservation and Recovery Act. These and other future standards could have the effect of making the operation of coal-fired plants less profitable, thereby decreasing demand for coal. The majority of ICG s coal supply agreements contain provisions that allow a purchaser to terminate its contract if legislation is passed that either restricts the use or type of coal permissible at the purchaser s plant or results in specified increases in the cost of coal or its use.

There have been several recent proposals in Congress that are designed to further reduce emissions of sulfur dioxide, nitrogen oxides and mercury from power plants, and certain ones could regulate additional air pollutants. If such initiatives are enacted into law, power plant operators could choose fuel sources other than coal to meet their requirements, thereby reducing the demand for coal.

A regional haze program initiated by the EPA to protect and to improve visibility at and around national parks, national wilderness areas and international parks restricts the construction of new coal-fired power plants whose operation may impair visibility at and around federally protected areas, and may require some existing coal-fired power plants to install additional control measures designed to limit haze-causing emissions.

New and pending laws regulating the environmental effects of emissions of greenhouse gases could impose significant additional costs to doing business for the coal industry and/or a shift in consumption to non-fossil fuels.

Greenhouse gas emissions have increasingly become the subject of a large amount of international, national, regional, state and local attention. Future regulation of greenhouse gas could occur pursuant to future U.S. treaty obligations, statutory or regulatory changes under the Clean Air Act or new climate change legislation. Increased efforts to control greenhouse gas emissions could result in reduced demand for coal if electric power generators switch to lower carbon sources of fuel.

Coal-fired power plants can generate large amounts of greenhouse gas emissions, and, as a result, have become subject to challenge, including the opposition to any new coal-fired power plants or capacity expansions of existing plants, by environmental groups seeking to curb the environmental effects of emissions of greenhouse gases. Various legislation has been and may continue to be introduced in Congress which reflects a wide variety of strategies for reducing greenhouse gas emissions in the United States. These strategies include mandating decreases in greenhouse gas emissions from coal-fired power plants, instituting a tax on greenhouse gas emissions, banning the construction of new coal-fired power plants that are not equipped with technology to capture and sequester carbon dioxide, encouraging the growth of renewable energy sources (such as wind or solar power) or nuclear for electricity production, and financing the development of advanced coal burning plants which have greatly reduced greenhouse gas emissions. Most states in the United States have taken steps to regulate greenhouse gas emissions. Under the Clean Air Act, the EPA has published its finding that greenhouse gases pose a threat to public health and declared that six greenhouse gases constitute air pollutants. The EPA has adopted regulations that would impact new or modified major stationary sources of greenhouse gas emissions, including coal-fired power plants, beginning January 2, 2011. Emissions of greenhouse gas emissions from coal mining have come under increased regulatory attention, as the EPA has extended its greenhouse gas emissions reporting rules to underground coal mines and has received a petition to adopt regulations to restrict greenhouse gas emissions, including methane, and other pollutants from surface, underground and abandoned coal mines.

These or additional state or federal laws or regulations regarding greenhouse gas emissions or other actions to limit greenhouse gas emissions could result in fuel switching, from coal to other fuel sources, by electric generators. Political and regulatory uncertainty over future emissions controls have been cited as major factors in decisions by power companies to postpone new coal-fired power plants. If measures such as these or other similar measures, like controls on methane emissions from coal mines, are ultimately imposed on the coal industry by federal or state governments or pursuant to international treaty, ICG s operating costs may be materially and adversely affected. Similarly, alternative fuels (non-fossil fuels) could become more attractive than coal in order to reduce greenhouse gas emissions, which could result in a reduction in the demand for coal and, therefore, ICG s revenues. Public concerns regarding climate change could, independent of regulatory developments, adversely affect ICG s reputation and reduce demand for its coal.

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USE OF PROCEEDS

We will receive net proceeds from the common stock offering of approximately $1,249.8 million, after deducting underwriters discounts and estimated fees and expenses (assuming no exercise by the underwriters of their over-allotment option). If the underwriters exercise their over-allotment option in full, we estimate that the net proceeds of this offering will be approximately $1,437.4 million, after deducting underwriters discounts and estimated fees and expenses. Concurrently with this offering of common stock, we are separately offering $2,000.0 million aggregate principal amount of New Senior Notes. We intend to use the net proceeds of this offering, our concurrent offering of New Senior Notes and borrowings under our amended and restated senior secured credit facility, to fund the transactions and to pay fees and expenses in connection with the transactions.

The following table illustrates the estimated sources of funds and uses of funds relating to the transactions, as if the transactions were completed on March 31, 2011. The actual amounts may differ at the time of the consummation of the transactions.

Sources of Funds	Amount (in millions)	Uses of Funds	Amount (in millions)
Common Stock offered hereby	$ 1,296.0	Tender offer for ICG equity(2)	3,044.6
Concurrent New Senior Notes offering	2,000.0	Redeem ICG 9.125% senior secured second-priority notes due 2018(3)	256.9
Amended and restated senior secured credit facility(1)	551.6	Cash conversion of ICG 4.00% convertible senior notes due 2017(4)	300.7
		Cash conversion of ICG 9.00% convertible senior notes due 2012(5)	1.7
		Repay other ICG debt(6)	50.1
		Estimated fees and expenses(7)	193.6
Total sources	$ 3,847.6	Total uses	$ 3,847.6

(1) In connection with the closing of the merger, we expect to enter into an amended and restated senior secured credit facility on substantially similar terms as the existing senior secured credit facility which will increase commitments available under the facility from $860.0 million to $1.75 billion. Any shortfall from the proceeds of the shares offered hereby or the concurrent New Senior Notes offering will be financed with borrowings under our amended and restated senior secured credit facility.

(2) Assumes all outstanding shares of common stock are validly tendered and acquired by Merger Sub in the tender offer.

(3) Assumes all of the 9.125% senior secured second-priority notes are redeemed at a price equal to 100% of the principal amount plus an applicable make-whole premium of $51.6 million and accrued and unpaid interest to the redemption date.

(4) Assumes holders elect to convert all of the 4.00% convertible senior notes due 2017 for cash after the closing of the merger at an increased conversion rate applicable as a result of the merger.

(5) Assumes holders elect to convert all of the 9.00% convertible senior notes due 2012 for cash after the closing of the merger at an increased conversion rate applicable as a result of the merger.

(6) Consists of other ICG indebtedness, including equipment notes and capital leases.

(7) Consists of estimated fees and expenses related to the transactions, including legal, accounting and advisory fees, fees associated with the financing transactions and other transaction costs.

CAPITALIZATION

The following table sets forth Arch Coal s consolidated cash and cash equivalents and capitalization as of March 31, 2011:

on an actual basis;

on an as adjusted basis to give effect to the issuance and sale of 48,000,000 shares of our common stock in this offering at a public offering price of $27.00 per share, assuming that we temporarily invest the proceeds in short-term, interest-bearing obligations; and

as further adjusted on a pro forma basis to give effect to the transactions.

This table is unaudited and should be read in conjunction with Use of Proceeds, Unaudited Pro Forma Condensed Combined Financial Information, Selected Historical Financial Data of Arch Coal, Selected Historical Financial Data of ICG, Management s Discussion and Analysis of Financial Condition and Results of Operations of Arch Coal, Management s Discussion and Analysis of Financial Condition and Results of Operations of ICG and the financial statements and related notes of Arch Coal and ICG, which are included and incorporated by reference into this prospectus supplement.

	As of March 31, 2011		
	Actual	As Adjusted (in millions)	As Further Adjusted
Cash and cash equivalents:	$ 69.2	$ 1,319.0	$ 255.8
Debt:			
Existing indebtedness of Arch Coal			
Commercial paper(1)	$ 60.6	$ 60.6	$ 60.6
Senior secured credit facility(2)			551.6
Accounts receivable securitization program(3)			
63/4% senior notes due 2013(4)	451.5	451.5	451.5
83/4% senior notes due 2016(5)	587.6	587.6	587.6
71/4% senior notes due 2020(6)	500.0	500.0	500.0
Other	8.8	8.8	8.8
Existing indebtedness of ICG			
ABL loan facility(7)	N/A	N/A	
9.00% convertible senior notes due 2012(8)	N/A	N/A	
4.00% convertible senior notes due 2017(9)	N/A	N/A	
9.125% senior secured second-priority notes due 2018(10)	N/A	N/A	
Equipment notes	N/A	N/A	
Capital leases and other	N/A	N/A	
Notes offered concurrently	N/A	N/A	2,000.0
Total debt	1,608.5	1,608.5	4,160.1

Stockholder equity:			
Total Arch Coal stockholders equity[11]	2,291.6	3,541.4	3,449.8
Total capitalization	$ 3,900.1	$ 5,149.9	$ 7,609.9

(footnotes appear on following page)

N/A: Not applicable to Arch Coal s actual capitalization as of March 31, 2011 or as adjusted to solely give effect to this offering assuming that we temporarily invest the proceeds in short-term, interest-bearing obligations.

(1) Arch Western Resources commercial paper placement program is supported by a line of credit that is subject to renewal annually and is next scheduled to expire on January 30, 2012. As a result of the transactions, we do not anticipate the renewal of the program. The maximum aggregate principal amount available under our commercial paper program is $75.0 million.

(2) At March 31, 2011, we had no outstanding borrowings and $860.0 million available for borrowing under our senior secured credit facility. Our senior secured credit facility expires on March 31, 2013. In connection with the closing of the merger, we expect to enter into an amended and restated senior secured credit facility on substantially similar terms as the existing senior secured credit facility which will increase commitments available under the facility from $860.0 million to $1.75 billion.

(3) We are party to a $175.0 million accounts receivable securitization program whereby eligible trade receivables are sold, without recourse, to a multi-seller, asset-backed commercial paper conduit. The entity through which these receivables are sold is consolidated into our financial statements. The credit facility supporting the borrowings under the program is subject to renewal annually and expires on January 30, 2012. At March 31, 2011, we had availability of $71.4 million under the accounts receivable securitization program. We also had outstanding letters of credit under the accounts receivable program of $76.2 million as of March 31, 2011.

(4) $450.0 million aggregate principal amount of 63/4% senior notes due 2013 of Arch Western Finance, LLC, guaranteed by Arch Western Resources and certain of its subsidiaries.

(5) $600.0 million aggregate principal amount of 83/4% senior notes due 2016 of Arch Coal, Inc., guaranteed by its subsidiaries that guarantee indebtedness under its senior secured credit facility.

(6) $500.0 million aggregate principal amount of 71/4% senior notes due 2020 of Arch Coal, Inc., guaranteed by its subsidiaries that guarantee indebtedness under its senior secured credit facility.

(7) ICG s ABL loan facility will be terminated in connection with the transactions.

(8) Assumes holders elect to convert all of the 9.00% convertible senior notes due 2012 for cash after the closing of the merger at an increased conversion rate applicable as a result of the merger.

(9) Assumes holders elect to convert all of the 4.00% convertible senior notes due 2017 for cash after the closing of the merger at an increased conversion rate applicable as a result of the merger.

(10) Assumes all of the 9.125% are redeemed at a price equal to 100% of the principal amount plus an applicable make-whole premium of $51.6 million and accrued and unpaid interest to the redemption date.

(11) Stockholders equity as further adjusted has been reduced by $79.8 million to reflect the impact of merger-related expenses and $11.8 million to reflect losses on extinguishment of ICG s indebtedness.

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THE TRANSACTIONS

Acquisition of ICG

Merger Agreement

On May 2, 2011, Arch Coal, Merger Sub and ICG entered into the Merger Agreement, pursuant to which Arch Coal, through Merger Sub, agreed to commence a tender offer to acquire all of the outstanding shares of ICG s common stock, par value $0.01 per share, for the Offer Price of $14.60 per share in cash, without interest. The tender offer was commenced on May 16, 2011 and is scheduled to expire on June 14, 2011, unless extended.

Completion of the tender offer is subject to several conditions, including:

- a majority of the ICG Shares outstanding (generally determined on a fully diluted basis) must be validly tendered and not validly withdrawn prior to the expiration of the tender offer;
- the expiration or termination of the applicable waiting period under HSR;
- the absence of a material adverse effect on ICG; and
- certain other customary conditions.

The tender offer is not subject to a financing condition and this common stock offering is not conditioned on the completion of the tender offer, the completion of the New Senior Notes offering or the consummation of the proposed acquisition of ICG.

The Merger Agreement also provides that following consummation of the tender offer and satisfaction of certain customary conditions, Merger Sub will be merged with and into ICG, with ICG surviving as a wholly-owned subsidiary of Arch Coal. Upon completion of the merger, each ICG Share outstanding immediately prior to the effective time of the merger (excluding those ICG Shares that are held by (1) Arch Coal, Merger Sub, ICG or their respective subsidiaries and (2) stockholders of ICG who properly exercised their appraisal rights under the Delaware General Corporation Law) will be converted into the right to receive the Offer Price.

If Merger Sub holds the Short-Form Threshold of outstanding ICG Shares following the completion of the tender offer, the parties will effect the merger as a short-form merger without the need for approval by ICG s stockholders. In addition, subject to the terms of the Merger Agreement and applicable law, ICG has granted Merger Sub an irrevocable option, exercisable after completion of the tender offer and Arch Coal s purchase of a majority of the ICG Shares, to purchase additional ICG Shares from ICG as necessary so that Arch Coal, Merger Sub or their subsidiaries own one ICG Share more than the Short-Form Threshold. If for whatever reason Merger Sub does not attain the Short-Form Threshold, ICG will hold a special stockholders meeting to obtain stockholder approval of the merger. In this event, ICG will call and convene a stockholders meeting to obtain such approval, and Merger Sub will vote all ICG Shares it acquires pursuant to the tender offer in favor of the adoption of the Merger Agreement, thereby assuring approval.

Arch Coal and ICG have made customary representations, warranties and covenants in the Merger Agreement, including covenants to promptly effect all registrations, filings and submissions required pursuant to HSR and any other required governmental approvals, the Exchange Act and other applicable laws with respect to the tender offer

and the merger; and to use reasonable best efforts to do all things necessary, proper or advisable to consummate and effectuate the transactions contemplated by the Merger Agreement.

ICG has agreed prior to the consummation of the merger to conduct its business in the ordinary course consistent with past practice and to use commercially reasonable efforts to maintain and preserve intact its business organization and preserve intact certain business relationships and relationships with applicable regulatory authorities. ICG has also agreed to comply with certain specific operating covenants during the pendency of the merger.

ICG has agreed not to solicit, initiate or knowingly encourage, or engage in discussions concerning, alternative proposals for the acquisition of ICG. However, subject to the satisfaction of certain conditions and following receipt of an unsolicited proposal or the occurrence of certain intervening events, ICG and its board of directors, as

applicable, would be permitted to take certain actions, which may, as more fully described in the Merger Agreement, include terminating the Merger Agreement or changing the board of directors recommendation, if the board of directors of ICG has concluded in good faith after consultation with its advisors that failure to do so could result in a breach of its fiduciary duties.

The Merger Agreement can be terminated by Arch Coal or ICG under certain circumstances, and ICG will be required to pay Arch Coal a termination fee of $105.0 million in connection with certain termination events.

The closing of this offering is conditioned upon the concurrent closing of the merger.

Tender and Voting Agreements

In connection with the parties entry into the Merger Agreement, (1) certain affiliates of WL Ross & Co. LLC who collectively own approximately 6% of the outstanding stock of ICG have entered into a tender and voting agreement with Arch Coal and Merger Sub and (2) certain affiliates of Fairfax Financial Holdings Limited who collectively own approximately 11% of the outstanding stock of ICG have entered into a tender and voting agreement with Arch and Merger Sub pursuant to each of which they have agreed to, among other things, tender their shares of ICG s common stock into the tender offer and vote their shares of ICG s common stock in favor of adopting the Merger Agreement, if applicable.

Shareholder Litigation

On May 9 and May 11, 2011, two putative class action lawsuits were filed in the Court of Chancery of the State of Delaware purportedly on behalf of a class of shareholders of ICG, respectively docketed as *Kirby v. International Coal Group, Inc., et al.*, Case No. 6464 and *Kramer v. Wilbur L. Ross, Jr., et al.*, Case No. 6470. On May 19, 2011, a putative class action lawsuit was filed in the Court of Chancery of Delaware purportedly on behalf of a class of shareholders of ICG, docketed as *Isakov v. International Coal Group, Inc., et al.*, Case No. 6505 (collectively with the *Kirby* and *Kramer* actions, the Delaware Actions). Each of the complaints names as defendants ICG, members of the ICG board, Arch Coal, and Merger Sub. Each of the complaints alleges, *inter alia*, that the members of the ICG board breached fiduciary duties owed to ICG s shareholders by failing to take steps to maximize the value of ICG to its shareholders or engage in an appropriate sales process in connection with the proposed transaction and that Arch Coal and Merger Sub aided and abetted the alleged breach. The *Isakov* complaint further alleges that the members of the ICG board breached their fiduciary duties by failing to disclose material information in ICG s 14D-9 filed on May 16, 2011. Plaintiffs seek relief that includes, *inter alia*, an injunction prohibiting the proposed transaction, an accounting, and costs and disbursements of the action, including attorneys fees and experts fees.

In addition, on May 9, 2011, two putative class action lawsuits were filed in the Circuit Court of Putnam County, West Virginia purportedly on behalf of a class of shareholders of ICG, docketed as *Walker v. International Coal Group, Inc.*, *et al.*, Case No. 11-C-123 and *Huerta v. International Coal Group, Inc.*, *et al.*, Case No. 11-C-124. On May 11, 2011, a putative class action lawsuit was filed in the Circuit Court of Kanawha County, West Virginia purportedly on behalf of a class of shareholders of ICG, docketed as *Goe v. International Coal Group, Inc.*, *et al.*, Case No. 11-C-766. On May 13, 2011, a putative class action complaint was filed in the Circuit Court of Putnam County, West Virginia purportedly on behalf of a class of shareholders of ICG, docketed as *Eyster v. International Coal Group, Inc*., *et. al*., Case No. 11-C-131 (collectively with the *Walker*, *Huerta*, and *Goe* actions, the West Virginia State Court Actions). Each of the complaints names as defendants ICG, members of the ICG Board, and Arch Coal. The *Huerta* and *Eyster* complaints also name Merger Sub as a defendant. The *Goe* complaint also names certain officers of ICG, Arch Coal s CEO and chairman of the board of directors, and Merger Sub as defendants. Each of the complaints alleges, *inter alia*, that ICG and/or the ICG directors and/or officers breached fiduciary duties owed to ICG s shareholders by failing to take steps to maximize the value of ICG to its shareholders or engage in an

appropriate sales process in connection with the proposed transaction and that Arch Coal aided and abetted the alleged breach. The *Huerta* and *Eyster* complaints also allege that ICG and Merger Sub aided and abetted the alleged breach. The *Goe* complaint additionally alleges that ICG is secondarily liable for the alleged breach and that Merger Sub and Arch Coal s CEO and chairman of the board of directors aided and abetted the alleged breach. Plaintiffs seek relief that includes, *inter alia*, an injunction prohibiting the proposed transaction, rescission, and costs and disbursements of the action, including attorneys fees and experts fees.

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On May 12, 2011, a putative class action lawsuit was filed in the United States District Court for the Southern District of West Virginia purportedly on behalf of a class of shareholders of ICG, docketed as *Giles v. ICG, Inc., et al.*, Case No. 3:11-0330 (the West Virginia Federal Court Action, collectively with the West Virginia State Court Actions, the West Virginia Actions). The complaint names as defendants ICG, members of the ICG Board, Arch Coal, and Merger Sub. The complaint alleges, *inter alia*, that the members of the ICG board breached fiduciary duties owed to ICG s shareholders by failing to take steps to maximize the value of ICG to its shareholders or engage in an appropriate sales process in connection with the proposed transaction and that ICG, Arch Coal and Merger Sub aided and abetted the alleged breach. Plaintiff seeks relief that includes, *inter alia*, an injunction prohibiting the proposed transaction, an accounting, and costs and disbursements of the action, including attorneys fees and experts fees.

On May 13, 2011, defendants in the Delaware Actions and the West Virginia Actions (collectively, the Actions) filed motions in the Court of Chancery of the State of Delaware and the United States District Court for the Southern District of West Virginia seeking an order that the Actions proceed in a single jurisdiction, and postmarked the same motion to the Circuit Courts of Putnam and Kanawha Counties, West Virginia.

The defendants named in the Delaware Actions (the Delaware Defendants) believe that the Delaware Actions are entirely without merit, and that they have valid defenses to all claims raised by the plaintiffs named in the Delaware Actions (collectively, the Delaware Plaintiffs). Nevertheless, and despite their belief that they ultimately would have prevailed in the defense of the Delaware Plaintiffs claims, to avoid the time and expense that would be incurred by further litigation and the uncertainties inherent in such litigation, on May 26, 2011, the parties to the Delaware Actions entered into a memorandum of understanding (the MOU) regarding a proposed settlement of all claims asserted therein. In connection with the MOU, Arch Coal and Merger Sub agreed to reduce the amount of the proposed transaction s termination fee by $10 million, from $115 million to $105 million and ICG agreed to make certain supplemental disclosures in its Schedule 14D-9. The settlement is contingent upon, among other things, the execution of a formal stipulation of settlement and court approval, as well as the consummation of the proposed transaction.

Financing Transactions

Concurrent Arch Coal Notes Offering

Concurrently with this offering of common stock, we are separately offering $2,000.0 million aggregate principal amount of New Senior Notes, in accordance with Rule 144A under the Securities Act. All of our subsidiaries that guarantee indebtedness under our existing senior secured credit facility will guarantee the New Senior Notes on a senior basis. Neither the completion of the New Senior Notes offering nor the completion of this offering is contingent on the completion of the other. We anticipate closing this offering of common stock prior to closing our concurrent offering of New Senior Notes. We plan to use the net proceeds from the New Senior Notes offering, together with the net proceeds of this offering as described under Use of Proceeds. We estimate that the net proceeds of the New Senior Notes offering, after deducting the initial purchasers discounts and estimated fees and expenses, will be approximately $1,958.2 million.

The concurrent offering of New Senior Notes will not be registered under the Securities Act, or the securities laws of any other jurisdiction, and the New Senior Notes may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. The New Senior Notes will be offered only to qualified institutional buyers in the United States pursuant to Rule 144A under the Securities Act and outside the United States pursuant to Regulation S under the Securities Act. This description and other information in this prospectus supplement regarding our concurrent offering of New Senior Notes is included in this prospectus supplement solely for informational purposes. Nothing in this prospectus supplement should be construed as an offer to sell, or the solicitation of an offer to buy, any New Senior Notes.

Amended and Restated Senior Secured Credit Facility

In connection with the closing of the merger, we expect to enter into an amended and restated senior secured credit facility on substantially similar terms as the existing senior secured credit facility which will increase commitments available under the facility from $860.0 million to $1.75 billion.

Redemption, Conversion or Other Retirement of ICG Indebtedness

In connection with the merger, we expect to redeem, pay cash in connection with the conversion of, or otherwise retire certain outstanding ICG indebtedness, including:

- $200.0 million aggregate principal amount of ICG s 9.125% senior secured second-priority notes due 2018;
- $115.0 million aggregate principal amount of ICG s 4.00% convertible senior notes due 2017;
- $0.7 million aggregate principal amount of ICG s 9.00% convertible senior notes due 2012; and
- $50.1 million aggregate principal amount of other ICG indebtedness, including equipment notes and capital leases.

Total cash required to complete the merger and the financing transactions is estimated to be $3.8 billion, which includes $238.3 million in debt premiums and approximately $193.6 million of fees and expenses (including $79.8 million of merger expenses but excluding accrued and unpaid interest which must be paid to debtholders on the applicable redemption dates). These cash requirements are expected to be financed with proceeds from the common stock offered hereby, proceeds from the concurrent New Senior Notes offering and borrowings under our amended and restated senior secured credit facility. In addition, the existing ICG ABL loan facility will be terminated in connection with the financing transactions.

PRICE RANGE OF COMMON STOCK

Our common stock is listed on the NYSE under the symbol ACI. The following table sets forth the high and low sale prices of our common stock and the cash dividends per share of common stock declared during the periods indicated.

	Price Range		Dividends Declared
	High	Low	per Share
Year Ending December 31, 2011:			
First Quarter	$ 36.99	$ 30.70	$ 0.10
Second Quarter (through June 2, 2011)	36.75	27.32	0.11
Year Ended December 31, 2010:			
First Quarter	$ 28.34	$ 20.07	$ 0.09
Second Quarter	28.52	19.26	0.10
Third Quarter	27.08	19.09	0.10
Fourth Quarter	35.52	24.20	0.10
Year Ended December 31, 2009:			
First Quarter	$ 20.63	$ 11.77	$ 0.09
Second Quarter	19.94	12.52	0.09
Third Quarter	24.10	13.01	0.09
Fourth Quarter	25.86	19.41	0.09
Year Ended December 31, 2008:			
First Quarter	$ 56.15	$ 32.98	$ 0.07
Second Quarter	77.40	41.25	0.09
Third Quarter	75.41	27.90	0.09
Fourth Quarter	32.58	10.43	0.09

On June 2, 2011, the last reported sales price of our common stock on the NYSE was $27.43 per share. On May 27, 2011, there were approximately 6,950 registered holders of our common stock.

DIVIDEND POLICY

Holders of our common stock are entitled to receive dividends when they are declared by our board of directors. Historically, we have paid quarterly dividends ranging from $0.03 per share in 2000 to $0.11 per share that was declared in April 2011. When dividends are declared on our common stock, they are usually paid in mid-March, mid-June, mid-September and mid-December. There is no assurance as to the amount or payment of dividends in the future because all future payments of dividends are at the discretion of our board of directors and will depend on our future earnings, capital requirements, financial condition, operating conditions, contractual restrictions and such other factors that our board of directors may deem relevant. You should read Management s Discussion and Analysis of Financial Condition and Results of Operations of Arch Coal Liquidity and Capital Resources for more information about restrictions on our ability to declare dividends.

SELECTED HISTORICAL FINANCIAL DATA OF ARCH COAL

The selected historical financial data is derived from Arch Coal s audited consolidated financial statements as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008, which are included and incorporated by reference into this prospectus supplement. The selected historical financial data of Arch Coal as of December 31, 2008, 2007 and 2006 and for the years ended December 31, 2007 and 2006 is derived from audited consolidated financial statements which are not included or incorporated by reference in this prospectus supplement. The selected historical financial data for the three months ended March 31, 2011 and 2010, and the historical balance sheet data as of March 31, 2011 and 2010, have been derived from Arch Coal s unaudited condensed consolidated financial statements included and incorporated by reference into this prospectus supplement.

The historical results presented below are not necessarily indicative of results that you can expect for any future period. You should read this table in conjunction with the sections entitled Unaudited Pro Forma Condensed Combined Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations of Arch Coal and the consolidated financial statements of Arch Coal and the related notes included and incorporated by reference into this prospectus supplement.

	Year Ended December 31,					Three Months Ended March 31, (Unaudited)	
	2010[(1)(2)]	2009[(3)]	2008	2007[(4)]	2006[(5)]	2011	2010
	(in millions, except per share data)						
Statement of Operations Data:							
Coal sales revenue	$ 3,186.3	$ 2,576.1	$ 2,983.8	$ 2,413.6	$ 2,500.4	$ 872.9	$ 711.9
Change in fair value of coal derivatives and trading activities, net	(8.9)	12.1	55.1	7.3		(1.8)	5.9
Income from operations	324.0	123.7	461.3	230.6	338.1	102.2	32.2
Net income (loss) attributable to Arch Coal	158.9	42.2	354.3	175.0	261.0	55.6	(1.8)
Preferred stock dividends				(0.2)	(0.4)		
Basic earnings (loss) per common share	$ 0.98	$ 0.28	$ 2.47	$ 1.23	$ 1.83	$ 0.34	$ (0.01)
Diluted earnings (loss) per common share	$ 0.97	$ 0.28	$ 2.45	$ 1.21	$ 1.80	$ 0.34	$ (0.01)
Balance Sheet Data:							
Total assets	$ 4,880.8	$ 4,840.6	$ 3,979.0	$ 3,594.6	$ 3,320.8	$ 4,900.0	$ 4,813.3
Working capital	207.6	55.1	46.6	(35.4)	46.5	313.2	138.8
Long-term debt, less current maturities	1,538.7	1,540.2	1,098.9	1,085.6	1,122.6	1,539.0	1,540.3
	566.7	544.6	482.7	412.5	384.5	572.9	567.2

Other long-term obligations							
Arch Coal stockholders equity	2,237.5	2,115.1	1,728.7	1,531.7	1,365.6	2,291.6	2,105.1
Common Stock Data:							
Dividends per share	$ 0.3900	$ 0.3600	$ 0.3400	$ 0.2700	$ 0.2200	$ 0.1000	$ 0.9000
Shares outstanding at period-end	162.6	162.4	142.8	143.2	142.2	162.8	162.4
Cash Flow Data:							
Cash provided by operating activities	$ 697.1	$ 383.0	$ 679.1	$ 330.8	$ 308.1	$ 86.1	$ 93.3
Depreciation, depletion and amortization, including amortization of acquired sales contracts, net	400.7	321.2	292.8	242.1	208.4	89.5	99.3
Capital expenditures	314.7	323.1	497.3	488.4	623.2	38.7	32.0
Net proceeds from the issuance of long term debt	500.0	570.3					
Net proceeds from the sale of common stock		326.5					
Repayments of long term debt, including redemption premium	(505.6)						
Net increase (decrease) in borrowings under lines of credit and commercial paper program	(196.5)	(85.8)	13.5	133.5	192.3	3.7	(19.3)

	Year Ended December 31,					Three Months Ended March 31,	
	2010[(1)(2)]	2009[(3)]	2008	2007[(4)]	2006[(5)]	2011	2010
						(Unaudited)	
	(in millions, except per share data)						
Payments made to acquire Jacobs Ranch		(768.8)					
Dividend payments	63.4	55.0	48.8	38.9	31.8	16.3	14.6
Operating Data:							
Tons sold	162.8	126.1	139.6	135.0	135.0	36.6	37.8
Tons produced	156.3	119.6	133.1	126.6	126.0	36.6	38.2
Tons purchased from third parties	6.8	7.5	6.0	8.5	10.1	1.4	1.3

(1) In the second quarter of 2010, we exchanged 68.4 million tons of coal reserves in the Illinois Basin for an additional 9% ownership interest in Knight Hawk, increasing our ownership to 42%. We recognized a pre-tax gain of $41.6 million on the transaction, representing the difference between the fair value and net book value of the coal reserves, adjusted for our retained ownership interest in the reserves through the investment in Knight Hawk.

(2) On August 9, 2010, we issued $500.0 million in aggregate principal amount of 71/4% senior unsecured notes due 2020 at par. We used the net proceeds from the offering and cash on hand to fund the redemption on September 8, 2010 of $500.0 million aggregate principal amount of our outstanding 63/4% senior notes due 2013 at a redemption price of 101.125%. We recognized a loss on the redemption of $6.8 million.

(3) On October 1, 2009, we purchased the Jacobs Ranch mining complex in the Powder River Basin from Rio Tinto Energy America for a purchase price of $768.8 million. To finance the acquisition, the Company sold 19.55 million shares of its common stock and $600.0 million in aggregate principal amount of senior unsecured notes. The net proceeds received from the issuance of common stock were $326.5 million and the net proceeds received from the issuance of the 83/4% senior unsecured notes were $570.3 million.

(4) On June 29, 2007, we sold select assets and related liabilities associated with our Mingo Logan Ben Creek mining complex in West Virginia for $43.5 million. We recognized a net gain of $8.9 million in 2007 resulting from the sale.

(5) On October 27, 2005, we conducted a precautionary evacuation of our West Elk mine after we detected elevated readings of combustion-related gases in an area of the mine where we had completed mining activities but had not yet removed final longwall equipment. We estimate that the idling resulted in $30.0 million of lost profits during the first quarter of 2006, in addition to the effect of the idling and fire-fighting costs incurred during the fourth quarter of 2005 of $33.3 million. We recognized insurance recoveries related to the event of $41.9 million during the year ended December 31, 2006.

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SELECTED HISTORICAL FINANCIAL DATA OF ICG

The selected historical financial data is derived from ICG s audited consolidated financial statements as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008, which are included and incorporated by reference into this prospectus supplement. The selected historical financial data of ICG as of December 31, 2008, 2007 and 2006 and for the years ended December 31, 2007 and 2006 is derived from audited consolidated financial statements which are not included or incorporated by reference into this prospectus supplement. The selected historical financial data for the three months ended March 31, 2011 and 2010, and the historical balance sheet data as of March 31, 2011 and 2010, have been derived from ICG s unaudited condensed consolidated financial statements included and incorporated by reference into this prospectus supplement.

The historical results presented below are not necessarily indicative of results that you can expect for any future period. You should read this table in conjunction with the sections entitled Unaudited Pro Forma Condensed Combined Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations of ICG and the consolidated financial statements of ICG and the related notes included and incorporated by reference into this prospectus supplement.

	Year Ended December 31,					Three Months Ended March 31,	
	2010[1]	2009[2]	2008[3]	2007[3]	2006	2011	2010
	(in millions, except per share data)						
Statement of Operations Data:							
Coal sales revenues	$ 1,078.2	$ 1,006.6	$ 998.2	$ 770.7	$ 834.0	$ 283.7	$ 270.5
Freight and handling revenues	35.4	26.3	45.2	29.6	18.9	7.2	9.4
Other revenues	52.8	92.4	53.3	48.9	38.7	11.1	8.7
Total revenues	1,166.4	1,125.3	1,096.7	849.2	891.6	302.0	288.6
Costs and Expenses:							
Cost of coal sales	850.3	832.2	883.0	732.1	739.9	218.0	220.1
Freight and handling costs	35.4	26.3	45.2	29.6	18.9	7.2	9.4
Cost of other revenues	48.3	36.1	35.7	34.0	29.4	7.3	7.2
Depreciation, depletion and amortization	104.6	106.1	96.0	86.5	72.2	25.6	26.4
Selling, general and administrative	35.6	32.7	38.1	33.3	34.6	51.2	8.6
Gain on sale of assets	(4.2)	(3.6)	(32.5)	(38.6)	(1.1)	(6.7)	(3.5)
Goodwill impairment loss			30.2	170.4			
Long-lived asset impairment loss			7.2				

Total costs and expenses	1,070.0	1,029.8	1,102.9	1,047.3	893.9	302.6	268.2
Income (loss) from operations	96.4	95.5	(6.2)	(198.1)	(2.3)	(0.6)	20.4
Interest and Other Income (Expense):							
Loss on extinguishment of debt	(29.4)	(13.3)					(22.0)
Interest expense, net	(40.7)	(53.0)	(43.6)	(36.0)	(18.1)	(8.1)	(13.3)
Other, net				0.3	2.1		
Total interest and other income (expense)	(70.1)	(66.3)	(43.6)	(35.7)	(16.0)	(8.1)	(35.3)
Income (loss) before income taxes	26.3	29.3	(49.8)	(233.8)	(18.3)	(8.7)	(14.9)
Income tax benefit (expense)	3.8	(7.7)	23.6	85.9	9.0	2.4	6.0
Net income (loss)	30.1	21.5	(26.2)	(147.9)	(9.3)	(6.3)	(8.9)
Net (income) loss attributable to noncontrolling interest				0.3			
Net income (loss) attributable to International Coal Group, Inc.	$ 30.1	$ 21.5	$ (26.2)	$ (147.6)	$ (9.3)	$ (6.3)	$ (8.9)

	Year Ended December 31,					Three Months Ended March 31,	
	2010[(1)]	2009[(2)]	2008[(3)]	2007[(3)]	2006	2011	2010
	(in millions, except per share data)						
Earnings Per Share							
Basic	$ 0.15	$ 0.14	$ (0.17)	$ (0.97)	$ (0.06)	$ (0.03)	$ (0.05)
Diluted	0.15	0.14	(0.17)	(0.97)	(0.06)	(0.03)	(0.05)
Weighted-Average Common Shares Outstanding:							
Basic	197.3	153.6	152.6	152.3	152.0	202.6	181.3
Diluted	205.2	155.3	152.6	152.3	152.0	202.6	181.3
Balance Sheet Data (at period end):							
Cash and cash equivalents	$ 215.3	$ 92.6	$ 63.9	$ 107.1	$ 18.7	$ 186.6	$ 301.7
Total assets	1,479.7	1,368.0	1,350.6	1,303.4	1,316.9	1,495.0	1,584.16
Long-term debt and capital leases	326.4	384.3	432.9	391.2	180.0	332.0	471.9
Total liabilities	725.4	758.7	841.5	771.6	655.3	745.7	834.3
Total stockholders equity	754.3	609.2	509.1	531.8	661.6	749.3	750.3
Total liabilities and stockholders equity	1,479.7	1,368.0	1,350.6	1,303.4	1,316.9	1,495.0	1,584.6
Statement of Cash Flows Data:							
Net cash from:							
Operating activities	$ 187.4	$ 115.8	$ 78.7	$ 22.5	$ 55.6	$ 7.9	$ 5.4
Investing activities	(89.3)	(73.2)	(124.0)	(126.9)	(160.8)	(30.5)	(10.8)
Financing activities	24.5	(13.9)	2.1	192.8	114.7	(6.1)	(214.4)
Capital expenditures	102.9	66.3	132.8	160.8	165.7	31.2	20.6

(1) During the year ended December 31, 2010, ICG completed public offerings of 24,444,365 shares of its common stock, par value $0.01 per share, at a public offering price of $4.47 per share, $115.0 million aggregate principal amount of 4.00% Convertible Senior Notes due 2017 and $200.0 million aggregate principal amount of 9.125% Senior Secured Second-Priority Notes due 2018. ICG used $169.5 million of the net proceeds from the common stock and Convertible Notes due 2017 offerings to finance the repurchase of $138.8 million aggregate principal amount of its 9.00% Convertible Senior Notes due 2012. ICG used $189.0 million of the net proceeds from the 9.125% Senior Secured Second-Priority Notes due 2018 offering to finance the repurchase of $175.0 million aggregate principal amount of its 10.25% Senior Notes due 2014. As a result of the repurchases, ICG recognized losses on extinguishment of the related debt totaling $24.0 million for the year ended December 31, 2010. Additionally, ICG entered into a series of exchange agreements in December 2009. One exchange agreement, as amended, provided for closing of additional exchanges on each of January 11, 2010 and January 19, 2010 for exchange transactions occurring in 2010. Subsequent to December 31, 2009, the noteholder exchanged $22.0 million aggregate principal amount of 9.00% Convertible Senior Notes due 2012 for

6,198,668 shares of ICG s common stock. As a result of the exchanges settled in January 2010, ICG recognized a loss on extinguishment of the related debt totaling $5.4 million during the year ended December 31, 2010.

(2) During the year ended December 31, 2009, ICG entered into a series of privately negotiated agreements pursuant to which it issued a total of 18,660,550 shares of our common stock in exchange for $63.5 million aggregate principal amount of its 9.00% Convertible Senior Notes due 2012. As a result of the exchanges, ICG recognized losses on extinguishment of the related debt totaling $13.3 million for the year ended December 31, 2009.

(3) During the years ended December 31, 2008 and 2007, ICG recognized impairment losses of $37.4 million and $170.4 million, respectively. For 2008, $30.2 million of the loss related to impairment of goodwill at ICG s ADDCAR subsidiary and $7.2 million related to impairment of long-lived assets. For 2007, the impairment loss related to impairment of goodwill at various of ICG s business units.

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information is based on the historical financial information of Arch Coal and ICG included and incorporated by reference into this prospectus supplement and has been prepared to reflect the proposed merger of Merger Sub with and into ICG and the related financing transactions. The pro forma data in the unaudited pro forma condensed combined balance sheet as of March 31, 2011 assume that the proposed merger of Merger Sub with and into ICG was completed on that date. The data in the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2010 and the three months ended March 31, 2011 assume the proposed merger was completed at the beginning of each period.

The unaudited pro forma condensed combined financial information should be read in conjunction with the historical financial statements and related notes thereto of Arch Coal and ICG included and incorporated by reference in this prospectus supplement.

The unaudited pro forma condensed combined financial information has been prepared for illustrative purposes only and is not necessarily indicative of the financial position or results of operations of Arch Coal had the transactions actually occurred on the dates assumed in the unaudited pro forma condensed combined financial statements.

The proposed merger of Merger Sub with and into ICG will be accounted for under the acquisition method of accounting under U.S. GAAP whereby the total purchase price is allocated to the assets acquired and liabilities assumed based on their respective fair values at the acquisition date. The cash purchase price will be determined based on the number of common shares of ICG tendered plus the fair value of liabilities incurred in conjunction with the merger. The estimated purchase price for this unaudited pro forma condensed combined financial information assumes that all shares of ICG common stock outstanding on March 31, 2011 were tendered. At this time, Arch Coal has not performed detailed valuation analyses to determine the fair values of ICG s assets and liabilities; and accordingly, the unaudited pro forma condensed combined financial information includes a preliminary allocation of the purchase price based on assumptions and estimates which, while considered reasonable under the circumstances, are subject to changes, which may be material. Additionally, Arch Coal has not yet performed all of the due diligence necessary to identify items that could significantly impact the purchase price allocation or the assumptions and adjustments made in preparation of this unaudited pro forma condensed combined financial information. Upon determination of the fair value of assets acquired and liabilities assumed, there may be additional increases or decreases to the recorded book values of ICG s assets and liabilities, including, but not limited to, mineral reserves, property, plant and equipment, asset retirement obligations, coal supply agreements, commitments and contingencies and other intangible assets that will give rise to future amounts of depletion, depreciation and amortization expenses or credits that are not reflected in the information contained in this unaudited pro forma condensed combined financial information. Accordingly, once the necessary due diligence has been performed, the final purchase price has been determined and the purchase price allocation has been completed, actual results may differ materially from the information presented in this unaudited pro forma condensed combined financial information. Additionally, this unaudited pro forma condensed combined statement of operations does not reflect the cost of any integration activities or benefits from the merger and synergies that may be derived from any integration activities, both of which may have a material effect on the results of operations in periods following the completion of the merger.

Certain amounts in ICG s historical balance sheets and statements of income have been conformed to Arch Coal s presentation.

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ARCH COAL, INC. AND SUBSIDIARIES

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF INCOME
YEAR ENDED DECEMBER 31, 2010**

	Arch Coal Historical	ICG Historical	Pro Forma Adjustments Related to Financing (in thousands)	Pro Forma Adjustments Related to Merger	Pro Forma
Revenues					
Coal sales	$ 3,186,268	$ 1,113,657	$	$	$ 4,299,925
Costs, expenses and other					
Cost of coal sales	2,395,812	885,739			3,281,551
Depreciation, depletion and amortization	365,066	107,682		37,802(f)	510,550
Amortization of acquired sales contracts, net	35,606	(3,116)		(11,015)(g)	21,475
Selling, general and administrative expenses	118,177	35,569			153,746
Change in fair value of coal derivatives and coal trading activities, net	8,924				8,924
Gain on Knight Hawk transaction	(41,577)				(41,577)
Other operating income, net	(19,724)	(8,726)			(28,450)
	2,862,284	1,017,148		26,787	3,906,219
Income from operations	323,984	96,509		(26,787)	393,706
Interest expense, net:	(140,100)	(40,736)	(164,836)(h)	40,736(h)	(304,936)
Other non-operating expense					
Loss on early extinguishment of debt	(6,776)	(29,409)			(36,185)
Income (loss) before income taxes	177,108	26,364	(164,836)	13,949	52,585
Provision for (benefit from) income taxes	17,714	(3,750)	(61,814)(i)	5,231(i)	(42,619)
Net income	159,394	30,114	(103,022)	8,718	95,204
Less: Net income attributable to noncontrolling interest	(537)	(3)			(540)
Net income attributable to Arch Coal, Inc.	$ 158,857	$ 30,111	$ (103,022)	$ 8,718	$ 94,664

Earnings per common share			
Basic earnings per common share[j]	$ 0.98		$ 0.46
Diluted earnings per common share[j]	$ 0.97		$ 0.46
Weighted average shares outstanding			
Basic	162,398	44,000(a)	206,398
Diluted	163,210	44,000(a)	207,210

The accompanying notes are an integral part of the unaudited pro forma condensed combined financial statements.

ARCH COAL, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2011

	Arch Coal Historical	ICG Historical	Pro Forma Adjustments Related to Financing	Pro Forma Adjustments Related to Merger	Pro Forma
			(in thousands)		
Revenues					
Coal sales	$ 872,938	$ 290,863	$	$	$ 1,163,801
Costs, expenses and other					
Cost of coal sales	653,684	225,116			878,800
Depreciation, depletion and amortization	83,537	26,545		12,107(f)	122,189
Amortization of acquired sales contracts, net	5,944	(889)		(2,644)(g)	2,411
Selling, general and administrative expenses	30,435	51,152			81,587
Change in fair value of coal derivatives and coal trading activities, net	(1,784)				(1,784)
Gain on Knight Hawk transaction					
Other operating income, net	(1,116)	(10,507)			(11,623)
	770,700	291,417		9,463	1,071,580
Income from operations	102,238	(554)		(9,463)	92,221
Interest expense, net:	(33,834)	(8,110)	(41,209)(h)	8,110(h)	(75,043)
Income (loss) before income taxes	68,404	(8,664)	(41,209)	(1,353)	17,178
Provision for (benefit from) income taxes	12,530	(2,357)	(15,453)(i)	(507)(i)	(5,788)
Net income (loss)	55,874	(6,307)	(25,756)	(846)	22,966
Less: Net income attributable to noncontrolling interest	(273)	(11)			(284)
Net income (loss) attributable to Arch Coal, Inc.	$ 55,601	$ (6,318)	$ (25,756)	$ (846)	$ 22,682
Earnings per common share					
Basic earnings per common share(j)	$ 0.34				$ 0.11

Diluted earnings per common share[j]	$ 0.34		$ 0.11
Weighted average shares outstanding			
Basic	162,576	44,000(a)	206,576
Diluted	163,773	44,000(a)	207,773

The accompanying notes are an integral part of the unaudited pro forma condensed combined financial statements.

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ARCH COAL, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEETS
MARCH 31, 2011

	Arch Coal Historical	ICG Historical	Pro Forma Adjustments Related to Financing[(a)]	Pro Forma Adjustments Related to Merger	Pro Forma
			(in thousands)		
ASSETS					
Current assets					
Cash and cash equivalents	$ 69,220	$ 186,566	$ 3,680,538	$ (3,075,827)(b)	
				(604,711)(c)	$ 255,786
Accounts receivable	303,317	111,210			414,527
Inventories	247,908	80,724			328,632
Prepaid royalties	42,719	6,737			49,456
Deferred income taxes	18,673	1,420			20,093
Coal derivative assets	15,952				15,952
Other	101,153	14,704		(2,562)(b)	113,295
Total current assets	798,942	401,361	3,680,538	(3,683,100)	1,197,741
Property, plant and equipment, net	3,263,555	1,051,064		3,563,977(b)	7,878,596
Other assets					
Prepaid royalties	69,737	21,639			91,376
Goodwill	114,963			425,000(b)	539,963
Deferred income taxes	331,242				331,242
Equity investments	204,424				204,424
Other	117,115	20,945	61,800	(8,937)(b)	
				(2,759)(b)	188,164
Total other assets	837,481	42,584	61,800	413,304	1,355,169
Total assets	$ 4,899,978	$ 1,495,009	$ 3,742,338	294,181	$ 10,431,506
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities					
Accounts payable	$ 183,866	$ 80,294			$ 264,160
Coal derivative liabilities	4,178				4,178
Accrued expenses and other current liabilities	228,165	59,777		(582)(c)	
				2,903(b)	290,263
Current maturities of debt and short-term borrowings	69,518	105,125		(105,125)(c)	69,518

Total current liabilities	485,727	245,196		(102,804)	628,119
Long-term debt	1,539,028	228,437	2,538,178	363,851(b) (592,288)(c)	4,077,206
Asset retirement obligations	336,975	71,541			408,516
Accrued pension and postretirement benefits	111,692	84,129			195,821
Deferred income taxes		46,515		1,340,766 (b)	1,387,281
Other noncurrent liabilities	124,243	69,855		2,903 (b) 74,066 (b)	271,067
Total liabilities	2,597,665	745,673	2,538,178	1,086,494	6,968,010
Redeemable noncontrolling interest	10,718				10,718
Stockholders equity					
Common stock Arch Coal	1,647		440		2,087
Common stock ICG		2,042		(2,042)(d)	
Paid-in capital	1,740,765	852,812	1,253,120	(852,812)(d)	2,993,885
Treasury stock, at cost	(53,848)	(309)		309(d)	(53,848)
Retained earnings	600,751	(101,920)	(49,400)	(d) (31,200)(e) (11,499)(b) (11,841)(c) 113,419(d)	508,310
Accumulated other comprehensive income (loss)	2,280	(3,353)		3,353(d)	2,280
Total stockholders equity attributable to controlling interest	2,291,595	749,272	1,204,160	(792,313)	3,452,714
Noncontrolling interest		64			64
Total stockholders equity	2,291,595	749,336	1,204,160	(792,313)	3,452,778
Total liabilities and stockholders equity	$ 4,899,978	$ 1,495,009	$ 3,742,338	$ 294,181	$ 10,431,506

The accompanying notes are an integral part of the unaudited pro forma condensed combined financial statements.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION
(Amounts in thousands, except per share data)

Note 1. Basis of Presentation

The unaudited pro forma condensed combined financial information is based on the historical financial information of Arch Coal and ICG included and incorporated by reference into this prospectus supplement and has been prepared to reflect the proposed merger of Merger Sub with and into ICG and the related financing transactions. The pro forma data in the unaudited pro forma condensed combined balance sheet as of March 31, 2011 assume that the proposed merger of Merger Sub with and into ICG was completed on that date. The data in the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2010 and the three months ended March 31, 2011 assume the proposed merger was completed at the beginning of each period.

Pro forma adjustments reflected in the unaudited pro forma condensed combined balance sheet are based on items that are directly attributable to the proposed merger and related financing transactions and are factually supportable. Pro forma adjustments reflected in the unaudited pro forma condensed combined statements of operations are based on items directly attributable to the proposed merger, factually supportable and expected to have a continuing impact on Arch Coal. As a result, the unaudited pro forma condensed combined statements of operations exclude acquisition costs and other costs that will not have a continuing impact on Arch Coal, although these items are reflected in the unaudited pro forma condensed combined balance sheet.

At this time, Arch Coal has not performed a detailed valuation to determine the fair values of ICG s assets and liabilities and accordingly, the unaudited pro forma condensed combined financial information was developed using a preliminary allocation of the estimated purchase price based on assumptions and estimates which are subject to changes that may be material. Additionally, Arch Coal has not yet performed all of the due diligence necessary to identify additional items that could significantly impact the purchase price allocation or the assumptions and adjustments made in preparation of this unaudited pro forma condensed combined financial information.

Upon completion of a detailed valuation analysis, there may be additional increases or decreases to the recorded book values of ICG s assets and liabilities, including, but not limited to, mineral reserves, property and equipment, coal supply agreements, asset retirement obligations, commitments and contingencies and other intangible assets that will give rise to future amounts of depletion, depreciation and amortization expenses or credits that are not reflected in this unaudited pro forma condensed combined financial information. Accordingly, once the necessary due diligence is performed, the final purchase price is determined and the purchase price allocation is completed actual results may differ materially from the information presented in this unaudited pro forma condensed combined financial information. Additionally, the unaudited pro forma condensed combined statement of operations does not reflect the cost of any integration activities or benefits from the merger and synergies that may be derived from any integration activities, both of which may have a material impact on the results of operations in periods following the completion of the merger.

Certain amounts in ICG s historical balance sheet and statements of income have been conformed to Arch Coal s presentation.

Note 2. Preliminary Purchase Price

Arch Coal is proposing to acquire all of the outstanding shares of ICG for cash at a price of $14.60 for each outstanding share of ICG Common Stock. Arch Coal intends to finance the cash portion of the purchase consideration by issuing additional debt and equity securities and by borrowing amounts under its amended and restated senior secured credit facility.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION (Continued)

The preliminary estimated purchase price of the proposed merger is as follows:

Estimated number of ICG outstanding shares to be acquired (in thousands)		204,162
Cash purchase price	$	14.6
	$	2,980,764
Settlement of share-based payment awards		63,863
Cash merger consideration		3,044,627
Change of control payment	$	5,806
Cash merger consideration	$	3,050,433

Reflects the payment of the preliminary estimated purchase price of $3,044,627, including the settlement of employee stock options. The consideration for the merger also includes a liability incurred for a change in control payment to ICG s current Chief Executive Officer per the terms of his employment contract, which are included in the consideration for the merger.

Note 3. Pro Forma Adjustments

(a) Represents the pro forma adjustments to reflect the financing for the merger, consisting of: (1) the proceeds from the issuance of notes of $2,000,000, less financing costs of $41,800; (2) the concurrent offering of 44 million shares of our common stock at an assumed offering price of $29.60 per share, net of related costs of $48,840; and (3) $538,178 to be borrowed under our amended and restated senior secured credit facility to finance these transactions and pay estimated financing fees of $20,000.

(b) Reflects allocation of purchase price to record amounts at their estimated fair value. Management has used certain estimates and assumptions in estimating fair value, however, a detailed analysis has not been performed on the individual assets and liabilities of ICG and actual results may differ materially from these estimates. The adjustment to property, plant and equipment was estimated using benchmark studies of similar acquisitions, and the adjustment to goodwill was estimated at the present value of forecasted synergies that may be realized in the merger. The fair value of long-term debt was estimated using market rates as of May 27, 2011. The adjustment to owned and leased mineral rights was estimated as the remaining amount of purchase price to be allocated after all other adjustments have been made. The detailed estimated preliminary purchase price allocation is as follows:

Book value of ICG s net assets attributable to the controlling interest as of December 31, 2010	$	749,272
Adjustment to fair value property, plant and equipment, including mineral rights		3,563,977
Adjustment to write-off value of ICG s deferred financing fees		(11,499)
Adjustment to fair value of sales contracts		(76,825)
Adjustment to fair value long-term debt		(258,726)
Adjustment to accrued severance obligation		(5,806)
Adjustment to deferred income taxes to reflect the tax impact of fair value adjustments		(1,340,766)

Estimated fair value of net assets and liabilities to be acquired	2,619,627
Preliminary allocation to goodwill	425,000
Estimated purchase price	$ 3,044,627

(c) Reflects the pro forma adjustment associated with the repayment of the outstanding principal, accrued interest and repayment premiums for ICG s 9.125% senior secured notes and convertible senior notes and the related loss of $11,841. We assume that the 9.15% senior secured notes are redeemed at their principal amount of

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION (Continued)

$200,000 plus a make-whole premium of $51,600, and that the convertible senior notes are all converted into shares of common stock at an increased conversion rate.

(d) Reflects the elimination of ICG s historical stockholders equity balances.

(e) Reflects the payment and expensing of $31,200 million of acquisition-related costs.

(f) Reflects the estimated impact on depreciation, depletion and amortization for the fair value adjustment for property, plant and equipment and owned and leased mineral rights using an estimated useful remaining life of five years for property, plant and equipment and an estimated depletion rate applied to the actual 2010 ICG production. Arch Coal has not performed a detailed analysis of the fair values of ICG s property, plant and equipment or mineral reserves and therefore, the actual fair values assigned may differ materially and the impact on depreciation, depletion and amortization expense may also be materially different than the estimates provided herein.

(g) Reflects the estimated impact on amortization for the fair value adjustment of acquired sales contracts. Arch Coal is still reviewing the contracts acquired, and therefore, the actual fair values assigned may differ materially and the impact on amortization expense may also be materially different than the estimates provided herein.

(h) Reflects the impact of the refinancing of debt and the merger on interest expense. The interest rates used were estimates based on current prevailing interest rates. A 0.125% increase or decrease to the interest rates used would increase or decrease pro forma interest expense by approximately $3,200 on an annual basis and $790 on a quarterly basis. The adjustment also includes the amortization of deferred financing fees associated with the New Senior Notes and our amended and restated senior secured credit facility. See Use of Proceeds.

(i) Reflects the income tax effect of pro forma adjustments calculated at an estimated rate of 37.5%.

(j) Pro forma basic earnings per common share has been calculated based on the expected number of shares assumed to be outstanding, assuming such shares were outstanding for the full period presented.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF ARCH COAL

The information contained in the following section does not reflect Arch Coal s acquisition of ICG (per the accounting guidance for business combinations) and certain of the text is reproduced from Arch Coal s Quarterly Report on Form 10-Q for the three months ended March 31, 2011 and Arch Coal s Annual Report on Form 10-K for the year ended December 31, 2010, which are incorporated by reference into this prospectus supplement. This Management s Discussion and Analysis of Financial Condition and Results of Operations of Arch Coal should be read in conjunction with the financial statements and related notes of Arch Coal, which are included and incorporated by reference into this prospectus supplement.

Overview

We are one of the world s largest coal producers by volume. We sell the majority of our coal as steam coal to power plants and industrial facilities. We also sell metallurgical coal used in steel production. The locations of our mines and access to export facilities enable us to ship coal to most of the major coal-fueled power plants, industrial facilities and steel mills located within the United States and on four continents worldwide. Our three reportable business segments are based on the low-sulfur U.S. coal producing regions in which we operate the Powder River Basin, the Western Bituminous region and the Central Appalachia region. These geographically distinct areas are characterized by geology, coal transportation routes to consumers, regulatory environments and coal quality. These regional distinctions have caused market and contract pricing environments to develop by coal region and form the basis for the segmentation of our operations.

The Powder River Basin is located in northeastern Wyoming and southeastern Montana. The coal we mine from surface operations in this region is very low in sulfur content and has a low heat value compared to the other regions in which we operate. The price of Powder River Basin coal is generally less than that of coal produced in other regions because Powder River Basin coal exists in greater abundance, is easier to mine and thus has a lower cost of production. In addition, Powder River Basin coal is generally lower in heat content, which requires some electric power generation facilities to blend it with higher Btu coal or retrofit some existing coal plants to accommodate lower Btu coal. The Western Bituminous region includes Colorado, Utah and southern Wyoming. Coal we mine from underground and surface mines in this region typically is low in sulfur content and varies in heat content. Central Appalachia includes eastern Kentucky, Tennessee, Virginia and southern West Virginia. Coal we mine from both surface and underground mines in this region generally has high heat content and low sulfur content. In addition, we may sell a portion of the coal we produce in the Central Appalachia region as metallurgical coal, which has high heat content, low expansion pressure, low sulfur content and various other chemical attributes. As such, the prices at which we sell metallurgical coal to customers in the steel industry generally exceed the prices for steam coal offered by power plants and industrial users.

Growth in domestic and global coal demand combined with coal supply constraints in many traditional coal exporting countries benefited coal markets during 2010. We expect global coal markets to remain tight throughout the remainder of 2011, and additional tightening in the domestic market as 2011 progresses. Through March, year-to-date global steel production increased more than 9%; and over 20% from recessionary levels. We expect metallurgical coal production to increase in coming years to meet the increasing steel demand for infrastructure in both developing economies, such as China and Brazil, and mature economies, particularly Japan, where significant rebuilding will be necessary after the earthquake and tsunami. As in metallurgical coal markets, markets for U.S. steam coal are also migrating offshore to meet the continuing growth in global coal demand.

In response to the global steam coal demand, we have expanded our seaborne sales and have shipped steam coal to Europe, South America, and small volumes to Asia. Each of our operating segments is participating in the expansion of seaborne shipments utilizing ports on the East and West Coasts as well as on the Gulf of Mexico.

Geologic issues at our Mountain Laurel mine in Central Appalachia caused the temporary idling of our longwall at the mine during the first quarter of 2011. The geologic challenges required us to perform additional work on the panel that had been in development, and we instead moved the longwall to a different panel after completing development work there. Despite the idling, we were still able to ship 1.4 million tons of metallurgical-quality coal during the first quarter, due to the operation of five continuous miner units operating at Mountain

Laurel, shipments from inventories on hand and increased metallurgical-quality coal shipments from other operations. We resumed longwall production in mid-April and expect our shipments of metallurgical-quality coal to increase as the year progresses. We expect to ship approximately 7.5 million tons of metallurgical-quality coal in 2011, exclusive of the impact of the planned acquisition discussed below.

On May 2, 2011, we entered into a definitive Agreement and Plan of Merger with ICG, pursuant to which the Company will commence an offer to acquire all of the outstanding shares of ICG s common stock for $14.60 per share in cash, for a total transaction value of $3.4 billion. Completion of the offer is subject to customary conditions. The offer is not subject to a financing condition.

ICG s assets include 13 active mining complexes located throughout West Virginia, Kentucky, Virginia, Maryland and Illinois and one major mining complex under development. Of ICG s predominantly underground reserve base of 1.1 billion tons, nearly 30% is metallurgical-quality. After the acquisition, we will have assets in every major U.S. coal supply basin. In 2010, ICG sold 16.3 million tons of coal and reported coal sales revenues of $1.1 billion and net income of $30.1 million.

Items Affecting Comparability of Reported Results

The comparability of our operating results for the years ended December 31, 2010, 2009 and 2008 is affected by the following significant items:

Dugout Canyon Production Suspensions We temporarily suspended production at our Dugout Canyon mine in Carbon County, Utah, on April 29, 2010 after an increase in carbon monoxide levels resulted from a heating event in a previously mined area. After permanently sealing the area, we resumed full coal production on May 21, 2010. On June 22, 2010, an ignition event at our longwall resulted in a second evacuation of all underground employees at the mine. All employees were safely evacuated in both events. The resumption of mining required us to render the mine s atmosphere inert, ventilate the longwall area, determine the cause of the ignition, implement preventive measures, and secure an MSHA-approved longwall ventilation plan. We restarted the longwall system on September 9, 2010, and resumed production at normalized levels by the end of September. As a result of the outages in the second and third quarters, the Dugout Canyon mine incurred a loss of $29.3 million for the year ended December 31, 2010. We have provided additional information about the performance of our operating segments under the heading Operating Segment Results.

Gain on Knight Hawk Transaction In the second quarter of 2010, we exchanged 68.4 million tons of coal reserves in the Illinois Basin for an additional 9% ownership interest in Knight Hawk, increasing our ownership to 42%. We recognized a pre-tax gain of $41.6 million on the transaction, representing the difference between the fair value and net book value of the coal reserves, adjusted for our retained ownership interest in the reserves through the investment in Knight Hawk.

Refinancing of Senior Notes On August 9, 2010, we issued $500.0 million in aggregate principal amount of 7.25% senior unsecured notes due in 2020 at par. We used the net proceeds from the offering and cash on hand to fund the redemption on September 8, 2010 of $500.0 million aggregate principal amount of our outstanding 6.75% senior notes due in 2013 at a redemption price of 101.125%. We recognized a loss on the redemption of $6.8 million, including the payment of the $5.6 million redemption premium, the write-off of $3.3 million of unamortized debt financing costs, partially offset by the write-off of $2.1 million of the original issue premium on the 6.75% senior notes.

Equity and Debt Offerings During the third quarter of 2009, we sold 19.55 million shares of our common stock at a price of $17.50 per share and issued $600.0 million in aggregate principal amount, 8.75% senior unsecured notes due

2016 at an initial issue price of 97.464%. The net proceeds received from the issuance of common stock were $326.5 million and the net proceeds received from the issuance of the 8.75% senior unsecured notes were $570.3 million. See further discussion of these transactions in Liquidity and Capital Resources. We used the net proceeds from these transactions primarily to finance the purchase of the Jacobs Ranch mining complex.

Purchase of Jacobs Ranch Mining Operations On October 1, 2009, we purchased the Jacobs Ranch mining operations for a purchase price of $768.8 million. The acquired operations included approximately 345 million tons

of coal reserves located adjacent to our Black Thunder mining complex. We have achieved significant operating efficiencies by combining the two operations, including operational cost savings, administrative cost reductions and coal-blending optimization.

Results of Operations

Three Months Ended March 31, 2011 Compared to Three Months Ended March 31, 2010

Summary. Our improved results during the first quarter of 2011 when compared to the first quarter of 2010 were due primarily to higher average sales realizations as a result of improved market conditions. Higher per-ton production costs partially offset the benefit from the higher average realizations.

Revenues. The following table summarizes information about coal sales during the three months ended March 31, 2011 and compares it with the information for the three months ended March 31, 2010:

	Three Months Ended March 31,		Increase (Decrease)	
	2011	2010	Amount	%
	(amounts in thousands, except per ton data and percentages)			
Coal sales	$ 872,938	$ 711,874	$ 161,064	22.6%
Tons sold	36,608	37,806	(1,198)	(3.2)%
Coal sales realization per ton sold	$ 23.85	$ 18.83	$ 5.02	26.7%

Coal sales increased in the first quarter of 2011 from the first quarter of 2010, due to an increase in the overall average price per ton sold, primarily from the effect of an increase in the volumes and pricing of metallurgical-quality coal sold, higher steam pricing in all regions and the impact of changes in regional mix on our average coal sales realization. Overall sales volume decreased slightly due to lower sales volumes in the Powder River Basin. We remain selective in committing tonnage by matching our production levels to our estimates of market demand, which we believe will provide for the best long-term results based on our outlook for the coal markets. We have provided more information about the tons sold and the coal sales realizations per ton by operating segment under the heading Operating Segment Results.

Costs, Expenses and Other. The following table summarizes costs, expenses and other components of operating income for the three months ended March 31, 2011 and compares it with the information for the three months ended March 31, 2010:

	Three Months Ended March 31,		Increase (Decrease) in Net Income	
	2011	2010	Amount	%
	(amounts in thousands, except percentages)			
Cost of coal sales	$ 653,684	$ 550,750	$ (102,934)	(18.7)%
Depreciation, depletion and amortization	83,537	88,519	4,982	5.6
Amortization of acquired sales contracts, net	5,944	10,753	4,809	44.7
Selling, general and administrative expenses	30,435	27,166	(3,269)	(12.0)

Change in fair value of coal derivatives and coal trading activities, net	(1,784)	5,877	7,661	130.4
Other operating income, net	(1,116)	(3,391)	(2,275)	(67.1)
	$ 770,700	$ 679,674	$ (91,026)	(13.4)%

Cost of Coal Sales. Our cost of coal sales increased in 2011 from 2010 primarily due to higher per-ton production costs, an increase in sales-sensitive costs and an increase in transportation costs, as a result of the increase in export shipments. Higher per ton production-costs were affected by the longwall outage at Mountain

Laurel during the quarter and the impact of changes in regional mix. We have provided more information about our operating segments under the heading Operating Segment Results.

Depreciation, Depletion and Amortization. When compared with 2010, lower depreciation, depletion and amortization costs in 2011 resulted primarily from the impact of lower production and sales volumes on assets amortized or depleted on the basis of tons produced.

Amortization of Acquired Sales Contracts, Net. We acquired both above- and below-market sales contracts with a net fair value of $58.4 million with the Jacobs Ranch mining operation. The fair values of acquired sales contracts are amortized over the tons of coal shipped during the term of the contracts.

Selling, General and Administrative Expenses. The increase in selling, general and administrative expenses in 2011 is due primarily to higher compensation-related costs and an increase in professional services fees.

Change in Fair Value of Coal Derivatives and Coal Trading Activities, Net. Net (gains) losses relate to the net impact of our coal trading activities and the change in fair value of other coal derivatives that have not been designated as hedge instruments in a hedging relationship. In 2010, rising coal prices resulted in unrealized losses on positions held to manage risk, but that were not designated in a hedge relationship.

Other Operating Income, Net. The decrease in net other operating income in 2011 from 2010 is primarily the result of a decrease in income from commercial activity.

Operating Segment Results. The following table shows results by operating segment for the three months ended March 31, 2011 and compares it with the information for the three months ended March 31, 2010:

	Three Months Ended March 31,		**Increase (Decrease)**	
	2011	**2010**	**$**	**%**
Powder River Basin				
Tons sold (in thousands)	28,830	30,645	(1,815)	(5.9)%
Coal sales realization per ton sold(1)	$ 13.51	$ 11.64	$ 1.87	16.1%
Operating margin per ton sold(2)	$ 1.60	$ 0.51	$ 1.09	213.7%
Adjusted EBITDA(3)	$ 93,716	$ 69,403	$ 24,313	35.0%
Western Bituminous				
Tons sold (in thousands)	4,186	4,129	57	1.4%
Coal sales realization per ton sold(1)	$ 31.77	$ 28.97	$ 2.80	9.7%
Operating margin per ton sold(2)	$ 6.35	$ 2.59	$ 3.76	145.2%
Adjusted EBITDA(3)	$ 47,420	$ 32,799	$ 14,621	44.6%
Central Appalachia				
Tons sold (in thousands)	3,592	3,032	560	18.5%
Coal sales realization per ton sold(1)	$ 80.92	$ 66.29	$ 14.63	22.1%
Operating margin per ton sold(2)	$ 16.00	$ 11.74	$ 4.26	36.3%
Adjusted EBITDA(3)	$ 77,986	$ 57,421	$ 20,565	35.8%

(1) Coal sales prices per ton exclude certain transportation costs that we pass through to our customers. We use these financial measures because we believe the amounts as adjusted better represent the coal sales prices we achieved

within our operating segments. Since other companies may calculate coal sales prices per ton differently, our calculation may not be comparable to similarly titled measures used by those companies. For the three months ended March 31, 2011, transportation costs per ton were $0.13 for the Powder River Basin, $5.36 for the Western Bituminous region and $9.39 for Central Appalachia. For the three months ended March 31, 2010, transportation costs per ton were $0.08 for the Powder River Basin, $3.17 for the Western Bituminous region and $6.19 for Central Appalachia.

(footnotes continued on next page)

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(2) Operating margin per ton sold is calculated as coal sales revenues less cost of coal sales and depreciation, depletion and amortization divided by tons sold.
(3) Adjusted EBITDA is defined as net income attributable to the Company before the effect of net interest expense, income taxes, depreciation, depletion and amortization and the amortization of acquired sales contracts. Adjusted EBITDA may also be adjusted for items that may not reflect the trend of future results. Segment Adjusted EBITDA is reconciled to net income at the end of this Results of Operations section.

Powder River Basin Segment Adjusted EBITDA was $93.7 million, or 35%, higher in 2011 than in 2010 due to higher average coal sales realizations, reflecting the improved coal markets. The decrease in sales volumes in the Powder River Basin in 2011 when compared with 2010 resulted primarily from our market-driven sales commitment approach, as discussed previously. Partially offsetting the increase in average realizations was an increase in labor and diesel costs and an increase in sales-sensitive costs, due to increased realizations.

Western Bituminous Segment EBITDA was $47.4 million in 2011, or 45% higher than 2010, reflecting improved pricing, despite the ongoing soft domestic demand in the region. Effective cost control in the region and slightly higher production levels reduced our per-ton operating costs, which contributed to the improved results in 2011.

Central Appalachia Segment EBITDA was $78.0 million in 2011, or 36% higher than in 2010, triggered primarily by an increase in the volumes and pricing of metallurgical-quality coal sold. We were able to increase the volumes of metallurgical quality coal sold, despite the temporary outage of Mountain Laurel s longwall during the quarter, by operating five continuous miner units at Mountain Laurel, shipping from inventories on hand and increasing metallurgical-quality coal shipments from other complexes in the region. We sold approximately 1.4 million tons of metallurgical-quality coal in 2011 compared to 0.9 million tons in 2010. Because metallurgical coal generally commands a higher price than steam coal, the increase had a favorable impact on our average realizations compared to 2010. The benefit from higher per-ton realizations in 2011, net of sales sensitive costs, drove the improvement in our operating margins over 2010, partially offset by the impacts of the outage and increasing production at higher cost mines on our average per-ton production costs.

Net Interest Expense. The following table summarizes our net interest expense for the three months ended March 31, 2011 and compares it with the information for the three months ended March 31, 2010:

	Three Months Ended March 31,		Increase in Net Income	
	2011	2010	$	%
	(amounts in thousands, except percentages)			
Interest expense	$ (34,580)	$ (35,083)	$ 503	1.4%
Interest income	746	338	408	120.7%
	$ (33,834)	$ (34,745)	$ 911	2.6%

Income Taxes. Our effective income tax rate is sensitive to changes in and the relationship between annual profitability and the deduction for percentage depletion. The following table summarizes our income taxes for three months ended March 31, 2011 and compares it with the information for the three months ended March 31, 2010:

	Three Months Ended	Decrease

	March 31,		in Net Income	
	2011	2010	$	%
	(amounts in thousands, except percentages)			
Provision for (benefit from) income taxes	$ 12,530	$ (775)	$ (13,305)	N/A

The Company s effective rate of 18% in the first quarter of 2011 reflects a more normalized effective rate as a result of the profits generated in the current quarter.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Summary. Our improved results during 2010 when compared to 2009 were generated from increased sales volumes, including an increase in metallurgical coal volumes sold, lower production costs and the gain on the Knight Hawk transaction. Higher selling, general and administrative costs, unrealized losses on coal derivatives and higher interest and financing costs partially offset the benefit from these factors.

Revenues. The following table summarizes information about coal sales during the year ended December 31, 2010 and compares it with the information for the year ended December 31, 2009:

	Year Ended December 31,		Increase (Decrease) in Net Income	
	2010	2009	Amount	%
	(amounts in thousands, except per ton data and percentages)			
Coal sales	$ 3,186,268	$ 2,576,081	$ 610,187	23.7%
Tons sold	162,763	126,116	36,647	29.1%
Coal sales realization per ton sold	$ 19.58	$ 20.43	$ (0.85)	(4.2)%

Coal sales increased in 2010 from 2009, primarily due to an increase in tons sold in the Powder River Basin region, resulting from the acquisition of the Jacobs Ranch mining complex at the beginning of the fourth quarter of 2009 and the impact of an increase in metallurgical coal sales volumes. Our average coal sales realization per ton was lower in 2010, as the impact of changes in regional mix on our average selling price and lower pricing in the Powder River Basin offset the benefit of the increase in metallurgical coal sales volumes. We have provided more information about the tons sold and the coal sales realizations per ton by operating segment under the heading Operating Segment Results.

Costs, Expenses and Other. The following table summarizes costs, expenses and other components of operating income for the year ended December 31, 2010 and compares it with the information for the year ended December 31, 2009:

	Year Ended December 31,		Increase (Decrease) in Net Income	
	2010	2009	$	%
	(amounts in thousands, except percentages)			
Cost of coal sales	$ 2,395,812	$ 2,070,715	$ (325,097)	(15.7)%
Depreciation, depletion and amortization	365,066	301,608	(63,458)	(21.0)
Amortization of acquired sales contracts, net	35,606	19,623	(15,983)	(81.5)
Selling, general and administrative expenses	118,177	97,787	(20,390)	(20.9)
Change in fair value of coal derivatives and coal trading activities, net	8,924	(12,056)	(20,980)	(174.0)
Gain on Knight Hawk transaction	(41,577)		41,577	N/A
Costs related to acquisition of Jacobs Ranch		13,726	13,726	100.0
Other operating income, net	(19,724)	(39,036)	(19,312)	(49.5)
	$ 2,862,284	$ 2,452,367	$ (409,917)	(16.7)%

Cost of Coal Sales. Our cost of coal sales increased in 2010 from 2009 primarily due to the higher sales volumes discussed above, partially offset by the impact of a lower average cost per-ton sold, due to the impact of the changes in regional mix as well as lower per-ton production costs in all regions, exclusive of transportation and

sales-sensitive costs. We have provided more information about our operating segments under the heading Operating Segment Results.

Depreciation, Depletion and Amortization. When compared with 2009, higher depreciation and amortization costs in 2010 resulted primarily from the impact of the acquisition of the Jacobs Ranch mining complex in the fourth quarter of 2009.

Amortization of Acquired Sales Contracts, Net. We acquired both above- and below-market sales contracts with a net fair value of $58.4 million with the Jacobs Ranch mining operation. The fair values of acquired sales contracts are amortized over the tons of coal shipped during the term of the contracts.

Selling, General and Administrative Expenses. The increase in selling, general and administrative expenses in 2010 is due primarily to compensation-related costs, an increase of legal fees of $1.9 million and a contribution to the Arch Coal Foundation of $5.0 million in 2010. In particular, our improved results were the primary driver of higher costs of approximately $5.9 million in 2010 related to our incentive compensation plans when compared to 2009. Costs related to our deferred compensation plan, where amounts recognized are impacted by changes in the value of our common stock and changes in the value of the underlying investments, also increased $5.9 million. Legal fees increased primarily as a result of costs associated with permitting, reserve acquisitions and environmental compliance.

Change in Fair Value of Coal Derivatives and Coal Trading Activities, Net. Net (gains) losses relate to the net impact of our coal trading activities and the change in fair value of other coal derivatives that have not been designated as hedge instruments in a hedging relationship. During 2010, rising coal prices resulted in losses on derivative instruments positions and trading activities, compared with weaker market conditions in 2009, which resulted in gains.

Gain on Knight Hawk Transaction. The gain was recognized on our exchange of Illinois Basin reserves for an additional ownership interest in Knight Hawk, an equity method investee operating in the Illinois Basin.

Other Operating Income, Net. The decrease in net other operating income in 2010 from 2009 is primarily the result of a decrease in income from contract settlements and bookout transactions of $26.4 million, partially offset by an increase in income from our investment in Knight Hawk of $9.3 million.

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Operating Segment Results. The following table shows results by operating segment for year ended December 31, 2010 and compares it with the information for the year ended December 31, 2009:

	Year Ended December 31,		Increase (Decrease)	
	2010	2009	$	%
Powder River Basin				
Tons sold (in thousands)	132,350	96,083	36,267	37.8%
Coal sales realization per ton sold(1)	$ 12.06	$ 12.43	$ (0.37)	(3.0)%
Operating margin per ton sold(2)	$ 1.09	$ 0.79	$ 0.30	38.0%
Adjusted EBITDA(3)	366,375	$ 233,623	$ 132,752	56.8%
Western Bituminous				
Tons sold (in thousands)	16,311	16,747	(436)	(2.6)%
Coal sales realization per ton sold(1)	$ 29.61	$ 29.11	$ 0.50	1.7%
Operating margin per ton sold(2)	$ 3.32	$ 1.55	$ 1.77	114.2%
Adjusted EBITDA(3)	$ 138,579	$ 113,192	$ 25,387	22.4%
Central Appalachia				
Tons sold (in thousands)	14,102	13,286	816	6.1%
Coal sales realization per ton sold(1)	$ 68.93	$ 59.58	$ 9.35	15.7%
Operating margin per ton sold(2)	$ 13.25	$ 6.22	$ 7.03	113.0%
Adjusted EBITDA(3)	$ 283,787	$ 201,736	$ 82,051	40.7%

(1) Coal sales prices per ton exclude certain transportation costs that we pass through to our customers. We use these financial measures because we believe the amounts as adjusted better represent the coal sales prices we achieved within our operating segments. Since other companies may calculate coal sales prices per ton differently, our calculation may not be comparable to similarly titled measures used by those companies. For 2010, transportation costs per ton were $0.08 for the Powder River Basin, $3.34 for the Western Bituminous region and $4.99 for Central Appalachia. For the 2009, transportation costs per ton were $0.11 for the Powder River Basin, $3.18 for the Western Bituminous region and $2.89 for Central Appalachia.

(2) Operating margin per ton sold is calculated as coal sales revenues less cost of coal sales and depreciation, depletion and amortization divided by tons sold.

(3) Adjusted EBITDA is defined as net income attributable to the Company before the effect of net interest expense, income taxes, depreciation, depletion and amortization and the amortization of acquired sales contracts. Adjusted EBITDA may also be adjusted for items that may not reflect the trend of future results. Segment Adjusted EBITDA is reconciled to net income at the end of this Results of Operations section.

Powder River Basin The increase in sales volumes in the Powder River Basin in 2010 when compared with 2009 resulted primarily from the acquisition of the Jacobs Ranch mining operations on October 1, 2009, although improving demand for Powder River Basin coal in the second half of 2010 also had a positive impact on sales volumes. Sales prices during 2010 were slightly lower when compared with 2009, primarily reflecting the roll-off of contracts committed when market conditions were more favorable. On a per-ton basis, operating margins in 2010 increased, as a decrease in per-ton costs offset the effect of lower average sales price. The decrease in per-ton costs resulted from efficiencies achieved from combining the acquired Jacobs Ranch mining operations with our existing Black Thunder operations, as well as a decrease in hedged diesel fuel costs.

Western Bituminous In the Western Bituminous region, despite a soft steam coal market in the region and the two outages at the Dugout Canyon mine in 2010, sales volumes decreased only slightly compared to 2009. Sales volumes

in 2009 were also affected by weaker market conditions that had an impact on our ability to market coal with a high ash content, which resulted from geologic conditions at our West Elk mine, and the decision to reduce production accordingly. A preparation plant at the West Elk mine was placed into service in the fourth quarter of 2010 to address any future quality issues arising from sandstone intrusions similar to those we encountered previously. Despite the detrimental impact in 2009 on our per-ton realizations of selling coal with a higher ash content, our realizations increased only slightly in 2010, due to the soft steam coal market and an unfavorable mix of

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customer contracts. Effective cost control in the region resulted in the higher per-ton operating margins in 2010, partially offset by the impact of the two outages at the Dugout Canyon mine in 2010.

Central Appalachia The moderate increase in sales volumes in 2010, when compared with 2009, resulted from the improvement in metallurgical coal demand, partially offset by weaker steam coal demand. We sold approximately 5.5 million of metallurgical-quality coal in 2010 compared to 2.1 million tons in 2009. Because metallurgical coal generally commands a higher price than steam coal, the increase had a favorable impact on our average realizations compared to 2009. The benefit from higher per-ton realizations in 2010, net of sales sensitive costs, drove the improvement in our operating margins over 2009.

Although our sales volumes improved over 2009, production in Central Appalachia was less than expected in the 4th quarter due to the geologic challenges at our Mountain Laurel longwall mine in December referenced in Items Affecting Comparability of Reported Results.

Net Interest Expense. The following table summarizes our net interest expense for year ended December 31, 2010 and compares it with the information for the year ended December 31, 2009:

	Year Ended December 31,		Decrease in Net Income	
	2010	2009	$	%
	(amounts in thousands, except percentages)			
Interest expense	$ (142,549)	$ (105,932)	$ (36,617)	(34.6)%
Interest income	2,449	7,622	(5,173)	(67.9)
	$ (140,100)	$ (98,310)	$ (41,790)	(42.5)%

The increase in net interest expense in 2010 compared to 2009 is primarily due to an increase in outstanding senior notes due to the issuance of the 8.75% senior notes in the third quarter of 2009 to finance the acquisition of the Jacobs Ranch mining complex and the issuance of the 7.25% senior notes on August 9, 2010. The proceeds from the issuance 7.25% senior notes were used to redeem a portion of the 6.75% senior notes on September 8, 2010.

In 2009, we recorded interest income of $6.1 million related to a black lung excise tax refund that we recognized in the fourth quarter of 2008.

Other Non-Operating Expense. The following table summarizes our other non-operating expense for year ended December 31, 2010 and compares it with the information for the year ended December 31, 2009:

	Year Ended December 31,		Decrease in Net Income	
	2010	2009	$	%
	(amounts in thousands, except percentages)			
Loss on early extinguishment of debt	$ (6,776)	$	$ (6,776)	(100)%

Amounts reported as non-operating consist of income or expense resulting from our financing activities, other than interest costs. The loss on early extinguishment of debt relates to the redemption of $500 million in principal amount of the 6.75% senior notes. The loss includes the payment of $5.6 million of redemption premium and the write-off of $3.3 million of unamortized debt financing costs, partially offset by the write-off of $2.1 million of the original issue premium.

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Income Taxes. Our effective income tax rate is sensitive to changes in and the relationship between annual profitability and the deduction for percentage depletion. The following table summarizes our income taxes for year ended December 31, 2010 and compares it with the information for the year ended December 31, 2009:

	Year Ended December 31,		Decrease in Net Income	
	2010	2009	$	%
	(amounts in thousands, except percentages)			
Provision for (benefit from) income taxes	$ 17,714	$ (16,775)	$ (34,489)	(205.6)%

The income tax provision in 2010 includes a tax benefit of $4.0 million related to the recognition of tax benefits based on settlements with taxing authorities.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Summary. Our results during 2009 when compared to 2008 were influenced primarily by lower sales volumes due to weak market conditions, a decrease in gains from our coal trading activities, a reduction in 2008 in our valuation allowance against deferred tax assets and higher interest expense.

Revenues. The following table summarizes information about coal sales during the year ended December 31, 2009 and compares it with the information for the year ended December 31, 2008:

	Year Ended December 31,		Decrease	
	2009	2008	Amount	%
	(amounts in thousands, except per ton data and percentages)			
Coal sales	$ 2,576,081	$ 2,983,806	$ (407,725)	(13.7)%
Tons sold	126,116	139,595	(13,479)	(9.7)%
Coal sales realization per ton sold	$ 20.43	$ 21.37	$ (0.94)	(4.4)%

Coal sales decreased in 2009 from 2008 primarily due to lower sales volumes in all operating regions, driven by weak market conditions. Average sales prices during 2009 were lower than during 2008 due primarily to a decrease in metallurgical sales volumes in our Central Appalachia region, which offset the impact of generally higher base pricing on steam coal. We have provided more information about the tons sold and the coal sales realizations per ton by operating segment under the heading Operating Segment Results.

Costs, Expenses and Other. The following table summarizes costs, expenses and other components of operating income for the year ended December 31, 2009 and compares it with the information for the year ended December 31, 2008:

	Year Ended December 31,		Increase (Decrease) in Net Income	
	2009	2008	$	%
	(dollars in thousands)			
Cost of coal sales	$ 2,070,715	$ 2,183,922	$ 113,207	5.2%
Depreciation, depletion and amortization	301,608	293,553	(8,055)	(2.7)
Amortization of acquired sales contracts, net	19,623	(705)	(20,328)	N/A
Selling, general and administrative expenses	97,787	107,121	9,334	8.7
Change in fair value of coal derivatives and coal trading activities, net	(12,056)	(55,093)	(43,037)	(78.1)
Costs related to acquisition of Jacobs Ranch	13,726		(13,726)	(100.0)
Other operating income, net	(39,036)	(6,262)	32,774	523.4
Total	$ 2,452,367	$ 2,522,536	$ 70,169	2.8%

Cost of Coal Sales. Our cost of coal sales decreased in 2009 from 2008 due to the lower sales volumes across all operating segments and a decrease in transportation costs due to a decrease in barge and export sales. We have provided more information about our operating segments under the heading Operating Segment Results.

Depreciation, Depletion and Amortization. When compared with 2008, higher depreciation and amortization costs in 2009 resulted from the acquisition of the Jacobs Ranch mining complex on October 1, 2009 and the amortization of development costs related to the seam at the West Elk mine where we commenced longwall production in the fourth quarter of 2008, partially offset by the impact of lower volume levels on depletion and amortization costs calculated on a units-of-production method. We have provided more information about our operating segments under the heading Operating Segment Results and our capital spending in the section entitled Liquidity and Capital Resources.

Amortization of Acquired Sales Contracts, Net. The increase in the amortization of acquired sales contracts, net is the result of the acquisition of the Jacobs Ranch mining operation. The fair values of acquired sales contracts are amortized over the tons of coal shipped during the term of the contract.

Selling, General and Administrative Expenses. The decrease in selling, general and administrative expenses from 2008 to 2009 was due primarily to a decrease in incentive compensation costs of $8.7 million and a decrease of $4.6 million in costs associated with our deferred compensation plan, where amounts recognized are impacted by changes in the value of our common stock and changes in the value of the underlying investments. Partially offsetting the effect of the decrease in compensation-related costs were an increase in legal and other professional fees of $2.4 million and the $1.5 million expense in 2009 of our five-year pledge to a company participating in the research and development of technologies for capturing carbon dioxide emissions.

Change in Fair Value of Coal Derivatives and Coal Trading Activities, Net. Net gains relate to the net impact of our coal trading activities and the change in fair value of other coal derivatives that have not been designated as hedge instruments in a hedging relationship. Our coal trading function enabled us to take advantage of the significant price movements in the coal markets during 2008.

Costs Related to Acquisition of Jacobs Ranch. Costs we incurred during 2009 related to the acquisition of the Jacobs Ranch mining complex were expensed under new accounting rules we adopted in 2009.

Other Operating Income, Net. The net increase is primarily the result of an increase in net income from bookouts (the offsetting of coal sales and purchase contracts) and contract settlements.

Operating Segment Results. The following table shows results by operating segment for the year ended December 31, 2009 and compares it with the information for the year ended December 31, 2008:

	Year Ended December 31,		Increase (Decrease)	
	2009	2008	Amount	%
	(amounts in thousands, except per ton data and percentages)			
Powder River Basin				
Tons sold	96,083	102,557	(6,474)	(6.3)%
Coal sales realization per ton sold[4]	$ 12.43	$ 11.30	$ 1.13	10.0%
Operating margin per ton sold[5]	$ 0.79	$ 1.02	$ (0.23)	(22.5)%
Adjusted EBITDA[6]	$ 233,623	$ 226,342	$ 7,281	3.2%
Western Bituminous				
Tons sold	16,747	20,606	(3,859)	(18.7)%
Coal sales realization per ton sold[4]	$ 29.11	$ 27.46	$ 1.65	6.0%
Operating margin per ton sold[5]	$ 1.55	$ 5.69	$ (4.14)	(72.8)%
Adjusted EBITDA[6]	$ 113,192	$ 202,434	$ (89,242)	(44.1)%
Central Appalachia				
Tons sold	13,286	16,432	(3,146)	(19.1)%
Coal sales realization per ton sold[4]	$ 59.58	$ 66.72	$ (7.14)	(10.7)%
Operating margin per ton sold[5]	$ 6.22	$ 17.53	$ (11.31)	(64.5)%
Adjusted EBITDA[6]	$ 201,736	$ 444,425	$ (242,689)	(54.6)%

(4) Coal sales prices per ton exclude certain transportation costs that we pass through to our customers. We use these financial measures because we believe the amounts as adjusted better represent the coal sales prices we achieved within our operating segments. Since other companies may calculate coal sales prices per ton differently, our calculation may not be comparable to similarly titled measures used by those companies. For the year ended December 31, 2009, transportation costs per ton were $0.11 for the Powder River Basin, $3.18 for the Western Bituminous region and $2.89 for Central Appalachia. For the year ended December 31, 2008, transportation costs per ton were $0.03 for the Powder River Basin, $4.54 for the Western Bituminous region and $4.02 for Central Appalachia.

(5) Operating margin per ton is calculated as coal sales revenues less cost of coal sales and depreciation, depletion and amortization, including amortization of acquired sales contracts, divided by tons sold.

(6) Adjusted EBITDA is defined as net income attributable to the Company before the effect of net interest expense, income taxes, depreciation, depletion and amortization and the amortization of acquired sales contracts. Adjusted EBITDA may also be adjusted for items that may not reflect the trend of future results. Segment Adjusted EBITDA is reconciled to net income at the end of this Results of Operations section.

Powder River Basin The decrease in sales volume in the Powder River Basin in 2009 when compared with 2008 was due to a decline in demand stemming from weak market conditions. At the Black Thunder mining complex, in response to these conditions, we reduced production and idled one dragline in the fourth quarter of 2008 and another dragline in May 2009, along with the related support equipment. This reduction was partially offset by the impact of the acquisition of the Jacobs Ranch mining operations on October 1, 2009. Increases in sales prices during 2009, when compared with 2008, primarily reflect higher pricing from contracts committed during 2008, when market conditions were more favorable, partially offset by the effect of lower pricing on market-index priced tons and the effect of lower sulfur dioxide allowance pricing. On a per-ton basis, operating margins in 2009 decreased compared to 2008 due to an

increase in per-ton costs. The increase in annual per-ton costs, despite our cost containment efforts, resulted primarily from the effect of spreading fixed costs over lower volume levels; however, our per-ton operating costs improved in the fourth quarter of 2009, as a result of synergies achieved from the acquisition of the Jacobs Ranch mining operation.

Western Bituminous In the Western Bituminous region, we sold fewer tons in 2009 than in 2008 due to the weak market conditions as well as quality issues at the West Elk mining complex. In the first half of 2009, we

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encountered sandstone intrusions at the West Elk mining complex that resulted in a higher ash content in the coal produced, and declining coal demand had an impact on our efforts to market this coal. As a result of the weak market demand for this coal, we reduced our production levels at the mine. The detrimental impact on our per-ton realizations of selling coal with a higher ash content offset the beneficial impact of the roll-off of lower-priced legacy contracts in 2008. Lower per-ton operating margins during 2009 were the result of the West Elk quality issues and the lower production levels, however, per-ton costs decreased in the fourth quarter as the longwall advanced into more favorable geology, as expected, improving our margins.

Central Appalachia The decrease in sales volumes in 2009, when compared with 2008, was due to weaker market demand in 2009. In response to the weakened demand, we reduced our production in Central Appalachia by slowing the rate of advance of equipment, by shortening or eliminating shifts at several mining complexes, and by idling an underground mine and certain surface mining equipment at our Cumberland River mining complex in the second quarter of 2009. Economic conditions also adversely impacted demand and pricing for metallurgical coal, and lower per-ton realizations in 2009 compared to 2008 resulted from a decrease in our metallurgical coal sales volumes and pricing. We sold 2.1 million tons of metallurgical-quality coal in 2009 compared to 4.4 million tons in 2008. Because metallurgical coal generally commands a higher price than steam coal, the decrease had a detrimental impact on our average per-ton realizations. In addition to the lower per-ton realizations in 2009, our operating margins were also impacted by an increase in operating costs per ton in 2009 from 2008, due primarily to the lower production levels and the effect of spreading fixed costs over fewer tons.

Net Interest Expense. The following table summarizes our net interest expense for the year ended December 31, 2009 and compares it with the information for the year ended December 31, 2008:

	Year Ended December 31,		**Decrease in Net Income**	
	2009	**2008**	**$**	**%**
	(dollars in thousands)			
Interest expense	$ (105,932)	$ (76,139)	$ (29,793)	(39.1)%
Interest income	7,622	11,854	(4,232)	(35.7)
Total	$ (98,310)	$ (64,285)	$ (34,025)	(52.9)%

The increase in interest expense in 2009 compared to 2008 was primarily due to the issuance of the 8.75% senior notes in July, 2009 and a decrease in capitalized interest costs. Interest costs capitalized were $0.8 million during 2009, compared with $11.7 million during 2008. For more information on our borrowing facilities and ongoing capital improvement and development projects, see the section entitled Liquidity and Capital Resources.

During 2009 and 2008, we recorded interest income of $6.1 million and $10.3 million, respectively, related to a black lung excise tax refund.

Income Taxes. Our effective income tax rate is sensitive to changes in the relationship between annual profitability and percentage depletion. The following table summarizes our income taxes for the year ended December 31, 2009 and compares it with information for the year ended December 31, 2008:

	Year Ended December 31,	**Increase in Net Income**

	2009	2008	$	%
		(dollars in thousands)		
Provision for (benefit from) income taxes	$ (16,775)	$ 41,774	$ 58,549	140.2%

In 2009, our income taxes were impacted by decreased profitability. The income tax provision in 2008 included a $58.0 million reduction in our valuation allowance against net operating loss and alternative minimum tax credit carryforwards that reduced our income tax provision.

Reconciliation of Segment EBITDA to Net Income

The discussion in Results of Operations includes references to our Adjusted EBITDA results. Adjusted EBITDA is defined as net income attributable to the Company before the effect of net interest expense, income taxes, depreciation, depletion and amortization and the amortization of acquired sales contracts. Adjusted EBITDA may also be adjusted for items that may not reflect the trend of future results. We believe that Adjusted EBITDA presents a useful measure of our ability to service and incur debt based on ongoing operations. Investors should be aware that our presentation of Adjusted EBITDA may not be comparable to similarly titled measures used by other companies. The table below shows how we calculate Adjusted EBITDA to net income attributable to Arch Coal.

	Three Months Ended March 31,		Year Ended December 31,		
	2011	**2010**	**2010**	**2009**	**2009**
Segment Adjusted EBITDA	$ 219,122	$ 159,623	$ 788,741	$ 548,551	$ 873,201
Corporate and other Adjusted EBITDA[(1)]	(27,676)	(28,177)	(64,622)	(89,890)	(119,964)
Adjusted EBITDA	191,446	131,446	724,119	458,661	753,237
Depreciation, depletion and amortization	(83,537)	(88,519)	(365,066)	(301,608)	(293,553)
Amortization of acquired sales contracts, net	(5,944)	(10,753)	(35,606)	(19,623)	705
Interest expense	(34,580)	(35,083)	(142,549)	(105,932)	(76,139)
Interest income	746	338	2,449	7,622	11,854
Loss on early extinguishment of debt			(6,776)		
Costs related to acquisition of Jacobs Ranch				(13,726)	
Income tax (expense) benefit	(12,530)	775	(17,714)	16,775	(41,774)
Net income attributable to Arch Coal	$ 55,601	$ (1,796)	$ 158,857	$ 42,169	$ 354,330

(1) Corporate and other Adjusted EBITDA includes primarily selling, general and administrative expenses, income from our equity investments, change in fair value of coal derivatives and coal trading activities, net, and, in 2010, the gain on the Knight Hawk transaction.

Liquidity and Capital Resources

Our primary sources of cash are coal sales to customers, borrowings under our credit facilities and other financing arrangements, and debt and equity offerings related to significant transactions. Excluding any significant mineral reserve acquisitions, we generally satisfy our working capital requirements and fund capital expenditures and debt-service obligations with cash generated from operations or borrowings under our credit facility, accounts receivable securitization or commercial paper programs. The borrowings under these arrangements are classified as current if the underlying credit facilities expire within one year or if, based on cash projections and management plans, we do not have the intent to replace them on a long-term basis. Such plans are subject to change based on our cash needs.

We believe that cash generated from operations and borrowings under our credit facilities or other financing arrangements will be sufficient to meet working capital requirements, anticipated capital expenditures and scheduled debt payments for at least the next several years. We manage our exposure to changing commodity prices for our non-trading, long-term coal contract portfolio through the use of long-term coal supply agreements. We enter into fixed price, fixed volume supply contracts with terms greater than one year with customers with whom

we have historically had limited collection issues. Our ability to satisfy debt service obligations, to fund planned capital expenditures, to make acquisitions, to repurchase our common shares and to pay dividends will depend upon our future operating performance, which will be affected by prevailing economic conditions in the coal industry and financial, business and other factors, some of which are beyond our control.

During the three months ended March 31, 2011, our borrowing levels remained flat, with no borrowings under the senior secured credit facility and accounts receivable securitization program. At March 31, 2011, our debt-to-capitalization ratio (defined as total debt divided by the sum of total debt and equity) was 41% and our availability under lines of credit was $931.4 million.

During the year ended December 31, 2010, we generated record levels of operating cash flows which, when combined with control on capital spending, enabled us to pay down our borrowings under our lines of credit. At December 31, 2010, our debt-to-capitalization ratio (defined as total debt divided by the sum of total debt and equity) was 42%, a decrease of four percentage points from December 31, 2009, and our availability under lines of credit was approximately $970 million.

On August 9, 2010, we issued $500.0 million in aggregate principal amount of 7.25% senior unsecured notes due in 2020 at par. We used the net proceeds from the offering and cash on hand to fund the redemption on September 8, 2010 of $500.0 million aggregate principal amount of our subsidiary Arch Western Finance LLC s outstanding 6.75% senior notes due in 2013 at a redemption price of 101.125%. As a result of the refinancing, we reduced our 2013 principal maturities by more than half.

On July 31, 2009, we sold 17.0 million shares of our common stock at a public offering price of $17.50 per share pursuant to an automatically effective shelf registration statement on Form S-3 and prospectus previously filed and issued $600 million in aggregate principal amount of 8.75% senior unsecured notes due 2016 at an initial issue price of 97.464% of face amount. On August 6, 2009, we issued an additional 2.55 million shares of our common stock under the same terms and conditions to cover underwriters over-allotments. Total net proceeds from these transactions were $896.8 million. We used the net proceeds from these transactions primarily to finance the purchase of the Jacobs Ranch mining complex.

Our indebtedness consisted of the following:

	March 31,	December 31,	
	2011	2010	2009
Commercial paper	$ 60,585	$ 56,904	$ 49,453
Indebtedness to banks under credit facilities			204,000
6.75% senior notes ($450.0 million face value at March 31, 2011 and December 31, 2010 and $950.0 million face value at December 31, 2009) due July 1, 2013	451,456	451,618	954,782
8.75% senior notes ($600.0 million face value) due August 1, 2016	587,572	587,126	585,441
7.25% senior notes ($500.0 million face value) due October 1, 2020	500,000	500,000	
Other	8,933	14,093	14,011
	1,608,546	1,609,741	1,807,687

Senior Notes

Our subsidiary, Arch Western Finance LLC, has outstanding an aggregate principal amount of $450.0 million of 6.75% senior notes due on July 1, 2013, subsequent to the redemption discussed previously. Interest is payable on the notes on January 1 and July 1 of each year. The senior notes are secured by an intercompany note from Arch Coal to Arch Western. The indenture under which the senior notes were issued contains certain restrictive covenants that limit Arch Western s ability to, among other things, incur additional debt, sell or transfer assets and make certain

investments. The redemption price of the notes, reflected as a percentage of the principal amount, is: 101.125% for notes redeemed prior to July 1, 2011 and 100% for notes redeemed on or after July 1, 2011.

We have outstanding an aggregate principal amount of $600.0 million of 8.75% senior notes due 2016 that were issued at an initial issue price of 97.464% of face amount. Interest is payable on the 8.75% senior notes on February 1 and August 1 of each year. At any time on or after August 1, 2013, we may redeem some or all of the notes. The redemption price, reflected as a percentage of the principal amount, is: 104.375% for notes redeemed between August 1, 2013 and July 31, 2014; 102.188% for notes redeemed between August 1, 2014 and July 31, 2015; and 100% for notes redeemed on or after August 1, 2015. In addition, prior to August 1, 2012, at any time and on one or more occasions, we may redeem an aggregate principal amount of senior notes not to exceed 35% of the original aggregate principal amount of the senior notes outstanding with the proceeds of one or more public equity offerings, at a redemption price equal to 108.750%.

Interest is payable on the 7.25% senior notes due 2020 on April 1 and October 1 of each year, commencing April 1, 2011. The notes are guaranteed by most of our subsidiaries, except for Arch Western and its subsidiaries and Arch Receivable Company, LLC. At any time on or after October 1, 2015, we may redeem some or all of the notes. The redemption price reflected as a percentage of the principal amount is: 103.625% for notes redeemed between October 1, 2015 and September 30, 2016; 102.417% for notes redeemed between October 1, 2016 and September 30, 2017; 101.208% for notes redeemed between October 1, 2017 and September 30, 2018; and 100% for notes redeemed on or after October 1, 2018. In addition, prior to October 1, 2013, at any time and on one or more occasions, we may redeem an aggregate principal amount of senior notes not to exceed 35% of the original aggregate principal amount of the senior notes outstanding with the proceeds of one or more public equity offerings, at a redemption price equal to 107.250%.

The 7.25% and 8.75% senior notes are guaranteed by most of our subsidiaries, except for Arch Western and its subsidiaries and Arch Receivable Company, LLC. Our ability to incur additional debt; pay dividends and make distributions or repurchase stock; make investments; create liens; issue and sell capital stock of subsidiaries; sell assets; enter into restrictions affecting the ability of restricted subsidiaries to make distributions, loans or advances to the Company; engage in transactions with affiliates; enter into sale and leasebacks; and merge or consolidate or transfer and sell assets is limited under the agreements, depending on certain financial measurements.

We have filed a universal shelf registration statement on Form S-3 with the SEC that allows us to offer and sell from time to time an unlimited amount of unsecured debt securities consisting of notes, debentures, and other debt securities, common stock, preferred stock, warrants, or units. Related proceeds could be used for general corporate purposes, including repayment of other debt, capital expenditures, possible acquisitions and any other purposes that may be stated in any related prospectus supplement.

Lines of Credit

Our senior secured credit facility expires on March 31, 2013. Commitments under the senior secured credit facility will be $860.0 million until June 23, 2011, at which time the commitments will decrease to $762.5 million. New commitments may be added to the senior secured credit facility after June 23, 2011, subject to an aggregate maximum lending amount for all banks of $800.0 million. On March 19, 2010, we entered into an amendment of the senior secured credit facility that allows for us to make intercompany loans to our subsidiary, Arch Western Resources, without drawing down the existing loan from Arch Western to us. We had no borrowings outstanding under the senior secured credit facility at March 31, 2011 or December 31, 2010 and $120.0 million outstanding at December 31, 2009. Borrowings under the credit facility bear interest at a floating rate based on LIBOR determined by reference to our leverage ratio, as calculated in accordance with the credit agreement governing the senior secured credit facility, as amended. Our senior secured credit facility is secured by substantially all of our assets, as well as our ownership

interests in substantially all of our subsidiaries, except our ownership interests in Arch Western Resources. Financial covenants contained in our senior secured credit facility, as amended, consist of a maximum leverage ratio, a maximum senior secured leverage ratio and a minimum interest coverage ratio. The leverage ratio requires that we not permit the ratio of total net debt (as defined in the senior secured credit facility) at the end of any calendar quarter to EBITDA (as defined in the senior secured credit facility) for the four quarters then ended to exceed a specified amount. The interest coverage ratio requires that we not permit the ratio of EBITDA (as

defined in the senior secured credit facility) at the end of any calendar quarter to interest expense for the four quarters then ended to be less than a specified amount. The senior secured leverage ratio requires that we not permit the ratio of total net senior secured debt (as defined in the senior secured credit facility) at the end of any calendar quarter to EBITDA (as defined in the senior secured credit facility) for the four quarters then ended to exceed a specified amount. We were in compliance with all financial covenants at March 31, 2011 and December 31, 2010.

We entered into an amendment of our senior secured credit facility on May 9, 2011 and in connection with the consummation of the transactions intend to enter into an amended and restated credit facility which will increase commitments under the facility from $860.0 million to $1.75 billion.

We are party to a $175.0 million accounts receivable securitization program whereby eligible trade receivables are sold, without recourse, to a multi-seller, asset-backed commercial paper conduit. The credit facility supporting the borrowings under the program is subject to renewal annually and expires January 30, 2012. Under the terms of the program, eligible trade receivables consist of trade receivables generated by our operating subsidiaries. Actual borrowing capacity is based on the allowable amounts of accounts receivable as defined under the terms of the agreement. On February 24, 2010, we entered into an amendment of the program that revised certain terms to expand the pool of receivables included in the program. We had no borrowings outstanding under the program at March 31, 2011 or December 31, 2010 and had $84.0 million outstanding at December 31, 2009. We had letters of credit outstanding under the securitization program of $76.2 million and $65.5 million as of March 31, 2011 and December 31, 2010, respectively. Although the participants in the program bear the risk of non-payment of purchased receivables, we have agreed to indemnify the participants with respect to various matters. The participants under the program will be entitled to receive payments reflecting a specified discount on amounts funded under the program, including drawings under letters of credit, calculated on the basis of the base rate or commercial paper rate, as applicable. We pay facility fees, program fees and letter of credit fees (based on amounts of outstanding letters of credit) at rates that vary with our leverage ratio. Under the program, we are subject to certain affirmative, negative and financial covenants customary for financings of this type, including restrictions related to, among other things, liens, payments, merger or consolidation and amendments to the agreements underlying the receivables pool. A termination event would permit the administrator to terminate the program and enforce any and all rights, subject to cure provisions, where applicable. Additionally, the program contains cross-default provisions, which would allow the administrator to terminate the program in the event of non-payment of other material indebtedness when due and any other event which results in the acceleration of the maturity of material indebtedness.

Commercial Paper

Our commercial paper placement program provides short-term financing at rates that are generally lower than the rates available under our senior secured credit facility. Under the program, as amended, we may sell interest-bearing or discounted short-term unsecured debt obligations with maturities of no more than 270 days. The commercial paper placement program is supported by a line of credit that is subject to renewal annually and expires January 30, 2012. On March 25, 2010, we entered into an amendment to our commercial paper program which decreased the maximum aggregate principal amount of the program to $75 million from $100 million. We had commercial paper outstanding of $60.6 million at March 31, 2011, $56.9 million at December 31, 2010 and $49.5 million at December 31, 2009. We expect to wind-down the commercial paper placement program upon consummation of the transactions.

The following is a summary of cash provided by or used in each of the indicated types of activities during the past three years:

	Three Months Ended March 31,		Year Ended December 31,		
	2011	2010	2010	2009	2008
	(dollars in thousands)				
Cash provided by (used in):					
Operating activities	$ 86,145	$ 93,331	$ 697,147	$ 382,980	$ 679,137
Investing activities	(93,529)	(65,291)	(389,129)	(1,130,382)	(527,545)
Financing activities	(16,989)	(38,804)	(275,563)	737,891	(86,023)

Cash provided by operating activities decreased slightly in the first quarter of 2011 compared to the first quarter of 2010, due to an increased investment in working capital, primarily trade receivables. March 2011 was a record month for revenues for the Company, resulting in a higher quarter-end balance in trade receivables.

Cash provided by operating activities increased substantially in 2010 compared to 2009, due to increased profits during the year, driven largely by higher sales volumes as discussed in Results of Operations, as well as a benefit in 2010 from the timing of payments on accounts and production taxes payable. Cash provided by operating activities decreased in 2009 compared to 2008, primarily as a result of a decrease in our profitability in 2009 when compared with 2008 s record profitability, due to weak coal markets.

Cash used in investing activities in the first quarter of 2011 was $28.2 million more than in the first quarter of 2010, due to investments in and advances to equity-method investees totaling approximately $34.4 million, compared to $10.1 million in 2010. This included approximately $25.0 million to purchase a 38% ownership interest in Millennium Bulk Terminals-Longview, LLC and a $5.5 million milestone payment made to Tenaska Trailblazer Partners, LLC (Tenaska), the developer of the Trailblazer Energy Center. During the first quarter of 2011, our capital expenditures were $6.7 million higher than in the first quarter of 2010. The power plant, fueled by low-sulfur coal, will capture and store carbon dioxide for enhanced oil recovery applications. Capital expenditures in the first quarter of 2010 were the lowest quarterly total in the previous six years.

Cash used in investing activities in 2010 was $741.3 million less than in 2009, due to the acquisition of the Jacobs Ranch mining operations in 2009 for $768.8 million. In 2010, we made cash advances to and investments in equity-method investees totaling $46.2 million, compared with $10.9 million in 2009. This included $26.6 million to increase our ownership interest in Knight Hawk to 49% and $9.8 million to acquire a 35% interest in Tenaska. Capital expenditures were $314.7 million during 2010, slightly less than during 2009. During 2010, we made payments of $118.2 million on our Montana leases and spent $26.0 million on the new preparation plant at the West Elk mine that we mentioned previously.

We used $602.8 million more cash in investing activities in 2009 compared to the amount used in 2008, primarily due to the acquisition of the Jacobs Ranch mining operations, partially offset by a $174.2 million reduction in capital expenditures. During 2009, in addition to the last payment of $122.0 million on the Little Thunder federal coal lease, we spent approximately $19.0 million on additional longwall equipment at the West Elk mining complex in Colorado and approximately $38.0 million on a new shovel and haul trucks at the Black Thunder mine in Wyoming. During 2008, in addition to a payment of $122.0 million on the Little Thunder lease, we spent approximately $86.5 million on the construction of the loadout facility at our Black Thunder mine in Wyoming and approximately $132.1 million for the transition to the new reserve area at our West Elk mining complex.

Cash used in financing activities was $21.8 million lower in the than in the first quarter of 2010. As mentioned previously, we did not borrow under our accounts receivable securitization program or senior secured credit facility during the first quarter of 2011. In the first quarter of 2010, we repaid $19.3 million under our various lines of credit. We paid dividends of $16.3 million in the three months ended March 31, 2011 and $14.6 million in the three months ended March 31, 2010.

Cash used in financing activities was $275.6 million during 2010, compared to cash provided by financing activities of $737.9 million during 2009. As mentioned previously, in 2010 we used the net proceeds from the offering of the 7.25% notes and cash on hand to fund the redemption $500.0 million aggregate principal amount of our outstanding 6.75% senior notes due in 2013 at a redemption price of 101.125%. We also repaid approximately $196.6 million under our various financing arrangements during 2010. We paid financing costs of $12.7 million in 2010.

In 2009, we sold 19.55 million shares of our common stock at a public offering price of $17.50 per share and issued $600 million in aggregate principal amount of 8.750% senior unsecured notes due 2016. Total net proceeds from these transactions were $896.8 million. We used the net proceeds from these transactions primarily to finance the purchase of the Jacobs Ranch mining complex. As a result of these transactions, we were able to reduce outstanding borrowings under credit facilities, repaying approximately $85.8 million during 2009. We paid financing costs of $29.6 million in 2009.

Cash used in financing activities was $86.0 million during 2008. In 2008, we repurchased 1.5 million shares of common stock under our share repurchase program at an average price of $35.62 per share.

We paid dividends of $63.4 million in 2010, $55.0 million in 2009 and $48.8 million in 2008.

Ratio of Earnings to Fixed Charges

The following table sets forth our ratios of earnings to combined fixed charges and preference dividends for the periods indicated:

	Three Months Ended March 31,		Year Ended December 31,				
	2011	**2010**	**2010**	**2009**	**2008**	**2007**	**2006**
Ratio of earnings to combined fixed charges and preference dividends[(1)]	2.84x	0.92x	2.17x	1.26x	4.91x	2.37x	3.86x

(1) Earnings consist of income from operations before income taxes and are adjusted to include only distributed income from affiliates accounted for on the equity method and fixed charges (excluding capitalized interest). Fixed charges consist of interest incurred on indebtedness, the portion of operating lease rentals deemed representative of the interest factor and the amortization of debt expense.

Contractual Obligations

The following is a summary of our significant contractual obligations as of December 31, 2010 and does not give effect to the transactions:

	Payments Due by Period				
	2011	**2012-2013**	**2014-2015**	**After 2016**	**Total**
	(dollars in thousands)				

Long-term debt, including related interest	$ 190,366	$ 673,063	$ 177,500	$ 1,302,813	$ 2,343,742
Operating leases	31,862	53,109	37,496	18,131	140,598
Coal lease rights	60,881	82,368	44,727	69,412	257,388
Coal purchase obligations	86,029	119,949	135,220	134,931	476,129
Unconditional purchase obligations	149,039	16,337	17,332	48,089	230,797
Total contractual obligations	$ 518,177	$ 944,826	$ 412,275	$ 1,573,376	$ 3,448,654

Our maturities of debt in 2011 include amounts borrowed that are supported by credit facilities that have a term of less than one year and amounts borrowed under credit facilities with terms longer than one year that we do not intend to refinance on a long-term basis, based on cash projections. The related interest on long-term debt was calculated using rates in effect at December 31, 2010 for the remaining term of outstanding borrowings.

Coal lease rights represent non-cancelable royalty lease agreements, as well as lease bonus payments due.

Our coal purchase obligations include purchase obligations in the over-the-counter market, as well as unconditional purchase obligations with coal suppliers. Additionally, they include coal purchase obligations incurred with the sale of certain Central Appalachia operations in 2005 to supply ongoing customer sales commitments.

Unconditional purchase obligations include open purchase orders and other purchase commitments, which have not been recognized as a liability. The commitments in the table above relate to contractual commitments for the purchase of materials and supplies, payments for services and capital expenditures.

The table above excludes our asset retirement obligations. Our consolidated balance sheet reflects a liability of $334.3 million for asset retirement obligations that arise from SMCRA and similar state statutes, which require that mine property be restored in accordance with specified standards and an approved reclamation plan. Asset retirement obligations are recorded at fair value when incurred and accretion expense is recognized through the expected date of settlement. Determining the fair value of asset retirement obligations involves a number of estimates, as discussed in the section entitled Critical Accounting Policies, including the timing of payments to satisfy the obligations. The timing of payments to satisfy asset retirement obligations is based on numerous factors, including mine closure dates. You should see the notes to our consolidated financial statements for more information about our asset retirement obligations.

The table above also excludes certain other obligations reflected in our consolidated balance sheet, including estimated funding for pension and postretirement benefit plans and worker s compensation obligations. The timing of contributions to our pension plans varies based on a number of factors, including changes in the fair value of plan assets and actuarial assumptions. You should see the section entitled Critical Accounting Policies for more information about these assumptions. In order to achieve a desired funded status, we expect to make contributions of $37.6 million to our pension plans in 2011. You should see the notes to our consolidated financial statements for more information about the amounts we have recorded for workers compensation and pension and postretirement benefit obligations.

The table above excludes future contingent payments of up to $85.9 million related to development financing for certain of our equity investees. Our obligation to make these payments, as well as the timing of any payments required, is contingent upon a number of factors, including project development progress, receipt of permits and the obtaining of construction financing.

Off-Balance Sheet Arrangements

In the normal course of business, we are a party to certain off-balance sheet arrangements. These arrangements include guarantees, indemnifications, financial instruments with off-balance sheet risk, such as bank letters of credit and performance or surety bonds. Liabilities related to these arrangements are not reflected in our consolidated balance sheets, and we do not expect any material adverse effects on our financial condition, results of operations or cash flows to result from these off-balance sheet arrangements.

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We use a combination of surety bonds, corporate guarantees (e.g., self bonds) and letters of credit to secure our financial obligations for reclamation, workers compensation, coal lease obligations and other obligations as follows as of December 31, 2010:

	Reclamation Obligations	Lease Obligations	Workers Compensation Obligations	Other	Total
			(dollars in thousands)		
Self bonding	$ 406,203	$	$	$	$ 406,203
Surety bonds	213,600	50,848	12,200	25,060	301,708
Letters of credit			50,963	14,527	65,490

We have agreed to continue to provide surety bonds and letters of credit for the reclamation and retiree healthcare obligations of the properties we sold to Magnum. If the surety bonds and letters of credit related to the reclamation obligations are not replaced by Magnum within a specified period of time, Magnum must post a letter of credit in favor of the Company in the amounts of the reclamation obligations. The surety bonding amounts are mandated by the state and are not directly related to the estimated cost to reclaim the properties. Patriot Coal Corporation acquired Magnum in July 2008, and has posted letters of credit in the Company s favor for $32.7 million. At March 31, 2011, we had $86.6 million of surety bonds related to properties sold to Magnum, which are included in the table.

Magnum also acquired certain coal supply contracts with customers who have not consented to the assignment of the contract to Magnum. We have committed to purchase coal from Magnum to sell to those customers at the same price we are charging the customers for the sale. In addition, certain contracts have been assigned to Magnum, but we have guaranteed Magnum s performance under the contracts. The longest of the coal supply contracts extends to the year 2017. If Magnum is unable to supply the coal for these coal sales contracts then we would be required to purchase coal on the open market or supply contracts from our existing operations. At market prices effective at March 31, 2011, the cost of purchasing 11.1 million tons of coal to supply the contracts that have not been assigned over their duration would exceed the sales price under the contracts by approximately $429.3 million, and the cost of purchasing 1.3 million tons of coal to supply the assigned and guaranteed contracts over their duration would exceed the sales price under the contracts by approximately $28.1 million. We do not believe that it is probable that we would have to purchase replacement coal. If we would have to perform under these guarantees, it could potentially have a material adverse effect on our business, results of operations and financial condition.

In connection with the acquisition of the coal operations of Atlantic Richfield Company (ARCO) and the simultaneous combination of the acquired ARCO operations and our Wyoming operations into the Arch Western joint venture, we agreed to indemnify the other member of Arch Western against certain tax liabilities in the event that such liabilities arise prior to June 1, 2013 as a result of certain actions taken, including the sale or other disposition of certain properties of Arch Western, the repurchase of certain equity interests in Arch Western by Arch Western or the reduction under certain circumstances of indebtedness incurred by Arch Western in connection with the acquisition. If we were to become liable, the maximum amount of potential future tax payments was $28.2 million at March 31, 2011. Since the indemnification is dependent upon the initiation of activities within our control and we do not intend to initiate such activities, it is remote that we will become liable for any obligation related to this indemnification. However, if such indemnification obligation were to arise, it could potentially have a material adverse effect on our business, results of operations and financial condition.

Critical Accounting Policies

We prepare our financial statements in accordance with accounting principles that are generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses as well as the disclosure of contingent assets and liabilities. Management bases our estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Additionally, these estimates and judgments are discussed with our audit committee on a periodic basis. Actual results may differ from the estimates used under different

assumptions or conditions. We have provided a description of all significant accounting policies in the notes to our consolidated financial statements. We believe that of these significant accounting policies, the following may involve a higher degree of judgment or complexity:

Derivative Financial Instruments

The Company generally utilizes derivative instruments to manage exposures to commodity prices. Additionally, the Company may hold certain coal derivative instruments for trading purposes. Derivative financial instruments are recognized in the balance sheet at fair value. Certain coal contracts may meet the definition of a derivative instrument, but because they provide for the physical purchase or sale of coal in quantities expected to be used or sold by the Company over a reasonable period in the normal course of business, they are not recognized on the balance sheet.

Certain derivative instruments are designated as the hedge instrument in a hedging relationship. In a fair value hedge, we hedge the risk of changes in the fair value of a firm commitment, typically a fixed-price coal sales contract. Changes in both the hedged firm commitment and the fair value of a derivative used as a hedge instrument in a fair value hedge are recorded in earnings. In a cash flow hedge, we hedge the risk of changes in future cash flows related to a forecasted purchase or sale. Changes in the fair value of the derivative instrument used as a hedge instrument in a cash flow hedge are recorded in other comprehensive income. Amounts in other comprehensive income are reclassified to earnings when the hedged transaction affects earnings and are classified in a manner consistent with the transaction being hedged.

Any ineffective portion of a hedge is recognized immediately in earnings. Ineffectiveness was insignificant for the years ended December 31, 2010 and 2009.

We formally document all relationships between hedging instruments and hedged items, as well as our risk management objectives for undertaking various hedge transactions. We evaluate the effectiveness of our hedging relationships both at the hedge inception and on an ongoing basis.

Asset Retirement Obligations

Our asset retirement obligations arise from SMCRA and similar state statutes, which require that mine property be restored in accordance with specified standards and an approved reclamation plan. Significant reclamation activities include reclaiming refuse and slurry ponds, reclaiming the pit and support acreage at surface mines, and sealing portals at deep mines. Our asset retirement obligations are initially recorded at fair value, or the amount at which the obligations could be settled in a current transaction between willing parties. This involves determining the present value of estimated future cash flows on a mine-by-mine basis based upon current permit requirements and various estimates and assumptions, including estimates of disturbed acreage, reclamation costs and assumptions regarding productivity. We estimate disturbed acreage based on approved mining plans and related engineering data. Since we plan to use internal resources to perform the majority of our reclamation activities, our estimate of reclamation costs involves estimating third-party profit margins, which we base on our historical experience with contractors that perform certain types of reclamation activities. We base productivity assumptions on historical experience with the equipment that we expect to utilize in the reclamation activities. In order to determine fair value, we discount our estimates of cash flows to their present value. We base our discount rate on the rates of treasury bonds with maturities similar to expected mine lives, adjusted for our credit standing. In 2009, we added $75.1 million to our liability for asset retirement obligations as a result of the acquisition of the Jacobs Ranch mining complex.

Accretion expense is recognized on the obligation through the expected settlement date. Accretion expense was $26.6 million in 2010 and $23.4 million in 2009. On at least an annual basis, we review our entire reclamation liability and make necessary adjustments for permit changes as granted by state authorities, changes in the timing of

reclamation activities, and revisions to cost estimates and productivity assumptions, to reflect current experience. Adjustments to the liability resulting from changes in estimates were an increase in the liability of $8.9 million in 2010 and a decrease in the liability of $43.7 million in 2009. The 2009 reduction in the liability resulted from changes to the Black Thunder mine s pit configuration upon the integration the Jacobs Ranch mining operations. Any difference between the recorded amount of the liability and the actual cost of reclamation will be recognized as

a gain or loss when the obligation is settled. We expect our actual cost to reclaim our properties will be less than the expected cash flows used to determine the asset retirement obligation. At December 31, 2010, our balance sheet reflected asset retirement obligation liabilities of $343.1 million, including amounts classified as a current liability. As of December 31, 2010, we estimate the aggregate undiscounted cost of final mine closures to be approximately $682.5 million.

Goodwill

Goodwill represents the excess of the purchase price over the fair value assigned to the net tangible and identifiable intangible assets acquired in a business combination. Goodwill is tested for impairment annually as of the beginning of the fourth quarter, or when circumstances indicate a possible impairment may exist. Impairment testing is performed at a reporting unit level, which is our Black Thunder mining complex. An impairment loss generally would be recognized when the carrying amount of the reporting unit exceeds the fair value of the reporting unit, with the fair value of the reporting unit determined using a discounted cash flow (DCF) analysis. A number of significant assumptions and estimates are involved in the application of the DCF analysis to forecast operating cash flows, including the discount rate, the internal rate of return, and projections of selling prices and costs to produce. Management considers historical experience and all available information at the time the fair values of its reporting units are estimated.

Stock-Based Compensation

The compensation cost of all stock-based awards is determined based on the grant-date fair value of the award, and is recognized in income over the requisite service period (typically the vesting period of the award). The grant-date fair value of option awards is determined using a Black-Scholes option pricing model. For awards paid out in a combination of cash and stock, the cash portion of the plan is accounted for as a liability, based on the estimated payout under the awards. The stock portion is recorded utilizing the grant-date fair value of the award, based on a lattice model valuation. Compensation cost for an award with performance conditions is accrued if it is probable that the conditions will be met.

Employee Benefit Plans

We have non-contributory defined benefit pension plans covering certain of our salaried and hourly employees. Benefits are generally based on the employee s age and compensation. We fund the plans in an amount not less than the minimum statutory funding requirements or more than the maximum amount that can be deducted for federal income tax purposes. We contributed cash of $17.3 million in 2010 and $18.8 million in 2009 to the plans. The actuarially-determined funded status of the defined benefit plans is reflected in the balance sheet.

The calculation of our net periodic benefit costs (pension expense) and benefit obligation (pension liability) associated with our defined benefit pension plans requires the use of a number of assumptions that we deem to be critical accounting estimates. Changes in these assumptions can result in different pension expense and liability amounts, and actual experience can differ from the assumptions.

The expected long-term rate of return on plan assets is an assumption reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. We establish the expected long-term rate of return at the beginning of each fiscal year based upon historical returns and projected returns on the underlying mix of invested assets. The pension plan s investment targets are 65% equity, 30% fixed income securities and 5% cash. Investments are rebalanced on a periodic basis to approximate these targeted guidelines. The long-term rate of return assumption used to determine pension expense was 8.5% for 2010 and 2009. The long-term rate of return assumptions are less than the plan s

actual life-to-date returns. Any difference between the actual experience and the assumed experience is recorded in other comprehensive income and amortized into earnings in the future. The impact of lowering the expected long-term rate of return on plan assets 0.5% for 2010 would have been an increase in expense of approximately $1.1 million.

The discount rate represents our estimate of the interest rate at which pension benefits could be effectively settled. Assumed discount rates are used in the measurement of the projected, accumulated and vested

benefit obligations and the service and interest cost components of the net periodic pension cost. In estimating that rate, rates of return on high-quality fixed-income debt instruments are required. We utilize a bond portfolio model that includes bonds that are rated AA or higher with maturities that match the expected benefit payments under the plan. The discount rate used to determine pension expense was 5.97% for 2010 and 6.85% for 2009. The impact of lowering the discount rate 0.5% for 2010 would have been an increase in expense of approximately $3.6 million.

The differences generated from changes in assumed discount rates and returns on plan assets are amortized into earnings over a five-year period, which represents the average amount of time before participants vest in their benefits.

For the measurement of our 2010 year-end pension obligation and pension expense for 2011, we used a discount rate of 5.71%.

We also currently provide certain postretirement medical and life insurance coverage for eligible employees. Generally, covered employees who terminate employment after meeting eligibility requirements are eligible for postretirement coverage for themselves and their dependents. The salaried employee postretirement benefit plans are contributory, with retiree contributions adjusted periodically, and contain other cost-sharing features such as deductibles and coinsurance. During 2009, we notified participants of the retiree medical plan of a plan change increasing the retirees responsibility for medical costs. Our current funding policy is to fund the cost of all postretirement benefits as they are paid. We account for our other postretirement benefits in accordance with our overall defined benefit plans policy and require that the actuarially-determined funded status of the plans be recorded in the balance sheet.

Actuarial assumptions are required to determine the amounts reported as obligations and costs related to the postretirement benefit plan. The discount rate assumption reflects the rates available on high-quality fixed-income debt instruments at year-end and is calculated in the same manner as discussed above for the pension plan. The discount rate used to calculate the postretirement benefit expense was 5.67% for 2010. The 2009 plan change referenced above resulted in a remeasurement of the postretirement benefit obligation, which included a decrease in the discount rate from 6.85% to 5.68%. The remeasurement resulted in a decrease in the liability of $21.0 million, with a corresponding increase to other comprehensive income, and will result in future reductions in costs under the plan.

Had the discount rate been lowered by 0.5% in 2010, we would have incurred additional expense of $0.2 million.

For the measurement of our year-end other postretirement obligation for 2010 and postretirement expense for 2011, we used a discount rate of 5.23%.

Income Taxes

We provide for deferred income taxes for temporary differences arising from differences between the financial statement and tax basis of assets and liabilities existing at each balance sheet date using enacted tax rates expected to be in effect when the related taxes are expected to be paid or recovered. We initially recognize the effects of a tax position when it is more than 50 percent likely, based on the technical merits, that the position will be sustained upon examination, including resolution of the related appeals or litigation processes, if any. Our determination of whether or not a tax position has met the recognition threshold considers the facts, circumstances and information available at the reporting date. A valuation allowance may be recorded to reflect the amount of future tax benefits that management believes are not likely to be realized. We reassess our ability to realize our deferred tax assets annually in the fourth quarter or when circumstances indicate that the ability to realize deferred tax assets has changed. In

determining the appropriate valuation allowance, we take into account expected future taxable income and available tax planning strategies. If future taxable income is lower than expected or if expected tax planning strategies are not available as anticipated, we may record additional valuation allowance through income tax expense in the period such determination is made.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF ICG

The information contained in the following section does not reflect Arch Coal s acquisition of ICG (per the accounting guidance for business combinations). This Management s Discussion and Analysis of Financial Condition and Results of Operations of ICG should be read in conjunction with the financial statements and related notes of ICG, which are included and incorporated by reference into this prospectus supplement.

Overview

ICG produces, processes and sells coal from 13 regional mining complexes, which, as of December 31, 2010 were supported by 13 active underground mines, 10 active surface mines and 11 preparation plants located throughout West Virginia, Kentucky, Virginia, Maryland and Illinois. ICG has three reportable business segments, which are based on the coal regions in which it operates: (i) Central Appalachian, comprised of both surface and underground mines, (ii) Northern Appalachian, also comprised of both surface and underground mines and (iii) Illinois Basin, representing one underground mine. For more information about ICG s reportable business segments, please see its audited consolidated financial statements and the notes thereto included and incorporated by reference in this prospectus supplement. ICG also brokers coal produced by others, the majority of which is shipped directly from the third-party producer to the ultimate customer. ICG s coal sales are primarily to large utilities and industrial customers in the eastern region of the United States and domestic and international steel companies and brokers. In addition, ICG generates other revenues from contract mining income, coalbed methane sales, ash disposal services, equipment and parts sales, equipment rebuild and maintenance services, royalties and coal handling and processing income.

ICG s primary expenses are wages and benefits, repair and maintenance, diesel fuel, blasting supplies, coal transportation, purchased coal, royalties, freight and handling and taxes incurred in selling its coal.

Certain Trends and Economic Factors Affecting the Coal Industry

ICG s revenues depend on the price at which it is able to sell its coal. The pricing environment for domestic steam and metallurgical coal during 2010 strengthened from the weak pricing experienced throughout most of 2009. Thermal coal prices and demand began to rapidly recover by mid-2010 driven by economic recovery, favorable weather and declining supply. Despite some weakening during the fourth quarter, thermal prices closed 2010 at significantly higher levels when compared to 2009. Metallurgical pricing also rebounded strongly throughout the year from the recessionary levels of 2009, again driven by global economic recovery. At the end of 2010, massive flooding in Australia created metallurgical supply shortages that continued to drive prices even higher. Conversely, continued regulatory constraints and rapidly increasing global commodity prices may significantly increase ICG s costs, resulting in lower margins.

For additional information regarding some of the risks and uncertainties that affect ICG s business and the industry in which it operates, see Risk Factors Risks Related to ICG s Business and Risks to ICG Relating to Governmental Regulation.

Critical Accounting Policies and Estimates

ICG s financial statements are prepared in accordance with accounting principles that are generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses, as well as the disclosure of

contingent assets and liabilities. Management evaluates its estimates on an on-going basis. Management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from the estimates used. ICG s actual results have generally not differed materially from its estimates. However, ICG monitors such differences and, in the event that actual results are significantly different from those estimated, it discloses any related impact on its results of operations, financial position and cash flows. Note 2 to ICG s audited consolidated financial statements for the year ended December 31, 2010, included and incorporated herein by reference, provides a description of its significant accounting policies.

ICG believes that of these significant accounting policies, the following involve a higher degree of judgment or complexity:

Revenue Recognition

Coal revenues result from sales contracts (long-term coal agreements or purchase orders) with electric utilities, industrial companies or other coal-related organizations, primarily in the eastern United States. Revenue is recognized and recorded when shipment or delivery to the customer has occurred, prices are fixed or determinable and the title or risk of loss has passed in accordance with the terms of the sales agreement. Under the typical terms of these agreements, risk of loss transfers to the customers at the mine or port, when the coal is loaded on the rail, barge, truck or other transportation sources that deliver coal to its destination.

Coal sales revenues also result from the sale of brokered coal produced by others. The revenues related to brokered coal sales are included in coal sales revenues on a gross basis and the corresponding cost of the coal from the supplier is recorded in cost of coal sales in accordance with ASC Subtopic 605-45, *Principal Agent Considerations*.

Freight and handling costs paid to third-party carriers and invoiced to coal customers are recorded as freight and handling costs and freight and handling revenues, respectively.

Other revenues primarily consist of contract mining income, coalbed methane sales, ash disposal services, equipment and parts sales, equipment rebuild and maintenance services, royalties and coal handling and processing income. With respect to other revenues recognized in situations unrelated to the shipment of coal, ICG carefully reviews the facts and circumstances of each transaction and does not recognize revenue until the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller s price to the buyer is fixed or determinable and collectibility is reasonably assured. Advance payments received are deferred and recognized in revenue when earned.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts represents management s best estimate of the amount of probable credit losses in ICG s existing accounts receivable. ICG establishes provisions for losses on accounts receivable when it is probable that all or part of the outstanding balance will not be collected. Management regularly reviews collectability and establishes or adjusts the allowance as necessary. Although ICG believes the estimate of credit losses it has made is reasonable and appropriate, inability to collect outstanding accounts receivable amounts could materially impact its reported financial results.

Reclamation

ICG s asset retirement obligations arise from the Federal Surface Mining Control and Reclamation Act of 1977 and similar state statutes, which require that mine property be restored in accordance with specified standards and an approved reclamation plan. ICG records these reclamation obligations according to the provisions of ASC Topic 410, *Asset Retirement and Environmental Obligations* (ASC 410). ASC 410 requires the fair value of a liability for an asset retirement obligation to be recognized in the period in which the legal obligation associated with the retirement of the long-lived asset is incurred. Fair value of reclamation liabilities is determined based on the present value of the estimated future expenditures. When the liability is initially recorded, the offset is capitalized by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its future value, and the capitalized cost is depreciated over the useful life of the related asset. If the assumptions used to estimate the liability do not materialize as expected or regulatory changes were to occur, reclamation costs or obligations to perform reclamation and mine closure activities could be materially different than currently estimated. To settle the liability,

the mine property is reclaimed and, to the extent there is a difference between the liability and the amount of cash paid to perform the reclamation, a gain or loss upon settlement is recognized. On at least an annual basis, ICG reviews its entire reclamation liability and make necessary adjustments for permit changes as granted by state authorities, additional costs resulting from accelerated mine closures and revisions to cost estimates and productivity assumptions to reflect current experience. At December 31, 2010, ICG had recorded

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asset retirement obligation liabilities of $79.1 million, including amounts reported as current liabilities. While the precise amount of these future costs cannot be determined with certainty, as of December 31, 2010, ICG estimates that the aggregate undiscounted cost of final mine closure is approximately $155.5 million.

Advance Royalties

ICG is required, under certain royalty lease agreements, to make minimum royalty payments whether or not mining activity is being performed on the leased property. These minimum payments may be recoupable once mining begins on the leased property. The recoupable minimum royalty payments are capitalized and amortized based on the units-of-production method at a rate defined in the lease agreement once mining activities begin. Unamortized deferred royalty costs are expensed when mining has ceased or a decision is made not to mine on such property. ICG has recorded an allowance for such circumstances based upon management s plans for the continuing operation of existing mine sites or for when properties will be developed and/or mined. ICG believes the estimate for losses is appropriate. However, actual amounts that ICG recoups through mining activity could vary resulting in a material impact to its financial results.

Inventories

Coal inventories are stated at lower of average cost or market and represent coal contained in stockpiles, including those tons that have been mined and hauled to ICG s loadout facilities, but not yet shipped to customers. These inventories are stated in clean coal equivalent tons and take into account any loss that may occur during the processing stage. Coal must be of a quality that can be sold on existing sales orders to be carried as coal inventory. Coal inventory volumes are determined through survey procedures. The surveys involve assumptions, inherent uncertainties and the application of management judgment.

Parts and supplies inventories are valued at average cost, less an allowance for obsolescence. ICG establishes provisions for losses in parts and supplies inventory values through analysis of turnover of inventory items and adjust the allowance as necessary.

Although ICG believes the estimates it has made with respect to the valuation of its coal and parts and supplies inventories are reasonable and appropriate, changes in assumptions (coal inventories) or actual utilization of items (parts and supplies inventories) could materially impact its reported financial results.

Depreciation, Depletion and Amortization

Property, plant, equipment and mine development, which includes coal lands and mineral rights, are recorded at cost, which includes construction overhead and interest, where applicable. Expenditures for major renewals and betterments are capitalized, while expenditures for maintenance and repairs are expensed as incurred.

Mine development, coal lands and mineral rights costs are amortized or depleted using the units-of-production method, based on estimated recoverable tons. There are uncertainties inherent in estimating quantities of recoverable tons related to particular mine development, coal lands and mineral rights areas. Recoverable tons contained in an area are based on engineering estimates which can, and often do, change as the tons are mined. Any change in the number of recoverable tons contained in mine development, coal lands and mineral rights areas will result in a change in the depletion or amortization rate and corresponding expense. For the year ended December 31, 2010, ICG recognized $7.8 million of depletion expense.

Other property, plant and equipment are depreciated using the straight-line method based on estimated useful lives.

Coal Reserves

There are numerous uncertainties inherent in estimating quantities of economically recoverable coal reserves, many of which are beyond ICG s control. As a result, estimates of economically recoverable coal reserves are by their nature uncertain. Information about ICG s reserves consists of estimates based on engineering, economic and geological data assembled by its internal engineers and geologists. Reserve estimates are periodically updated to reflect past coal production, new drilling information and other geologic or mining data. Acquisitions, sales or

dispositions of coal properties will also change the amount of economically recoverable coal reserves. Some of the factors and assumptions that impact economically recoverable reserve estimates include geological conditions, historical production from the area compared with production from other producing areas, the assumed effects of regulations and taxes by governmental agencies, assumptions governing future prices and future operating costs.

Each of these factors may in fact vary considerably from the assumptions used in estimating reserves. For these reasons, estimates of the economically recoverable quantities of coal attributable to a particular group of properties, and the classifications of these reserves based on risk of recovery and estimates of future net cash flows, may vary substantially. Actual production, revenues and expenditures with respect to these reserves will likely vary from estimates, and these variances may be material. At December 31, 2010, ICG estimates that it had 1.1 billion tons of coal reserves.

Asset Impairments

ICG follows ASC Subtopic 360-10-45, *Impairment or Disposal of Long-Lived Assets*, which requires that projected future cash flows from use and disposition of assets be compared with the carrying amounts of those assets when impairment indicators are present. When the sum of projected cash flows is less than the carrying amount, impairment losses are indicated. If the fair value of the assets is less than the carrying amount of the assets, an impairment loss is recognized. In determining such impairment losses, discounted cash flows or asset appraisals are utilized to determine the fair value of the assets being evaluated. Also, in certain situations, expected mine lives are shortened because of changes to planned operations. When that occurs and it is determined that the mine s underlying costs are not recoverable in the future, reclamation and mine closure obligations are accelerated and the mine closure accrual is increased accordingly. To the extent it is determined asset carrying values will not be recoverable during a shorter mine life, a provision for such impairment is recognized. Recognition of an impairment will decrease asset values, increase operating expenses and decrease net income. In December 2008, ICG made the decision to permanently close its Sago mine during the first quarter of 2009. Upon making this decision, ICG performed an impairment test of related mine development costs, which resulted in a $7.2 million non-cash impairment charge to reduce the carrying amount of these assets to their estimated fair value. There were no other impairment charges related to long-lived assets recognized in the periods covered by ICG s audited financial statements that are included and incorporated by reference in this prospectus supplement as a result of ICG s impairment tests.

Financial Instruments

Pursuant to ASC Subtopic 470-20, *Debt with Conversion and Other Options*, ICG s convertible notes are accounted for as convertible debt and the embedded conversion option in the convertible notes has been accounted for as a component of equity.

Coal Supply Agreements

ICG s below-market coal supply agreements (sales contracts) represent coal supply agreements acquired through acquisitions accounted for as business combinations for which the prevailing market price for coal specified in the contract was in excess of the contract price. In accordance with ASC Topic 805, *Business Combinations*, value was based on discounted cash flows resulting from the difference between the below-market contract price and the prevailing market price at the date of acquisition. The below-market coal supply agreements are amortized on the basis of tons shipped over the term of the respective contract. Determination of fair value requires management judgment and often involves the use of significant estimates and assumptions.

Share Based Compensation

ICG accounts for its share based awards in accordance with ASC Topic 718, *Compensation Stock Compensation*. Share based compensation expense is generally measured at the grant date and recognized as expense over the vesting period of the award. ICG utilizes restricted stock, restricted stock units and stock options as part of its share based compensation program. Determining fair value requires ICG to make a number of assumptions, including expected volatility, expected term and risk-free interest rate. Expected volatility is

estimated using both historical and market data. Expected term is based on historical data and expected behavior. Risk-free interest rates are based on the rates of zero coupon U.S. Treasury bonds with similar maturities on the date of grant. The assumptions used in calculating the fair value of share based awards represent ICG s best estimates and involve inherent uncertainties and the application of management judgment. Although ICG believes the assumptions and estimates it has made are reasonable and appropriate, different assumptions could materially impact its reported financial results.

Debt Issuance Costs

Debt issuance costs reflect fees incurred to obtain financing. Debt issuance costs related to ICG s outstanding debt are amortized over the life of the related debt. From time to time, ICG writes-off deferred financing fees as a result of amending or canceling related debt and/or credit agreements. Such write-offs could be material and occur in the period that the amendment or cancellation occurs.

Income Taxes

ICG accounts for income taxes in accordance with ASC 740, which requires the recognition of deferred tax assets and liabilities using enacted tax rates for the effect of temporary differences between the book and tax basis of recorded assets and liabilities. ASC 740 also requires that deferred tax assets, if it is more likely than not that some portion or all of the deferred tax asset will not be realized, be reduced by a valuation allowance. In evaluating the need for a valuation allowance, ICG takes into account various factors, including the timing of the realization of deferred tax liabilities, the expected level of future taxable income and available tax planning strategies. If future taxable income is lower than expected or if expected tax planning strategies are not available as anticipated, ICG may record a change to the valuation allowance through income tax expense in the period the determination is made.

A tax position is initially recognized in the financial statements when it is more likely than not the position will be sustained upon examination by applicable tax authorities. Such tax positions are initially and subsequently measured as the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with the tax authority assuming full knowledge of the position and all relevant facts.

Postretirement Medical Benefits

Some of ICG s subsidiaries have liabilities for postretirement benefit cost obligations. Liabilities for postretirement benefits are not funded. The liability is actuarially determined and ICG uses various actuarial assumptions, including the discount rate and future cost trends, to estimate the costs and obligations for postretirement benefits. The discount rate assumption reflects the rates available on a hypothetical portfolio of high-quality fixed income debt instruments whose cash flows match the timing and amount of expected benefit payments. ICG s estimates of these costs are adjusted based upon actuarially determined amounts using a rate of 5.50% as of December 31, 2010. If ICG were to decrease its estimate of the discount rate to 4.50%, the present value of its postretirement liability would increase by approximately $8.9 million. If ICG were to increase its estimate of the discount rate to 6.50%, the present value of its postretirement liability would decrease by approximately $7.0 million. ICG makes assumptions related to future trends for medical care costs in the estimates of retiree healthcare and work-related injury and illness obligations. The future healthcare cost trend rate represents the rate at which healthcare costs are expected to increase over the life of the plan. The healthcare cost trend rate assumptions are determined primarily based upon ICG s, and its predecessor s, historical rate of change in retiree healthcare costs. The postretirement expense in the operating period ended December 31, 2010 was based on an assumed health care inflationary rate of 7.1% in the operating period decreasing to 4.7% in 2081, which represents the ultimate healthcare cost trend rate for the remainder of the plan life. A one-percentage point increase in the assumed ultimate healthcare cost trend rate would increase the service and interest cost components of the postretirement benefit expense for the year ended December 31, 2010 by $1.6 million

and increase the accumulated postretirement benefit obligation at December 31, 2010 by $9.4 million. A one-percentage point decrease in the assumed ultimate healthcare cost trend rate would decrease the service and interest cost components of the postretirement benefit expense for the year ended December 31, 2010 by $1.3 million and decrease the accumulated postretirement benefit obligation at December 31, 2010 by $7.6 million. If ICG s assumptions do not materialize as expected or if regulatory changes were to occur, actual cash expenditures and costs that it incurs could differ materially from its current estimates.

Workers Compensation

Workers compensation is a system by which individuals who sustain personal injuries due to job-related accidents are compensated for their disabilities, medical costs and, on some occasions, for the costs of their rehabilitation, and by which the survivors of workers who suffer fatal injuries receive compensation for lost financial support. The workers compensation laws are administered by state agencies with each state having its own rules and regulations regarding compensation that is owed to an employee who is injured in the course of employment or the beneficiary of an employee that suffers fatal injuries in the course of employment. ICG s operations are covered through a combination of participation in a state run program and insurance policies. Its estimates of these costs are adjusted based upon actuarially determined amounts using a discount rate of 4.5% as of December 31, 2010. The discount rate assumption reflects the rates available on a hypothetical portfolio of high-quality fixed income debt instruments whose cash flows match the timing and amount of expected benefit payments. If ICG were to decrease its estimate of the discount rate to 3.5%, the present value of its workers compensation liability would increase by approximately $0.5 million. If ICG were to increase its estimate of the discount rate to 5.5%, the present value of its workers compensation liability would decrease by approximately $0.4 million. At December 31, 2010, ICG has recorded an accrual of $10.4 million for workers compensation benefits. Actual losses may differ from these estimates, which could increase or decrease ICG s costs.

Coal Workers Pneumoconiosis

ICG is responsible under various federal statutes, and various states statutes, for the payment of medical and disability benefits to eligible employees resulting from occurrences of coal workers pneumoconiosis disease (black lung). Its operations are covered through a combination of participation in a state run program and insurance policies. ICG accrues for any self-insured liability by recognizing costs when it is probable that a covered liability has been incurred and the cost can be reasonably estimated. Its estimates of these costs are adjusted based upon actuarially determined amounts using a discount rate of 5.5% as of December 31, 2010. The discount rate assumption reflects the rates available on a hypothetical portfolio of high-quality fixed income debt instruments whose cash flows match the timing and amount of expected benefit payments. If ICG were to decrease its estimate of the discount rate to 4.5%, the present value of its black lung benefit liability would increase by approximately $5.2 million. If ICG were to increase its estimate of the discount rate to 6.5%, the present value of its black lung benefit liability would decrease by approximately $4.0 million. At December 31, 2010, ICG has recorded an accrual of $26.3 million for black lung benefits. Individual losses in excess of $0.5 million at the state level and $0.5 million at the federal level are covered by ICG s large deductible stop loss insurance. Actual losses may differ from these estimates, which could increase or decrease its costs.

Coal Industry Retiree Health Benefit Act of 1992

The Coal Industry Retiree Health Benefit Act of 1992 (the Coal Act) provides for the funding of health benefits for certain union retirees and their spouses or dependants. The Coal Act established the Combined Fund into which employers who are signatory operators and related persons are obligated to pay annual premiums for beneficiaries. The Coal Act also created a second benefit fund for miners who retired between July 21, 1992 and September 30, 1994 and whose former employers are no longer in business. Upon the consummation of the business combination with Anker, ICG assumed Anker s Coal Act liabilities, which were estimated to be $1.4 million at December 31, 2010. Actual losses may differ from these estimates, which could increase or decrease its costs. ICG s estimates of these costs are adjusted based upon actuarially determined amounts using a discount rate of 4.75% as of December 31, 2010. The discount rate assumption reflects the rates available on a hypothetical portfolio of high-quality fixed income debt instruments whose cash flows match the timing and amount of expected benefit payments. If ICG were to decrease its estimate of the discount rate to 3.75%, the present value of its Coal Act liability would increase by approximately $0.1 million. If ICG were to increase its estimate of the discount rate to 5.75%, the present value of its

Coal Act liability would decrease by approximately $0.1 million. Prior to the business combination with Anker, ICG did not have any liability under the Coal Act.

Corporate Vacation Policy

During 2009, ICG changed its policy related to when employees are credited with vacation time. Under the original policy, employees earned their vacation in the year prior to vesting, and were vested with 100% of their

annual vacation time on January 1st of each year. Under the revised policy, employees are vested in their vacation time ratably throughout the year as it is earned. Accordingly, ICG did not record accruals in 2009 for vacation time to be vested in 2010. If it continued to account for vacation under the old policy, it would have recognized additional cost of coal sales, cost of other revenues and selling, general and administrative expenses of $7.0 million, $0.4 million and $0.5 million, respectively, for the year ended December 31, 2009.

Results of Operations

Three Months Ended March 31, 2011 Compared to the Three Months Ended March 31, 2010

The following table depicts revenues for the three months ended March 31, 2011 and 2010 for the indicated categories:

	Three Months Ended March 31,		Increase (Decrease)	
	2011	2010	$ or Tons	%
	(in thousands, except percentages and per ton data)			
Coal sales revenues	$ 283,711	$ 270,490	$ 13,221	5%
Freight and handling revenues	7,152	9,377	(2,225)	(24)%
Other revenues	11,126	8,727	2,399	27%
Total revenues	$ 301,989	$ 288,594	$ 13,395	5%
Tons sold	3,851	4,323	(472)	(11)%
Coal sales revenue per ton	$ 73.67	$ 62.57	$ 11.10	18%

The following table depicts coal sales revenues by reportable segment for the three months ended March 31, 2011 and 2010:

	Three Months Ended March 31,		Increase (Decrease)	
	2011	2010	$	%
	(in thousands, except percentages)			
Central Appalachian	$ 179,359	$ 178,964	$ 395	*
Northern Appalachian	79,080	60,365	18,715	31%
Illinois Basin	25,272	23,536	1,736	7%
Ancillary		7,625	(7,625)	(100)%
Total coal sales revenues	$ 283,711	$ 270,490	$ 13,221	5%

The following table depicts tons sold by reportable segment for the three months ended March 31, 2011 and 2010:

	Three Months Ended March 31,		Increase (Decrease)	
	2011	2010	Tons	%
	(in thousands, except percentages)			
Central Appalachian	2,240	2,473	(233)	(9)%
Northern Appalachian	957	1,069	(112)	(10)%
Illinois Basin	654	651	3	*
Ancillary		130	(130)	(100)%
Total tons sold	3,851	4,323	(472)	(11)%

* not meaningful

Coal Sales Revenues Coal sales revenues increased for the three months ended March 31, 2011 compared to the three months ended March 31, 2010 due to an increase in sales realization of $11.10 per ton resulting primarily from favorable pricing of metallurgical coal in the first quarter of 2011. Partially offsetting the effect of increased prices was an 11% decrease in tons sold, largely due to weaker thermal coal demand and inconsistent rail service.

Central Appalachian. Coal sales revenues from ICG s Central Appalachian segment for the three months ended March 31, 2011 remained relatively consistent despite increased sales realization of $7.71 per ton due to increased participation in the metallurgical market. Favorable pricing was offset by a 9% decrease in tons sold under thermal coal supply agreements.

Northern Appalachian. For the three months ended March 31, 2011, ICG s Northern Appalachian coal sales revenues increased compared to the three months ended March 31, 2010 as a result of increased sales realization of $26.22 per ton due to increased sales of metallurgical coal, partially offset by a 10% decrease in total tons sold.

Illinois Basin. The increase in coal sales revenues from ICG s Illinois Basin segment for the three months ended March 31, 2011 was primarily due to an increase in sales realization of $2.47 per ton as a result of increased prices that went in effect in January 2011 on certain coal supply agreements, while tons sold remained relatively consistent compared to the three months ended March 31, 2010.

Ancillary. ICG s Ancillary segment s coal sales revenues represent coal sold under brokered coal contracts, all of which were legacy contracts obtained in conjunction with business combinations. For the three months ended March 31, 2011, ICG had no Ancillary coal sales revenues as all such coal supply agreements expired subsequent to the three months ended March 31, 2010.

Freight and Handling Revenues Freight and handling revenues represent reimbursement of freight and handling costs for certain shipments for which ICG initially pays the costs and is then reimbursed by the customer. Freight and handling revenues and costs decreased for the three months ended March 31, 2011 compared to the three months ended March 31, 2010, primarily due to a decrease in sales volumes on shipments with related freight and handling.

Other Revenues The increase in other revenues for the three months ended March 31, 2011 compared to the three months ended March 31, 2010 was primarily due to an increase in contract mining revenue of $1.4 million, as well as a $0.9 million increase related to the sale of parts and supplies during the three months ended March 31, 2011.

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Costs and Expenses

The following table depicts cost of operations for the three months ended March 31, 2011 and 2010 for the indicated categories:

	Three Months Ended March 31,		Increase (Decrease)	
	2011	2010	$	%
	(in thousands, except percentages and per ton)			
Cost of coal sales	$ 217,964	$ 220,065	$ (2,101)	(1)%
Freight and handling costs	7,152	9,377	(2,225)	(24)%
Cost of other revenues	7,342	7,181	161	2%
Depreciation, depletion and amortization	25,656	26,397	(741)	(3)%
Selling, general and administrative expenses	51,152	8,585	42,567	496%
Gain on sale of assets	(6,723)	(3,481)	(3,242)	(93)%
Total costs and expenses	$ 302,543	$ 268,124	$ 34,419	13%
Cost of coal sales per ton	$ 56.60	$ 50.90	$ 5.70	11%

The following table depicts cost of coal sales by reportable segment for the three months ended March 31, 2011 and 2010:

	Three Months Ended March 31,		Increase (Decrease)	
	2011	2010	$	%
	(in thousands, except percentages)			
Central Appalachian	$ 142,777	$ 140,266	$ 2,511	2%
Northern Appalachian	55,672	53,671	2,001	4%
Illinois Basin	18,513	19,408	(895)	(5)%
Ancillary	1,002	6,720	(5,718)	(85)%
Cost of coal sales	$ 217,964	$ 220,065	$ (2,101)	(1)%

Cost of Coal Sales For the three months ended March 31, 2011, cost of coal sales decreased compared to the three months ended March 31, 2010 as a result of an 11% decrease in tons sold. Partially offsetting the effect of decreased tons sold was an 11% increase in cost of coal sales per ton.

Central Appalachian. Cost of coal sales from ICG s Central Appalachian segment increased due to an increase in cost of coal sales per ton from $56.71 per ton for the three months ended March 31, 2010 to $63.74 per ton for the three months ended March 31, 2011, partially offset by a 9% decrease in tons sold. The increase in cost of coal sales per ton is primarily due to increases in fuel, lubricants and chemicals, labor, operating supplies and site maintenance and roof control and ventilation costs. Fuel, lubricants and chemicals increased on a per ton basis due to increased diesel fuel costs. Labor costs per ton increased primarily as a result of increased wages, as well as from hampered production

resulting from enhanced regulatory oversight. Operating supplies and site maintenance costs per ton increased due to increased safety supplies and sediment pond maintenance costs, while roof control and ventilation costs per ton increased due to increased commodity pricing over the three months ended March 31, 2010. Additionally, cost of coal sales increased on a per ton basis as a result of fluctuations in the value of stockpile inventories. Partially offsetting this increase in cost per ton was a decrease in royalties, taxes and fees as a result of reduced severance tax expense.

Northern Appalachian. ICG s Northern Appalachian segment cost of coal sales increased due to an increase in cost per ton from $50.19 for the three months ended March 31, 2010 to $58.19 for the three months ended

March 31, 2011, partially offset by a 10% decrease in tons sold. The increase in cost per ton was primarily due to increases in labor, royalties, taxes and fees, fuel, lubricants and chemicals, transportation, operating supplies and site maintenance and fines and penalties. Labor costs per ton increased due to increased wages, as well as from hampered production resulting from enhanced regulatory oversight. Royalties, taxes and fees increased on a per ton basis as a result of increased realization per ton and increased severance tax obligations. Fuel, lubricants and chemicals and transportation costs increased on a per ton basis due to increased diesel fuel costs. Operating supplies and site maintenance per ton increased as a result of increased road maintenance costs and fines and penalties increased on a per ton basis due to heightened regulatory enforcement. Partially offsetting these increases was a decrease in contract labor costs at ICG s Harrison complex over the comparable period of 2010.

Illinois Basin. For the three months ended March 31, 2011, cost of coal sales from ICG s Illinois Basin segment decreased due to a decrease in cost per ton from $29.80 for the three months ended March 31, 2010 to $28.29 for the three months ended March 31, 2011, primarily due to reduced insurance costs resulting from a significant amount of high-dollar claims incurred during the three months ended March 31, 2010.

Ancillary. Cost of coal sales from ICG s Ancillary segment represents costs associated with coal sold under brokered coal contracts, all of which were obtained as legacy contracts through business combinations, as well as costs from ICG s non-producing coal operations. The decrease in costs for the three months ended March 31, 2010 compared to the three months ended March 31, 2011 was a result of the expiration of the legacy contracts subsequent to March 31, 2010. Cost of coal sales for the three months ended March 31, 2011 represents costs incurred at non-producing coal operations.

Cost of Other Revenues Cost of other revenues increased primarily due to costs related to the sale of parts and supplies during the three months ended March 31, 2011. Offsetting this increase was a decrease in repairs and maintenance costs and personal property taxes. Repairs and maintenance costs decreased as a result of increased costs incurred due to adverse mining conditions during the first quarter of 2010 related to contract mining. Personal property taxes decreased due to personal property tax assessments incurred during the three months ended March 31, 2010.

Depreciation, Depletion and Amortization Depreciation, depletion and amortization expense decreased for the three months ended March 31, 2011, primarily due to a portion of ICG s coal mining equipment becoming fully depreciated subsequent to the three months ended March, 31, 2010.

Selling, General and Administrative Expenses Selling, general and administrative expenses for the three months ended March 31, 2011, increased primarily due to a $40.0 million reserve for an adverse trial court ruling, as well as to increases in labor and benefits, legal fees and the identification of a probable bad debt.

Gain on Sale of Assets Gain on sale of assets increased from the three months ended March 31, 2010, primarily due a $6.5 million gain on the sale of a used dragline during the three months ended March 31, 2011 compared to a $3.5 million gain on the sale of a used ADDCAR highwall mining system during the three months ended March 31, 2010.

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Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

Revenues, Coal Sales Revenues by Reportable Segment and Tons Sold by Reportable Segment

The following table depicts consolidated revenues for the years ended December 31, 2010 and 2009 for the indicated categories:

	Year Ended December 31,		Increase (Decrease)	
	2010	2009	$ or Tons	%
	(in thousands, except percentages and per ton data)			
Coal sales revenues	$ 1,078,246	$ 1,006,606	$ 71,640	7%
Freight and handling revenues	35,411	26,279	9,132	35%
Other revenues	52,814	92,464	(39,650)	(43)%
Total revenues	$ 1,166,471	$ 1,125,349	$ 41,122	4%
Tons sold	16,342	16,833	(491)	(3)%
Coal sales revenue per ton	$ 65.98	$ 59.80	$ 6.18	10%

The following table depicts coal sales revenues by reportable segment for years ended December 31, 2010 and 2009:

	Year Ended December 31,		Increase (Decrease)	
	2010	2009	$	%
	(in thousands, except percentages)			
Central Appalachian	$ 683,994	$ 682,088	$ 1,906	*%
Northern Appalachian	278,877	207,022	71,855	35%
Illinois Basin	87,654	75,817	11,837	16%
Ancillary	27,721	41,679	(13,958)	(33)%
Total coal sales revenues	$ 1,078,246	$ 1,006,606	$ 71,640	7%

The following table depicts tons sold by reportable segment for the years ended December 31, 2010 and 2009:

	Year Ended December 31,		Increase (Decrease)	
	2010	2009	Tons	%
	(in thousands, except percentages)			
Central Appalachian	9,324	9,984	(660)	(7)%
Northern Appalachian	4,120	3,803	317	8%

Illinois Basin	2,383	2,254	129	6%
Ancillary	515	792	(277)	(35)%
Total tons sold	16,342	16,833	(491)	(3)%

* Not meaningful

Coal Sales Revenues Coal sales revenues are derived from sales of produced coal and brokered coal contracts. Coal sales revenues increased for the year ended December 31, 2010 compared to the year ended

December 31, 2009, primarily due to an increase in sales realization of $6.18 per ton resulting from favorable pricing of metallurgical coal. Offsetting the increase in sales realization was a 3% decrease in tons sold.

Central Appalachian. Coal sales revenues from ICG s Central Appalachian segment for the year ended December 31, 2010 increased over the year ended December 31, 2009 due to an increase in sales realization of $5.04 per ton, primarily driven by higher average contract prices for metallurgical coal. Partially offsetting this increase in sales realization was a 7% decrease in tons sold, largely driven by the expiration of certain coal supply agreements.

Northern Appalachian. For the year ended December 31, 2010, ICG s Northern Appalachian coal sales revenues increased compared to the year ended December 31, 2009 as a result of increased sales realization of $13.27 per ton, as well as an 8% increase in tons sold. The increase in sales realization and tons sold is a result of increased participation in the spot market due to more favorable pricing of metallurgical coal.

Illinois Basin. The increase in coal sales revenues from ICG s Illinois Basin segment for the year ended December 31, 2010 was primarily due to an increase in sales realization of $3.15 per ton, as well as a 6% increase in tons sold, primarily on long-term thermal coal supply contracts.

Ancillary. ICG s Ancillary segment s coal sales revenues are comprised of coal sold under brokered coal contracts. For the year ended December 31, 2010, its Ancillary coal sales revenues decreased 33% due to a 35% decrease in tons sold related to the expiration of certain coal supply agreements, as well as to decreased shipments on various remaining contracts. This decrease was partially offset by increased realization of $1.23 per ton sold.

Freight and Handling Revenues and Costs Freight and handling revenues represent reimbursement of freight and handling costs for shipments under certain contracts for which ICG initially pays the costs and is then reimbursed by the customer. Freight and handling revenues and costs increased for the year ended December 31, 2010 compared to the year ended December 31, 2009, primarily due to an increase in sales volumes on shipments for which the related freight and handling costs are reimbursed. Additionally, ICG s subsidiary, ADDCAR, sold a highwall mining machine during the year ended December 31, 2010, with the related shipping cost reimbursement included in freight and handling revenues and costs. There were no comparable shipping costs incurred during the year ended December 31, 2009.

Other Revenues The decrease in other revenues for the year ended December 31, 2010 compared to the year ended December 31, 2009 was due to $34.9 million in payments for early termination of coal supply agreements and lost margin on pre-termination shipments and a $7.7 million gain on the termination of a below-market contract during 2009, as well as to decreased contract mining revenues in 2010. Partially offsetting these decreases was an increase in revenues from the sale of highwall mining systems.

Costs and Expenses

The following table depicts cost of operations for the years ended December 31, 2010 and 2009 for the indicated categories:

	Year Ended December 31, 2010	Year Ended December 31, 2009	Increase (Decrease) $	Increase (Decrease) %
	(in thousands, except percentages)			
Cost of coal sales	$ 850,328	$ 832,214	$ 18,114	2%
Freight and handling costs	35,411	26,279	9,132	35%
Cost of other revenues	48,331	36,089	12,242	34%
Depreciation, depletion and amortization	104,566	106,084	(1,518)	(1)%
Selling, general and administrative expenses	35,569	32,749	2,820	9%
Gain on sale of assets	(4,243)	(3,659)	(584)	(16)%
Total costs and expenses	$ 1,069,962	$ 1,029,756	$ 40,206	4%
Cost of coal sales per ton	$ 52.03	$ 49.44	$ 2.59	5%

The following table depicts cost of coal sales by reportable segment for the years ended December 31, 2010 and 2009:

	Year Ended December 31, 2010	Year Ended December 31, 2009	Increase (Decrease) $	Increase (Decrease) %
	(in thousands, except percentages)			
Central Appalachian	$ 542,942	$ 554,368	$ (11,426)	(2)%
Northern Appalachian	216,127	182,607	33,520	18%
Illinois Basin	65,880	62,958	2,922	5%
Ancillary	25,379	32,281	(6,902)	(21)%
Cost of coal sales	$ 850,328	$ 832,214	$ 18,114	2%

Cost of Coal Sales For the year ended December 31, 2010, cost of coal sales increased compared to the year ended December 31, 2009, primarily as a result of a 5% increase in cost of coal sales per ton, partially offset by a 3% decrease in tons sold.

Central Appalachian. Cost of coal sales from ICG s Central Appalachian segment decreased primarily due to a 7% decrease in tons sold. Offsetting the decrease in tons sold was an increase in cost of coal sales per ton from $55.53 per ton for the year ended December 31, 2009 to $58.23 per ton for the year ended December 31, 2010. The increase in cost of coal sales per ton is primarily due to increases in labor costs and royalties, taxes and fees. Labor costs per ton increased in 2010 primarily as a result of a change in ICG s policy during the year ended December 31, 2009 related to when employees are credited with vacation time, as well as by enhanced regulatory compliance standards. Royalties, taxes and fees increased on a per ton basis as a result of increased realization per ton sold and increased royalty rates

on certain leased reserves. Cost of coal sales per ton also increased due to higher roof control costs, benefit costs and other miscellaneous direct costs. Partially offsetting these increases in cost per ton was a decrease in fuel, lubricants and chemicals as diesel fuel costs have declined as compared to the year ended December 31, 2009.

Northern Appalachian. ICG s Northern Appalachian segment cost of coal sales increased due to an 8% increase in tons sold and an increase in cost of coal sales per ton from $48.01 per ton for the year ended December 31, 2009 to $52.47 per ton for the year ended December 31, 2010. The increase in cost per ton was primarily due to increases in labor, royalties, taxes and fees and repairs and maintenance costs. Labor costs

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increased in 2010 primarily as a result of a change in ICG s policy during the year ended December 31, 2009 related to when employees are credited with vacation time, enhanced regulatory compliance standards and increased contractor rates. Royalties, taxes and fees increased on a per ton basis as a result of increased realization per ton sold and increased royalty rates on certain leased reserves. Repairs and maintenance costs increased on a per ton basis as more resources were directed towards repairing rather than replacing equipment.

Illinois Basin. For the year ended December 31, 2010, cost of coal sales from ICG s Illinois Basin segment increased due to a 6% increase in tons sold, offset by a decrease in cost per ton from $27.93 for the year ended December 31, 2009 to $27.64 for the year ended December 31, 2010. Cost of coal sales per ton decreased primarily due to decreases in labor costs and benefit costs. Labor costs per ton decreased as a result of improved recovery of coal due to favorable mining conditions. Benefit costs decreased due to a decrease in worker s compensation expense. Partially offsetting these decreases were increases in contract labor, operating supplies and repairs and maintenance costs. Contract labor increased as a result of enhanced regulatory compliance standards. Operating supplies and repairs and maintenance per ton increased primarily as a result of purchasing more materials required to maintain aging areas of the mine and delays in replacing equipment.

Ancillary. Cost of coal sales from ICG s Ancillary segment decreased for the year ended December 31, 2010 due to a 35% decrease in tons sold related to the expiration of certain brokered coal contracts, partially offset by an $8.54 increase in cost per ton.

Cost of Other Revenues For the year ended December 31, 2010, cost of other revenues increased primarily due to a $10.0 million payment made for the early termination of a coal supply agreement and an increase in costs related to sales of highwall mining systems. Partially offsetting these increases in cost of other revenues was a decrease in labor and benefit costs as a result of the termination of certain contract mining contracts.

Depreciation, Depletion and Amortization Depreciation, depletion and amortization expense remained relatively consistent compared to the year ended December 31, 2009.

Selling, General and Administrative Expenses Selling, general and administrative expenses for the year ended December 31, 2010 increased primarily due to the resolution of certain legal matters during the year ended December 31, 2009, as well as an increase in legal and professional fees in 2010.

Gain on Sale of Assets Gain on sale of assets increased for the year ended December 31, 2010 due to a $3.5 million gain related to the sale of a highwall mining system previously used in operations during the year ended December 31, 2010 versus a $2.9 million gain on the sale of a loadout facility during the year ended December 31, 2009.

Adjusted EBITDA by Reportable Segment

Adjusted EBITDA represents net income before deducting interest, income taxes, depreciation, depletion, amortization, loss on extinguishment of debt, certain legal reserves, impairment charges and noncontrolling interest. Adjusted EBITDA is presented because it is an important supplemental measure of ICG s performance used by its chief operating decision maker in such areas as capital investment and allocation of resources. Other companies in its industry may calculate Adjusted EBITDA differently than ICG does, limiting its usefulness as a comparative measure. Adjusted EBITDA is reconciled to its most comparable GAAP measure in note 20 to ICG s consolidated financial statements for the year ended December 31, 2010 which are included and incorporated by reference in this prospectus supplement.

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The following tables depicts reportable segment Adjusted EBITDA for the three months ended March 31, 2011 and 2010 and for the years ended December 31, 2010 and 2009:

	Three Months Ended March 31,		Increase (Decrease)	
	2011	2010	$	%
	(in thousands, except percentages)			
Central Appalachian	$ 44,326	$ 39,436	$ 4,890	12%
Northern Appalachian	25,131	7,946	17,185	216%
Illinois Basin	7,274	4,747	2,527	53%
Ancillary	(11,629)	(5,262)	(6,367)	(121)%
Total Adjusted EBITDA	$ 65,102	$ 46,867	$ 18,235	39%

	Year Ended December 31,		Increase (Decrease)	
	2010	2009	$	%
	(in thousands, except percentages)			
Central Appalachian	$ 146,700	$ 169,842	(23,142)	(14)%
Northern Appalachian	58,622	31,005	27,617	89%
Illinois Basin	23,736	14,405	9,331	65%
Ancillary	(27,983)	(13,575)	(14,408)	(106)%
Total Adjusted EBITDA	$ 201,075	$ 201,677	(602)	*%

* Not meaningful

Central Appalachian. Adjusted EBITDA for the three months ended March 31, 2011 increased compared to the three months ended March 31, 2010, primarily due to a gain on the sale of a used dragline during the three months ended March 31, 2011, as well as to a $0.68 per ton increase in profit margins. Partially offsetting the increase was a decrease of approximately 233,000 tons sold. Adjusted EBITDA for the year ended December 31, 2010 decreased compared to the year ended December 31, 2009, primarily due to $27.5 million received for early termination of coal supply agreements and lost margin on pre-termination shipments and a $7.7 million gain on the termination of a below-market contract in 2009, as well as a 660,000 ton decrease in tons sold. Partially offsetting these decreases was a $2.34 per ton increase in profit margins.

Northern Appalachian. The increase in Adjusted EBITDA for the three months ended March 31, 2011 was due to increased profit margins of $18.22 per ton as a result of increased sales of metallurgical coal, offset by a decrease of approximately 112,000 tons sold. The increase in Adjusted EBITDA for the year ended December 31, 2010 was due to increased profit margins of $8.81 per ton as a result of increased participation in the spot market due to more favorable pricing of metallurgical coal. Adjusted EBITDA also increased due to an increase of approximately 317,000 tons sold. Offsetting these increases was a $10.0 million payment made in 2010 for the early termination of a coal

supply agreement.

Illinois Basin. Adjusted EBITDA for the three months ended March 31, 2011 increased during the three months ended March 31, 2011 resulting from an increase in profit margins of $3.98 per ton, as well as an increase of approximately 3,000 tons sold. Adjusted EBITDA increased during the year ended December 31, 2010 due to an increase in profit margins of $3.44 per ton, as well as an increase of approximately 129,000 tons sold.

Ancillary. The decrease in Adjusted EBITDA for the three months ended March 31, 2011 was primarily the result of legacy contracts that expired subsequent to March 31, 2010. Further contributing to the decrease in Adjusted EBITDA was the sale of a used ADDCAR highwall mining system during the three months ended

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March 31, 2010, partially offset by an increase in contract mining revenues compared to the same period in 2010. The decrease in Adjusted EBITDA for the year ended December 31, 2010 was primarily due to a decrease in profit margins of $7.31 per ton and a decrease of approximately 277,000 tons sold related to the expiration of brokered coal contracts, as well as to decreased shipments on various remaining contracts. Further contributing to the decrease from ICG s Ancillary segment was a decrease of $7.4 million received in the settlement of contract terminations during the year ended December 31, 2009 and decreased contract mining income. Offsetting these decreases was an increase in Adjusted EBITDA related to sales of highwall mining machines.

Reconciliation of Adjusted EBITDA to Net Income (Loss) by Reportable Segment

The following tables reconcile Adjusted EBITDA to net income (loss) by reportable segment for the three months ended March 31, 2011 and 2010 and the years ended December 31, 2010 and 2009:

	Three Months Ended March 31,		Increase (Decrease)	
	2011	2010	$	%
	(in thousands, except percentages)			
Central Appalachian				
Net income attributable to International Coal Group, Inc.	$ 19,014	$ 19,348	$ (334)	(2)%
Depreciation, depletion and amortization	16,681	17,552	(871)	(5)%
Interest expense, net	950	1,240	(290)	(23)%
Income tax expense	7,681	1,296	6,385	493%
Adjusted EBITDA	$ 44,326	$ 39,436	$ 4,890	12%

	Year Ended December 31,		Increase (Decrease)	
	2010	2009	$	%
	(in thousands, except percentages)			
Central Appalachian				
Net income attributable to International Coal Group, Inc.	$ 72,131	$ 91,841	$ (19,710)	(21)%
Depreciation, depletion and amortization	70,045	71,298	(1,253)	(2)%
Interest expense, net	4,463	4,488	(25)	(1)%
Income tax expense	61	2,215	(2,154)	(97)%
Adjusted EBITDA	$ 146,700	$ 169,842	$ (23,142)	(14)%

	Three Months Ended March 31,		Increase (Decrease)	
	2011	2010	$	%
	(in thousands, except percentages)			
Northern Appalachian				
Net income attributable to International Coal Group, Inc.	$ 13,919	$ 2,347	$ 11,572	493%
Depreciation, depletion and amortization	5,420	5,269	151	3%
Interest expense, net	233	168	65	39%
Income tax expense	5,548	162	5,386	*%
Noncontrolling interest	11		11	100%
Adjusted EBITDA	$ 25,131	$ 7,946	$ 17,185	216%

	Year Ended December 31,		Increase (Decrease)	
	2010	2009	$	%
	(in thousands, except percentages)			
Northern Appalachian				
Net income attributable to International Coal Group, Inc.	$ 31,612	$ 7,994	$ 23,618	295%
Depreciation, depletion and amortization	20,491	20,991	(500)	(2)%
Interest expense, net	690	531	159	30%
Income tax expense	5,826	1,423	4,403	309%
Noncontrolling interest	3	66	(63)	(95)%
Adjusted EBITDA	$ 58,622	$ 31,005	$ 27,617	89%

	Three Months Ended March 31,		Increase (Decrease)	
	2011	2010	$	%
	(in thousands, except percentages)			
Illinois Basin				
Net income attributable to International Coal Group, Inc.	$ 3,480	$ 1,846	$ 1,634	89%
Depreciation, depletion and amortization	2,403	2,548	(145)	(6)%
Interest expense, net	92	131	(39)	(30)%
Income tax expense	1,299	222	1,077	485%
Adjusted EBITDA	$ 7,274	$ 4,747	$ 2,527	53%

	Year Ended December 31,		Increase (Decrease)	
	2010	2009	$	%
	(in thousands, except percentages)			
Illinois Basin				
Net income attributable to International Coal Group, Inc.	$ 15,035	$ 6,080	$ 8,955	147%
Depreciation, depletion and amortization	9,131	7,957	1,174	15%
Interest expense, net	247	579	(332)	(57)%
Income tax benefit	(677)	(211)	(466)	(221)%
Adjusted EBITDA	$ 23,736	$ 14,405	$ 9,331	65%

	Three Months Ended March 31,		Increase (Decrease)	
	2011	2010	$	%
	(in thousands, except percentages)			
Ancillary				
Net loss attributable to International Coal Group, Inc.	$ (42,731)	$ (32,393)	$ (10,338)	(32)%
Depreciation, depletion and amortization	1,152	1,028	124	12%
Interest expense, net	6,835	11,761	(4,926)	(42)%
Income tax benefit	(16,885)	(7,645)	(9,240)	(121)%
Legal reserve for the Allegheny lawsuit	40,000		40,000	100%
Loss on extinguishment of debt		21,987	(21,987)	(100)%
Adjusted EBITDA	$ (11,629)	$ (5,262)	$ (6,367)	(121)%

	Year Ended December 31,		Increase (Decrease)	
	2010	2009	$	%
	(in thousands, except percentages)			
Ancillary				
Net loss attributable to International Coal Group, Inc.	$ (88,667)	$ (84,457)	$ (4,210)	(5)%
Depreciation, depletion and amortization	4,899	5,838	(939)	(16)%
Interest expense, net	35,336	47,446	(12,110)	(26)%
Income tax (benefit) expense	(8,960)	4,305	(13,265)	(308)%
Loss on extinguishment of debt	29,409	13,293	16,116	121%
Adjusted EBITDA	$ (27,983)	$ (13,575)	$ (14,408)	(106)%

	Three Months Ended March 31,		Increase (Decrease)	
	2011	2010	$	%
	(in thousands, except percentages)			
Consolidated				
Net loss attributable to International Coal Group, Inc.	$ (6,318)	$ (8,852)	$ 2,534	29%
Depreciation, depletion and amortization	25,656	26,397	(741)	(3)%
Interest expense, net	8,110	13,300	(5,190)	(39)%
Income tax benefit	(2,357)	(5,965)	3,608	60%
Legal reserve for the Allegheny lawsuit	40,000		40,000	100%
Loss on extinguishment of debt		21,987	(21,987)	(100)%
Noncontrolling interest	11		11	100%
Adjusted EBITDA	$ 65,102	$ 46,867	$ 18,235	39%

	Year Ended December 31,		Increase (Decrease)	
	2010	2009	$	%
	(in thousands, except percentages)			
Consolidated				
Net income attributable to International Coal Group, Inc.	$ 30,111	$ 21,458	$ 8,653	40%
Depreciation, depletion and amortization	104,566	106,084	(1,518)	(1)%
Interest expense, net	40,736	53,044	(12,308)	(23)%
Income tax (benefit) expense	(3,750)	7,732	(11,482)	(148)%
Loss on extinguishment of debt	29,409	13,293	16,116	121%
Noncontrolling interest	3	66	(63)	(95)%
Adjusted EBITDA	$ 201,075	$ 201,677	$ (602)	*%

* Not meaningful

Results of Operations

Year Ended December 31, 2009 Compared to the Year Ended December 31, 2008

Revenues, Coal Sales Revenues by Reportable Segment and Tons Sold by Reportable Segment

The following table depicts consolidated revenues for the years ended December 31, 2009 and 2008 for the indicated categories:

	Year Ended December 31,		Increase (Decrease)	
	2009	2008	$ or Tons	%
	(in thousands, except percentages and per ton data)			
Coal sales revenues	$ 1,006,606	$ 998,245	$ 8,361	1%
Freight and handling revenues	26,279	45,231	(18,952)	(42)%
Other revenues	92,464	53,260	39,204	74%
Total revenues	$ 1,125,349	$ 1,096,736	$ 28,613	3%
Tons sold	16,833	18,914	(2,081)	(11)%
Coal sales revenue per ton	$ 59.80	$ 52.78	$ 7.02	13%

The following table depicts coal sales revenues by reportable segment for years ended December 31, 2009 and 2008:

	Year Ended December 31,		Increase (Decrease)	
	2009	2008	$	%
	(in thousands, except percentages)			
Central Appalachian	$ 682,088	$ 672,077	$ 10,011	1%
Northern Appalachian	207,022	209,932	(2,910)	(1)%
Illinois Basin	75,817	69,796	6,021	9%
Ancillary	41,679	46,440	(4,761)	(10)%
Total coal sales revenues	$ 1,006,606	$ 998,245	$ 8,361	1%

The following table depicts tons sold by reportable segment for the years ended December 31, 2009 and 2008:

	Year Ended December 31,		Increase (Decrease)	
	2009	2008	$	%
	(in thousands, except percentages)			

Central Appalachian	9,984	11,617	(1,633)	(14)%
Northern Appalachian	3,803	3,937	(134)	(3)%
Illinois Basin	2,254	2,331	(77)	(3)%
Ancillary	792	1,029	(237)	(23)%
Total tons sold	16,833	18,914	(2,081)	(11)%

Coal Sales Revenues Coal sales revenues are derived from sales of produced coal and brokered coal contracts. Coal sales revenues increased 1% for the year ended December 31, 2009 compared to the year ended December 31, 2008, primarily due to a 13% increase in sales realization per ton resulting from favorable pricing on

sales contracts entered into throughout 2008. Partially offsetting the impact of the improved realization per ton was an 11% decrease in tons sold, primarily resulting from decreased participation in the spot market.

Central Appalachian. Coal sales revenues from ICG s Central Appalachian segment for the year ended December 31, 2009 increased over the year ended December 31, 2008, primarily due to an increase in sales realization of $10.47 per ton, which was driven by higher average contract prices of its coal. Partially offsetting the increase in realization was a 14% decrease in tons sold, largely driven by decreased spot market sales.

Northern Appalachian. For the year ended December 31, 2009, ICG s Northern Appalachian coal sales revenues decreased over the same period in 2008 due to a 3% decrease in tons sold, primarily due to reduced spot market sales. Partially offsetting the decrease in tons sold was an increase in sales realization of $1.11 per ton resulting from higher average prices of coal sold under its coal supply contracts.

Illinois Basin. The increase in coal sales revenues from ICG s Illinois Basin segment for the year ended December 31, 2009 was due to an increase in sales realization of $3.69 per ton, partially offset by a 3% decrease in tons sold.

Ancillary. ICG s Ancillary segment s coal sales revenues are comprised of coal sold under brokered coal contracts. For the year ended December 31, 2009, its Ancillary coal sales revenues decreased due to a 23% decrease in tons sold related to the expiration of certain coal supply agreements, as well as to decreased shipments on various remaining contracts. This decrease in tons sold was partially offset by an increase in sales realization of $7.53 per ton sold.

Freight and Handling Revenues and Costs Freight and handling revenues represent reimbursement of freight and handling costs for shipments under certain contracts for which ICG initially pays the costs and is then reimbursed by the customer. Freight and handling revenues and costs decreased for the year ended December 31, 2009 compared to the year ended December 31, 2008 primarily due to a decrease in sales volumes on shipments for which the related freight and handling costs are reimbursed. Additionally, transportation rates and fuel surcharges were reduced as a result of decreased fuel prices.

Other Revenues The increase in other revenues for the year ended December 31, 2009 compared to the year ended December 31, 2008 was due to $34.9 million in payments received for the early termination of coal supply agreements and the lost margin on pre-termination shipments and a $7.7 million non-cash gain on the termination of a below-market contract, as well as a sale of a highwall mining system during the year ended December 31, 2009. Partially offsetting these increases were decreases in coalbed methane revenue, contract mining income and sales of scrap materials.

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Costs and Expenses

The following table depicts cost of operations for the years ended December 31, 2009 and 2008 for the indicated categories:

	Year Ended December 31,		Increase (Decrease)	
	2009	2008	$	%
	(in thousands, except percentages)			
Cost of coal sales	$ 832,214	$ 882,983	$ (50,769)	(6)%
Freight and handling costs	26,279	45,231	(18,952)	(42)%
Cost of other revenues	36,089	35,672	417	1%
Depreciation, depletion and amortization	106,084	96,047	10,037	10%
Selling, general and administrative expenses	32,749	38,147	(5,398)	(14)%
Gain on sale of assets	(3,659)	(32,518)	28,859	89%
Impairment loss		37,428	(37,428)	(100)%
Total costs and expenses	$ 1,029,756	$ 1,102,990	$ (73,234)	(7)%
Cost of coal sales per ton	$ 49.44	$ 46.68	$ 2.76	6%

The following table depicts cost of coal sales by reportable segment for the years ended December 31, 2009 and 2008:

	Year Ended December 31,		Increase (Decrease)	
	2009	2008	$	%
	(in thousands, except percentages)			
Central Appalachian	$ 554,368	$ 595,683	(41,315)	(7)%
Northern Appalachian	182,607	193,389	(10,782)	(6)%
Illinois Basin	62,958	57,424	5,534	10%
Ancillary	32,281	36,487	(4,206)	(12)%
Cost of coal sales	$ 832,214	$ 882,983	$ (50,769)	(6)%

Cost of Coal Sales For the year ended December 31, 2009, ICG s cost of coal sales decreased 6% compared to the year ended December 31, 2008, primarily as a result of an 11% decrease in tons sold. Partially offsetting the decrease in tons sold was a 6% increase in cost per ton.

Central Appalachian. ICG s Central Appalachian segment cost of coal sales decreased primarily as a result of a 14% decrease in tons sold. The decrease in cost of coal sales is due to decreased tons sold partially offset by an increase in costs to $55.53 per ton for the year ended December 31, 2009 from $51.28 per ton for the year ended December 31, 2008. The increase in cost of coal sales per ton is primarily due to increases in labor and benefit costs and royalties, taxes and fees. Labor and benefit costs per ton increased due to wage increases in the fourth quarter of 2008 in an effort to remain competitive in a tight labor market, lower production volumes associated with idled operations and an

increase in medical benefits over the year ended December 31, 2008. Royalties, taxes and fees increased on a per ton basis as a result of increased sales realization per ton sold and increased royalty rates on certain leased reserves, as well as increased severance and property tax obligations.

Northern Appalachian. Cost of coal sales from ICG s Northern Appalachian segment decreased for the year ended December 31, 2009 as a result of a decrease in costs of $1.11 per ton and a 3% decrease in tons sold compared to the year ended December 31, 2008. The decrease in cost per ton is primarily due to decreases in transportation, fuel, lubricants and chemicals and coal purchased for blending to meet customer specifications. Partially offsetting

these decreases in cost per ton were increases in labor and benefits, reclamation and engineering costs and contract labor costs.

Illinois Basin. For the year ended December 31, 2009, ICG s Illinois Basin cost of coal sales increased as a result of an increase in costs of $3.30 per ton primarily due to increased labor and benefits costs and repairs and maintenance costs. Labor and benefits increased subsequent to the year ended December 31, 2008 as a result of increased wages in an effort to retain skilled miners. Additionally, repairs and maintenance costs were higher due to ICG s increased utilization of underground mining equipment. Partially offsetting these increases in cost per ton was a 3% decrease in tons sold.

Ancillary. Cost of coal sales from ICG s Ancillary segment decreased for the year ended December 31, 2009 primarily due to decreased purchased coal costs related to the expiration of certain brokered coal contracts, as well as to decreased shipments on various remaining contracts in 2009 as compared to 2008. These decreases were partially offset by an increase of $5.33 per ton sold, primarily as a result of increased reclamation and property tax expense at certain non-operating locations.

Cost of Other Revenues For the year ended December 31, 2009, cost of other revenues increased primarily due to the related costs of the highwall mining system sold during the year and increased labor and benefit costs at ICG s ADDCAR subsidiary. Partially offsetting these increases in cost of other revenues were decreases in coalbed methane gathering fees, repairs and maintenance costs and water treatment costs.

Depreciation, Depletion and Amortization Depreciation, depletion and amortization expense increased for the year ended December 31, 2009, primarily as a result of capital spending throughout 2008 and 2009. Further impacting the increase was increased depletion expense resulting from increased mining of company-owned reserves, as well as a decrease in amortization income related to the completion or termination of shipments on certain below-market contracts. These increases were partially offset by a decrease in amortization of coalbed methane well development costs.

Selling, General and Administrative Expenses Selling, general and administrative expenses for the year ended December 31, 2009 decreased primarily due to the recovery of a potential bad debt and the favorable resolution of certain legal and tax matters.

Gain on Sale of Assets Gain on sale of assets decreased significantly for the year ended December 31, 2009. During the year ended December 31, 2008, ICG recognized a $24.6 million pre-tax gain on exchange of coal reserves with a third party and a $3.6 million gain related to the sale of a highwall mining system previously used in operations. These decreases were partially offset by a gain of $2.9 million in 2009 related to the sale of a loadout facility.

Impairment Loss The impairment loss reflects the write-off of goodwill in 2008 associated with ICG s ADDCAR subsidiary as a result of the negative impact of several contributing factors, which resulted in a reduction in the forecasted cash flows used to estimate fair value. Additionally, as a result of making the decision to close the Sago mine, related development costs were deemed to be impaired and were written-off during 2008. No comparable impairment occurred during 2009.

Adjusted EBITDA by Reportable Segment

Adjusted EBITDA represents net income before deducting interest, income taxes, depreciation, depletion, amortization, loss on extinguishment of debt, impairment charges and noncontrolling interest. Adjusted EBITDA is presented because it is an important supplemental measure of ICG s performance used by its chief operating decision maker in such areas as capital investment and allocation of resources. Other companies in its industry may calculate

Adjusted EBITDA differently than it does, limiting its usefulness as a comparative measure. Adjusted EBITDA is reconciled to its most comparable GAAP measure in note 20 to ICG s consolidated financial statements for the year ended December 31, 2009.

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The following table depicts reportable segment Adjusted EBITDA for the years ended December 31, 2009 and 2008:

	Year Ended December 31,		Increase (Decrease)	
	2009	2008	$	%
	(in thousands, except percentages)			
Central Appalachian	$ 169,842	$ 107,186	$ 62,656	58%
Northern Appalachian	31,005	23,687	7,318	31%
Illinois Basin	14,405	14,784	(379)	(3)%
Ancillary	(13,575)	(18,436)	4,861	26%
Total Adjusted EBITDA	$ 201,677	$ 127,221	$ 74,456	59%

Central Appalachian. Adjusted EBITDA for the year ended December 31, 2009 increased compared to the year ended December 31, 2008 primarily due to $27.5 million received for the early termination of two related coal supply agreements and lost margin on pre-termination shipments coupled with a $6.22 per ton increase in profit margins. Partially offsetting these increases was a decrease of approximately 1,633,000 tons sold.

Northern Appalachian. The increase in Adjusted EBITDA was due to improved profit margins of $2.22 per ton attributable to a combination of an increase in sales realization of $1.11 per ton and a decrease of $1.11 in cost per ton.

Illinois Basin. Adjusted EBITDA decreased during the year ended December 31, 2009 due to a decrease of approximately 77,000 tons sold. Partially offsetting this decrease in tons sold were increased profit margins of $0.39 per ton.

Ancillary. The increase in Adjusted EBITDA was primarily due to $7.4 million received for contract settlements and an increase in profit margins of $2.20 per ton due to an increase in sales realization of $7.53 per ton, offset by a $5.33 increase in cost per ton. Further contributing to the increase in Adjusted EBITDA from ICG s Ancillary segment was the sale of a highwall mining system during the year ended December 31, 2009, offset by decreased revenue from coalbed methane wells and a decrease of approximately 237,000 tons sold related to the expiration of brokered coal contracts throughout 2008 and decreased shipments of various remaining contracts.

Reconciliation of Adjusted EBITDA to Net Income (Loss) by Reportable Segment

The following tables reconcile Adjusted EBITDA to net income (loss) by reportable segment for the years ended December 31, 2009 and 2008:

	Year Ended December 31,		Increase (Decrease)	
	2009	2008	$	%
	(in thousands, except percentages)			
Central Appalachian				
Net income attributable to International Coal Group, Inc.	$ 91,841	$ 47,244	$ 44,597	94%
Depreciation, depletion and amortization	71,298	64,132	7,166	11%

Interest expense, net	4,488	2,145	2,343	109%
Income tax (benefit) expense	2,215	(6,335)	8,550	*%
Adjusted EBITDA	$ 169,842	$ 107,186	$ 62,656	58%

	Year Ended December 31, 2009	Year Ended December 31, 2008	Increase (Decrease) $	Increase (Decrease) %
	(in thousands, except percentages)			
Northern Appalachian				
Net income attributable to International Coal Group, Inc.	$ 7,994	$ 3,217	$ 4,777	148%
Depreciation, depletion and amortization	20,991	17,884	3,107	17%
Interest expense, net	531	717	(186)	(26)%
Income tax (benefit) expense	1,423	(5,322)	6,745	*%
Impairment loss		7,191	(7,191)	(100)%
Noncontrolling interest	66		66	100%
Adjusted EBITDA	$ 31,005	$ 23,687	$ 7,318	31%

	Year Ended December 31, 2009	Year Ended December 31, 2008	Increase (Decrease) $	Increase (Decrease) %
	(in thousands, except percentages)			
Illinois Basis				
Net income attributable to International Coal Group, Inc.	$ 6,080	$ 6,959	$ (879)	(13)%
Depreciation, depletion and amortization	7,957	7,342	615	8%
Interest expense, net	579	327	252	77%
Income tax (benefit) expense	(211)	156	(367)	*%
Adjusted EBITDA	$ 14,405	$ 14,784	$ (379)	(3)%

	Year Ended December 31, 2009	Year Ended December 31, 2008	Increase (Decrease) $	Increase (Decrease) %
	(in thousands, except percentages)			
Ancillary				
Net loss attributable to International Coal Group, Inc.	$ (84,457)	$ (83,647)	$ (810)	1%
Depreciation, depletion and amortization	5,838	6,689	(851)	(13)%
Interest expense, net	47,446	40,454	6,992	17%
Income tax (benefit) expense	4,305	(12,169)	16,474	*%
Loss on extinguishment of debt	13,293		13,293	100%
Impairment loss		30,237	(30,237)	(100)%
Adjusted EBITDA	$ (13,575)	$ (18,436)	$ 4,861	26%

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	Year Ended December 31,		Increase (Decrease)	
	2009	2008	$	%
	(in thousands, except percentages)			
Consolidated				
Net income (loss) attributable to International Coal Group, Inc.	$ 21,458	$ (26,227)	$ 47,685	*%
Depreciation, depletion and amortization	106,084	96,047	10,037	10%
Interest expense, net	53,044	43,643	9,401	22%
Income tax (benefit) expense	7,732	(23,670)	31,402	*%
Loss on extinguishment of debt	13,293		13,293	100%
Impairment loss		37,428	(37,428)	(100)%
Noncontrolling interest	66		66	100%
Adjusted EBITDA	$ 201,677	$ 127,221	$ 74,456	59%

* Not meaningful

Liquidity and Capital Resources

ICG s business is capital intensive and requires substantial capital expenditures for, among other things, purchasing and upgrading equipment used in developing and mining its reserves, as well as remaining in compliance with environmental laws and regulations. ICG s principal liquidity requirements are to finance its coal production, fund capital expenditures and service its debt and reclamation obligations. ICG may also engage in acquisitions from time to time. Its primary sources of liquidity to meet these needs are cash on hand, cash flows from operations, borrowings under its asset-based loan facility and equipment financing arrangements.

ICG believes the principal indicators of its liquidity are its cash position and remaining availability under its asset-based loan facility. As of March 31, 2011, its available liquidity was $225.8 million, including cash and cash equivalents of $186.6 million and $39.2 million available for borrowing under its $125.0 million asset-based loan facility. Total debt represented 31% of its total capitalization at March 31, 2011. ICG s total capitalization represents its current and long-term debt combined with its total stockholders equity. As of December 31, 2010, its available liquidity was $234.9 million, including cash and cash equivalents of $215.3 million and $19.6 million available for borrowing under its $125.0 million asset-based loan facility. Total debt represented 30% of its total capitalization at December 31, 2010. ICG s total capitalization represents its current and long-term debt combined with its total stockholders equity.

ICG s 9.00% Convertible Senior Notes due 2012 (the 2012 Convertible Notes) and 4.00% Convertible Senior Notes due 2017 (the 2017 Convertible Notes) became convertible at the option of the holders beginning April 1, 2011. Upon any conversion of the 2012 Convertible Notes or 2017 Convertible Notes, the principal amount of the 2012 Convertible Notes or 2017 Convertible Notes will be settled in cash and any excess conversion value may be settled in cash or in shares of common stock at the option of ICG. In the event that a holder elects to convert its 2012 Convertible Notes or 2017 Convertible Notes, ICG expects to fund any cash settlement of any such conversion from cash on hand.

Under a universal shelf registration statement, which became effective January 15, 2010, ICG has the remaining capacity to offer and sell, from time to time, up to $175.7 million aggregate value of securities, including common stock and debt securities. This registration statement allows it to access the capital markets based on its liquidity and capital needs subject to favorable market and other conditions.

Pursuant to this shelf registration statement, in March 2010, ICG completed public offerings of 24,444,365 shares of its common stock, par value $0.01 per share (the Common Stock), at a public offering

price of $4.47 per share, $115.0 million aggregate principal amount of 2017 Convertible Notes and $200.0 million aggregate principal amount of 9.125% Senior Secured Second-Priority Notes due 2018 (the 2018 Senior Notes). ICG used $169.5 million of the net proceeds from the Common Stock and 2017 Convertible Notes offerings to finance the repurchase of $138.8 million aggregate principal amount of its 2012 Convertible Notes. ICG used $189.0 million of the net proceeds from the 2018 Senior Notes offering to finance the repurchase of $175.0 million aggregate principal amount of its 10.25% Senior Notes due 2014 (the 2014 Senior Notes). The remaining proceeds were used for general corporate purposes.

ICG also secured a new four-year $125.0 million asset-based loan facility to replace its prior revolving credit facility which was set to expire in June 2011. The ABL loan facility, which provides up to $25.0 million in additional borrowing capacity and contains minimal financial covenants, primarily consisting of a fixed-charge ratio and a capital expenditure limitation if ICG s liquidity falls below certain thresholds, matures in February 2014. Any available borrowing capacity is available for loans or the issuance of letters of credit. The ABL loan facility has been used primarily for issuing letters of credit that collateralize ICG s reclamation bonds. Subject to certain conditions, at any time prior to maturity, ICG will be able to elect to increase the size of the ABL loan facility, up to a maximum of $200.0 million. Availability under the ABL loan facility is determined using a borrowing base calculation.

On May 2, 2011, ICG received an adverse trial court ruling in the action filed by Allegheny Energy Supply and Monongahela Power Company (Allegheny) in the Court of Common Pleas of Allegheny County, Pennsylvania. In its ruling, the trial court judge held that ICG s Wolf Run Mining Company subsidiary breached its coal supply agreement with Allegheny and is liable for past and future damages and interest in the total amount of approximately $104.1 million. ICG intends to avail itself of post-verdict remedies and to appeal the ruling, if necessary. In the event of an appeal, ICG intends to post a bond in the amount of the ruling using cash on hand and available credit capacity.

ICG currently expects its total capital expenditures will be between $225.0 million to $245.0 million in 2011 for equipment and infrastructure at its existing operations, as well as for development at its Tygart Valley, Illinois and Vindex complexes. Cash paid for capital expenditures was approximately $31.1 million for the three months ended March 31, 2011 and approximately $102.9 million for the year ended December 31, 2010. ICG has funded and expects to continue to fund these capital expenditures from cash on hand, internal operations and equipment financing arrangements, such as its $50.0 million equipment revolving credit facility with Caterpillar Financial Services Corporation. ICG believes that these sources of capital will be sufficient to fund its anticipated capital expenditures through the first quarter of 2012, including initial development of its Tygart Valley complex. To the extent necessary, management believes it has flexibility on the timing of these cash requirements by managing the pace of capital spending. In addition, management may from time to time raise additional capital through the disposition of non-core assets, engaging in sale-leaseback transactions or utilizing ICG s shelf registration statement. The need and timing of seeking additional capital in the future will be subject to market condition.

Approximately $10.8 million of cash paid for capital expenditures for the three months ended March 31, 2011 was attributable to ICG s Central Appalachian operations. This amount represents investments of approximately $3.3 million in its Beckley mining complex, $2.4 million at Powell Mountain and $1.6 million at its Flint Ridge division. ICG paid approximately $9.5 million at its Northern Appalachian operations in the three months ended March 31, 2011. This amount represents investments of approximately $2.2 million at its Vindex complex, $5.3 million at Tygart Valley and $1.1 million at its Sentinel complex. Expenditures of approximately $9.0 million for ICG s Illinois Basin operation was for development of a new mine portal and ongoing improvements. Approximately $1.8 million of cash paid for capital expenditures for the three months ended March 31, 2011 was within its Ancillary segment.

Approximately $39.9 million of cash paid for capital expenditures for the year ended December 31, 2010 was attributable to ICG s Central Appalachian operations. This amount represents investments of approximately

$11.7 million in its Beckley mining complex, $9.7 million at Knott County and $9.8 million at its Raven division. ICG paid approximately $37.8 million at its Northern Appalachian operations in the year ended December 31, 2010. This amount represents investments of approximately $16.3 million at its Vindex complex, $7.5 million at Tygart Valley and $6.5 million at its Sentinel complex. Expenditures of approximately $21.5 million for its Illinois Basin

operations were for development of a new mine portal and ongoing operations improvements. Approximately $3.7 million of cash paid for capital expenditures for the year ended December 31, 2010 was within ICG s Ancillary segment.

More stringent regulatory requirements imposed upon the mining industry demand substantial capital expenditures to meet safety standards. For the three months ended March 31, 2011, ICG spent $0.6 million to meet these standards and anticipates spending an additional $3.7 million in 2011. For the year ended December 31, 2010, ICG spent $7.3 million to meet these standards and anticipates spending an additional $3.7 million in 2011. As a result of a recent explosion at a competitor s mine, additional safety requirements may increase ICG s capital and operating costs. See Risk Factors Risks to ICG Relating to Governmental Regulation New government regulations as a result of recent mining accidents could continue increasing ICG s costs.

In addition, in March 2010, the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA or, collectively with PPACA, the Health Care Reform Act) were enacted into law. As a result, ICG recorded a one-time, non-cash income tax charge of $0.8 million during the year ended December 31, 2010 to reflect the impact of this change. The Health Care Reform Act also includes a provision to remove lifetime caps on medical plans. ICG s retiree medical plan has such a cap and, as a result of removing this cap, ICG s postretirement benefit obligation was increased by $13.0 million. The prior service cost associated with the plan change will be amortized over the average remaining working life of the related employees. ICG incurred additional expense of $1.3 million for the year ended December 31, 2010 related to the remeasurement. The Health Care Reform Act also amended previous legislation related to coal workers pneumoconiosis (black lung), providing an automatic extension of awarded lifetime benefits to surviving spouses and providing changes to the legal criteria used to assess and award claims. These new provisions of the Health Care Reform Act may increase the number of future claims that are awarded benefits. ICG does not have sufficient claims experience since the Health Care Reform Act was passed to estimate the impact on its December 31, 2010 or March 31, 2011 black lung liability of the potential increase in the number of future claims that are awarded benefits. An increase in benefits awarded could have a material impact on ICG s financial position, results of operations or cash flows.

Cash Flows

Net cash provided by operating activities was $7.9 million for the three months ended March 31, 2011, an increase of $2.4 million from the same period in 2010. This increase is attributable to a $21.0 million increase due to the change in net operating assets and liabilities, offset by an $18.6 million decrease in net income, after adjustment for non-cash charges.

Net cash provided by operating activities was $187.4 million for the year ended December 31, 2010, an increase of $71.7 million from the same period in 2009. This increase is attributable to an increase in net operating assets and liabilities of $58.3 million and an increase in net income of $13.4 million, after adjustment for non-cash charges.

For the three months ended March 31, 2011, net cash used in investing activities was $30.5 million compared to $10.8 million for the three months ended March 31, 2010. For the three months ended March 31, 2011, $31.1 million of cash was paid for capital expenditures compared to $20.6 million in the same period of 2010. Cash flows from investing activities for the three months ended March 31, 2010 included $8.9 million due to the withdrawal of restricted cash previously pledged as collateral.

For the year ended December 31, 2010, net cash used in investing activities was $89.3 million compared to $73.2 million for the year ended December 31, 2009. For the year ended December 31, 2010, $102.9 million of cash was paid for capital expenditures at existing mining and ancillary operations compared to $66.3 million in the same period of 2009. Additionally, cash flows from investing activities for the year ended December 31, 2010 included

$8.9 million due to the withdrawal of restricted cash previously pledged as collateral.

Net cash used in financing activities was $6.1 million for the three months ended March 31, 2011, primarily the result of $6.2 million for payments on ICG s short- and long-term debt. Net cash provided by financing activities for the three months ended March 31, 2010 was $214.4 million. ICG received proceeds from its 2017 Convertible

Notes, 2018 Senior Notes and Common Stock offerings of $416.0 million. It used $181.6 million of these proceeds to repurchase a portion of its 2014 Senior Notes and $5.8 million to make payments on its short- and long-term debt. ICG also incurred additional finance costs of $14.2 million for the three months ended March 31, 2010 related to the debt offerings and its asset-based loan facility.

Net cash provided by financing activities was $24.5 million for the year ended December 31, 2010. ICG received proceeds from its 2017 Convertible Notes, 2018 Senior Notes and Common Stock offerings of $416.0 million. It used $358.4 million of these proceeds to repurchase a portion of its 2014 Senior Notes and 2012 Convertible Notes. Additionally, ICG made payments of $23.5 million on its short- and long-term debt obligations. ICG also incurred additional finance costs of $14.7 million for the year ended December 31, 2010 related to the debt offerings and its asset-based loan facility.

Net cash provided by operating activities was $115.7 million for the year ended December 31, 2009, an increase of $37.0 million from the same period in 2008. This increase is attributable to an increase in net income of $93.3 million, after adjustment for non-cash charges, offset by a decrease in net operating assets and liabilities of $56.3 million.

For the year ended December 31, 2009, net cash used in investing activities was $73.2 million compared to $124.0 million for the year ended December 31, 2008. For the year ended December 31, 2009, $66.3 million of cash was used for development of new mining complexes and to support existing mining operations compared to $132.8 million in 2008. Additionally, ICG collected proceeds from asset sales of $3.7 million during the year ended December 31, 2009 versus $8.8 million during the comparable period of 2008.

Net cash used by financing activities of $13.9 million for the year ended December 31, 2009 was due to repayments on ICG s short- and long-term debt of $24.3 million and finance costs incurred of $1.3 million. These amounts were partially offset by borrowings of $11.7 million provided by long- and short-term notes entered into during the year.

Credit Facility and Long-Term Debt Obligations

ICG s total long-term indebtedness, including capital lease obligations, consisted of the following (in thousands):

	March 31, 2011	December 31, 2010
9.125% Senior Notes, due 2018, net of debt discount of $1,276 and $1,308, respectively	$ 198,724	$ 198,692
4.00% Convertible Senior Notes, due 2017, net of debt discount of $30,958 and $31,882, respectively	84,042	83,118
9.00% Convertible Senior Notes, due 2012, net of debt discount of $24 and $28, respectively	707	703
Equipment notes	47,790	42,730
Capital lease and other	701	1,107
Total	331,964	326,350
Less current portion	(103,527)	(17,928)
Long-term debt and capital lease	$ 228,437	$ 308,422

All of ICG s long-term indebtedness will be redeemed, repaid or is expected to be converted in connection with the transactions. See The Transactions Financing Transactions.

9.125% Senior Notes Due 2018. On March 22, 2010, ICG completed a public offering of $200.0 million aggregate principal amount of its 2018 Senior Notes, with net proceeds of $193.6 million to ICG after deducting discounts and underwriting fees of $6.4 million. Interest on the 2018 Senior Notes is payable semi-annually in arrears on April 1st and October 1st of each year, commencing October 1, 2010. The obligations under the 2018

Senior Notes are fully and unconditionally guaranteed, jointly and severally, by all of ICG s wholly-owned domestic subsidiaries other than subsidiaries that are designated as unrestricted subsidiaries. The 2018 Senior Notes and the guarantees are secured by a second-priority lien on, and security interest in, substantially all of ICG s and the guarantors assets, junior to first-priority liens that secure ICG s ABL loan facility and certain other permitted liens under the indenture that governs the notes. Prior to April 1, 2014, ICG may redeem all or a part of the 2018 Senior Notes at a price equal to 100% of the principal amount plus an applicable make-whole premium and accrued and unpaid interest to the redemption date. ICG may redeem the 2018 Senior Notes, in whole or in part, beginning on April 1, 2014. The initial redemption price will be 104.563% of their aggregate principal amount, plus accrued and unpaid interest. The redemption price declines to 102.281% and 100.000% of their aggregate principal amount, plus accrued and unpaid interest, on April 1, 2015 and April 1, 2016 and thereafter, respectively. In addition, at any time and from time to time prior to April 1, 2013, ICG may redeem up to 35% of the 2018 Senior Notes at a redemption price equal to 109.125% of its principal amount plus accrued and unpaid interest using proceeds from sales of certain kinds of its capital stock. Upon the occurrence of a change of control or the sale of ICG s assets, it may be required to repurchase some or all of the notes.

The indenture governing the 2018 Senior Notes contains covenants that limit ICG s ability to, among other things, incur additional indebtedness, issue preferred stock, pay dividends, repurchase, repay or redeem its capital stock, make certain investments, sell assets and incur liens. As of December 31, 2010, ICG was in compliance with its covenants under the indenture.

4.00% Convertible Senior Notes Due 2017. On March 16, 2010, ICG completed a public offering of $115.0 million aggregate principal amount of its 2017 Convertible Notes. Net proceeds from the offering were $111.6 million, after deducting underwriting fees of $3.4 million. The 2017 Convertible Notes are ICG s senior unsecured obligations and are guaranteed jointly and severally on a senior unsecured basis by all of its material future and current domestic subsidiaries or that guarantee the ABL loan facility on a senior basis. The 2017 Convertible Notes and the related guarantees rank equal in right of payment to all of ICG s and the guarantors respective existing and future unsecured senior indebtedness. Interest is payable semi-annually in arrears on April 1st and October 1st of each year, commencing October 1, 2010. ICG assesses the convertibility of the 2017 Convertible Notes on an ongoing basis. The 2017 Convertible Notes were not convertible as of December 31, 2010.

The 2017 Convertible Notes are convertible into ICG s common stock, under certain circumstances, at an initial conversion price, subject to adjustment, of $5.81 per share (approximating 172.0874 shares per one thousand dollar principal amount of the 2017 Convertible Notes). Holders may convert their notes at their option prior to January 1, 2017 only under the following circumstances: (i) during any calendar quarter after the calendar quarter ending September 30, 2010 (and only during that quarter), if the closing sale price of ICG s common stock for each of 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 130% of the conversion price of such notes in effect on the last trading day of the immediately preceding calendar quarter; (ii) during the five consecutive business days immediately after any five consecutive trading day period, or the note measurement period, in which the trading price per note for each trading day of that note measurement period was equal to or less than 97% of the product of the closing sale price of shares of ICG s common stock and the applicable conversion rate for such trading day; and (iii) upon the occurrence of specified corporate transactions. In addition, the notes will be convertible irrespective of the foregoing circumstances from, and including, January 1, 2017 to, and including, the business day immediately preceding April 1, 2017. Upon conversion, ICG will have the right to deliver cash, shares of ICG s common stock or a combination thereof, at its election. At any time on or prior to the 23rd business day immediately preceding the maturity date, ICG may irrevocably elect to deliver solely shares of its common stock in respect of its conversion obligation or pay cash up to the aggregate principal amount of the notes to be converted and deliver shares of its common stock, cash or a combination thereof in respect of the remainder, if any, of the conversion obligation. It is ICG s current intention to settle the principal amount of any notes converted in cash. The conversion rate, and thus the conversion price, will be subject to adjustment. A

holder that surrenders notes for conversion in connection with a make-whole fundamental change that occurs before the maturity date may in certain circumstances be entitled to an increased conversion rate. In the event the 2017 Convertible Notes become convertible, ICG would be required to classify the entire amount outstanding of the 2017 Convertible Notes as a current liability.

9.00% Convertible Senior Notes Due 2012. In December 2009, ICG entered into a series of privately negotiated agreements to exchange shares for its outstanding 2012 Convertible Notes. In connection with such agreements, ICG issued a total of 18,660,550 shares of its common stock in exchange for $63.5 million aggregate principal amount of its 2012 Convertible Notes during December 2009. One of the exchange agreements, as amended, provided for closing of additional exchanges on each of January 11, 2010 and January 19, 2010 for exchange transactions occurring in 2010. Subsequent to December 31, 2009, the noteholder exchanged $22,000 aggregate principal amount of 2012 Convertible Notes for 6,198,668 shares of ICG s common stock. During 2010, ICG used the net proceeds from its Common Stock and 2017 Convertible Notes offerings to finance the repurchase of $138.8 million aggregate principal amount of 2012 Convertible Notes.

The 2012 Convertible Notes are ICG s senior unsecured obligations and are guaranteed on a senior unsecured basis by its material current and future domestic subsidiaries. The 2012 Convertible Notes and the related guarantees rank equal in right of payment to all of ICG s and the guarantors respective existing and future unsecured senior indebtedness. Interest is payable semi-annually in arrears on February 1st and August 1st of each year. ICG assesses the convertibility of the 2012 Convertible Notes on an ongoing basis. The 2012 Convertible Notes were not convertible as of December 31, 2010.

The principal amount of the 2012 Convertible Notes is payable in cash and amounts above the principal amount, if any, will be convertible into shares of ICG s common stock or, at its option, cash. The 2012 Convertible Notes are convertible into shares of its common stock, under certain circumstances, at an initial conversion price, subject to adjustment, of $6.10 per share (approximating 163.8136 shares per one thousand dollar principal amount of the 2012 Convertible Notes). The 2012 Convertible Notes are convertible upon the occurrence of certain events, including (i) prior to February 12, 2012 during any calendar quarter after September 30, 2007, if the closing sale price per share of ICG s common stock for each of 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 130% of the conversion price in effect on the last trading day of the immediately preceding calendar quarter; (ii) prior to February 12, 2012 during the five consecutive business days immediately after any five consecutive trading day period in which the average trading price for the notes on each day during such five trading day period was equal to or less than 97% of the closing sale price of ICG s common stock on such day multiplied by the then current conversion rate; (iii) upon the occurrence of specified corporate transactions; and (iv) at any time from, and including February 1, 2012 until the close of business on the second business day immediately preceding August 1, 2012. In addition, upon events defined as a fundamental change under the 2012 Convertible Notes indenture, ICG may be required to repurchase the 2012 Convertible Notes at a repurchase price in cash equal to 100% of the principal amount of the notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date. In the event the 2012 Convertible Notes become convertible, ICG would be required to classify the entire amount outstanding of the 2012 Convertible Notes as a current liability. In addition, if conversion occurs in connection with certain changes in control, ICG may be required to deliver additional shares of its common stock (a make-whole premium) by increasing the conversion rate with respect to such notes.

Asset-Based Loan Facility. On February 22, 2010, ICG entered into an ABL loan facility which replaced its prior senior secured credit facility. The ABL loan facility is a $125.0 million senior secured facility with a four-year term, all of which is available for loans or the issuance of letters of credit. Subject to certain conditions, at any time prior to maturity, ICG will be able to elect to increase the size of the ABL loan facility, up to a maximum of $200.0 million. Availability under the ABL loan facility is determined using a borrowing base calculation. The ABL loan facility is guaranteed by all of ICG s current and future wholly-owned subsidiaries and secured by a first priority security interest on all of ICG s and each of its guarantors existing and after-acquired real and personal property, including all outstanding equity interests of ICG s wholly-owned subsidiaries. The ABL loan facility has a maturity date of February 22, 2014. The ABL loan facility has an early acceleration provision if more than $20.0 million aggregate principal amount of 2012 Convertible Notes were to have remained outstanding as of January 31, 2012. With the

repurchases of the 2012 Convertible Notes that occurred during the year ended December 31, 2010, this provision has been satisfied. As of December 31, 2010, ICG had a borrowing capacity of $105.9 million under the ABL loan facility with no borrowings outstanding, letters of credit totaling $86.3 million outstanding and $19.6 million available for future borrowing, and was in compliance with its financial covenants under the ABL loan facility. The ABL loan facility was amended on May 6, 2010 for minor technical corrections.

Equipment Notes. The equipment notes, having various maturity dates extending to April 2015, are collateralized by mining equipment. As of December 31, 2010, ICG had amounts outstanding with terms ranging from 36 to 60 months and a weighted-average interest rate of 7.38%. As of December 31, 2010, ICG had a borrowing capacity of $19.4 million available under its revolving equipment credit facility for terms from 36 to 60 months at an interest rate of 6.25%.

Capital Lease and Other. ICG leases certain mining equipment under a capital lease. It imputed interest on its capital lease using a rate of 10.44%.

Other

As a regular part of its business, ICG reviews opportunities for, and engages in discussions and negotiations concerning, the acquisition of coal mining assets and interests in coal mining companies, and acquisitions of, or combinations with, coal mining companies. When it believes that these opportunities are consistent with its growth plans and its acquisition criteria, ICG will make bids or proposals and/or enter into letters of intent and other similar agreements, which may be binding or nonbinding, that are customarily subject to a variety of conditions and usually permit it to terminate the discussions and any related agreement if, among other things, it is not satisfied with the results of its due diligence investigation. Any acquisition opportunities ICG pursues could materially affect its liquidity and capital resources and may require it to incur indebtedness, seek equity capital or both. There can be no assurance that additional financing will be available on terms acceptable to ICG, or at all.

Additionally, ICG has other long-term liabilities, including, but not limited to, mine reclamation and closure costs, below-market coal supply agreements and black lung costs, and some of its subsidiaries have long-term liabilities relating to retiree health and other employee benefits.

ICG s ability to meet its long-term debt obligations will depend upon its future performance, which in turn, will depend upon general economic, financial and business conditions, along with competition, legislation and regulation factors that are largely beyond its control. ICG believes that cash flow from operations, together with other available sources of funds, including additional borrowings under the ABL loan facility and equipment credit facility, will be adequate at least through the first quarter of 2012 for making required payments of principal and interest on its indebtedness and for funding anticipated capital expenditures and working capital requirements. To the extent necessary, management believes it has some flexibility to manage its cash requirements by controlling the pace and timing of capital spending, utilizing availability under its credit facilities, reducing certain costs and idling low-margin operations. In addition, management may from time to time raise additional capital through the disposition of non-core assets, engaging in sale-leaseback transactions or utilizing ICG s shelf registration statement. However, ICG cannot assure you that its operating results, cash flow and capital resources will be sufficient for repayment of its debt obligations in the future.

ICG s 2012 Convertible Notes and 2017 Convertible Notes became convertible at the option of the holders beginning April 1, 2011. Upon any conversion of the 2012 Convertible Notes or 2017 Convertible Notes, the principal amount of the 2012 Convertible Notes or 2017 Convertible Notes will be settled in cash and any excess conversion value may be settled in cash or in shares of common stock at the option of ICG. In the event that a holder elects to convert its 2012 Convertible Notes or 2017 Convertible Notes, ICG expects to fund any cash settlement of any such conversion from cash on hand.

Contractual Obligations

The following is a summary of ICG s significant future contractual obligations by year as of December 31, 2010 (in thousands) without giving effect to the transactions:

	Payments Due by Period				
	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years	Total
Long-term debt and capital lease[1]	$ 43,424	$ 72,784	$ 46,988	$ 361,813	$ 525,009
Postretirement medical benefits	626	2,513	3,793	381,570	388,502
Minimum royalties	10,814	17,565	15,343	27,207	70,929
Diesel fuel purchase obligations[2]	31,398				31,398
Explosives purchase obligations[2]	13,154				13,154
Advisory Services Agreement[3]	1,500				1,500
Operating leases	131	83	6		220
Total	$ 101,047	$ 92,945	$ 66,130	$ 770,590	$ 1,030,712

(1) Amounts are inclusive of interest assuming interest rates of 9.125% for ICG s 2018 Senior Notes, 4.0% for its 2017 Convertible Notes, 9.0% for its 2012 Convertible Notes and ranging from 5.46% to 10.09% on its equipment notes.
(2) Reflects estimates of obligations.
(3) Relates to an Advisory Services Agreement, dated as of October 1, 2004, between WL Ross & Co. LLC WLR and ICG.

ICG has excluded $3,133 of uncertain tax liabilities as defined in ASC Topic 740, Income Taxes, from the table above due to the uncertainty of timing of future cash flows.

As of December 31, 2010, ICG had fulfilled all of its contractual coal purchase obligations.

Off-Balance Sheet Arrangements

In the normal course of business, ICG is a party to certain off-balance sheet arrangements. These arrangements include guarantees and financial instruments with off-balance sheet risk, such as bank letters of credit and performance or surety bonds. No liabilities related to these arrangements are reflected in ICG s consolidated balance sheets and ICG does not expect any material adverse effects on its financial condition, results of operations or cash flows to result from these off-balance sheet arrangements.

Federal and state laws require ICG to secure payment of certain long-term obligations, such as mine closure and reclamation costs, coal leases and other obligations. ICG typically secures these payment obligations by using surety bonds, an off-balance sheet instrument. The use of surety bonds is less expensive than posting an all cash bond or a bank letter of credit, either of which would require a greater use of ICG s credit facility. ICG then uses bank letters of credit to secure its surety bonding obligations as a lower cost alternative than securing those bonds with cash. ICG currently has a $124.6 million committed bonding facility pursuant to which it is required to provide bank letters of credit in an amount up to 50% of the aggregate bond liability. Recently, surety bond costs have increased, while the

market terms of surety bonds have generally become less favorable. To the extent that surety bonds become unavailable, ICG would seek to secure its reclamation obligations with letters of credit, cash deposits or other suitable forms of collateral.

As of December 31, 2010, ICG had outstanding surety bonds with third parties for post-mining reclamation totaling $121.1 million, plus $3.5 million for miscellaneous purposes. As of December 31, 2010, ICG maintained letters of credit totaling $86.3 million to secure reclamation surety bonds and other obligations.

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Inflation

Inflation in the United States has been relatively low in recent years and did not have a material impact on results of operations for the years ended December 31, 2010, 2009 and 2008. Although the impact of inflation has been insignificant in recent years, it is still a factor in the global economy and may increase the cost to acquire or replace property, plant and equipment and may increase the costs of labor and commodities.

Recent Accounting Pronouncements

See Note 2 Summary of Significant Policies and General Recent Accounting Pronouncements to ICG s audited consolidated financial statements for the fiscal year ended December 31, 2010 related to recently issued accounting pronouncements, which information is included and incorporated by reference in this prospectus supplement.

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BUSINESS OVERVIEW

Our Combined Company

We are one of the world s largest private sector coal producers. We produce, process and sell steam and metallurgical coal. Our combined company will have operations in all major U.S. coal basins, providing us with important geographical diversity and operational flexibility. The diversity of our operations enables us to source coal from multiple locations to meet the needs of our customers, including U.S. and international power producers and steel manufacturers.

The high quality of our coal, our access to key infrastructure hubs and the availability of multiple transportation options (including rail, truck and barge) equip us to compete both in the domestic coal market as well as the growing global seaborne coal markets. For the year ended December 31, 2010, on a pro forma basis giving effect to our acquisition of ICG, we would have sold 179 million tons of coal, including eight million tons of metallurgical coal, and generated net sales of $4.3 billion.

Prior to the ICG acquisition, our principal assets as of December 31, 2010 included:

- Powder River Basin operations, including two mining complexes;
- Western Bituminous operations, including five mining complexes;
- Central Appalachian operations, including four mining complexes;
- transportation and logistics holdings, including a 22% partnership interest in Dominion Terminal Associates which operates a coal export facility on the East Coast and a shipping terminal with a six million ton annual capacity with access to the Ohio River for shipment on inland waterways; and
- approximately 4,700 full and part-time employees.

In addition, during the first quarter of 2011, we expanded our access to the seaborne coal markets by purchasing a 38% ownership interest in Millennium Bulk Terminals-Longview LLC which is developing coal export capacity on the West Coast and by entering into a throughput agreement with Canadian Crown Corporation Ridley Terminals Inc. in British Columbia, Canada.

As a result of the ICG acquisition, we will acquire a number of new assets, including:

- Central Appalachian operations, including eight mining complexes;
- Northern Appalachian operations, including four mining complexes;
- an Illinois Basin operation, including one mining complex;
- three development properties, including the Tygart Valley #1 mine complex which is designed to have up to 3.5 million tons of capacity per year of high quality metallurgical and steam coal; and
- approximately 2,800 employees.

Our Mining Operations

General

At December 31, 2010, on a pro forma basis giving effect to the merger, we operated, or contracted out the operation of 46 mines across the five major coal basins in the United States: the Powder River Basin, the Western Bituminous region, the Central Appalachia region, the Northern Appalachia region, and the Illinois Basin. Prior to the acquisition we operated in the Powder River Basin, the Western Bituminous region, the Central Appalachia region, and owned a minority interest in an Illinois Basin operation. Through the merger, we will grow our previously existing operations in the Central Appalachia region, broaden our footprint to the Northern Appalachia region and establish an operating presence in the Illinois Basin. These geographically diverse regions are characterized by distinct differences in geology, coal transportation routes to consumers, regulatory environments and coal quality.

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We are the second largest producer in the Powder River Basin based on 2010 production with operations located in Wyoming including two surface mining complexes (Black Thunder and Coal Creek). We are the largest producer in the Western Bituminous region based on 2010 production with operations located in southern Wyoming, Colorado and Utah including four underground mining complexes (Dugout Canyon, Skyline, Sufco and West Elk) and one surface mining complex (Arch of Wyoming). Pro forma for the merger, we would have been the second largest producer in Central Appalachia based on 2010 production. Our operations in the Central Appalachia region, owned prior to the merger, include four mining complexes (Coal-Mac, Cumberland River, Lone Mountain and Mountain Laurel) located in southern West Virginia, eastern Kentucky and southwestern Virginia. Through the merger, we will gain eight mining complexes (Eastern, Hazard, Flint Ridge, Knott County, Raven, East Kentucky, Beckley, and Powell Mountain) and two development assets (White Wolf and Jennie Creek) located in West Virginia and Kentucky. Our operations in the Northern Appalachia region, all of which will be acquired through the merger, include four active mining complexes (Vindex, Patriot, Wolf Run Buckhannon Division, and Sentinel) and one development asset (Tygart Valley) located in Maryland, Virginia, and West Virginia. Our operations in the Illinois Basin include our minority stake in Knight Hawk, owned prior to the merger, and the acquired Viper mining complex.

In general, we have developed our mining complexes and preparation plants at strategic locations in close proximity to rail or barge shipping facilities. Coal is transported from our mining complexes to customers by means of railroads, trucks, barge lines, and ocean-going vessels from terminal facilities. We currently own or lease under long-term arrangements a substantial portion of the equipment utilized in our mining operations. We employ sophisticated preventative maintenance and rebuild programs and upgrade our equipment to ensure that it is productive, well-maintained and cost-competitive. Our maintenance programs also employ procedures designed to enhance the efficiencies of our operations.

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The following table provides a summary of information regarding our active mining complexes at December 31, 2010 on a pro forma basis, the total tons sold by each of these complexes for the years ended December 31, 2008, 2009 and 2010 and the total reserves associated with these complexes at December 31, 2010. The information included in the following table describes in more detail our mining operations, the coal mining methods used, certain characteristics of our coal and the method by which we transport coal from our mining operations to our customers or other third parties.

ng Complex	Captive Mines[1]	Contract Mines[1]	Mining Equipment	Railroad	Tons Sold[2] 2008	2009 (tons in millions)	2010	Assigned Reserves (tons in millions)	Tota Reserv (tons millio
der River Basin:									
k Thunder	S		D, S	UP/BN	88.5	81.2	116.2	1,405.7	1,40
Creek	S		D, S	UP/BN	11.5	9.8	11.4	184.8	18
Coal unassigned ves									1,66
on Total					**100.0**	**91.0**	**127.6**	**1,590.5**	**3,25**
ern Bituminous:									
of Wyoming	S		L	UP	0.2	0.1	0.1	14.8	1
ut Canyon	U		LW, CM	UP	4.3	3.2	2.3	10.8	1
ne	U		LW, CM	UP	3.3	2.8	2.9	17.1	1
)	U		LW, CM	UP	7.4	6.6	6.1	56.5	5
Elk	U		LW, CM	UP	5.3	4.0	4.8	63.7	6
Coal unassigned ves									29
on Total					**20.5**	**16.7**	**16.2**	**162.9**	**45**
ois Basin:									
:*	U		CM		2.3	2.3	2.4	47.6	4
Natural Resources*									32
Coal unassigned ves									36
on Total					**2.3**	**2.3**	**2.4**	**47.6**	**73**
ral Appalachia:									
-Mac	S	U	L, E	NS/CSX	3.7	2.9	3.2	33.5	3
berland River	S(1), U(3)	U(4)	L, CM, HW	NS	2.4	1.6	1.5	29.9	2
Mountain	U(3)		CM	NS/CSX	2.7	2.2	2.1	30.5	3
ntain Laurel	U	S(2)	L, LW, CM	CSX	4.3	4.4	5.1	80.9	8
rn*	S		L, E	CSX	3.3	2.3	1.9	7.7	
rd*	S(4)		L	CSX	4.0	3.7	3.4	65.1	7
Ridge*	U		CM	CSX	1.1	0.7	0.9	20.2	2
t County*	U(2)		CM	CSX	1.0	0.6	0.4	15.7	1
n*	U(3)		CM	CSX	0.7	0.7	0.7	18.5	1
Kentucky*	S		L	NS	1.0	0.9	0.7	0.9	
ley*	U		CM	CSX	0.5	0.8	1.0	30.2	3

ell Mountain*	U		CM	NS, CSX	0.1	0.3	0.3	4.6	2
e Wolf*			CM	NS					2
Natural Resources*				NS				14.2	4
Coal unassigned ves									19
on Total					**24.8**	**21.1**	**21.2**	**351.9**	**63**
hern Appalachia:									
ex Energy Corporation*	S(3), U(1)		L, S	CSX	1.0	0.7	1.0	12.6	6
ot Mining Company*	S		L	NS, CSX	0.9	0.7	0.7	8.7	
Run Mining Buchannon ion*	U(1)	U(1)	CM	CSX	1.0	1.0	1.1	22.0	5
nel*	U		CM	CSX	1.0	1.3	1.3	44.3	4
Quest (Tygart Valley)*			CM, LW	CSX					18
Natural Resources*									9
on Total					**3.9**	**3.7**	**4.1**	**87.6**	**45**
nd Total					**151.5**	**134.8**	**171.5**	**2,240.5**	**5,53**

(footnotes appear on following page)

Key:

*Asset gained in acquisition of ICG	D = Dragline	UP = Union Pacific Railroad
S = Surface mine	L = Loader/truck	CSX = CSX Transportation
U = Underground mine	S = Shovel/truck	BN = Burlington Northern-Santa Fe Railway
	E = Excavator/truck	NS = Northern Southern Railroad
	LW = Longwall	
	CM = Continuous miner	
	HW = Highwall miner	

(1) Amounts in parentheses indicate the number of captive and contract mines at the mining complex at December 31, 2010. Captive mines are mines that we own and operate on land owned or leased by us. Contract mines are mines that other operators mine for us under contracts on land owned or leased by us.

(2) Tons of coal we purchased from third parties that were not processed through our loadout facilities are not included in the amounts shown in the table above.

(3) Total reserves include 431 million tons of metallurgical quality coal (72.6 million tons of low- or mid-volatile quality, 202.7 million tons of rank A high-volatile quality and the remainder rank B high-volatile or pulverized coal injection quality).

Pre-Merger Operations

Powder River Basin

Black Thunder. Black Thunder is a surface mining complex located on approximately 33,800 acres in Campbell County, Wyoming. The Black Thunder mining complex extracts steam coal from the Upper Wyodak and Main Wyodak seams. The Black Thunder mining complex shipped 116.2 million tons of coal in 2010.

We control a significant portion of the coal reserves through federal and state leases. The Black Thunder mining complex had approximately 1,405.7 million tons of proven and probable reserves at December 31, 2010. The air quality permit for the Black Thunder mine allows for the mining of coal at a rate of 190.0 million tons per year. Without the addition of more coal reserves, the current reserves could sustain current production levels until 2021 before annual output starts to significantly decline, although in practice production would drop in phases extending the ultimate mine life. Several large tracts of coal adjacent to the Black Thunder mining complex have been nominated for lease, and other potential large areas of unleased coal remain available for nomination by us or other mining operations. The U.S. Department of Interior Bureau of Land Management, which we refer to as the BLM, will determine if the tracts will be leased and, if so, the final boundaries of, and the coal tonnage for, these tracts.

The Black Thunder mining complex currently consists of seven active pit areas and three loadout facilities. We ship all of the coal raw to our customers via the Burlington Northern-Santa Fe and Union Pacific railroads. We do not process the coal mined at this complex. Each of the loadout facilities can load a 15,000-ton train in less than two hours.

Coal Creek. Coal Creek is a surface mining complex located on approximately 7,400 acres in Campbell County, Wyoming. The Coal Creek mining complex extracts steam coal from the Wyodak-R1 and Wyodak-R3 seams. The

Coal Creek mining complex shipped 11.4 million tons of coal in 2010.

We control a significant portion of the coal reserves through federal and state leases. The Coal Creek mining complex had approximately 184.8 million tons of proven and probable reserves at December 31, 2010. The air quality permit for the Coal Creek mine allows for the mining of coal at a rate of 50.0 million tons per year. Without the addition of more coal reserves, the current reserves will sustain current production levels until 2025 before annual output starts to significantly decline. One tract of coal adjacent to the Coal Creek mining complex has been nominated for lease, and other potential areas of unleased coal remain available for nomination by us or other mining operations. The BLM will determine if these tracts will be leased and, if so, the final boundaries of, and the coal tonnage for, these tracts.

The Coal Creek complex currently consists of two active pit areas and a loadout facility. We ship all of the coal raw to our customers via the Burlington Northern-Santa Fe and Union Pacific railroads. We do not process the coal mined at this complex. The loadout facility can load a 15,000-ton train in less than three hours.

Western Bituminous

Arch of Wyoming. Arch of Wyoming is a surface mining complex located in Carbon County, Wyoming. The Arch of Wyoming complex currently consists of one active surface mine and four inactive mines located on approximately 58,000 acres that are in the final process of reclamation and bond release. The Arch of Wyoming mining complex extracts steam coal from the Johnson seam. The Arch of Wyoming complex shipped 0.1 million tons of coal in 2010.

We control a significant portion of the coal reserves associated with this complex through federal, state and private leases. The active Arch of Wyoming mining operations had approximately 14.8 million tons of proven and probable reserves at December 31, 2010. The air quality permit for the active Arch of Wyoming mining operation allows for the mining of coal at a rate of 2.5 million tons per year. Without the addition of more coal reserves, the current reserves will sustain current production levels until 2018 before annual output starts to significantly decline.

The active Arch of Wyoming mining operations currently consist of one active pit area. We ship all of the coal raw to our customers via the Union Pacific railroad and by truck. We do not process the coal mined at this complex.

Dugout Canyon. Dugout Canyon mine is an underground mining complex located on approximately 18,572 acres in Carbon County, Utah. The Dugout Canyon mining complex has extracted steam coal from the Rock Canyon and Gilson seams. The Dugout Canyon mining complex shipped 2.3 million tons of coal in 2010.

We control a significant portion of the coal reserves through federal and state leases. The Dugout Canyon mining complex had approximately 10.8 million tons of proven and probable reserves at December 31, 2010. The coal seam currently being mined will sustain current production levels until approximately mid-2012, at which point we will need to transition to another coal seam to continue mining.

The complex currently consists of a longwall, three continuous miner sections and a truck loadout facility. We ship all of the coal to our customers via the Union Pacific railroad or by highway trucks. We wash a portion of the coal we produce at a 400-ton-per-hour preparation plant. The loadout facility can load approximately 20,000 tons of coal per day into highway trucks. Coal shipped by rail is loaded through a third-party facility capable of loading an 11,000-ton train in less than three hours.

Skyline. Skyline is an underground mining complex located on approximately 13,230 acres in Carbon and Emery Counties, Utah. The Skyline mining complex extracts steam coal from the Lower O Conner A seam. The Skyline mining complex shipped 2.9 million tons of coal in 2010.

We control a significant portion of the coal reserves through federal leases and smaller portions through county and private leases. The Skyline mining complex had approximately 17.1 million tons of proven and probable reserves at December 31, 2010. The reserve area currently being mined will sustain current production levels through 2012, at which point we plan to transition to a new reserve area in order to continue mining.

The Skyline complex currently consists of a longwall, two continuous miner sections and a loadout facility. We ship most of the coal raw to our customers via the Union Pacific railroad or by highway trucks. We process a portion of the coal mined at this complex at a nearby preparation plant. The loadout facility can load a 12,000-ton train in less than four hours.

Sufco. Sufco is an underground mining complex located on approximately 27,550 acres in Sevier County, Utah. The Sufco mining complex extracts steam coal from the Upper Hiawatha seam. The Sufco mining complex shipped 6.1 million tons of coal in 2010.

We control a significant portion of the coal reserves through federal and state leases. The Sufco mining complex had approximately 56.5 million tons of proven and probable reserves at December 31, 2010. The coal seam currently being mined will sustain current production levels through 2020, at which point a new coal seam will have to be accessed in order to continue mining.

The Sufco complex currently consists of a longwall, three continuous miner sections and a loadout facility located approximately 80 miles from the mine. We ship all of the coal raw to our customers via the Union Pacific railroad or by highway trucks. Processing at the mine site consists of crushing and sizing. The rail loadout facility is capable of loading an 11,000-ton train in less than three hours.

West Elk. West Elk is an underground mining complex located on approximately 17,900 acres in Gunnison County, Colorado. The West Elk mining complex extracts steam coal from the E seam. The West Elk mining complex shipped 4.8 million tons of coal in 2010.

We control a significant portion of the coal reserves through federal and state leases. The West Elk mining complex had approximately 63.7 million tons of proven and probable reserves at December 31, 2010. Without the addition of more coal reserves, the current reserves will sustain current production levels through 2019 before annual output starts to significantly decline.

The West Elk complex currently consists of a longwall, two continuous miner sections and a loadout facility. We ship most of the coal raw to our customers via the Union Pacific railroad. In 2010, we finished constructing a new coal preparation plant with supporting coal handling facilities at the West Elk mine site. The loadout facility can load an 11,000-ton train in less than three hours.

Illinois Basin

Knight Hawk Investment. Arch Coal has a 49% equity interest in Knight Hawk, a coal producer in the Illinois Basin.

Central Appalachia

Coal-Mac. Coal-Mac is a surface and underground mining complex located on approximately 46,800 acres in Logan and Mingo Counties, West Virginia. Surface mining operations at the Coal-Mac mining complex extract steam coal primarily from the Coalburg and Stockton seams. Underground mining operations at the Coal-Mac mining complex extract steam coal from the Coalburg seam. The Coal-Mac mining complex shipped 3.2 million tons of coal in 2010.

We control a significant portion of the coal reserves through private leases. The Coal-Mac mining complex had approximately 33.5 million tons of proven and probable reserves at December 31, 2010. Without the addition of more coal reserves, the current reserves will sustain current production levels until 2020 before annual output starts to significantly decline.

The complex currently consists of one captive surface mine, one contract underground mine, a preparation plant and two loadout facilities, which we refer to as Holden 22 and Ragland. We ship coal trucked to the Ragland loadout facility directly to our customers via the Norfolk Southern railroad. The Ragland loadout facility can load a 12,000-ton train in less than four hours. We ship coal trucked to the Holden 22 loadout facility directly to our customers via the CSX railroad. We wash all of the coal transported to the Holden 22 loadout facility at an adjacent 600-ton-per-hour preparation plant. The Holden 22 loadout facility can load a 10,000-ton train in about four hours.

Cumberland River. Cumberland River is an underground and surface mining complex located on approximately 19,940 acres in Wise County, Virginia and Letcher County, Kentucky. Surface mining operations at the Cumberland River mining complex extract steam coal from approximately 20 different coal seams from the Imboden seam to the High Splint No. 14 seam. Underground mining operations at the Cumberland River mining complex extract steam and metallurgical coal from the Imboden, Taggart Marker, Middle Taggart, Upper Taggart, Owl, and Parsons seams. The Cumberland River mining complex shipped 1.5 million tons of coal in 2010.

We control a significant portion of the coal reserves through private leases. The Cumberland River mining complex had approximately 29.9 million tons of proven and probable reserves at December 31, 2010. Without the addition of more coal reserves, the current reserves will sustain current production levels until 2017 before annual output starts to significantly decline.

The complex currently consists of seven underground mines (three captive, four contract) operating seven continuous miner sections, one captive surface operation, one captive highwall miner, a preparation plant and a loadout facility. We ship approximately one-third of the coal raw. We process the remaining two-thirds of the coal through a 750-ton-per-hour preparation plant before shipping it to our customers via the Norfolk Southern railroad. The loadout facility can load a 12,500-ton train in less than four hours.

Lone Mountain. Lone Mountain is an underground mining complex located on approximately 22,000 acres in Harlan County, Kentucky and Lee County, Virginia. The Lone Mountain mining complex extracts steam and metallurgical coal from the Kellioka, Darby and Owl seams. The Lone Mountain mining complex shipped 2.1 million tons of coal in 2010.

We control a significant portion of the coal reserves through private leases. The Lone Mountain mining complex had approximately 30.5 million tons of proven and probable reserves at December 31, 2010. Without the addition of more coal reserves, the current reserves will sustain current production levels until 2020 before annual output starts to significantly decline.

The complex currently consists of three underground mines operating a total of seven continuous miner sections. We convey coal mined in Kentucky to Virginia before we process it through a 1,200-ton-per-hour preparation plant. We then ship the coal to our customers via the Norfolk Southern or CSX railroad. The loadout facility can load a 12,500-ton unit train in less than four hours.

Mountain Laurel. Mountain Laurel is an underground and surface mining complex located on approximately 38,280 acres in Logan County, West Virginia. Underground mining operations at the Mountain Laurel mining complex extract steam and metallurgical coal from the Cedar Grove and Alma seams. Surface mining operations at the Mountain Laurel mining complex extract coal from a number of different splits of the Five Block, Stockton and Coalburg seams. The Mountain Laurel mining complex shipped 5.1 million tons of coal in 2010.

We control a significant portion of the coal reserves through private leases. The Mountain Laurel mining complex had approximately 80.9 million tons of proven and probable reserves at December 31, 2010. The longwall mine is expected to operate through at least 2017 and potentially longer. In addition, the existing reserve base should support continuous miner operations for many years beyond that date.

The complex currently consists of one underground mine operating a longwall and a total of five continuous miner sections, two contract surface operations, a preparation plant and a loadout facility. We process most of the coal through a 2,100-ton-per-hour preparation plant before shipping the coal to our customers via the CSX railroad. The loadout facility can load a 15,000-ton train in less than four hours.

ICG Operations Being Acquired

Illinois Basin

Viper. Viper is a large underground coal mine located in central Illinois. Viper commenced mining operations in 1982 and produces steam coal from the Illinois No. 5 seam, also referred to as the Springfield seam. Viper controlled approximately 47.6 million tons of coal reserves as of December 31, 2010. Approximately 83% of the coal reserves are leased, while 17% are owned in fee. The leases are retained by annual minimum payments and by tonnage-based royalty payments.

The Viper mine is a room-and-pillar operation, utilizing continuous miners and battery coal haulers. All of the raw coal is processed at Viper s preparation plant and shipped by truck to utility and industrial customers located in North Central Illinois. A major rail line is located a short distance from the plant, giving Viper the option of constructing a rail loadout. Shipments to electric utilities account for approximately 74% of coal sales during the year ended December 31, 2010.

Development of a new portal facility is underway that will allow Illinois to eliminate the operation and maintenance of over five miles of underground beltlines and to seal and close the previously mined area.

Central Appalachia

Eastern. Eastern operates the Birch River surface mine, located 60 miles east of Charleston, near Cowen in Webster County, West Virginia. Birch River is extracting coal from the Freeport, Upper Kittanning, Middle Kittanning, Upper Clarion and Lower Clarion coal seams. Birch River controlled an estimated 7.3 million tons of coal reserves as of December 31, 2010, of which approximately 2.0 million tons are deep minable. Eastern s first underground mine will be developed in 2011. Additional potential reserves, mineable by both surface and deep

mining methods, have been identified in the immediate vicinity of the Birch River mine and exploration activities are currently being conducted in order to add those potential reserves to the reserve base.

The coal reserves are predominantly leased. The leases are retained by annual minimum payments and by tonnage-based royalty payments. Most of the leased reserves are held by five lessors. Most of the leases can be renewed until all mineable and merchantable coal has been exhausted. Overburden is removed by an excavator, front-end loaders, end dumps and bulldozers. Approximately one-third of the total coal sales are run-of-mine, while the other two-thirds are washed at Birch River s preparation plant. Coal is transported by conveyor belt from the preparation plant to Birch River s rail loadout, which is served by CSX via the A&O Railroad, a short-line carrier that is partially owned by CSX.

Hazard. Hazard currently operates four surface mines, a unit train loadout (Kentucky River Loading) and other support facilities in eastern Kentucky, near Hazard. Hazard s four surface mines include East Mac & Nellie, Rowdy Gap, Bearville and Thunder Ridge. The coal from these mines is being extracted from the Hazard 10, Hazard 9, Hazard 8, Hazard 7 and Hazard 5A seams. Nearly all of the coal is marketed as a blend of run-of-mine product with the remainder being washed. Overburden is removed by front-end loaders, end dumps, bulldozers and cast blasting. East Mac & Nellie also utilizes a large capacity hydraulic shovel. Coal is transported by on-highway trucks from the mines to the Kentucky River Loading rail loadout, which is served by CSX. Some coal is direct shipped to the customer by truck from the mine pits.

ICG estimates that Hazard controlled 75.5 million tons of coal reserves as of December 31, 2010, including approximately 10.4 million tons of deep mineable reserves. Hazard also controls 10.3 million tons of coal that is classified as non-reserve coal deposits. Most of the property has been adequately explored, but additional core drilling will be conducted within specified locations to better define the reserves.

Approximately 63% of Hazard s reserves are leased. Most of the leased reserves are held by seven lessors. In several cases, Hazard has multiple leases with each lessor. The leases are retained by annual minimum payments and by tonnage-based royalty payments. Most of the leases can be renewed until all mineable and merchantable coal has been exhausted.

Flint Ridge. Flint Ridge, located near Breathitt County, Kentucky, operates one underground mine and one preparation plant. The mine operates in the Hazard 8 seam.

Flint Ridge s underground mine is a room-and-pillar operation, utilizing continuous miners and shuttle cars. All of the run-of-mine coal is processed at the Flint Ridge preparation plant. Since July 2005, it has been processing coal from the Hazard and Flint Ridge mining complexes.

The majority of the processed coal is trucked to the Kentucky River Loading rail loadout. Some processed coal is trucked directly to the customer from the preparation facility.

ICG estimates that Flint Ridge controlled 20.3 million tons of coal reserves, plus 0.1 million tons of non-reserve coal deposits as of December 31, 2010. Approximately 97% of Flint Ridge s reserves are leased, while 3% are owned in fee. The leases are retained by annual minimum payments and by tonnage-based royalty payments. Most of the leases can be renewed until all mineable and merchantable coal has been exhausted.

Knott County. Knott County operates two underground mines, the Supreme Energy preparation plant and rail loadout and other facilities necessary to support the mining operations near Kite, Kentucky. Knott County is producing coal from the Elkhorn 3 coal seam in the Classic and Kathleen mines. Mining of the Calvary mine was completed in 2010. Two additional properties are in the process of being permitted for underground mine development. ICG estimates

that Knott County controlled 18.1 million tons of coal reserves as of December 31, 2010. A significant portion of the property has been explored, but additional core drilling will be conducted within specified locations to better define the reserves.

Approximately 13% of Knott County s reserves are owned in fee, while approximately 87% are leased. The leases are retained by annual minimum payments and by tonnage-based royalty payments. The leases typically can be renewed until all mineable and merchantable coal has been exhausted.

Knott County s two underground mines are room-and-pillar operations, utilizing continuous miners and shuttle cars. The coal is processed at the Supreme Energy preparation plant. All of Knott County s coal is transported by rail from loadouts served by CSX.

Raven. Raven, located in Knott County, Kentucky, operates three underground mines (Raven #1, Slones Branch and Lige Hollow) and the Raven preparation plant. Raven #1 and Slones Branch are producing coal from the Elkhorn 2 coal seam and Lige Hollow is producing coal from the Amburgy seam. Two additional properties are in the process of being permitted for underground mine development. ICG estimates that Raven controlled 19.5 million tons of coal reserves as of December 31, 2010. Most of the property has been extensively explored, but additional core drilling will be conducted within specified locations to better define the reserves.

The Raven #1 and Slones Branch reserves are all leased from one lessor, Penn Virginia Resource Partners, L.P. Lige Hollow s leased reserves are held by multiple lessors. The leases are retained by annual minimum payments and by tonnage-based royalty payments.

Raven s three underground mines are room-and-pillar operations, utilizing continuous miners and shuttle cars. The coal is processed at the Raven preparation plant. Nearly all of Raven s coal is transported by rail via CSX.

East Kentucky. East Kentucky is a surface mining operation located in Martin and Pike Counties, Kentucky, near the Tug Fork River. East Kentucky currently operates the Mt. Sterling surface mine and the Sandlick loadout. The loadout is serviced by Norfolk Southern railroad. Mining of the Peelpoplar surface mine was completed in 2010.

Mt. Sterling is a surface mine that produces coal from the Taylor, Coalburg, Winifrede, Buffalo and Stockton coal seams. All of the coal is sold run-of-mine (i.e., not graded according to size or quality). ICG estimates that the Mt. Sterling mine controlled 0.9 million tons of coal reserves as of December 31, 2010, of which 84% are owned. No additional exploration is required. Overburden at the Mt. Sterling mine is removed by front-end loaders, end dumps, bulldozers and cast blasting. Coal from the pits is transported by truck to the Sandlick loadout. Leased reserves are retained by annual minimum payments and by tonnage-based royalty payments. Most of the leases can be renewed until all mineable and merchantable coal has been exhausted.

Beckley. The Beckley Pocahontas Mine, located near Beckley in Raleigh County, West Virginia, was placed into production in the fall of 2008 and accessed a 30.2 million-ton deep reserve as of December 31, 2010 of high quality, low-volatile metallurgical coal in the Pocahontas No. 3 seam. Most of the 16,800-acre Beckley reserve is leased from three land companies: Western Pocahontas Properties, Crab Orchard Coal and Land Company and Beaver Coal Company.

Underground production is by means of the room-and-pillar method with continuous miners and shuttle cars. Coal produced from the Beckley operation is marketed to domestic steel producers and for export. Additionally, ICG has the ability to produce metallurgical coal by reprocessing a nearby coal refuse pile located at Eccles, West Virginia.

Powell Mountain. Powell Mountain, located in Lee County, Virginia and Harlan County, Kentucky, currently operates the Darby mine, a room-and-pillar mine operating two sections with continuous miners and shuttle cars. The mine is operating in the Darby seam with all coal being trucked to the Mayflower preparation plant for processing. Coal is shipped by rail through the dual service rail loadout facility with rail service provided by both the Norfolk Southern and CSX railroads. Some purchased coal is brought into the facility for processing and blending. ICG has begun operation of the new Middle Splint mine.

White Wolf. The White Wolf (formerly known as Big Creek) reserve, covers 10,000 acres of leased coal lands located north of the town of Richlands in Tazewell County, Virginia. Total recoverable reserves were 25.9 million tons as of

December 31, 2010 in the Jawbone and War Creek seams. The White Wolf reserve is all leased from Southern Regional Industrial Realty. The War Creek mine, which is permitted as a room-and-pillar mining operation, is expected to be developed in the future as market conditions warrant. ICG receives an overriding royalty on coalbed methane production from this property.

Jennie Creek. The Jennie Creek reserve, located in Mingo County, West Virginia, was a 41.8 million ton reserve of surface and deep mineable steam coal as of December 31, 2010. As of December 31, 2010, this property

contained 14.2 million tons of surface mineable, low-sulfur coal reserves and 27.6 million tons of high-Btu, mid-sulfur underground reserves in the Alma seam. Efforts are underway to secure an Army Corps of Engineers Section 404 authorization to complete permitting for surface mining on this property. We intend to produce the coal by area, contour and highwall mining. Also, permitting is now in progress for an Alma seam underground mine. Development of the property is dependent upon future market conditions.

Northern Appalachia

Vindex. Vindex Energy Corporation operates three surface mines: Carlos, Island and Jackson Mountain, located in Garrett and Allegany Counties, Maryland. The reserves at Vindex are leased from multiple landowners. All surface mines operated by Vindex Energy are truck-and-shovel/loader mining operations which extract coal from the Upper Freeport, Middle Kittanning, Pittsburgh, Little Pittsburgh and Redstone seams. In 2007, Vindex added the Cabin Run property and the Buffalo properties to its reserve base. The total surface mineable reserves at Vindex amounted to approximately 10.4 million tons as of December 31, 2010.

Vindex also controls approximately 49.9 million tons of deep mineable reserves in the Bakerstown and Upper Freeport seams. These reserves are low-volatile metallurgical coals suitable for steel making. Vindex opened its first underground mine, the Bismarck Mine, in the Bakerstown reserves in 2010.

Most of the surface mine production is shipped directly to the customer as run-of-mine product; however, a portion of the surface production is targeted toward the low-volatile metallurgical market. The Bismarck deep mine coal is also processed for the metallurgical market. Any coal that must be washed is processed at our preparation plant located near Mount Storm, West Virginia, where the product is shipped to the customer by either truck or rail. A second preparation plant with rail access, the newly refurbished Dobbin Ridge preparation plant, began processing coal in January 2011.

Patriot Mining Company. Patriot Mining Company currently consists of the Guston Run surface mine, located near Morgantown in Monongalia County, West Virginia. The majority of the coal and surface is leased under renewable contracts with small annual minimum holding costs. Coal is extracted from the Waynesburg seam using dozers, loaders and trucks. As mining progresses, reserves are being acquired and permitted for future operations. The coal is shipped to the customer by rail, truck or barge using a loading facility which is located near Morgantown, West Virginia. Patriot Mining Company controlled approximately 8.7 million tons of coal reserves as of December 31, 2010, 100% of which are leased.

Wolf Run Mining Buckhannon Division. Wolf Run Mining Company s Buckhannon Division currently consists of two active underground mines: the Imperial mine located in Upshur County, West Virginia, near the town of Buckhannon, and the Sycamore No. 2 mine located in Harrison County, West Virginia, approximately ten miles west of Clarksburg. Nearly all of the reserves in Upshur County are owned, while those in Harrison County are leased. The Buckhannon Division controlled approximately 52.6 million tons of reserves as of December 31, 2010, all of which are suited for underground mining.

The Imperial mine extracts coal from the Middle Kittanning seam. The coal produced at the Imperial mine is processed through the nearby Sawmill Run preparation plant and shipped by CSX rail with origination by the A&O railroad, although some coal is trucked to local industrial customers. The reserves at the Buckhannon Division have characteristics that make it marketable to both steam and export metallurgical coal customers.

The Sycamore No. 2 mine produces coal from the Pittsburgh seam by the room-and-pillar mining method with continuous miners and shuttle cars. The reserve is primarily leased from one landowner with an annual minimum holding costs and an automatic renewal based on an annual minimum production of 250,000 tons. An independent

contractor has operated the mine since September 2007. The coal produced from the Sycamore No. 2 mine is sold on a raw basis and transported to Allegheny Power Service Corporation s Harrison Power Station by truck.

Sentinel. Sentinel consists of one underground mine that extracts coal from the Clarion seam using the room-and-pillar mining method. Clarion seam reserves at the Sentinel mine amounted to approximately 12.3 million tons as of December 31, 2010, of which approximately 13% is owned and 87% is leased. Additionally, 19.4 million tons of underground reserves as of December 31, 2010 in the Lower Kittanning seam are accessible from the Sentinel mine.

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Coal is fed directly from the mine to a preparation plant and loadout facility served by the CSX railroad with origination by the A&O railroad. The product can be shipped to steam or metallurgical markets, by either rail or truck.

CoalQuest (Tygart Valley). The Tygart Valley property, located in Taylor County, West Virginia, near Grafton, included approximately 186.1 million tons of deep coal reserves as of December 31, 2010 of both steam and metallurgical quality coal in the Lower Kittanning seam, covering approximately 65,000 acres. The reserve extends into parts of Barbour, Marion and Harrison Counties as well. ICG owns the Tygart Valley coal reserve, in addition to nearly 4,000 acres of surface property to accommodate the development of two projected mining operations. In addition to the Lower Kittanning reserves, significant non-reserve coal deposits in the Kittanning, Freeport, Clarion and Mercer seams exist on the Tygart Valley property.

The West Virginia Department of Environmental Protection (the WVDEP) issued a surface mine permit on June 5, 2007 for the Tygart Valley No. 1 underground longwall mine and preparation plant complex located on the Tygart Valley property. Local opponents of the mine project stopped construction of the mine complex by filing repeated appeals of the WVDEP permit decision to the WV Surface Mine Board. However, the third and final appeal was denied when the Board unanimously upheld the WVDEP s permit decision in an order issued on June 9, 2010, which the opposition did not contest.

As a result of our successful permit defense, construction of the Tygart Valley No. 1 mining complex resumed in June 2010. Construction at the new Tygart Valley No. 1 deep mine complex experienced minor weather-related delays near the end of 2010, but major earthwork is now complete with site development expected to wrap up in March 2011. Construction of the slope commenced in early November 2010 and work on the shafts began in December 2010. Initial coal production is projected for late fourth quarter 2011. At full output, currently projected for early 2014, Tygart Valley No. 1 is designed to have 3.5 million tons of capacity per year of high quality coal that is well suited to both the utility market and the high volatile metallurgical market.

Other Acquired Operations

ADDCAR Systems. ICG manufactures and sells highwall mining systems using its patented ADDCAR highwall mining system. ADDCAR^{tm} is the registered trademark of ICG. The ADDCAR highwall mining system is an innovative and efficient mining system often deployed at reserves that cannot be economically mined by other methods. In addition to manufacturing systems for sale, ADDCAR also has three of its highwall mining systems in operation conducting contract highwall mining services for third parties.

A typical ADDCAR highwall mining system consists of a launch vehicle, continuous miner, conveyor cars, a stacker conveyor, electric generator, water tanker for cooling and dust suppression and a wheel loader with forklift attachment.

A five person crew operates the entire ADDCAR highwall mining system with control of the continuous miner being performed remotely by one person from the climate-controlled cab. Our system utilizes a navigational package to provide horizontal guidance, which helps to control rib width, and thus roof stability. In addition, the system provides vertical guidance for avoiding or limiting out of seam dilutions. The ADDCAR highwall mining system is equipped with high-quality video monitors to provide the operator with visual displays of the mining process from inside the entry being mined.

The mining cycle begins by aligning the ADDCAR highwall mining system onto the desired heading and starting the entry. As the remotely controlled continuous miner penetrates the coal seam, ADDCAR conveyor cars are added behind it, forming a continuous cascading conveyor train. This continues until the entry is at the planned full depth of up to 1,200 to 1,500 feet. After retraction, the launch vehicle is moved to the next entry, leaving a support pillar of

coal between entries. This process recovers as much as 65% of the reserves while keeping all personnel outside the coal seam in a safe working environment. A wide range of seam heights can be mined with high production in seams as low as 3.5 feet and as high as 15 feet in a single pass. If the seam height is greater than 15 feet, then multi-lifts can be mined to create an unlimited entry height. The navigational features on the ADDCAR highwall mining system allow for multi-lift mining while ensuring that the designed pillar width is maintained.

During the mining cycle, in addition to the tramming effort provided by the crawler drive of the continuous miner, the ADDCAR highwall mining system increases the cutting capability of the machine through additional forces provided by hydraulic cylinders which transmit thrust to the back of the miner through blocks mounted on the side of the conveyor cars. This additional energy allows the continuous miner to achieve maximum cutting and loading rates as it moves forward into the seam.

In addition to its standard highwall mining system, ADDCAR has also developed for manufacture and sale a narrow bench highwall mining system and a steep-dip highwall mining system. The narrow bench highwall mining system has a smaller operational footprint that allows operation on narrower mine benches that are often found in Appalachia. The steep-dip highwall mining system allows for mining in steeply dipping coal seams often found in the western U.S. and Canada.

ICG currently has the exclusive North American distribution rights, as well as certain international patent rights for the ADDCAR highwall mining system.

Coalbed Methane. ICG s subsidiary, CoalQuest, has entered into a lease and joint operating agreement pursuant to which it leases coalbed methane, which is pipeline quality gas that resides in coal seams, and participates in certain coalbed methane wells, from its properties in Barbour, Harrison and Taylor counties in West Virginia. ICG s coalbed methane lessee developed other wells in which CoalQuest is not a partial owner. In the eastern United States, conventional natural gas fields are typically located in various sedimentary formations at depths ranging from 2,000 to 15,000 feet. Exploration companies often put capital at risk by searching for gas in commercially exploitable quantities at these depths. By contrast, the coal seams from which we recover coalbed methane are typically less than 1,000 feet deep and are usually better defined than deeper formations. ICG believes that this contributes to lower exploration costs than those incurred by producers that operate in deeper, less defined formations. ICG believes this project is part of the first application of proprietary horizontal drilling technology for coalbed methane in northern West Virginia coalfields. ICG has not filed reserve estimates with any federal agency.

ICG receives an overriding royalty on coalbed methane production from the Crab Orchard Coal and Land Company and Beaver Coal Company coal reserves leased by ICG Beckley in Raleigh County, West Virginia and from the leased Big Creek coal reserves in Tazewell County, Virginia. ICG also leases coalbed methane from certain of its property in Kentucky and will receive rents and royalties on future production.

Certain Environmental and Litigation Matters Relating to ICG

The Sierra Club appealed the issuance of a modification to the NPDES permit for Patriot s New Hill West surface mine on September 3, 2010, to the West Virginia Environmental Quality Board (EQB). The complaint alleged that the National Pollutant Discharge Elimination System (NPDES) permit did not contain specific limits for certain discharges. Following a four-day hearing in December 2010, the EQB remanded the matter to the WVDEP on March 25, 2011 with instructions to modify the permit to include discharge limits for conductivity, Total Dissolved Solids, sulfate, selenium, and manganese. See note 16 to ICG s audited consolidated financial statements for the year ended December 31, 2010 and note 13 to ICG s unaudited consolidated financial statements of the three month period ended March 31, 2011, included and incorporated in this prospectus supplement, for additional information regarding certain other environmental and litigation matters relating to ICG.

INDUSTRY OVERVIEW

The Coal Industry

Global Coal Supply and Demand. Recovery from the 2008 upheaval in the global financial markets continued in 2010. Growth rates varied in 2010 in both emerging market economies and advanced market economies, as countries worked to rebalance their reliance on domestic consumption against export demand growth. Recovering international coal demand led to a substantial rise in the global demand for coal from the United States during 2010.

Coal is traded globally and can be transported to demand centers by ship, rail, barge, and truck. Worldwide coal production approximated 6.9 billion tonnes in 2009, up from 6.7 billion tonnes in 2008, according to the International Energy Agency (the IEA). China remains the largest producer of coal in the world, producing over 2.97 billion tonnes in 2009, according to the IEA. China is followed in coal production by the United States at approximately 919 million tonnes and India at nearly 526 million tonnes. China s coal exports have dwindled to approximately 20 million tonnes per year and imports have increased to over 160 million tonnes per year in 2010 as domestic demands exceed domestic supply. Japan maintained its ranking as the top importer of coal with 183 million tonnes in 2009, followed by China and South Korea, each at 118 million tonnes.

International demand for coal continues to be driven by growth in electrical power generation. Coal remains the leading fuel for power generation in two of the IEA s three World Energy Outlook scenarios. Coal s share of global electricity generation remains between 41% and 43% through 2035 in the Current Policies Scenario. Growth is most significant in non-OECD countries where electricity from coal is expected to grow from approximately 46% of total electricity generation in 2008 to approximately 50% in 2035. China is the world s largest consumer of coal, and China and India together account for 72% of the new coal-fired generation currently under construction and expected to come online in the next five years.

Metallurgical or coking coal is used in the steel making process. The steel industry uses metallurgical coal, which is distinguishable from other types of coal by its high carbon content, low expansion pressure, low sulfur content and various other chemical attributes. As such, the price offered by steel makers for metallurgical coal is generally higher than the price offered by power plants and industrial users for steam coal. Coal is used in nearly 70% of global steel production. In 2010, approximately 1.395 billion tonnes of steel was produced, which represented a recovery of 15% over 2009 reduced levels. Based on World Steel Association estimates, world steel consumption is projected to increase by approximately 60% during the next decade with Asia expected to account for majority of the growth in demand.

Supplying the global power and steel markets are Australia, historically the world s largest coal exporter with exports of approximately 300 million tonnes in 2010, as well as Indonesia, Russia, United States, Colombia, and South Africa. Indonesia, in particular, has seen substantial growth in its coal exports in the last few years; however, its growing domestic energy demand may result in a decrease in exports as it moves toward greater self sufficiency. Total U.S. exports were 81 million tonnes in 2010. As global economic conditions continue to improve and growth accelerates, putting pressure on global coal supply networks, we expect the demand for U.S. coal exports to continue to grow.

U.S. Coal Consumption. In the United States, coal is used primarily by power plants to generate electricity, by steel companies to produce coke for use in blast furnaces and by a variety of industrial users to heat and power foundries, cement plants, paper mills, chemical plants and other manufacturing or processing facilities. Coal consumption in the United States increased from 398.1 million tons in 1960 to approximately 1.0 billion tons in 2010, according to the

EIA s Short Term Energy Outlook. Although full-year data for 2010 is not yet available, we believe that coal consumption has improved over what was lost during the global downturn that affected U.S. coal consumption in 2009. In 2010, coal consumption in the United States improved through stronger electricity demand driven by both a recovering economy and favorable weather.

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The following chart shows historical and projected demand trends for U.S. coal by consuming sector for the periods indicated, according to the EIA:

Sector	Actual 2005	Estimated 2010	2011	Forecast 2020	2035	Annual Growth 2009-35
Electric Power	1,037	977	950	986	1,129	0.7%
Other Industrial	60	47	48	49	47	0.1%
Coke Plants	23	21	22	22	18	0.6%
Residential / Commercial	4	3	3	3	3	(0.2)%
Coal-to-Liquids				16	105	n/a
Total U.S. Coal Consumption	1,126	1,048	1,022	1,076	1,302	1.0%

Sources: EIA Annual Energy Outlook 2011, EIA Short Term Energy Outlook (January 2011) and EIA Monthly Energy Review (December 2010)

According to the EIA, coal accounted for approximately 45% of U.S. electricity generation in 2010, and based on a projected 25% growth in electricity demand, coal consumption is expected to grow about 19% by 2035, reaching 1.1 billion tons. These amounts assume no future federal or state carbon emissions legislation is enacted and do not take into account subsequent market conditions. Historically, coal has been considerably less expensive than natural gas or oil.

The following chart shows the breakdown of U.S. electricity generation by energy source for 2010, according to the EIA:

We expect power markets to remain highly dynamic in the coming decade. For instance, we believe that coal consumption could be adversely affected by new EPA regulations that spur the retirement of older power stations, as well as by increased competition from natural gas and other fuel sources for electric generation. However, we believe that increased capacity utilization at the remaining coal plants, the start-up of new coal-fueled units currently under construction, and a significant increase in U.S. coal exports will more than offset any lost consumption and drive a significant increase in overall demand for U.S. coal over that time frame. Moreover, expected production declines in certain coal supply basins, such as Central Appalachia, and the expectation that high-quality thermal coal will continue to be pulled into metallurgical markets could create further opportunities for volume growth in other coal supply basins in which we participate.

Average prices for oil in the United States increased during 2010 following the effects of the worldwide economic recession. Historically, volatile oil prices and global energy security concerns have increased interest in converting coal into liquid fuel, a process known as liquefaction. Liquid fuel produced from coal can be further refined to produce transportation fuels, such as low-sulfur diesel fuel, gasoline and other oil products, such as plastics and solvents. Currently, there are only a limited number of projects moving forward because of lower oil and natural gas prices.

U.S. Coal Production. The United States is the second largest coal producer in the world, exceeded only by China. According to the EIA, there are over 200 billion tons of recoverable coal in the United States. The

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U.S. Department of Energy estimates that current domestic recoverable coal reserves could supply enough electricity to satisfy domestic demand for approximately 200 years. Annual coal production in the United States has increased from 434 million tons in 1960 to approximately 1.1 billion tons in 2010.

Coal is mined from coal fields throughout the United States, with the major production centers located in the western United States (Powder River Basin and the Western Bituminous region), the Appalachian region and the Illinois Basin.

Major regions in the West include the Powder River Basin and the Western Bituminous region. According to the EIA, coal produced in the western United States increased from 408 million tons in 1994 to an estimated 636 million tons in 2010, as competitive mining costs and regulations limiting sulfur-dioxide emissions have continued to increase demand for low-sulfur coal over this period. The Powder River Basin is located in northeastern Wyoming and southeastern Montana. Coal from this region is sub-bituminous coal with low sulfur content ranging from 0.2% to 0.9% and heating values ranging from 8,000 to 9,500 Btu. The price of Powder River Basin coal is generally less than that of coal produced in other regions because Powder River Basin coal exists in greater abundance, is easier to mine and thus has a lower cost of production. In addition, Powder River Basin coal is generally lower in heat value, which requires some electric power generation facilities to blend it with higher Btu coal or retrofit some existing coal plants to accommodate lower Btu coal. The Western Bituminous region includes Colorado, Utah and southern Wyoming. Coal from this region typically has low sulfur content ranging from 0.4% to 0.8% and heating values ranging from 10,000 to 12,200 Btu.

Regions in the East include the north, central and southern Appalachian regions. According to the EIA, coal produced in the Appalachian region decreased from 445 million tons in 1994 to an estimated 338 million tons in 2010 primarily as a result of the depletion of economically attractive reserves, permitting issues and increasing costs of production. Central Appalachia includes eastern Kentucky, Tennessee, Virginia and southern West Virginia. Coal mined from this region generally has a high heat value ranging from 11,400 to 13,200 Btu and a low sulfur content ranging from 0.2% to 2.0%. Northern Appalachia includes Maryland, Ohio, Pennsylvania and northern West Virginia. Coal from this region generally has a high heat value ranging from 10,300 to 13,500 Btu and a high sulfur content ranging from 0.8% to 4.0%. Southern Appalachia primarily covers Alabama and generally has a heat content ranging from 11,300 to 12,300 Btu and a sulfur content ranging from 0.7% to 3.0%.

The Illinois Basin includes Illinois, Indiana and western Kentucky and is the major coal production center in the interior region of the United States. According to the EIA, coal produced in the interior region decreased from 180 million tons in 1994 to approximately 105 million tons in 2010. Coal from the Illinois Basin generally has a heat value ranging from 10,100 to 12,600 Btu and has a high sulfur content ranging from 1.0% to 4.3%. Despite its high sulfur content, coal from the Illinois basin can generally be used by some electric power generation facilities that have installed pollution control devices, such as scrubbers, to reduce emissions. Other coal-producing states in the interior include Arkansas, Kansas, Louisiana, Mississippi, Missouri, North Dakota, Oklahoma and Texas.

U.S. Coal Exports and Imports. U.S exports increased substantially in 2010 over 2009, supported by recovering global economies and continued growth in Chinese and Indian steel markets in particular. This is a trend we expect to continue, creating opportunities for increased U.S. coal exports off both the East Coast and West Coast, as well as though the Gulf of Mexico. The transportation and logistics industries are planning port and loading capacity additions on both coasts as well as in the Gulf that should facilitate increased movements of U.S. coal into the seaborne marketplace. Based on these planned capacity additions and the capability to increase utilization at existing facilities coupled with an anticipated continuing supply deficit in the seaborne market we expect U.S. coal exports to more than double by 2015.

Historically, coal imported from abroad has represented a relatively small share of total U.S. coal consumption, and this remained the case in 2010. According to the EIA, coal imports increased from nine million tons in 1994 to an estimated 19 million tons in 2010. Imports did reach close to 36 million tons in 2007, but have fallen since then. The decline is mostly attributed to more competitive pricing for domestic coal and stronger demand from non-U.S. markets for seaborne coal. Coal is imported into the United States primarily from Colombia, Indonesia and Venezuela. Imported coal generally serves coastal states along the Gulf of Mexico, such as Alabama and Florida, and states along the eastern seaboard. We do not expect imports to be significant in 2011 and beyond, as more and more global coal will likely be directed to Asia.

MANAGEMENT

Set forth below is information regarding each of our executive officers and directors. All ages are presented as of May 23, 2011.

Name	Age	Position
Steven F. Leer	58	Chairman and Chief Executive Officer & Director
C. Henry Besten	63	Senior Vice President, Strategic Development
John T. Drexler	42	Senior Vice President and Chief Financial Officer
John W. Eaves	53	President and Chief Operating Officer & Director
Sheila B. Feldman	56	Vice President, Human Resources
Robert G. Jones	54	Senior Vice President Law, General Counsel and Secretary
Paul A. Lang	50	Senior Vice President, Operations
Deck S. Slone	48	Vice President, Government, Investor and Public Affairs
David N. Warnecke	56	Senior Vice President, Marketing and Trading
James R. Boyd	64	Director
David D. Freudenthal	60	Director
Patricia Fry Godley	63	Director
Douglas H. Hunt	58	Director
Brian J. Jennings	50	Director
J. Thomas Jones	61	Director
A. Michael Perry	74	Director
Robert G. Potter	72	Director
Theodore D. Sands	65	Director
Wesley M. Taylor	68	Director
Peter I. Wold	63	Director

Steven F. Leer has been our Chief Executive Officer since 1992. From 1992 to April 2006, Mr. Leer also served as our President. In April 2006, Mr. Leer became Chairman of the board of directors. Mr. Leer also serves on the boards of the Norfolk Southern Corporation, USG Corp., the Business Roundtable, the University of the Pacific, Washington University and is past chairman of the Coal Industry Advisory Board. Mr. Leer is past chairman and continues to serve on the boards of the Center for Energy and Economic Development, the National Coal Council and the National Mining Association.

C. Henry Besten has served as our Senior Vice President-Strategic Development since 2002.

John T. Drexler has served as our Senior Vice President and Chief Financial Officer since April 2008. Mr. Drexler served as our Vice President-Finance and Accounting from March 2006 to April 2008. From March 2005 to March 2006, Mr. Drexler served as our Director of Planning and Forecasting. Prior to March 2005, Mr. Drexler held several other positions within our finance and accounting department.

John W. Eaves has been our President and Chief Operating Officer since April 2006. From 2002 to April 2006, Mr. Eaves served as our Executive Vice President and Chief Operating Officer. Mr. Eaves also serves on the board of directors of ADA-ES, Inc. and COALOGIX.

Sheila B. Feldman has served as our Vice President-Human Resources since 2003. From 1997 to 2003, Ms. Feldman was the Vice President-Human Resources and Public Affairs of Solutia Inc.

Robert G. Jones has served as our Senior Vice President-Law, General Counsel and Secretary since August 2008. Mr. Jones served as Vice President-Law, General Counsel and Secretary from 2000 to August 2008.

Paul A. Lang has served as our Senior Vice President-Operations since December 2006. Mr. Lang served as President of Western Operations from July 2005 through December 2006 and President and General Manager of Thunder Basin Coal Company, L.L.C. from 1998 through July 2005.

Deck S. Slone has served as our Vice President-Government, Investor and Public Affairs since August 2008. Mr. Slone served as our Vice President-Investor Relations and Public Affairs from 2001 to August 2008.

David N. Warnecke has served as our Senior Vice President-Marketing and Trading since March 2011. Form August 2005 until March 2011, Mr. Warnecke served as our Vice President-Marketing and Trading. From June 2005 until March 2007, Mr. Warnecke served as President of our Arch Coal Sales Company, Inc. subsidiary, and from April 2004 until June 2005, Mr. Warnecke served as Executive Vice President of Arch Coal Sales Company, Inc. Prior to June 2004, Mr. Warnecke was Senior Vice President-Sales, Trading and Transportation of Arch Coal Sales Company, Inc.

James R. Boyd served as chairman of the board of directors from 1998 to April 2006, when he was appointed our lead director. Mr. Boyd served as Senior Vice President and Group Operating Officer of Ashland Inc. from 1989 until his retirement in 2002. Mr. Boyd also serves on the board of directors of Halliburton Inc.

Governor David D. Freudenthal served as the Governor of Wyoming from 2003 until January 2011. Prior to his service as governor, he served as U.S. Attorney for the District of Wyoming. Governor Freudenthal current serves as an Adjunct Professor at the University of Wyoming.

Patricia Fry Godley has been a partner with the law firm of Van Ness Feldman since 1998, practicing in the areas of economic and environmental regulation of electric utilities and natural gas companies. Ms. Godley is also a director of the United States Energy Association.

Douglas H. Hunt has served as Director of Acquisitions of Petro-Hunt, LLC since 1995, a private oil and gas exploration and production company.

Brian J. Jennings has been President and Chief Executive Officer of Rise Energy Partners, L.P. since February 2009. From February 2007 to June 2008, Mr. Jennings served as Chief Financial Officer of Energy Transfer Partners GP, L.P., the general partner of Energy Transfer Partners, L.P., a publicly-traded partnership owning and operating intrastate and interstate natural gas pipelines. From 2004 to December 2006, Mr. Jennings served as Senior Vice President-Corporate Finance and Development and Chief Financial Officer of Devon Energy Corporation.

J. Thomas Jones has been Chief Executive Officer of West Virginia United Health System located in Fairmont, West Virginia since 2002. From 2000 to 2002, Mr. Jones served as Chief Executive Officer of Genesis Hospital System in Huntington, West Virginia. Mr. Jones is also a director of Premier, Inc. and Health Partners Network.

A. Michael Perry served as Chairman of Bank One, West Virginia, N.A. from 1993 and as its Chief Executive Officer from 1983 until his retirement in 2001. Mr. Perry also serves on the board of directors of Champion Industries, Inc. and Portec Rail Products, Inc.

Robert G. Potter was Chairman and Chief Executive Officer of Solutia, Inc. from 1997 until his retirement in 1999. He is also an investor in several private companies and has served as a member of the board of directors for six other companies.

Theodore D. Sands has served as President of HAAS Capital, LLC, a private consulting and investment company. Mr. Sands served as Managing Director, Investment Banking for the Global Metals/Mining Group of Merrill Lynch & Co. from 1982 until February 1999. Mr. Sands has also served as a member of the board of directors for several other companies.

Wesley M. Taylor was President of TXU Generation, a company engaged in electricity infrastructure ownership and management. Mr. Taylor served at TXU for 38 years prior to his retirement in 2004. Mr. Taylor also serves on the board of directors of FirstEnergy Corporation.

Peter I. Wold is President and co-owner of Wold Oil Properties, Inc., an oil and gas exploration and production company. He is also Vice President of American Talc Company, a corporation that mines and processes talc in Western Texas. He presently chairs the Wyoming Enhanced Oil Recovery Commission and is a director of the Oppenheimer Funds, Inc., New York Board. Mr. Wold has also served in the Wyoming House of Representatives and as a director of the Denver Branch of the Kansas City Federal Reserve Bank.

DESCRIPTION OF COMMON STOCK

Please read the information discussed under the heading Description of Capital Securities Common Stock beginning on page 12 of the accompanying prospectus. As of May 27, 2011, we had 260.0 million shares of authorized common stock, par value $0.01 per share, of which approximately 162.8 million shares were outstanding.

Upon completion of this offering, approximately 210.8 million shares of our common stock will be outstanding, based on the number of shares outstanding on May 27, 2011 (assuming no exercise of the underwriters over-allotment option or outstanding stock options in respect of approximately 5.2 million shares of common stock with a weighted average exercise price of $26.31 per share as of May 27, 2011 or issuance of 27,000 shares of common stock upon vesting of certain restricted stock units that we have issued to our executive officers as of May 27, 2011). See Risk Factors Risks Related to the Offering This offering is expected to be dilutive, and there may be future dilution of our common stock.

CERTAIN UNITED STATES FEDERAL INCOME AND ESTATE TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following is a summary of certain United States federal income and estate tax consequences to a non-U.S. holder (as defined below) of the purchase, ownership and disposition of our common stock as of the date hereof. Except where noted, this summary deals only with common stock that is held as a capital asset.

A non-U.S. holder means a person (other than a partnership) that is not for United States federal income tax purposes any of the following:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the Code), and United States Treasury regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income and estate tax consequences different from those summarized below. This summary does not address all aspects of United States federal income and estate taxes and does not deal with foreign, state, local or other tax considerations that may be relevant to non-U.S. holders in light of their personal circumstances. In addition, it does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws (including if you are a United States expatriate, controlled foreign corporation, passive foreign investment company or a partnership or other pass-through entity for United States federal income tax purposes). We cannot assure you that a change in law will not alter significantly the tax considerations that we describe in this summary.

If a partnership holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our common stock, you should consult your tax advisors.

If you are considering the purchase of our common stock, you should consult your own tax advisors concerning the particular United States federal income and estate tax consequences to you of the ownership of the common stock, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

Dividends

Dividends paid to a non-U.S. holder of our common stock generally will be subject to withholding of United States federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business in the United States by the non-U.S. holder (and, if required by an applicable income tax treaty, are attributable to a United States permanent

establishment) are not subject to the withholding tax, provided certain certification and disclosure requirements are satisfied. Instead, such dividends are subject to United States federal income tax on a net income basis in the same manner as if the non-U.S. holder were a United States person as defined under the Code. Any such effectively connected dividends received by a foreign corporation may be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

A non-U.S. holder of our common stock who wishes to claim the benefit of an applicable treaty rate and avoid backup withholding, as discussed below, for dividends will be required (a) to complete Internal Revenue Service Form W-8BEN (or other applicable form) and certify under penalty of perjury that such holder is not a United States person as defined under the Code and is eligible for treaty benefits or (b) if our common stock is held through certain

foreign intermediaries, to satisfy the relevant certification requirements of applicable United States Treasury regulations. Special certification and other requirements apply to certain non-U.S. holders that are pass-through entities rather than corporations or individuals.

A non-U.S. holder of our common stock eligible for a reduced rate of United States withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the Internal Revenue Service.

Gain on Disposition of Common Stock

Any gain realized on the disposition of our common stock generally will not be subject to United States federal income tax unless:

the gain is effectively connected with a trade or business in the United States of the non-U.S. holder (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment of the non-U.S. holder);

the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or

we are or have been a United States real property holding corporation for United States federal income tax purposes and, so long as our common stock continues to be regularly traded on an established securities market, the non-U.S. holder holds or has held (at any time during the shorter of the five-year period preceding the date of disposition or the non-U.S. holder s holding period) more than 5% of our common stock.

We believe that we are currently a United States real property holding corporation for United States federal income tax purposes.

An individual non-U.S. holder described in the first or third bullet point immediately above will be subject to tax on the net gain derived from the sale under regular graduated United States federal income tax rates. An individual non-U.S. holder described in the second bullet point immediately above will be subject to a flat 30% tax on the gain derived from the sale, which may be offset by United States source capital losses, even though the individual is not considered a resident of the United States. If a non-U.S. holder that is a foreign corporation falls under the first or third bullet point immediately above, it will be subject to tax on its net gain in the same manner as if it were a United States person as defined under the Code and, in addition, may be subject to the branch profits tax equal to 30% of its effectively connected earnings and profits or at such lower rate as may be specified by an applicable income tax treaty.

Federal Estate Tax

Common stock held by an individual non-U.S. holder at the time of death will be included in such holder s gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

We must report annually to the Internal Revenue Service and to each non-U.S. holder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty.

A non-U.S. holder will be subject to backup withholding for dividends paid to such holder unless such holder certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that such holder is a United States person as defined under the Code), or such holder otherwise establishes an exemption.

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Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale of our common stock within the United States or conducted through certain United States-related financial intermediaries, unless the beneficial owner certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person as defined under the Code), or such owner otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder s United States federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.

Additional Withholding Requirements

Under recently enacted legislation, the relevant withholding agent may be required to withhold 30% of any dividends and the proceeds of a sale of our common stock paid after December 31, 2012 to (i) a foreign financial institution unless such foreign financial institution agrees to verify, report and disclose its U.S. accountholders and meets certain other specified requirements or (ii) a non-financial foreign entity that is the beneficial owner of the payment unless such entity certifies that it does not have any substantial United States owners or provides the name, address and taxpayer identification number of each substantial United States owner and such entity meets certain other specified requirements.

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CERTAIN ERISA CONSIDERATIONS

There are certain considerations associated with the purchase of our common stock by (1) employee benefit plans that are subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (ERISA) and (2) plans that are subject to Section 4975 of the Code (each such plan referred to herein as an ERISA Plan).

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are parties in interest, within the meaning of ERISA, or disqualified persons, within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engaged in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under Section 406 of ERISA and Section 4975 of the Code. In addition, a fiduciary of the ERISA Plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code.

A prohibited transaction within the meaning of ERISA and the Code could arise if our common stock is acquired by an ERISA Plan to which we, an underwriter, or any of our or their respective affiliates, is a party in interest or disqualified person and such acquisition is not entitled to an applicable exemption, of which there are many.

Non-U.S. plans, governmental plans and certain church plans, while not subject to the prohibited transaction provisions of ERISA or of Section 4975 of the Code, may nevertheless be subject to other federal, state, local or non-US laws or regulations that are substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code (each such plan referred to herein as a Plan).

Due to the complexity of these rules and the potential penalties for any non-exempt prohibited transactions we would advise any person considering purchasing our common stock on behalf of, or with the assets of, any ERISA Plan or Plan, to consult with their counsel regarding these matters.

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UNDERWRITING

Under the terms and subject to the conditions of an underwriting agreement dated the date of this prospectus supplement, the underwriters named below, for which Morgan Stanley & Co. LLC, PNC Capital Markets LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc. are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them, the number of shares of Arch Coal common stock indicated below:

Name	Number of Shares
Morgan Stanley & Co. LLC	22,176,000
PNC Capital Markets LLC	9,504,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	3,360,000
Citigroup Global Markets Inc.	3,360,000
BMO Capital Markets Corp.	960,000
Credit Suisse Securities (USA) LLC	960,000
RBS Securities Inc.	960,000
Wells Fargo Securities, LLC	960,000
Mitsubishi UFJ Securities (USA), Inc.	720,000
Santander Investment Securities Inc.	816,000
Credit Agricole Securities (USA) Inc.	720,000
Natixis Bleichroeder LLC	720,000
Piper Jaffray & Co.	720,000
FBR Capital Markets & Co.	480,000
ING Financial Markets LLC	336,000
Stifel, Nicolaus & Company, Incorporated	288,000
BB&T Capital Markets, a division of Scott & Stringfellow, LLC	240,000
Howard Weil Incorporated	240,000
Macquarie Capital (USA) Inc.	240,000
Simmons & Company International	240,000
Total	48,000,000

The underwriting agreement provides that the underwriters are obligated to purchase all of the shares if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering of the shares may be terminated.

We have agreed to indemnify the underwriters against certain liabilities under the Securities Act, or to contribute to the payments the underwriters may be required to make in respect of those liabilities.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to 7,200,000 additional shares of Arch Coal common stock at the public offering price listed on the cover page of this prospectus supplement, less the underwriting discounts and commissions. The underwriters may exercise

this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus supplement.

The following table shows the per share and total public offering price, the underwriting discounts and commissions, and proceeds before expenses to us. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase up to an additional 7,200,000 shares of Arch Coal common stock.

	Per Share	Total	
		No Exercise	Full Exercise
Public offering price	$ 27.00	$ 1,296,000,000	$ 1,490,400,000
Underwriting discounts and commissions to be paid by us	$ 0.945	$ 45,360,000	$ 52,164,000
Proceeds, before expenses, to us	$ 26.055	$ 1,250,640,000	$ 1,438,236,000

Our common stock is listed on the NYSE under the trading symbol ACI.

We have agreed with the underwriters, for a period of 90 days, beginning on the date of this prospectus supplement, not to (i) offer, sell, issue, pledge, contract to sell, or otherwise dispose of any shares of our common stock or any securities convertible into or exercisable or exchangeable for common stock (collectively, lock-up securities), (ii) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of lock-up securities, (iii) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in lock-up securities within the meaning of Section 16 of the Exchange Act or (iv) file with the SEC a registration statement relating to lock-up securities, or publicly disclose the intention to take any such action, in each case, without the prior written consent of Morgan Stanley & Co. LLC.

The foregoing paragraph shall not apply to (i) issuances of lock-up securities pursuant to the conversion or exchange of convertible or exchangeable securities or the exercise of options already outstanding, (ii) grants of certain employee stock options, (iii) issuances of lock-up securities pursuant to the exercise of such options or (iv) issuance of shares to satisfy certain future pension contribution obligations.

Our directors and executive officers are subject to similar restrictions for a period of 90 days, beginning on the date of this prospectus supplement, subject to certain exceptions.

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of Arch Coal common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriters may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating this offering, the underwriters may bid for, and purchase, shares of common stock in the open market to stabilize the price of the common stock. These activities may raise or maintain the market price of Arch Coal common stock above independent market levels or prevent or retard a decline in the market price of Arch Coal common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time.

The estimated offering expenses payable by us, in addition to any underwriting discounts and commissions, in connection with this offering of Arch Coal common stock are approximately $0.8 million.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, (each, a Relevant Member State), each of the underwriters has represented, warranted and undertaken that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, it has not made and will not make an offer of shares to the public in that Relevant Member State, other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to any legal entity which is a qualified investor as defined in the Prospectus Directive; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of shares shall result in a requirement for the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the above, the expression an offer of shares to the public in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase any shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

United Kingdom

This communication is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). The shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Each underwriter has represented and agreed that (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the FSMA) in connection with the issue or sale of the shares in circumstances in which Section 21(1) of FSMA does not apply; and (b) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to any shares in, from or otherwise involving the United Kingdom.

Hong Kong

This prospectus supplement has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document or any shares other than (i) to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a prospectus as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer or invitation to the public within the meaning of the Companies Ordinance and the Securities and Futures Ordinance. No advertisement, invitation or document relating to the shares being offered by this prospectus supplement will be issued or will be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere) which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong except if permitted under the securities laws of Hong Kong, other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance and any rules made thereunder.

Japan

The shares have not been and will not be registered under the Financial Instruments and Exchange Law (Law No. 25 of 1948, as amended, or the FIEL). Each underwriter has represented and agreed that the shares which it purchases will be purchased by it as principal and that, in connection with the offering, it will not, directly or indirectly, offer or sell any shares in Japan or to, or for the benefit of, any Japanese Person or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person, except pursuant to an exemption from the registration requirements under the FIEL and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines of Japan. For the purposes of this paragraph, Japanese Person shall mean any Person Resident in Japan (kyojusha) as defined in Section 6, Paragraph 1, Item 5 of the

Foreign Exchange and Foreign Trade Law of Japan (Law No. 228 of 1949, as amended), including any corporation or other entity organized under the laws of Japan. If any underwriter offers to sell or solicits an offer to buy any shares to any Japanese Person by way of the Solicitation for Small Number of Investors (shouninzuu muke kan yu) as defined in Section 23-13, Paragraph 4 of the FIEL, such underwriter shall make it clear in offering to sell or soliciting offers to buy such shares that sales of the shares are subject to the condition that any shares issued by the same issuer shall not be owned by 1,000 or more Japanese Persons.

Singapore

This prospectus supplement has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore, or the SFA. Accordingly, no person may offer or sell shares or cause such shares to be made the subject of an invitation for subscription or purchase, or circulate or distribute, this prospectus supplement or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such shares, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or (iii) to any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 275 of the SFA except:

to an institutional investor (for corporations, under Section 274 of the SFA), to a relevant person defined in Section 275(2) of the SFA or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

where no consideration is or will be given for the transfer; or

where the transfer is by operation of law.

Notice to Prospective Investors in Switzerland

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (SIX) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or

marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company, the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (CISA). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

Notice to Prospective Investors in the Dubai International Financial Centre

This prospectus supplement relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (DFSA). This prospectus supplement is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus supplement nor taken steps to verify the information set forth herein and has no responsibility for the prospectus supplement. The shares to which this prospectus supplement relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus supplement you should consult an authorized financial advisor.

Other Relationships

Certain of the underwriters and their affiliates have provided investment and commercial banking services, financial advisory and other related services to us and our affiliates in the past and may do so in the future. They have received customary fees and commissions for these services and may do so in the future. Affiliates of certain of the underwriters are lenders under our existing senior secured credit facility and will serve as lenders under our amended and restated senior secured credit facility. Certain of the underwriters are also acting as initial purchasers in the New Senior Notes offering. Morgan Stanley & Co. LLC served as financial advisor to Arch Coal in connection with the transactions.

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LEGAL MATTERS

The validity of the common stock offered by this prospectus supplement will be passed upon for us by Robert G. Jones, Esq., our Senior Vice President-Law, General Counsel and Secretary. Certain legal matters in connection with this offering will be passed upon for us by Simpson Thacher & Bartlett LLP, New York, New York. The underwriters have been represented by Shearman & Sterling LLP, New York, New York. Mr. Jones is paid a salary by us, is a participant in various employee benefit plans offered by us to our employees generally and owns and has options to purchase shares of our common stock.

EXPERTS

Coal Reserves

The information appearing in, and incorporated by reference in, this prospectus supplement and the accompanying prospectus concerning Arch Coal s estimates of proven and probable coal reserves at December 31, 2010 were prepared by our engineers and geologists and reviewed by Weir International, Inc., an independent mining and geological consultant.

Independent Registered Public Accounting Firms

The consolidated financial statements of Arch Coal, financial statement schedule and the effectiveness of internal control over financial reporting that appear in Arch Coal s Annual Report (Form 10-K) for the year ended December 31, 2010, have been audited by Ernst & Young LLP, an independent registered public accounting firm, as set forth in their reports thereon which are included and/or incorporated herein by reference. Such consolidated financial statements have been included and/or incorporated by reference in reliance upon the reports of such firm given on their authority as experts in accounting and auditing.

The consolidated financial statements of International Coal Group, Inc. as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008, that have been included in this prospectus supplement and are incorporated in this prospectus supplement by reference from Arch Coal s Current Report on Form 8-K, filed with the SEC on May 31, 2011, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is included and incorporated herein by reference. Such consolidated financial statements have been included and incorporated by reference in reliance upon the report of such firm given on their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

Arch Coal files annual, quarterly and current reports, proxy statements and other information with the SEC under the Exchange Act. You may inspect without charge any documents filed by Arch Coal at the SEC s public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site, *www.sec.gov*, that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including Arch Coal. Arch Coal s common stock is traded on the NYSE. You may also inspect the information Arch Coal files with the SEC at the NYSE s offices at 20 Broad Street, New York, NY 10005. Information about Arch Coal is also available at *www.archcoal.com*. The information on such Internet site is not a part of this prospectus supplement.

Arch Coal is incorporating by reference into this prospectus supplement the information it files with the SEC. This means that we are disclosing important information to you by referring you to these documents filed with the SEC. The information incorporated by reference is considered part of this prospectus supplement, and information filed with the SEC subsequent to this prospectus supplement and prior to the termination of this offering will automatically be deemed to update and supersede this information. We incorporate by reference into this prospectus supplement the documents listed below (excluding any portions of such documents that have been furnished but not filed for purposes of the Exchange Act):

Arch Coal s Annual Report on Form 10-K for the year ended December 31, 2010;

Arch Coal s Quarterly Report on Form 10-Q for the quarter ended March 31, 2011;

Arch Coal s Current Reports on Form 8-K filed on March 1, 2011, May 3, 2011 (two filings), May 31, 2011 and June 2, 2011 (excluding information under Item 7.01);

the portions of Arch Coal s Definitive Proxy Statement on Schedule 14A, as filed on March 18, 2011, that are deemed filed with the SEC under the Exchange Act; and

the description of our common stock in our registration statement on Form 8-B filed with the SEC on June 17, 1997, including any amendments or reports filed for the purpose of updating such description.

Any statement or information contained in those documents shall be deemed to be modified or superseded to the extent a statement or information included in this prospectus supplement and the accompanying prospectus modifies or supersedes such statement or information. Any such statement or information so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement and accompanying prospectus. Any future filings made by us with the SEC (excluding those filings made under Items 2.02 or 7.01 of Form 8-K or other information furnished to the SEC) under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus supplement and prior to the termination of this offering will also be deemed to be incorporated by reference into this prospectus supplement and to be part of this prospectus supplement from their dates of filing. Other than as expressly stated in this paragraph, none of Arch Coal s reports, proxy statements and other information filed, or that Arch Coal may file, with the SEC is incorporated by reference herein.

We will provide without charge upon written or oral request to each person, including any beneficial owner, to whom a prospectus supplement is delivered, a copy of any and all of the documents which are incorporated by reference into this prospectus supplement but not delivered with this prospectus supplement (other than exhibits unless such exhibits

are specifically incorporated by reference in such documents). You may request a copy of these documents by writing or telephoning us at:

Arch Coal, Inc.
One CityPlace Drive, Suite 300
St. Louis, Missouri 63141
Attention: Investor Relations
(314) 994-2700

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Arch Coal, Inc.

We have audited the accompanying consolidated balance sheets of Arch Coal, Inc. (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of income, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Arch Coal, Inc. at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Arch Coal, Inc. s internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 1, 2011, expressed an unqualified opinion thereon.

St. Louis, Missouri
March 1, 2011

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Arch Coal, Inc.

We have audited Arch Coal, Inc. s (the Company s) internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Arch Coal, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Arch Coal, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of income, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2010, and our report dated March 1, 2011, expressed an unqualified opinion thereon.

St. Louis, Missouri
March 1, 2011

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REPORT OF MANAGEMENT

The management of Arch Coal, Inc. (the Company) is responsible for the preparation of the consolidated financial statements and related financial information in this annual report. The financial statements are prepared in accordance with accounting principles generally accepted in the United States and necessarily include some amounts that are based on management s informed estimates and judgments, with appropriate consideration given to materiality.

The Company maintains a system of internal accounting controls designed to provide reasonable assurance that financial records are reliable for purposes of preparing financial statements and that assets are properly accounted for and safeguarded. The concept of reasonable assurance is based on the recognition that the cost of a system of internal accounting controls should not exceed the value of the benefits derived. The Company has a professional staff of internal auditors who monitor compliance with and assess the effectiveness of the system of internal accounting controls.

The Audit Committee of the Board of Directors, comprised of independent directors, meets regularly with management, the internal auditors, and the independent auditors to discuss matters relating to financial reporting, internal accounting control, and the nature, extent and results of the audit effort. The independent auditors and internal auditors have full and free access to the Audit Committee, with and without management present.

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Arch Coal, Inc. (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Securities Exchange Act Rule 13a-15(f). Under the supervision and with the participation of the Company s management, including its principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the criteria set forth in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation, management concluded that the Company s internal control over financial reporting is effective as of December 31, 2010.

The Company s independent registered public accounting firm, Ernst & Young LLP, has issued an audit report on the Company s internal control over financial reporting.

Steven F. Leer	John T. Drexler
Chairman and Chief Executive Officer	*Senior Vice President and Chief Financial Officer*

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CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31		
	2010	2009	2008
	(in thousands, except per share data)		
REVENUES			
Coal sales	$ 3,186,268	$ 2,576,081	$ 2,983,806
COSTS, EXPENSES AND OTHER			
Cost of coal sales	2,395,812	2,070,715	2,183,922
Depreciation, depletion and amortization	365,066	301,608	293,553
Amortization of acquired sales contracts, net	35,606	19,623	(705)
Selling, general and administrative expenses	118,177	97,787	107,121
Change in fair value of coal derivatives and coal trading activities, net	8,924	(12,056)	(55,093)
Gain on Knight Hawk transaction	(41,577)		
Costs related to acquisition of Jacobs Ranch		13,726	
Other operating income, net	(19,724)	(39,036)	(6,262)
	2,862,284	2,452,367	2,522,536
Income from operations	323,984	123,714	461,270
Interest expense, net:			
Interest expense	(142,549)	(105,932)	(76,139)
Interest income	2,449	7,622	11,854
	(140,100)	(98,310)	(64,285)
Other non-operating expense:			
Loss on early extinguishment of debt	(6,776)		
	(6,776)		
Income before income taxes	177,108	25,404	396,985
Provision for (benefit from) income taxes	17,714	(16,775)	41,774
Net income	159,394	42,179	355,211
Less: Net income attributable to noncontrolling interest	(537)	(10)	(881)
Net income attributable to Arch Coal, Inc.	$ 158,857	$ 42,169	$ 354,330
EARNINGS PER COMMON SHARE			
Basic earnings per common share	$ 0.98	$ 0.28	$ 2.47
Diluted earnings per common share	$ 0.97	$ 0.28	$ 2.45
Basic weighted average shares outstanding	162,398	150,963	143,604

Diluted weighted average shares outstanding		163,210		151,272		144,416
Dividends declared per common share	$	0.39	$	0.36	$	0.34

The accompanying notes are an integral part of the consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS

	December 31	
	2010	2009
	(in thousands, except per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 93,593	$ 61,138
Trade accounts receivable	208,060	190,738
Other receivables	44,260	40,632
Inventories	235,616	240,776
Prepaid royalties	33,932	21,085
Coal derivative assets	15,191	18,807
Other	104,262	113,606
Total current assets	734,914	686,782
Property, plant and equipment:		
Coal lands and mineral rights	2,523,172	2,417,151
Plant and equipment	2,397,444	2,261,929
Deferred mine development	872,329	832,976
	5,792,945	5,512,056
Less accumulated depreciation, depletion and amortization	(2,484,053)	(2,145,870)
Property, plant and equipment, net	3,308,892	3,366,186
Other assets:		
Prepaid royalties	66,525	86,622
Goodwill	114,963	113,701
Deferred income taxes	361,556	354,869
Equity investments	177,451	87,268
Other	116,468	145,168
Total other assets	836,963	787,628
Total assets	$ 4,880,769	$ 4,840,596
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 198,216	$ 128,402
Coal derivative liabilities	4,947	2,244
Deferred income taxes	7,775	5,901
Accrued expenses and other current liabilities	245,411	227,716
Current maturities of debt and short-term borrowings	70,997	267,464

Total current liabilities	527,346	631,727
Long-term debt	1,538,744	1,540,223
Asset retirement obligations	334,257	305,094
Accrued pension benefits	49,154	68,266
Accrued postretirement benefits other than pension	37,793	43,865
Accrued workers compensation	35,290	29,110
Other noncurrent liabilities	110,234	98,243
Total liabilities	2,632,818	2,716,528