International Coal Group, Inc.
Form S-1/A
November 09, 2005

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As filed with the Securities and Exchange Commission on November 9, 2005

Registration No. 333-124393

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 5 to
Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

INTERNATIONAL COAL GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	**1222**	**20-2641185**
(State of incorporation)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

2000 Ashland Drive
Ashland, Kentucky 41101
(606) 920-7400
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)
William D. Campbell
Vice President, Treasurer and Secretary
International Coal Group, Inc.
2000 Ashland Drive
Ashland, Kentucky 41101
(606) 920-7400
(Name, address, including zip code, and telephone number, including area code, of agent for service)
With Copies to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434 under the Securities Act of 1933, check the following box. o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS Subject to Completion November 9, 2005

20,000,000 Shares
Common Stock

We are offering 20,000,000 shares of common stock. Prior to this offering, there has been no public market for our shares of common stock.

Shares of our common stock are currently quoted on the Pink Sheets Electronic Quotation Service. The last sale price of our common stock on November 7, 2005, as quoted on the Pink Sheets Electronic Quotation Service, was $13.70 per share. We have applied to list our shares of common stock on The New York Stock Exchange under the symbol ICO.

Investing in our common stock involves a high degree of risk. Before buying any shares, you should carefully read the discussion of material risks of investing in our common stock under Risk factors beginning on page 13 of this prospectus.

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

	Per Share	**Total**
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$

The underwriters may also purchase up to an additional 3,000,000 shares of our common stock at the public offering price, less the underwriting discounts and commissions, to cover over-allotments, if any, within 30 days of the date of this prospectus. If the underwriters exercise this option in full, the total underwriting discounts and commissions will be $, and our total proceeds, before expenses, will be $.

The underwriters are offering our common stock as set forth under Underwriting. Delivery of the shares of common stock will be made on or about , 2005.

UBS Investment Bank **Lehman Brothers**

Bear, Stearns & Co. Inc.

Goldman, Sachs & Co.

JPMorgan

Morgan Stanley

The date of this prospectus is , 2005.

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with additional information or information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where those offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our common stock.

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Through and including , 2005 (the 25th day after the date of this prospectus), federal securities law may require all dealers that effect transactions in our common stock, whether or not participating in this offering, to deliver a prospectus. This requirement is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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Prospectus summary

The following summarizes information contained elsewhere in this prospectus and does not contain all of the information you should consider in making your investment decision. You should read this summary together with the more detailed information, including our financial statements and the related notes, elsewhere in this prospectus. You should carefully consider, among other things, the matters discussed in Risk factors and Management s discussion and analysis of financial condition and results of operations.

The term Horizon refers to Horizon NR, LLC (the entity holding the operating subsidiaries of Horizon Natural Resources Company) and its consolidated subsidiaries, the term Anker refers to Anker Coal Group, Inc. and its consolidated subsidiaries, and the term CoalQuest refers to CoalQuest Development, LLC. References to the Anker and CoalQuest acquisitions refer to ICG s acquisition, respectively, of each of Anker and CoalQuest, which are expected to occur prior to the effectiveness of the registration statement of which this prospectus forms a part. Immediately prior to this offering, ICG and its subsidiaries will be reorganized so that ICG will be the parent holding company and ICG, Inc., the current parent holding company, will become a subsidiary of ICG. Unless the context otherwise indicates, as used in this prospectus, the terms ICG, we, our, us and similar terms refer to International Coal Group, Inc. and its consolidated subsidiaries, after giving effect to the corporate reorganization and the Anker and CoalQuest acquisitions. For purposes of the discussion in this prospectus, references to ICG include all the assets and coal reserves resulting from the Anker and CoalQuest acquisitions. For purposes of all financial disclosure contained in this prospectus, ICG, Inc. and Horizon (together with its predecessor AEI Resources Holding, Inc. and its consolidated subsidiaries) are the predecessors to ICG.

All information in this prospectus relating to the beneficial ownership of our common stock is presented assuming that all existing shares of ICG, Inc. common stock are exchanged at a 1-for-1 exchange ratio in the corporate reorganization and that we issue 20,072,992 shares of common stock in the Anker and CoalQuest acquisitions, which is the number of shares issuable under the Business Combination Agreements, assuming a public offering price of $13.70 per share. The term coal reserves as used in this prospectus means proven and probable reserves that are the part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination and the term non-reserve coal deposits in this prospectus means a coal bearing body that has been sufficiently sampled and analyzed to assume continuity between sample points but do not qualify as a commercially viable coal reserve as prescribed by SEC rules until a final comprehensive SEC prescribed evaluation is performed.

THE COMPANY

We are a leading producer of coal in Northern and Central Appalachia with a broad range of mid to high Btu, low to medium sulfur steam and metallurgical coal. Our Appalachian mining operations, which include 11 of our mining complexes, are located in West Virginia, Kentucky and Maryland. We also have a complementary mining complex of mid to high sulfur steam coal strategically located in the Illinois Basin. We market our coal to a diverse customer base of largely investment grade electric utilities, as well as domestic and international industrial customers. The high quality of our coal and the availability of multiple transportation options, including rail, truck and barge, throughout the Appalachian region enable us to participate in both the domestic and international coal markets. Due to the decline in Appalachian coal production in recent years, these markets are currently characterized by strong demand with limited supply response and elevated spot and contract prices.

The company was formed by WL Ross & Co. LLC, or WLR, and other investors in May 2004 to acquire and operate competitive coal mining facilities. As of September 30, 2004, ICG, Inc. acquired certain key assets of Horizon through a bankruptcy auction. These assets are high quality reserves strategically located in Appalachia and the Illinois Basin, are union free, have limited reclamation liabilities and are substantially free of other legacy liabilities. Due to our initial capitalization, we were able to complete the acquisition without incurring a significant level of indebtedness. Consistent with

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the WLR investor group s strategy to consolidate profitable coal assets, the Anker and CoalQuest acquisitions further diversify our reserves. On or about the same time as the Anker and CoalQuest acquisitions, we will complete a corporate reorganization. With the proceeds of this offering, we expect to retire substantially all of our debt, including debt assumed through the Anker and CoalQuest acquisitions, and, thus, we will be strategically well-positioned.

As of January 1, 2005 (pro forma for the Anker and CoalQuest acquisitions), we owned or controlled approximately 315 million tons of metallurgical quality coal reserves and approximately 572 million tons of steam coal reserves. Based on expected 2005 production rates, our Northern and Central Appalachian reserves could support existing production levels for approximately 35 years and all of our reserves could support existing production levels for approximately 49 years. Further, we own or control approximately 707 million tons of non-reserve coal deposits, pro forma for the Anker and CoalQuest acquisitions.

Steam coal is primarily consumed by large electric utilities and industrial customers as fuel for electricity generation. Demand for low sulfur steam coal has grown significantly since the introduction of certain controls associated with the Clean Air Act and the decline in coal production in the eastern half of the United States.

Metallurgical coal is primarily used to produce coke, a key raw material used in the steel making process. Generally, metallurgical coal sells at a premium to steam coal because of its higher quality and its importance and value in the steel making process. During 2004 and the first quarter of 2005, the demand for metallurgical coal increased substantially as the global demand for steel increased.

For the year ended December 31, 2004 (pro forma for the Anker and CoalQuest acquisitions), we sold 18.4 million tons of coal, of which 18.2 million tons were steam coal and 0.2 million tons were metallurgical coal. Our steam coal sales volume in 2004 consisted of mid to high quality, high Btu (greater than 12,000 Btu/lb.), low to medium sulfur (1.5% or less) coal, which typically sells at a premium to lower quality, lower Btu, higher sulfur steam coal. We generated total pro forma revenues of $673.8 million and $61.9 million of pro forma earnings before interest, taxes, depreciation and amortization for the year ended December 31, 2004 and total pro forma revenues of $580.2 million and $80.9 million of pro forma EBITDA, for the nine months ended September 30, 2005. For a reconciliation of pro forma EBITDA to the most comparable financial measure calculated in accordance with generally accepted accounting principles, or GAAP, see footnotes 2 and 5 to Summary historical consolidated and pro forma financial data of ICG.

OUR STRENGTHS

Ability to provide variety of high-quality steam and metallurgical coal. Our customers, which include largely investment grade electric utilities, as well as domestic and international industrial customers, demand a variety of coal products. Our variety of coal qualities also allows us to blend coal in order to meet the specifications of our customers. Our access to a comprehensive range of high Btu steam and metallurgical quality coal allows us to market differentiated coal products to a variety of customers with different coal quality demands, which allows us to benefit from particularly strong pricing dynamics in the current market.

Concentration in highly valued Central Appalachian region. Our operations are primarily located in Central Appalachia, a region known for its high quality coal characterized by low sulfur and high Btu content. Production from Central Appalachian mines accounted for approximately 73.2% of our 2004 coal sales volume, pro forma for the Anker and CoalQuest acquisitions. We believe that generally favorable market dynamics and trends in Central Appalachian coal supply and demand, the high quality of Central Appalachian coal and the low transportation costs that result from the relative proximity of Central Appalachian producers and customers have created favorable pricing dynamics that will continue to provide us with an advantage over producers from other regions.

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Significant reserves providing internal expansion opportunities. We own approximately 613 million tons of reserves and control an additional 274 million tons of reserves through long-term leases, pro forma for the Anker and CoalQuest acquisitions. We own or control an additional 707 million tons of non-reserve coal deposits, pro forma for the Anker and CoalQuest acquisitions. We have not yet developed approximately 73% of these owned and controlled reserves. We believe these owned and controlled but as yet undeveloped reserves and non-reserve coal deposits would allow us to as much as double our existing production levels over the next several years. Prospecting and testing on our properties in West Virginia indicates the presence of coalbed methane, the development of which is expected to provide us with additional growth opportunities in this complementary energy market.

Ability to capitalize on strong coal market dynamics. A significant portion of our coal supply contracts were renegotiated during the second half of 2004 in connection with Horizon s bankruptcy and were re-priced at that time to then-current (and more favorable) market prices and terms. Our marketing effort is focused on maintaining a balance of longer-term contracts and spot sales. We typically have 50% of our production contracted by the early part of the previous year with another 35% contracted by the second half of the year with the remainder of our production used to take advantage of market dynamics and maximize value in the spot market.

Diversity of reserves, non-reserve coal deposits and production. Our production, reserves and non-reserve coal deposits are located in three of the four major coal regions in the United States. Our production, reserves and non-reserve coal deposits in Northern and Central Appalachia and the Illinois Basin provide important geographical diversity in terms of markets, transportation and labor. We believe the diversity of our operations and reserves provides us with a significant advantage over 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 and reduce transportation costs.

Minimal level of long-term liabilities. We believe that compared to other publicly traded U.S. coal producers we have among the lowest legacy reclamation liabilities and post-retirement employee obligations. As of September 30, 2005 (pro forma for the Anker and CoalQuest acquisitions), we had total accrued reclamation liabilities of only $67.9 million, post-retirement employee obligations of only $9.1 million, black lung liabilities of approximately $11.7 million and Coal Act liabilities of only $4.3 million. In addition, our entire workforce is union free, which minimizes employee-related liabilities commonly associated with union-represented mines. As of September 30, 2005 (pro forma for the Anker and CoalQuest acquisitions), our total debt was $236.2 million and after this offering we expect to retire all of this debt, excluding $4.8 million of capitalized leases and other debt obligations. We believe this low leverage will afford significant financial and operational flexibility.

Highly skilled management team. The members of our senior management team have, on average, 23 years of industry work experience across a variety of mining methods, including longwall mining. We have substantial Appalachian mining experience in increasing productivity, reducing costs, enhancing work safety practices, and maintaining strong customer relationships. In addition, the majority of our senior management team has extensive mine development and expansion experience.

Recognized leadership in safety and environmental stewardship. The injury incident rates at our mines throughout 2004, according to the Mine Safety and Health Administration, or MSHA, were below industry averages. We have been recognized by safety and environmental agencies with several prestigious awards for our safety and environmental record, such as the Sentinels of Safety Award from MSHA, The Department of Interior Excellence in Surface Coal Mining and Reclamation Award and a reclamation award for innovative methods from the West Virginia Coal Association. Our focus on safety and environmental performance results in the reduced likelihood of disruption of production at our mines, which leads to higher productivity and improved financial performance.

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OUR BUSINESS STRATEGY

Maximize profitability through highly efficient and productive mining operations. We are continuing to evaluate and assess our current operations in order to maximize operating efficiency and returns on invested capital. We are focused on maintaining low-cost, highly productive operations by continuing to invest substantial capital in state-of-the-art equipment and advanced technologies. We expect to internally fund approximately $304 million of capital expenditures in the next two years. As we take advantage of planned expansion opportunities from 2007 through 2009 principally as a result of the Anker and CoalQuest acquisitions, we expect to spend approximately $627 million on capital expenditures, which may require external financing.

Leverage owned and controlled reserves to generate substantial internal growth. We own a large undeveloped reserve in Northern Appalachia containing approximately 194 million tons of high Btu, low to medium sulfur steam and metallurgical quality coal, pro forma for the Anker and CoalQuest acquisitions. We currently expect underground longwall mining operations at this reserve to commence within the next four years, which will increase our production level by providing highly valued premium quality coal in an increasingly tight supply market. In addition, we have two substantial undeveloped reserves in Central Appalachia (pro forma for the Anker and CoalQuest acquisitions), which contain 56.5 million tons of premium metallurgical coal and are expected to be developed in the next three to six years. Further, the substantial reserve position that we own in the Illinois Basin is expected to allow us to benefit from the expected increase in demand for high sulfur coal to generate electricity. In addition, CoalQuest has entered into an arrangement that will allow the recovery of coalbed methane from 9,600 acres within the Hillman property. Finally, we intend to opportunistically acquire new coal reserves and/or coal companies to expand our coal market opportunities and increase shareholder value.

Capitalize on favorable industry fundamentals by opportunistically marketing coal. U.S. coal market fundamentals are among the strongest in the last 20 years. We believe this generally favorable pricing environment will persist given systemic changes in market dynamics such as long-term supply constraints and increasing demand, particularly in Central Appalachia and for our metallurgical coal. Furthermore, because of the high quality of our coal, our access to a variety of alternative transportation methods, including truck, rail and barge, and our mix of long-term contract and spot market sales, we will be able to capitalize on the favorable industry dynamics to maximize our revenues and profits. We plan to extend the life of our longer-term contract arrangements and limit price reopeners in order to lock in margins and enhance our financial stability, while at the same time, we plan to maintain an uncommitted portion of planned production to allow for additional future pricing upside exposure. As of September 30, 2005 (pro forma for the Anker and CoalQuest acquisitions), we had entered into contracts to sell all of 2005 planned production, approximately 75% of 2006 planned production and approximately 51% of 2007 planned production.

Continue to focus on improving workplace safety and environmental compliance. We have maintained and plan to continue to maintain an excellent safety and environmental performance record. We continue to implement safety measures and environmental initiatives that are designed to promote safe operating practices and improved environmental stewardship among our employees. Our ability to maintain a good safety and environmental record improves our productivity and lowers our overall cost structure as well as bolsters employee morale.

OUR HISTORY

On February 28, 2002, Horizon (at that time operating as AEI Resources Holdings, Inc.) filed a voluntary petition for Chapter 11; its plan of reorganization became effective on May 8, 2002. As a result of its continuing financial and operational difficulties, Horizon filed a second voluntary petition for relief under Chapter 11 on November 13, 2002. Certain of the Horizon assets were sold to us through a bankruptcy auction and the sale was completed as of September 30, 2004. The acquisition was financed through equity investments and borrowings under our senior secured credit facility,

4

which we entered into at the closing of the Horizon acquisition. See Description of indebtedness for a discussion of our senior credit facility.

Prior to the closing of this offering, we plan to consummate the Anker and CoalQuest acquisitions pursuant to which each of Anker and CoalQuest are to become indirect wholly owned subsidiaries of ICG. Holders of the outstanding stock of Anker and the membership interests in CoalQuest will be issued in the aggregate up to a maximum of 30,950,129 shares of ICG common stock. The actual number of shares of common stock to be issued will be based upon the price of the shares of common stock sold in this offering and certain other contingencies. The acquisitions are subject to certain closing conditions. See Business Our history The Anker and CoalQuest acquisitions for additional information regarding the acquisitions.

On or about the same time as the Anker and CoalQuest acquisitions, we will complete a corporate reorganization. Prior to this reorganization, our current top-tier parent holding company is ICG, Inc. (formerly known as International Coal Group, Inc.). On completion, ICG (formerly known as ICG Holdco, Inc.) will become the new top-tier parent holding company. The stockholders of ICG, Inc. are expected to receive one share of our common stock for each share of ICG, Inc. common stock. The names of the entities were changed in anticipation of the corporate reorganization and this offering. ICG is issuing its shares of common stock to the public in this offering. All stockholders of ICG, Inc., all Anker stockholders and all CoalQuest members will be stockholders of ICG after the corporate reorganization and the Anker and CoalQuest acquisitions. The following chart reflects our corporate organizational structure following the consummation of the Anker and CoalQuest acquisitions, the corporate reorganization and this offering:

COAL MARKET OUTLOOK

According to traded coal indices and reference prices, U.S. and international coal demand is currently strong, and coal pricing has increased year-over-year in each of our coal production markets. We believe that the current strong fundamentals in the U.S. coal industry result primarily from:

4 stronger industrial demand following a recovery in the U.S. manufacturing sector, evidenced by the final estimate of 3.8% real gross domestic product growth in the third quarter of 2005, as reported by the Bureau of Economic Analysis;

4 relatively low customer stockpiles, estimated by the U.S. Energy Information Administration, or EIA, to be approximately 100 million tons at the end of August 2005, down 8% from the same period in the prior year;

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4 declining coal production in Central Appalachia, including a decline of 11% in Central Appalachian coal production volume from 2000 to 2004, primarily a result of the depletion of economically attractive reserves, permitting issues that delay mine development and increasing costs of production;

4 capacity constraints of U.S. nuclear-powered electricity generators, which operated at an average utilization rate of 90.1% in 2004, up from 70.5% in 1993, as estimated by the EIA;

4 high current and forward prices for natural gas and oil, the primary alternative fuels for electricity generation, with spot prices as of November 7, 2005 for natural gas and heating oil at $8.71 per million Btu and $1.79 per gallon, respectively, as reported by Bloomberg L.P.; and

4 increased international demand for U.S. coal for steelmaking, driven by global economic growth, high ocean freight rates and the weak U.S. dollar.

U.S. spot steam coal prices have steadily increased since mid-2003, particularly for coals sourced in the eastern United States. As reported by Bloomberg L.P., the average price of high Btu, low sulfur Central Appalachia coal was $62.50/ton, during the week of November 4, 2005. This price level represents a dramatic 68.9% increase in the price of coal since January 2004.

CENTRAL APPALACHIA COAL REFERENCE PRICE[1]

Source: Bloomberg L.P.

Note: (1) Represents coal which meets the specifications (minimum 12,000 Btu/lb, maximum 1.00% sulfur) for Central Appalachian steam coal traded on the New York Mercantile Exchange.

We expect near-term volume growth in U.S. coal consumption to be driven by greater utilization at existing coal-fired electricity generating plants. Nationally, capacity utilization for coal plants (excluding combined heat and power) is expected to rise from 72% in 2003 to 83% in 2025, according to the EIA. If existing U.S. coal-fired plants operate at estimated potential utilization rates of 85%, we believe they would consume approximately 180 million additional tons of coal per year, which represents an increase of approximately 18% over current coal consumption.

We expect longer-term volume growth in U.S. coal consumption to be driven by the construction of new coal-fired plants. The National Energy Technology Laboratory, or NETL, an arm of the U.S. Department of Energy, or DOE, projects that 112,000 megawatts of new coal-fired electric generation capacity will be constructed in the United States by 2025. The NETL has identified 106 coal-fired plants, representing 65,000 megawatts of electric generation capacity, that have been proposed and are currently in various stages of development.

The current pricing environment for U.S. metallurgical coal is also strong in both the domestic and seaborne export markets. Demand for metallurgical coal in the United States has recently increased due to a recovery in the U.S. steel industry. In addition to increased demand for metallurgical coal in the United States, demand for metallurgical coal has increased in international markets. According to the International Iron and Steel Institute, Chinese steel consumption increased 13% in 2004 as compared to 2003, and Asia-Pacific Rim consumption of metallurgical coal continues to strain supply. For example, BHP Billiton, a major Australian coal producer, reported average 2005 price settlement increases of 120% for approximately three quarters of its annually priced metallurgical coal contracts from the prior year. Fording Canadian Coal Trust, a major Canadian metallurgical coal producer, announced substantially all metallurgical coal contracts for the 2005 coal year are priced at an average of $125 per ton, an increase of 140% over the average sales price during 2004. The dramatic rise in metallurgical coal prices in global markets is due in part to concerns over the availability of sufficient supply and the significant increase in steel production in China. In addition, weakness of the U.S. dollar has made U.S. metallurgical coal more competitive in international markets.

RISKS RELATED TO OUR BUSINESS AND STRATEGY

Our ability to execute our strategy is subject to the risks that are generally associated with the coal industry. For example, our profitability could decline due to changes in coal prices or coal consumption patterns, as well as unanticipated mine operating conditions, loss of customers, changes in our ability to access our coal reserves and other factors that are not within our control. Furthermore, the heavily regulated nature of the coal industry imposes significant actual and potential costs on us, and future regulations could increase those costs or limit our ability to produce coal.

We are also subject to a number of risks related to our competitive position and business strategies. For example, our business strategy exposes us to the risks involving our long-term coal supply contracts, the demand for coal, electricity and steel, our projected plans and objectives for future operations and expansion or consolidation, the integration of Anker and CoalQuest into our business, and future economic or capital market conditions. In addition, our focus on the Central Appalachian region exposes us to the risks of operating in this region, including higher costs of production as compared to other coal-producing regions and more costly and restrictive permitting, licensing and other environmental and regulatory requirements.

For additional risks relating to our business, the coal industry and this offering, see Risk factors beginning on page 13 of this prospectus.

OUR SPONSOR

WLR Ross & Co. LLC, together with other investors, formed ICG, Inc. in May 2004 to acquire key assets of Horizon through a bankruptcy auction. Following the acquisitions, the corporate reorganization and this offering WLR will own approximately 12.9% of our common stock, assuming 20,072,992 shares are issued in connection with the acquisitions and no exercise of the underwriters over-allotment option. Additionally, Wilbur L. Ross, the principal of WLR, is our Chairman of the Board. We also pay WLR a management fee. See Certain relationships and related party transactions.

WL Ross & Co. LLC was organized on April 1, 2000 by Wilbur L. Ross, Jr. and other members of the Restructuring Group of Rothschild Inc. This team had restructured more than $200 billion of liabilities in North America and other parts of the world. The firm maintains offices in New York City and has become the sponsor of more than $4.0 billion of alternative investment partnerships on behalf of major U.S., European and Japanese institutional investors. Selected current and recent portfolio companies include International Steel Group, the largest integrated steel producer in North America, and International Textile Group, a combination of Burlington Industries and Cone Mills.

Our principal executive office is located at 2000 Ashland Drive, Ashland, Kentucky 41101 and our telephone number is (606) 920-7400.

You should carefully consider the information contained in the Risk factors section of this prospectus before you decide to purchase shares of our common stock.

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The offering

Common stock we are offering	20,000,000 shares
Common stock to be outstanding after this offering	147,303,991 shares, which is based on 107,230,999 shares outstanding as of September 30, 2005 plus, assuming a public offering price of $13.70 per share, the 20,072,992 shares expected to be issued in the Anker and CoalQuest acquisitions.
Use of proceeds after expenses	We estimate that the net proceeds from this offering, after expenses, will be approximately $253.1 million, or approximately $291.7 million if the underwriters exercise their over-allotment option in full, assuming a public offering price of $13.70 per share. As of September 30, 2005 (pro forma for the Anker and CoalQuest acquisitions), our total debt was $236.2 million. We expect to retire all of this debt, excluding $4.8 million of capitalized leases and other debt obligations, with the net proceeds of this offering and to use the remaining net proceeds for general corporate purposes. See Use of proceeds.
Over-allotment option	We have granted the underwriters an option to purchase up to 3,000,000 additional shares of our common stock to cover over-allotments.
Proposed New York Stock Exchange symbol	ICO

The number of shares of our common stock to be outstanding immediately after this offering excludes:

4 the shares of our common stock issuable upon exercise of options we have granted under our employee stock option plan; and

4 the shares of our common stock expected to be available for future grant under the equity incentive plan we have adopted.

Unless we specifically state otherwise, all information in this prospectus assumes no exercise by the underwriters of their option to purchase additional shares. See Underwriting.

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Summary historical consolidated and pro forma financial data of ICG

ICG is a recently formed holding company which does not have any independent external operations, assets or liabilities, other than through its operating subsidiaries. Prior to the acquisition of certain assets of Horizon as of September 30, 2004, our predecessor, ICG, Inc., did not have any material assets, liabilities or results of operations. The summary historical consolidated financial data as of and for the period from May 13, 2004 to December 31, 2004 have been derived from the audited consolidated financial statements of ICG, Inc. and the summary historical consolidated financial data as of and for the nine months ended September 30, 2005 have been derived from ICG, Inc. s unaudited consolidated financial statements. The following summary historical consolidated financial data as of and for the period January 1, 2004 to September 30, 2004, the year ended December 31, 2003 and the period May 10, 2002 to December 31, 2002 has been derived from the audited consolidated financial statements of Horizon (the predecessor to ICG for accounting purposes). The summary historical consolidated financial data for the period January 1, 2002 to May 9, 2002 has been derived from the audited consolidated financial statements of AEI Resources (the predecessor to Horizon for accounting purposes). The financial statements for the predecessor periods have been prepared on a carve-out basis to include the assets, liabilities and results of operations of ICG that were previously included in the consolidated financial statements of Horizon. The financial statements for the predecessor periods include allocations of certain expenses, taxation charges, interest and cash balances relating to the predecessor based on management s estimates. The predecessor financial information is not necessarily indicative of the consolidated financial position, results of operations and cash flows of ICG if it had operated during the predecessor periods presented. In the opinion of management, such financial data reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the results for those periods. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year or any future period.

The following summary unaudited pro forma consolidated financial data of ICG, Inc. and its subsidiaries for the year ended December 31, 2004 and as of and for the nine months ended September 30, 2005 have been prepared to give pro forma effect to our corporate reorganization, our acquisitions of Horizon, Anker and CoalQuest and the offering of 20,000,000 shares of our common stock at an offering price of $13.70 per share, as if each had occurred on January 1, 2004, in the case of unaudited pro forma statement of operations data, and on September 30, 2005, in the case of unaudited pro forma balance sheet data. The successor balance sheet data and pro forma adjustments used in preparing the pro forma financial data reflect our preliminary estimates of the purchase price allocation to certain assets and liabilities. The pro forma financial data are for informational purposes only and should not be considered indicative of actual results that would have been achieved had the transactions actually been consummated on the dates indicated and do not purport to indicate balance sheet data or results of operations as of any future date or for any future period.

You should read the following data in conjunction with Unaudited consolidated pro forma financial information, Management s discussion and analysis of financial condition and results of operations and the audited consolidated financial statements and related notes of each of ICG, Inc., Horizon (and its predecessors), Anker and CoalQuest, each included elsewhere in this prospectus.

	AEI RESOURCES Predecessor to Horizon	HORIZON Predecessor to ICG, Inc.			ICG, Inc.			
	Period from January 1, 2002 to May 9, 2002[6]	Period from May 10, 2002 to December 31, 2002[6]	Year ended December 31, 2003[6]	Period January 1, 2004 to September 30, 2004[6]	Period May 13, 2004 to December 31, 2004	Nine months ended September 30, 2005	Pro forma year ended December 31, 2004[4]	Pro forma nine months ended September 30, 2005[4]
	(in thousands)							
Statement of operations data:								
Revenues:								
Coal sales revenues	$ 136,040	$ 264,235	$ 441,291	$ 346,981	$ 130,463	$ 441,662	$ 624,120	$ 542,744
Freight and handling revenues	2,947	6,032	8,008	3,700	880	6,236	15,996	15,307
Other revenues	21,183	27,397	31,771	22,702	4,766	17,757	33,696	22,131
Total revenues	160,170	297,664	481,070	373,383	136,109	465,655	673,812	580,183
Cost and expenses:								
Freight and handling costs	2,947	6,032	8,008	3,700	880	6,236	15,996	15,307
Cost of coal sales and other revenues (exclusive of depreciation, depletion and amortization shown separately	114,767	251,361	400,652	306,429	113,707	357,076	564,723	465,415

below)								
Depreciation, depletion and amortization	32,316	40,033	52,254	27,547	7,943	29,489	46,054	39,266
Selling, general and administrative (exclusive of depreciation, depletion and amortization shown separately above)	9,677	16,695	23,350	8,477	4,194	23,592	17,257	28,256
(Gain)/loss on sale of assets	(93)	(39)	(4,320)	(226)	(10)	(518)	(236)	(518)
Writedowns and other items	8,323	729,953	9,100	10,018			10,018	
Total costs and expenses	167,937	1,044,035	489,044	355,945	126,714	415,875	653,812	547,726
Income (loss) from operations	(7,767)	(746,371)	(7,974)	17,438	9,395	49,780	20,000	32,457
Other income (expense):								
Interest expense	(36,666)	(80,405)	(145,892)	(114,211)	(3,453)	(10,453)	(5,889)	(3,733)
Reorganization items	787,900	(4,075)	(23,064)	(12,471)			(12,471)	
Other, net	499	1,256	187	1,581	898	4,007	8,329	9,130
Total interest and other income (expense)	751,733	(83,224)	(168,769)	(125,101)	(2,555)	(6,446)	(10,031)	5,397
Income (loss) before income taxes	743,966	(829,595)	(176,743)	(107,663)	6,840	43,334	9,969	37,854
Income tax expense					(2,591)	(14,786)	(3,777)	(12,945)

Net income (loss)	$ 743,966	$ (829,595)	$ (176,743)	$ (107,663)	$ 4,249	$ 28,548	$ 6,192	$ 24,909

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	AEI RESOURCES Predecessor to Horizon	HORIZON Predecessor to ICG, Inc.			ICG, Inc.			
	Period from January 1, 2002 to May 9, 2002[6]	Period from May 10, 2002 to December 31, 2002[6]	Year ended December 31, 2003[6]	Period January 1, 2004 to September 30, 2004[6]	Period May 13, 2004 to December 31, 2004	Nine months ended September 30, 2005	Pro forma year ended December 31, 2004[4]	Pro forma nine months ended September 30, 2005[4]
	(in thousands, except per share and per ton data)							
Earnings (loss) per share[1] :								
Basic					0.04	0.27	0.04	0.17
Diluted					0.04	0.27	0.04	0.17
Average common shares outstanding [1]:								
Basic					106,605,999	107,230,999	146,678,991	147,303,991
Diluted					106,605,999	107,280,820	146,728,812	147,353,812
Balance sheet data (at period end):								
Cash and cash equivalents	$ 87,278	$ 114	$ 859	$	$ 23,967	$ 15,534	$	$ 42,385
Total assets	1,521,318	623,800	576,372	539,606	459,975	523,020		$ 945,972
Long-term debt and capital leases	933,106	1,157	315	29	173,446	186,938		3,269
Total liabilities	1,286,318	1,222,219	1,351,393	1,422,290	305,575	336,494		215,136
Total stockholders equity (members deficit)	$ 235,000	$ (598,419)	$ (775,021)	$ (882,684)	$ 154,400	$ 186,526	$	$ 730,836

Total liabilities and stockholders equity (members deficit)	$ 1,521,318	$ 623,800	$ 576,372	$ 539,606	$ 459,975	$ 523,020	$	$ 945,972
Other financial data:								
EBITDA[2]	$ 812,948	$ (709,157)	$ 21,403	$ 34,095	$ 18,236	$ 83,276	$ 61,912[5]	80,853[5]
Net cash provided by (used in):								
Operating activities	$ (353,592)	$ 76,378	$ 20,030	$ 28,085	$ 30,211	$ 57,545	N/A	N/A
Investing activities	$ 44,555	$ (12,805)	$ (3,826)	$ 3,437	$ (329,168)	$ (75,389)	N/A	N/A
Financing activities	$ 259,011	$ (78,025)	$ (15,459)	$ (32,381)	$ 322,924	$ 9,411	N/A	N/A
Capital expenditures	$ 10,963	$ 13,435	$ 16,937	$ 6,624	$ 5,583	$ 75,941	N/A	N/A
Operating data[3]								
Tons sold	5,416	11,124	16,655	10,421	3,582	10,590	18,400	14,321
Tons produced	4,231	7,139	12,041	8,812	2,959	9,056	14,591	11,135
Average coal sales realization (per ton)	$ 25.12	$ 23.75	$ 26.50	$ 33.30	$ 36.42	$ 41.71	$ 33.92	$ 48.74

(1) *Earnings per share data and average shares outstanding are not presented for the period from January 1, 2002 to May 9, 2002, period from May 10, 2002 to December 31, 2002, year ended December 31, 2003 and the period from January 1, 2004 to September 30, 2004 because the financial statements for these periods were prepared on a carve-out basis.*

(2) *EBITDA represents net income before deducting interest expense, income taxes and depreciation, depletion and amortization. We present EBITDA and pro forma EBITDA because we consider them important supplemental measures of our performance and believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry, substantially all of which present EBITDA when reporting their results.*
We also use EBITDA for the following purposes: Our executive compensation plan bases incentive compensation payments on our EBITDA performance measured against budgets and a peer group. Our credit agreement uses EBITDA (with additional adjustments) to measure our compliance with covenants, such as interest coverage and debt incurrence. EBITDA is also widely used by us and others in our industry to evaluate and price potential acquisition candidates.

EBITDA and pro forma EBITDA have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- *EBITDA and pro forma EBITDA do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;*

- *EBITDA and pro forma EBITDA do not reflect changes in, or cash requirements for, our working capital needs;*

- *EBITDA and pro forma EBITDA do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debts;*

- *Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and pro forma EBITDA do not reflect any cash requirements for such replacements; and*

- *Other companies in our industry may calculate EBITDA and pro forma EBITDA differently than we do, limiting their usefulness as comparative measures.*

EBITDA and pro forma EBITDA are a measure of our performance that are not required by, or presented in accordance with, GAAP and we also believe each is a useful indicator of our ability to meet debt service and capital expenditure requirements. EBITDA and pro forma EBITDA are not measurements of our financial performance under GAAP and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with GAAP or as an alternative to cash flow from operating activities as a measure of our liquidity.

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The following table reconciles net income, which we believe to be the closest GAAP performance measure, to EBITDA.

	AEI Resources (Predecessor to Horizon)	Horizon (Predecessor to ICG, Inc.)			ICG, Inc.	
	Period from January 1, 2002 to May 9, 2002	Period from May 10, 2002 to December 31, 2002	Year ended December 31, 2003	Period from January 1, 2004 to September 30, 2004	Period from May 13, 2004 to December 31, 2004	Nine months ended September 30, 2005
	(in thousands)					
Net income (loss)	$ 743,966	$ (829,595)	$ (176,743)	$ (107,663)	$ 4,249	$ 28,548
Interest expense	36,666	80,405	145,892	114,211	3,453	10,453
Income tax expense					2,591	14,786
Depreciation, depletion and amortization expense	32,316	40,033	52,254	27,547	7,943	29,489
EBITDA	$ 812,948	$ (709,157)	$ 21,403	$ 34,095	$ 18,236	$ 83,276

Net income (loss) and EBITDA were further affected by reorganization items of $(787.9) million for the period from January 1, 2002 to May 9, 2002, $4.1 million for the period May 10, 2002 to December 31, 2002, $23.1 million for the year ended December 31, 2003 and $12.5 million for the period from January 1, 2004 to September 30, 2004. Net income (loss) and EBITDA were further affected by writedowns and other items of $8.3 million for the period from January 1, 2002 to May 9, 2002, $730.0 million for the period May 10, 2002 to December 31, 2002, $9.1 million for the year ended December 31, 2003, and $10.0 million for the period from January 1, 2004 to September 30, 2004. See Notes 14 and 15 to Horizon s audited combined financial statements included elsewhere in this prospectus.

(3) *Amounts were not derived from the audited financial statements included elsewhere in this prospectus.*

(4) *The summary unaudited pro forma data of ICG, Inc. and its subsidiaries as of and for the year ended December 31, 2004 and the nine months ended September 30, 2005 have been prepared to give pro forma effect to our corporate reorganization, the acquisition of Horizon, Anker and CoalQuest and the offering of 20,000,000 shares of our common stock at an offering price of $13.70 per share, as if each had occurred on January 1, 2004, in the case of unaudited statements of operations data, and on September 30, 2005, in the case of unaudited pro forma balance sheet data.*

(5) *The following table reconciles pro forma net income, which we believe to be the closest GAAP performance measure, to pro forma EBITDA.*

	Pro forma year ended December 31, 2004	Pro forma nine months ended September 30, 2005
		(in thousands)
Pro forma net income	$ 6,192	$ 24,909
Interest expense	5,889	3,733
Income tax expense	3,777	12,945
Depreciation, depletion and amortization expense	46,054	39,266
Pro forma EBITDA	$61,912	$ 80,853

Pro forma net income and pro forma EBITDA were further affected by reorganization items of $12.5 million and writedowns and other items of $10.0 million for the year ended December 31, 2004.

(6) *As restated. See Note 19 to the combined financial statements of Horizon NR, LLC included elsewhere in this prospectus.*

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Risk factors

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, together with the other information contained in this prospectus, before investing in our common stock. If any of the following risks develop into actual events, our business, financial condition or results of operations could be materially adversely affected, the trading price of your shares of our common stock could decline and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Because of our limited operating history, historical information regarding our company prior to October 1, 2004 is of little relevance in understanding our business as currently conducted.

We are subject to the risks, uncertainties, expenses and problems encountered by companies in the early stages of operations. ICG was incorporated in March 2005 as a holding company and our predecessor, ICG, Inc., was incorporated in May 2004 for the sole purpose of acquiring certain assets of Horizon. Until we completed that acquisition we had substantially no operations. As a result, we believe the historical financial information presented in this prospectus, other than for the period ended December 31, 2004 and the nine months ended September 30, 2005, which do not include the historical financial information for Anker and CoalQuest, are of limited relevance in understanding our business as currently conducted. The financial statements for the predecessor periods have been prepared from the books and records of Horizon as if ICG had existed as a separate legal entity under common management for all periods presented (that is, on a carve-out basis). The financial statements for the predecessor periods include allocations of certain expenses, taxation charges, interest and cash balances relating to the predecessor based on management s estimates. In light of these allocations and estimates, the predecessor financial information is not necessarily indicative of the consolidated financial position, results of operations and cash flows of ICG if it had operated during the predecessor period presented. See Unaudited consolidated pro forma financial data, Selected historical consolidated financial data of ICG and Management s discussion and analysis of financial condition and results of operations.

A decline in coal prices could reduce our revenues and the value of our coal reserves.

Our results of operations are dependent upon the prices we charge for our coal as well as our ability to improve productivity and control costs. Any decreased demand would cause spot prices to decline and require us to increase productivity and decrease costs in order to maintain our margins. Declines in the prices we receive for our coal could adversely affect our operating results and our ability to generate the cash flows we require to improve our productivity and invest in our operations. The prices we receive for coal depend upon factors beyond our control, including:

4 the supply of and demand for domestic and foreign coal;

4 the demand for electricity;

4 domestic and foreign demand for steel and the continued financial viability of the domestic and/or foreign steel industry;

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

4 domestic and foreign governmental regulations and taxes;

4 air emission standards for coal-fired power plants;

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Risk factors

4 regulatory, administrative and judicial decisions;

4 the price and availability of alternative fuels, including the effects of technological developments; and

4 the effect of worldwide energy conservation measures.

Our coal mining operations are subject to operating risks that could result in decreased coal production thereby reducing our revenues.

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

4 the unavailability of qualified labor;

4 our inability to acquire, maintain or renew necessary permits or mining or surface rights in a timely manner, if at all;

4 unfavorable geologic conditions, such as the thickness of the coal deposits and the amount of rock embedded in or overlying the coal deposit;

4 failure of reserve estimates to prove correct;

4 changes in governmental regulation of the coal industry, including the imposition of additional taxes, fees or actions to suspend or revoke our permits or changes in the manner of enforcement of existing regulations;

4 mining and processing equipment failures and unexpected maintenance problems;

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

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

4 increased or unexpected reclamation costs;

4 interruptions due to transportation delays;

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

4 unexpected mine safety accidents, including fires and explosions from methane.

These conditions and events may increase our 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 our coal, which could reduce our revenues and adversely impact our earnings and the value of our coal reserves.

Steam coal accounted for nearly all of our coal sales volume in 2004, pro forma for the Anker and CoalQuest acquisitions. The majority of our sales of steam coal in 2004 were to electric power generators. Domestic electric power generation accounted for approximately 92% of all U.S. coal consumption in 2003, according to the EIA. The amount of coal consumed for U.S. electric power generation is affected primarily by the overall demand for electricity, the location, availability, quality and price of competing fuels for power such as natural gas, nuclear, fuel oil and alternative energy sources such as hydroelectric power, technological developments, and environmental and other governmental regulations.

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Although we expect that many new power plants will be built to produce electricity during peak periods of demand, we also expect that many of these new power plants will be fired by natural gas because gas-fired plants are cheaper to construct than coal-fired plants and because natural gas is a cleaner burning fuel. Gas-fired generation from existing and newly constructed gas-fired facilities has the potential to displace coal-fired generation, particularly from older, less efficient coal-powered generators. In addition, the increasingly stringent requirements of the Clean Air Act may result in more electric power generators shifting from coal to natural gas-fired plants. Any reduction in the amount of coal consumed by North American electric power generators could reduce the price of steam coal that we mine and sell, thereby reducing our revenues and adversely impacting our earnings and the value of our coal reserves.

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 our 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. The economic slowdown experienced during the last several years significantly slowed the growth of electrical demand and, in some locations, resulted in contraction of 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 our profitability to decline.

Our profitability may be adversely affected by the status of our long-term coal supply agreements, changes in purchasing patterns in the coal industry and the loss of certain brokered coal contracts set to expire at the end of 2006, which could adversely affect the capability and profitability of our operations.

We sell a significant portion of our coal under long-term coal supply agreements, which we define as contracts with a term greater than 12 months. For the nine months ended September 30, 2005 (pro forma for the Anker and CoalQuest acquisitions), approximately 75% of our revenues were derived from coal sales that were made under long-term coal supply agreements. As of that date, we had 30 long-term sales agreements with a volume-weighted average term of approximately 5.2 years. The prices for coal shipped under these agreements are fixed for 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 our sales that are subject to these long-term agreements, we have less coal available with which to capitalize on higher coal prices, if and when they arise. In addition, in some cases, our 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 our current contracts with customers expire or are otherwise renegotiated, our customers may decide not to extend or enter into new long-term contracts or, in the absence of long-term contracts, our customers may decide to purchase fewer tons of coal than in the past or on different terms, including under different pricing terms. In addition, we have brokered coal contracts that will expire at the end of 2006. These contracts were signed during a period of oversupply in the coal industry and contain pricing that, while acceptable to the sellers at that time, is significantly below today s market levels and, management believes, will not be able to be renegotiated or replaced in today s market. Assuming today s market continues, we believe the loss of these contracts will have a significant impact

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on our earnings after 2006. Through the nine months ended September 30, 2005, these contracts have provided $26.2 million in revenue. For additional information relating to these contracts, see Business Customers and coal contracts Long-term coal supply agreements.

Furthermore, as electric utilities seek to adjust to requirements of the Clean Air Act, particularly the Acid Rain regulations, the Clean Air Mercury Rule and the Clean Air Interstate Rule, although these two rules are subject to judicial challenge and the Clean Air Mercury Rule has been subject to legislative challenge in Congress, and the possible deregulation of their industry, 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 us and the level of our revenues. For example, fewer electric utilities will have a contractual obligation to purchase coal from us, thereby increasing the risk that we will not have a market for our production. Furthermore, spot market prices tend to be more volatile than contractual prices, which could result in decreased revenues.

Certain provisions in our long-term supply agreements may provide limited protection during adverse economic conditions or may result in economic penalties upon the failure to meet specifications.

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 our 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 us or our customers during the duration of specified events beyond the control of the affected party. Most of our coal supply agreements contain provisions requiring us to deliver coal meeting quality thresholds for certain characteristics such as Btu, 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 with respect to long-term supply agreements, we may not achieve the revenue or profit we expect to achieve from these sales commitments. In addition, we may not be able to successfully convert these sales commitments into long-term supply agreements.

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

Portions of our coal reserves possess quality characteristics that enable us 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 us to shift coal from the metallurgical market to the steam market, thereby reducing our revenues and profitability.

Most of our metallurgical coal reserves possess quality characteristics that enable us to mine, process and market them as high quality steam coal. However, some of our mines operate profitably only if all or a portion of their production is sold as metallurgical coal to the steel market. If demand for

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metallurgical coal declined to the point where we 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 our estimates of economically recoverable coal reserves could result in lower than expected revenues, higher than expected costs or decreased profitability.

We base our reserves information on engineering, economic and geological data assembled and analyzed by our 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 annually updated to reflect production of coal from the 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 our 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
- the assumed effects of regulation and taxes by governmental agencies and assumptions concerning coal prices, operating costs, mining technology improvements, severance and excise tax, 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 our reserves may vary materially from estimates. These estimates, thus, may not accurately reflect our actual reserves. Any inaccuracy in our estimates related to our reserves could result in lower than expected revenues, higher than expected costs or decreased profitability.

We depend heavily on a small number of large customers, the loss of any of which would adversely affect our operating results.

Our three largest customers for the nine months ended September 30, 2005 were Georgia Power, Carolina Power & Light and Duke Power and we derived approximately 53% of our pro forma coal revenues from sales to our five largest customers, pro forma for the Anker and CoalQuest acquisitions. At September 30, 2005 (pro forma for the Anker and CoalQuest acquisitions), we had 12 coal supply agreements with these customers that expire at various times from 2005 to 2010. We are currently discussing the extension of existing agreements or entering into new long-term agreements with some of these customers, however these negotiations may not be successful and these customers may not continue to purchase coal from us pursuant to long-term coal supply agreements. If a number of these customers were to significantly reduce their purchases of coal from us, or if we were unable to sell coal to them on terms as favorable to us as the terms under our current agreements, our financial condition and results of operations could suffer materially.

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

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

During 2004, the major eastern railroads (CSX and Norfolk Southern) experienced significant service problems. These problems were caused by an increase in overall rail traffic from the expanding economy and shortages of both equipment and personnel. The service problems had an adverse effect on our shipments during several months in 2004. If these service problems persist, they could have an adverse impact on our financial results in 2005 and beyond.

The states of West Virginia and Kentucky have recently increased enforcement of weight limits on coal trucks on its public roads. Additionally, West Virginia legislation, which raised coal truck weight limits in West Virginia, includes provisions supporting enhanced enforcement. The legislation went into effect on October 1, 2003 and implementation began on January 1, 2004. It is possible that other states in which our coal is transported by truck could conduct similar campaigns to increase enforcement of weight limits. Such stricter enforcement actions could result in shipment delays and increased costs. An increase in transportation costs could have an adverse effect on our ability to increase or to maintain production and could adversely affect revenues.

Some of our 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 our ability to supply coal to our customers. Our transportation providers may face difficulties in the future that may impair our ability to supply coal to our customers, resulting in decreased revenues. Currently, there is a shortage of available train cars to service our coal operations in eastern Kentucky.

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

Fluctuations in transportation costs could impair our ability to supply coal to our customers.

Transportation costs represent a significant portion of the total cost of coal for our 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 our coal production less competitive than coal produced from other sources.

On the other hand, 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 our business, financial condition and results of operations.

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Disruption in supplies of coal produced by third parties could temporarily impair our ability to fill our customers orders or increase our costs.

In addition to marketing coal that is produced from our controlled reserves, we purchase and resell coal produced by third parties from their controlled reserves to meet customer specifications. Disruption in our supply of third-party coal could temporarily impair our ability to fill our customers orders or require us to pay higher prices in order to obtain the required coal from other sources. Any increase in the prices we pay for third-party coal could increase our costs and therefore lower our earnings.

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

Our profitability depends substantially on our 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 our customers. Because our reserves decline as we mine our coal, our future success and growth depend, in part, upon our 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. We may not be able to accurately assess the geological characteristics of any reserves that we acquire, which may adversely affect our profitability and financial condition. Exhaustion of reserves at particular mines also may have an adverse effect on our operating results that is disproportionate to the percentage of overall production represented by such mines. Our ability to obtain other reserves in the future could be limited by restrictions under our 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 could significantly impair our operating profitability.

Our coal mining operations use significant amounts of steel, petroleum products and other raw materials in various pieces of mining equipment, supplies and materials, including the roof bolts required by the room and pillar method of mining described below. Scrap steel prices have risen significantly in recent months, and historically, the prices of scrap steel and petroleum have fluctuated. Recently we have been adversely impacted by margin compressions due to cost increases for various commodities and services influenced by the recent price acceleration of crude oil and natural gas a trend that was greatly exacerbated by the Gulf hurricanes. Costs of diesel fuel, explosives (ANFO) and coal trucking have all escalated as a direct result of supply chain problems related to the Gulf hurricanes. There may be other acts of nature or terrorist attacks or threats that could also increase the costs of raw materials. If the price of steel, petroleum products or other of these materials increase, our operational expenses will increase, which could have a significant negative impact on our profitability.

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 our 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 our planned expansion opportunities, we intend to sponsor both in-house and vocational coal mining programs at the local level in order to train additional skilled laborers. In the event the shortage of experienced labor continues or worsens or we are unable to train the necessary amount of skilled laborers, there

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could be an adverse impact on our labor productivity and costs and our ability to expand production and therefore have a material adverse effect on our earnings.

We have a new management team, and if they are unable to work effectively together, our business may be harmed.

Most of our and ICG, Inc. s management team was hired in 2005, and the group has only been working together for a short period of time. Moreover, several other key employees were hired in 2005. Because many of our executive officers and key employees are new and we also expect to add additional key personnel in the near future, there is a risk that our management team will not be able to work together effectively. If our management team is unable to work together, our operations could be disrupted and our business harmed.

Our ability to operate our company effectively could be impaired if we fail to attract and retain key personnel.

Our senior management team averages 23 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 our senior executives could have a material adverse effect on our business. There may be a limited number of persons with the requisite experience and skills to serve in our senior management positions. We may not be able to locate or employ qualified executives on acceptable terms. In addition, as our business develops and expands, we believe that our future success will depend greatly on our continued ability to attract and retain highly skilled personnel with coal industry experience. Competition for these persons in the coal industry is intense and we may not be able to successfully recruit, train or retain qualified personnel. We may not be able to continue to employ key personnel or attract and retain qualified personnel in the future. Our failure to retain or attract key personnel could have a material adverse effect on our ability to effectively operate our business.

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

We continually seek to expand our operations and coal reserves through acquisitions. If we are unable to successfully integrate the companies, businesses or properties we acquire, our profitability may decline and we could experience a material adverse effect on our business, financial condition, or results of operations. Acquisition transactions involve various inherent risks, including:

4 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;

4 the potential loss of key customers, management and employees of an acquired business;

4 the ability to achieve identified operating and financial synergies anticipated to result from an acquisition;

4 problems that could arise from the integration of the acquired business; and

4 unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying our rationale for pursuing the acquisition.

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

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We may not be able to effectively integrate Anker and CoalQuest into our operations or realize the expected benefits of those acquisitions.

Our future success will depend largely on our ability to consolidate and effectively integrate Anker s and CoalQuest s operations into our operations. We may not be able to do so successfully without substantial costs, delays or other difficulties. We may face significant challenges in consolidating functions and integrating procedures, information technology systems, personnel and operating philosophies in a timely and efficient manner. The integration process is complex and time consuming and may pose a number of obstacles, such as:

4 the loss of key employees or customers;

4 the challenge of maintaining the quality of customer service;

4 the need to coordinate geographically diverse operations;

4 retooling and reprogramming of equipment and information technology systems; and

4 the resulting diversion of management s attention from our day-to-day business and the need to hire and integrate additional management personnel to manage our expanded operations.

If we are not successful in completing the integration of Anker and CoalQuest into our operations, if the integration takes longer or is more complex or expensive than anticipated, if we cannot operate the Anker and CoalQuest businesses as effectively as we anticipate, whether as a result of deficiency of the acquired business or otherwise, or if the integrated businesses fail to achieve market acceptance, our operating performance, margins, sales and reputation could be materially adversely affected.

Furthermore, we may not be able to realize the expected benefits of these acquisitions. For example, as a result of infrastructure weaknesses and short-term geologic issues at Anker, the transition period for implementation of various operational improvements has taken longer than originally anticipated. This extended transition has resulted in, and will continue to result in, decreased coal production and increased production costs in the third and fourth quarters. Since these issues are temporary in nature and recent operating performance has significantly improved, 2006 profit margins are not expected to be materially impacted.

If the value of our goodwill becomes impaired, the write-off of the impaired portion could materially reduce the value of our assets and reduce our net income for the year in which the write-off occurs.

When we acquire a business, we record an asset called goodwill if the amount we pay for the business, including liabilities assumed, is in excess of the fair value of the assets of the business we acquire. We recorded $187.7 million of goodwill in connection with the Horizon acquisition and will record goodwill in connection with the Anker and CoalQuest acquisitions. Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, requires that goodwill be tested at least annually (absent any impairment indicators). The testing includes comparing the fair value of each reporting unit with its carrying value. Fair value is determined using discounted cash flows, market multiples and market capitalization. Impairment adjustments, if any, generally are required to be recognized as operating expenses. We may have future impairment adjustments to our recorded goodwill. Any finding that the value of our goodwill has been impaired would require us to write-off the impaired portion, which could significantly reduce the value of our assets and reduce our net income for the year in which the write-off occurs.

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Failure to obtain or renew surety bonds in a timely manner and on acceptable terms could affect our ability to secure reclamation and coal lease obligations, which could adversely affect our ability to mine or lease coal.
Federal and state laws require us to obtain surety bonds to secure payment of certain long-term obligations, such as mine closure or reclamation costs, federal and state workers compensation costs, coal leases and other obligations. 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. Our failure to maintain, or our inability to acquire, surety bonds that are required by state and federal law would affect our ability to secure reclamation and coal lease obligations, which could adversely affect our ability to mine or lease coal. That failure could result from a variety of factors including, without limitation:

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

4 restrictions on availability of collateral for current and future third-party surety bond issuers under the terms of our credit facility; and

4 the 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 our ability to obtain or renew surety bonds.
At September 30, 2005 (pro forma for the Anker and CoalQuest acquisitions), we had $52.9 million of letters of credit in place, of which $43.0 million serve as collateral for reclamation surety bonds and $9.9 million secure miscellaneous obligations. Included in the $43.0 million letters of credit securing collateral for reclamation surety bonds is a $10.0 million letter of credit related to Lexington Coal Company, LLC. As amended, our credit facility currently provides for a $110.0 million revolving credit facility, of which up to $75.0 million may be used for letters of credit. If we do not maintain sufficient borrowing capacity under our revolving credit facility for additional letters of credit, we may be unable to obtain or renew surety bonds required for our mining operations.

Our business requires substantial capital investment and maintenance expenditures, which we may be unable to provide.
Our business strategy will require additional substantial capital investment. We require capital for, among other purposes, managing acquired assets, acquiring new equipment, maintaining the condition of our existing equipment and maintaining compliance with environmental laws and regulations. To the extent that cash generated internally and cash available under our credit facilities are not sufficient to fund capital requirements, we 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 our ability to withstand competitive pressures and render us more vulnerable to economic downturns. If we fail to generate or obtain sufficient additional capital in the future, we could be forced to reduce or delay capital expenditures, sell assets or restructure or refinance our indebtedness.

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Our level of indebtedness and other demands on our cash resources could materially adversely affect our ability to execute our business strategy and make us more vulnerable to economic downturns.

As of September 30, 2005 (pro forma for the Anker and CoalQuest acquisitions), we had cash of approximately $18.2 million and total consolidated indebtedness, including current maturities and capital lease obligations, of approximately $236.2 million before application of the proceeds of this offering. During 2005, our anticipated principal repayments will be approximately $1.8 million on the term loan if the term loan is not repaid with the proceeds of this offering. Subject to the limits contained in our credit facilities, we may also incur additional debt in the future. In addition to the principal repayments on our outstanding debt, we have other demands on our cash resources, including, among others, capital expenditures and operating expenses.

Our credit facilities are secured by substantially all our assets. If we default under these facilities, the lenders could choose to declare all outstanding amounts immediately due and payable, and seek foreclosure of the assets we granted to them as collateral. If the amounts outstanding under the credit facilities were accelerated, we may not have sufficient resources to repay all outstanding amounts, and our assets may not be sufficient to repay all of our outstanding debt in full. Foreclosures on any of our material assets could disrupt our operations, and have a material adverse effect on our reputation, production volume, sales and earnings.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our annual debt service obligations to increase significantly.

Our borrowings under our credit facilities are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on our variable rate indebtedness would increase even if the amount borrowed remained the same, resulting in a decrease in our net income. We have developed a hedging program to actively manage the risks associated with interest rate fluctuations but our program may not effectively eliminate all of the financial exposure associated with interest rate fluctuations. We currently have instruments in place that have the effect of fixing the interest rate on a portion of our outstanding debt for various time periods up to two years.

Increased consolidation and competition in the U.S. coal industry may adversely affect our 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 2003, however, the top ten coal producers share had increased to approximately 63% of total domestic coal production. Consequently, many of our competitors in the domestic coal industry are major coal producers who have significantly greater financial resources than us. The intense competition among coal producers may impact our ability to retain or attract customers and may therefore adversely affect our future revenues and profitability.

The demand for U.S. coal exports is dependent upon a number of factors outside of our 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. 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.

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Our ability to collect payments from our customers could be impaired if their creditworthiness deteriorates.
Our ability to receive payment for coal sold and delivered depends on the continued creditworthiness of our customers. Our customer base is changing 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 on payment default. These new power plant owners may have credit ratings that are below investment grade. In addition, competition with other coal suppliers could force us to extend credit to customers and on terms that could increase the risk we bear on payment default.

We have contracts to supply coal to energy trading and brokering companies under which those companies sell coal to end users. During 2004 and continuing in 2005, the creditworthiness of the energy trading and brokering companies with which we do business declined, increasing the risk that we may not be able to collect payment for all coal sold and delivered to or on behalf of these energy trading and brokering companies.

Defects in title or loss of any leasehold interests in our properties could limit our ability to conduct mining operations on these properties or result in significant unanticipated costs.
We conduct a significant part of our mining operations on properties that we lease. A title defect or the loss of any lease upon expiration of its term, upon a default or otherwise, could adversely affect our ability to mine the associated reserves and/ or process the coal that we mine. Title to most of our owned or leased properties and mineral rights is not usually verified until we make a commitment to develop a property, which may not occur until after we have obtained necessary permits and completed exploration of the property. In some cases, we rely on title information or representations and warranties provided by our lessors or grantors. Our right to mine some of our 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 our 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 our interest in the property. Mining operations from time to time may rely on an expired lease that we are unable to renew. From time to time we also may be in default with respect to leases for properties on which we have mining operations. In such events, we may have to close down or significantly alter the sequence of such mining operations which may adversely affect our future coal production and future revenues. If we mine on property that we do not own or lease, we could incur liability for such mining. Also, in any such case, the investigation and resolution of title issues would divert management s time from our business and our results of operations could be adversely affected. Additionally, if we lose any leasehold interests relating to any of our preparation plants, we may need to find an alternative location to process our 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 our mining operations on property where these defects exist, we may in the future have to incur unanticipated costs. In addition, we may not be able to successfully negotiate new leases or mining contracts for properties containing additional reserves, or maintain our leasehold interests in properties where we have 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.

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Our work force could become unionized in the future, which could adversely affect the stability of our production and reduce our profitability.

All of our coal production is from mines operated by union-free employees. However, our 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 our current compensation arrangements with our employees, any unionization of our subsidiaries employees could adversely affect the stability of our production and reduce our profitability.

Our ability and the ability of some of our subsidiaries to engage in some business transactions or to pursue our business strategy may be limited by the terms of our debt.

Our credit facilities contain a number of financial covenants requiring us to meet financial ratios and financial condition tests, as well as covenants restricting our ability to:

4 incur additional debt;

4 pay dividends on, redeem or repurchase capital stock;

4 allow our subsidiaries to issue new stock to any person other than us or any of our other subsidiaries;

4 make investments;

4 make acquisitions;

4 incur or permit to exist liens;

4 enter into transactions with affiliates;

4 guarantee the debt of other entities, including joint ventures;

4 merge or consolidate or otherwise combine with another company; and

4 transfer or sell a material amount of our assets outside the ordinary course of business.

These covenants could adversely affect our ability to finance our future operations or capital needs or to execute preferred business strategies.

Our ability to borrow under our credit facilities will depend upon our ability to comply with these covenants and our borrowing base requirements. Our ability to meet these covenants and requirements may be affected by events beyond our control and we may not meet these obligations. Our failure to comply with these covenants and requirements could result in an event of default under our credit facilities that, if not cured or waived, could terminate our ability to borrow further, permit acceleration of the relevant debt and permit foreclosure on any collateral granted as security under our credit facilities. If our indebtedness is accelerated, we may not be able to repay our debt or borrow sufficient funds to refinance it. Even if we were able to obtain new financing, it may not be on commercially reasonable terms, on terms that are acceptable to us, or at all. If our debt is in default for any reason, our business, financial condition and results of operations could be materially and adversely affected.

We are also subject to limitations on capital expenditures under our revolving credit facility as set forth in the table below. Because of these limitations, we may not be able to pursue our business strategy to replace our aging equipment fleet, develop additional mines or pursue additional acquisitions.

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Period	Prior to a Successful IPO(1)	After a Successful IPO(1)
January 1, 2005 - December 31, 2005	$155,000,000	$175,000,000
January 1, 2006 - December 31, 2006	$180,000,000	$200,000,000
January 1, 2007 - December 31, 2007	$255,000,000	$350,000,000
January 1, 2008 - December 31, 2008	$125,000,000	$315,000,000
January 1, 2009 - December 31, 2009	$ 75,000,000	$125,000,000
January 1, 2010 - Final Maturity Date	$ 85,000,000	$125,000,000

(1) A Successful IPO is defined to mean a public offering with at least $250 million in gross proceeds.

See Management s discussion and analysis of financial condition and results of operations Liquidity and capital resources and Note 6 to our audited consolidated financial statements included elsewhere in this prospectus.

If our business does not generate sufficient cash for operations, we may not be able to repay our indebtedness.

Our ability to pay principal and interest on and to refinance our debt depends upon the operating performance of our subsidiaries, which will be affected by, among other things, general economic, financial, competitive, legislative, regulatory and other factors, some of which are beyond our control. In particular, economic conditions could cause the price of coal to fall, our revenue to decline, and hamper our ability to repay our indebtedness.

Our business may not generate sufficient cash flow from operations and future borrowings may not be available to us under our new credit facility or otherwise in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity. We may not be able to refinance any of our indebtedness on commercially reasonable terms, on terms acceptable to us or at all.

RISKS RELATING TO GOVERNMENT REGULATION

Extensive government regulations impose significant costs on our mining operations, and future regulations could 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 matters such as:

4 limitations on land use;

4 employee health and safety;

4 mandated benefits for retired coal miners;

4 mine permitting and licensing requirements;

4 reclamation and restoration of mining properties after mining is completed;

4 air quality standards;

4 water pollution;

4 protection of human health, plantlife and wildlife;

4 the discharge of materials into the environment;

4 surface subsidence from underground mining; and

4 the effects of mining on groundwater quality and availability.

In particular, federal and state statutes require us to restore mine property in accordance with specific standards and an approved reclamation plan, and require that we obtain and periodically renew permits for mining operations. If we do not make adequate provisions for all expected reclamation and

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other costs associated with mine closures, it could harm our future operating results. In addition, state and federal regulations impose strict standards for particulate matter emissions which may restrict our ability to develop new mines or could require us to modify our existing operations and increase our costs of doing business.

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 our mining operations or cost structure, any of which could harm our 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 we could no longer pass it on to the purchaser of our coal under many of our long-term sales contracts, it could increase our operating costs and harm our results. New regulations that took effect in 2001 could significantly increase our costs with contesting and paying black lung claims. If new laws or regulations increase the number and award size of claims, it could substantially harm our business.

The costs, liabilities and requirements associated with these and other 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 our operations. We may also incur costs and liabilities resulting from claims for damages to property or injury to persons arising from our operations. We must compensate employees for work-related injuries. If we do not make adequate provisions for our workers compensation liabilities, it could harm our future operating results. If we are pursued for these sanctions, costs and liabilities, our mining operations and, as a result, our profitability could be adversely affected. See Environmental and other regulatory matters.

The possibility exists that new legislation and/or regulations and orders may be adopted that may materially adversely affect our mining operations, our cost structure and/or our 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 us or our 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 our financial condition and results of operations.

Mining in Northern and Central Appalachia is more complex and involves more regulatory constraints than mining in the other areas, which could affect the mining operations 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, permitting, licensing and other environmental and regulatory requirements are 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, our mines in Northern and Central Appalachia.

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

In our surface mining operations, we use mountaintop removal mining wherever feasible because it allows us to recover more tons of coal per acre and facilitates the permitting of larger projects, which allows mining to continue over a longer period of time than would be the case using other mining methods. To dispose of mining waste generated by mountaintop removal operations, as well as other mining operations, we obtain permits to construct and operate valley fills and surface impoundments. Some of these permits are nationwide permits (as opposed to individual permits) issued by the Army Corps of Engineers, or ACOE, for dredging and filling in streams and wetlands. Lawsuits challenging ACOE s authority to issue Nationwide Permit 21 have been instituted by environmental groups. In 2004, a federal court issued an order enjoining ACOE from issuing further Nationwide 21 permits in the South District of West Virginia. This decision is being appealed. A similar lawsuit has been filed in federal court in Kentucky, which seeks to invalidate the ACOE issuance of Nationwide Permit 21 and enjoin ACOE from allowing pursuant to this permit further discharges into valley fills or surface impoundments from 54 mines in Kentucky, including some of our mines. We cannot predict the final outcomes of these lawsuits. If mining methods at issue are limited or prohibited, it could significantly increase our operational costs, make it more difficult to economically recover a significant portion of our reserves and lead to a material adverse effect on our financial condition and results of operation. We may not be able to increase the price we charge for coal to cover higher production costs without reducing customer demand for our coal.

We may be unable to obtain and renew permits necessary for our operations, which would reduce our 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, making our ability to comply with the applicable requirements more difficult or even impossible, thereby precluding continuing or future mining operations. Private individuals and the public have certain rights to comment upon and otherwise engage in the permitting process, including through court intervention. Accordingly, the permits we need may not be issued, maintained or renewed, or may not be issued or renewed in a timely fashion, or may involve requirements that restrict our ability to conduct our mining operations. An inability to conduct our mining operations pursuant to applicable permits would reduce our production, cash flow, and profitability.

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

The Surface Mining Control and Reclamation Act of 1977, or SMCRA, establishes operational, reclamation and closure standards for all aspects of surface mining as well as most aspects of deep mining. Estimates of our total reclamation and mine-closing liabilities are based upon permit requirements and our engineering expertise related to these requirements. The estimate of ultimate reclamation liability is reviewed periodically by our management and engineers. The estimated liability can change significantly if actual costs vary from assumptions or if governmental regulations change significantly. We adopted Statement of Financial Accounting Standard No. 143, Accounting for Asset Retirement Obligations (Statement No. 143) effective January 1, 2003. Statement No. 143 requires that retirement obligations be 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, we 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 us. The resulting estimated reclamation and mine closure obligations could change significantly if actual amounts change significantly from our assumptions.

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

We use, and in the past have used, hazardous materials and generate, and in the past have generated, hazardous wastes. In addition, many of the locations that we own or operate were used for coal mining and/or involved hazardous materials usage either before or after we were involved with those locations. We may be subject to claims under federal and state statutes, and/or common law doctrines, for toxic torts, 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 we own or operate currently, as well as at sites that we or predecessor entities owned or operated in the past, and at contaminated sites that have always been owned or operated by third parties. Our liability for such claims may be joint and several, so that we may be held responsible for more than our share of the remediation costs or other damages, or even for the entire share. We have from time to time been subject to claims arising out of contamination at our own and other facilities and may incur such liabilities in the future.

Mining operations can also impact flows and water quality in surface water bodies and remedial measures may be required, such as lining of stream beds, to prevent or minimize such impacts. We are currently involved with state environmental authorities concerning impacts or alleged impacts of our mining operations on water flows in several surface streams. We are studying, or addressing, those impacts and we have not finally resolved those matters. Many of our mining operations take place in the vicinity of streams, and similar impacts could be asserted or identified at other streams in the future. The costs of our efforts at the streams we are currently addressing, and at any other streams that may be identified in the future, could be significant.

We maintain extensive coal slurry impoundments at a number of our mines. Such impoundments are subject to 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 our impoundments overlie mined out areas, which can pose a heightened risk of failure and of damages arising out of failure. We have commenced measures to modify our 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 will take several years to complete. 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.

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

Extensive environmental regulations affect our customers and could reduce the demand for coal as a fuel source and cause our 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 our 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

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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 our revenues and harm our business, financial condition and results of operations. The price of higher 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 our revenues and harm our results. In addition, regulatory initiatives including the nitrogen oxide rules, new ozone and particulate matter standards, regional haze regulations, new source review, 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 our utility customers and substantially reduce our sales.

Various new and proposed laws and regulations may require further reductions in emissions from coal-fired utilities. For example, under the Clean Air Interstate Rule issued in March 2005, the U.S. Environmental Protection Agency, or EPA, has further regulated sulfur dioxide and nitrogen oxides from coal-fired power plants. Among other things, in affected states, the rule mandates reductions in sulfur dioxide emissions by approximately 45% below 2003 levels by 2010, and by approximately 57% below 2003 levels by 2015. The stringency of this cap may require many coal-fired sources to install additional pollution control equipment, such as wet scrubbers. Installation of additional pollution control equipment required by this proposed rule could result in a decrease in the demand for low sulfur coal (because sulfur would be removed by the new equipment), potentially driving down prices for low sulfur coal. In March 2005, the EPA also adopted the Clean Air Mercury Rule to control mercury emissions from power plants, which could require coal-fired power plants to install new pollution controls or comply with a mandatory, declining cap on the total mercury emissions allowed from coal-fired power plants nationwide. Both of these are subject to judicial challenge. Certain aspects of the Clean Air Mercury rule are being reconsidered by the EPA and the regulation has been subject to challenge in Congress. 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 our 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, including the Clear Skies Initiative, 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.

One major by-product of burning coal is carbon dioxide, which is considered a greenhouse gas and is a major source of concern with respect to global warming. The Kyoto Protocol to the 1992 Framework Convention on Global Climate Change, which establishes a binding set of emission targets for greenhouse gases, became binding on ratifying countries on February 16, 2005. Four industrialized nations have refused to ratify the Kyoto Protocol Australia, Liechtenstein, Monaco and the United States. Although the targets vary from country to country, if the United States were to ratify the Kyoto

Protocol, our nation would be required to reduce greenhouse gas emissions to 93% of 1990 levels in a series of phased reductions from 2008 to 2012.

Future regulation of greenhouse gases in the United States could occur pursuant to future U.S. treaty obligations, statutory or regulatory changes under the Clean Air Act, or otherwise. The Bush Administration has proposed a package of voluntary emission reductions for greenhouse gases which provide for certain incentives if targets are met. Some states, such as Massachusetts, have already issued regulations regulating greenhouse gas emissions from large power plants. Further, in 2002, the Conference of New England Governors and Eastern Canadian Premiers adopted a Climate Change Action Plan, calling for reduction in regional greenhouse emissions to 1990 levels by 2010, and a further reduction of at least 10% below 1990 levels by 2020. Increased efforts to control greenhouse gas emissions, including the future ratification of the Kyoto Protocol by the United States, could result in reduced demand for our coal. See Environmental and other regulatory matters for a discussion of these and other regulations affecting our business.

RISKS RELATING TO OUR COMMON STOCK AND THIS OFFERING

We may be unable to provide the required financial information in a timely and reliable manner.

Our current operations consist primarily of the assets of our predecessor, Horizon, and the Anker and CoalQuest businesses that we have acquired, each of which had different historical operating, financial, accounting and other systems. Due to our rapid growth and limited history operating, our acquired operations as an integrated business, and our internal controls and procedures do not currently meet all the standards applicable to public companies, including those contemplated by Section 404 of the Sarbanes-Oxley Act of 2002, as well as rules and regulations enacted by the Securities and Exchange Commission and The New York Stock Exchange. Areas of deficiency in our internal controls requiring improvement include documentation of controls and procedures, insufficient experience in public company accounting and periodic reporting matters among our financial and accounting staff.

Our management may not be able to effectively and timely implement controls and procedures that adequately respond to the increased regulatory compliance and reporting requirements that will be applicable to us as a public company. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, our independent auditors may not be able to attest to the adequacy of our internal controls over financial reporting. This result may subject us to adverse regulatory consequences, and there could also be a negative reaction in the financial markets due to a loss of confidence in the reliability of our financial statements. We could also suffer a loss of confidence in the reliability of our financial statements if our auditors report a material weakness in our internal controls. In addition, if we fail to develop and maintain effective controls and procedures, we may be unable to provide the required financial information in a timely and reliable manner or otherwise comply with the standards applicable to us as a public company. Any failure by us to timely provide the required financial information could materially and adversely impact our financial condition and the market value of our securities.

Our stock price may be extremely volatile, and you may not be able to resell your shares at or above the public offering price.

There has been significant volatility in the market price and trading volume of equity securities, which is unrelated to the financial performance of the companies issuing the securities. These broad market fluctuations may negatively affect the market price of our common stock. The public offering price for the shares of common stock being sold in this offering reflect recent prices of our common stock as quoted on the Pink Sheets Electronic Quotation Service and may not be indicative of prices that will prevail in the open market following this offering. You may not be able to resell your shares at or

Risk factors

above the public offering price due to fluctuations in the market price of our common stock caused by changes in our operating performance or prospects and other factors.
Some specific factors that may have a significant effect on our common stock market price include:

4 actual or anticipated fluctuations in our operating results or future prospects;

4 the public s reaction to our press releases, our other public announcements and our filings with the SEC;

4 strategic actions by us or our competitors, such as acquisitions or restructurings;

4 new laws or regulations or new interpretations of existing laws or regulations applicable to our business;

4 changes in accounting standards, policies, guidance, interpretations or principles;

4 conditions of the coal industry as a result of changes in financial markets or general economic conditions, including those resulting from war, incidents of terrorism and responses to such events;

4 sales of common stock by us or members of our management team; and

4 changes in stock market analyst recommendations or earnings estimates regarding our common stock, other comparable companies or the coal industry generally.

We cannot predict the extent to which investor interest in our company will lead to the development of an active trading market on The New York Stock Exchange or otherwise or how liquid that market might become. If an active trading market does not develop, you may have difficulty selling any of our common stock that you buy. Consequently, you may not be able to sell our common stock at prices equal to or greater than the price you paid in this offering.

Anti-takeover provisions in our charter documents and Delaware corporate law may make it difficult for our stockholders to replace or remove our current board of directors and could deter or delay third-parties from acquiring us, which may adversely affect the marketability and market price of our common stock.

Provisions in our amended and restated certificate of incorporation and bylaws and in Delaware corporate law may make it difficult for stockholders to change the composition of our board of directors in any one year, and thus prevent them from changing the composition of management. In addition, the same provisions may make it difficult and expensive for a third-party to pursue a tender offer, change in control or takeover attempt that is opposed by our management and board of directors. Public stockholders who might desire to participate in this type of transaction may not have an opportunity to do so. These anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a change in control or change our management and board of directors and, as a result, may adversely affect the marketability and market price of our common stock.

We are also subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law. Under these provisions, if anyone becomes an interested stockholder, we may not enter into a business combination with that person for three years without special approval, which could discourage a third party from making a takeover offer and could delay or prevent a change of control. For purposes of Section 203, interested stockholder means, generally, someone owning more than 15% or more of our outstanding voting stock or an affiliate of ours that owned 15% or more of our outstanding voting stock during the past three years, subject to certain exceptions as described in Section 203.

Under any change of control, the lenders under our credit facilities would have the right to require us to repay all of our outstanding obligations under the facility.

Risk factors

You will incur immediate and substantial dilution as a result of this offering.

Investors purchasing shares of our common stock in this offering will incur immediate and substantial dilution in net tangible book value per share because the price that new investors pay will be substantially greater than the net tangible book value per share of the shares acquired. This dilution is due in large part to the fact that our existing investors paid substantially less than the public offering price of the shares of common stock being sold in this offering when they purchased their shares. To the extent that we raise additional capital by issuing equity security or shares of our common stock are issued upon the exercise of stock options or under the restricted stock plan we have adopted, investors may experience additional substantial dilution.

There may be circumstances in which the interests of our major stockholders could be in conflict with your interests as a stockholder.

Funds sponsored by WLR will own approximately 12.9% of our common stock on a fully consolidated basis following the completion of the offering and after giving effect to the Anker and CoalQuest acquisitions, assuming 20,072,992 shares are issued in connection with the acquisitions based upon a public offering price of $13.70 per share, and no exercise of the underwriters over-allotment option. Circumstances may occur in which WLR or other major investors may have an interest in pursuing acquisitions, divestitures or other transactions, including among other things, taking advantage of certain corporate opportunities that, in their judgment, could enhance their investment in us or another company in which they invest. These transactions might invoke risks to our other holders of common stock or adversely affect us or other investors, including investors who purchase common stock in this offering.

We may from time to time engage in transactions with related parties and affiliates that include, among other things, business arrangements, lease arrangements for certain coal reserves and the payment of fees or commissions for the transfer of coal reserves by one operating company to another. These transactions, if any, may adversely affect our sales volumes, margins and earnings.

If our stockholders sell substantial amounts of our common stock following this offering, the market price of our common stock may decline.

Sales of shares of our common stock in the public market following this offering, or the perception that these sales may occur, could cause the market price of our common stock to decline. After this offering, our corporate reorganization and after giving effect to the Anker and CoalQuest acquisitions, we will have approximately 147,303,991 shares of common stock outstanding, assuming 20,072,992 shares are issued in connection with the Anker and CoalQuest acquisitions based upon a public offering price of $13.70 per share. The number of shares of common stock available for sale in the public market is limited by restrictions under federal securities law and under lock-up agreements that our directors, executive officers and certain holders of our common stock have entered into with the underwriters and with us. Those lock-up agreements restrict these persons from selling, pledging or otherwise disposing of their shares for a period of 180 days after the date of this prospectus without the prior written consent of UBS Securities LLC. However, UBS Securities LLC, may release all or any portion of the common stock from the restrictions of the lock-up agreements. These sales might make it difficult or impossible for us to sell additional securities if we need to raise capital. All of the shares sold in this offering, as well as all of the shares to be issued by us in the corporate reorganization to the holders of ICG, Inc. common stock, will be freely tradable without restrictions or further registration under the Securities Act of 1933, as amended, except for any shares held by our affiliates, as defined in Rule 144 of the Securities Act. The remaining shares of common stock outstanding after this offering, including those issued to former Anker stockholders and CoalQuest members, will be available for sale into the public market at various times in the future. Additional shares of common stock underlying options to be granted will become available for sale in the public market. We expect to file registration statements on Form S-8 that will register up to 644,052 shares of common stock

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Risk factors

covering the shares of common stock to be issued pursuant to the exercise of options we have granted under our employee stock option plan.

In addition, under a registration rights agreement that we entered into with certain of our existing stockholders, certain of our stockholders have demand and piggyback registration rights in connection with this offering and future offerings of our common stock. Demand rights enable the holders to demand that their shares of common stock be registered and may require us to file a registration statement under the Securities Act at our expense. Piggyback rights require us to provide notice to the relevant holders of our stock if we propose to register any of our securities under the Securities Act and grant such holders the right to include their shares in our registration statement. None of our stockholders have exercised their registration rights in connection with this offering. We will also grant piggyback registration rights to the former Anker and CoalQuest holders who will receive shares of our common stock at the closing of the Anker and CoalQuest acquisitions. As restrictions on resale end, our stock price could drop significantly if the holders of these restricted shares sell them or the market perceives they intend to sell them. These sales may also make it more difficult for us to sell securities in the future at a time and at a price we deem appropriate.

The requirements of being a public company may strain our resources and distract management.

As a public company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934 and the Sarbanes-Oxley Act. These requirements may place a strain on our people, systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal controls over financial reporting, significant resources and management oversight will be required. This may divert management s attention from other business concerns. Upon consummation of this offering, our costs will increase as a result of having to comply with the Exchange Act, the Sarbanes-Oxley Act and The New York Stock Exchange listing requirements, which will require us, among other things, to establish an internal audit function.

We will incur incremental costs not reflected in our historical financial statements as a result of these increased regulatory compliance and reporting requirements, including increased auditing and legal fees. We also will need to hire additional accounting and administrative staff with experience managing public companies. Moreover, the standards that will be applicable to us as a public company after this offering could make it more difficult and expensive for us to attract and retain qualified members of our board of directors and qualified executive officers. We also anticipate that the regulations related to the Sarbanes-Oxley Act will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage.

We may not pay dividends for the foreseeable future.

We may retain any future earnings to support the development and expansion of our business or make additional payments under our credit facilities and, as a result, we may not pay cash dividends in the foreseeable future. Our payment of any future dividends will be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, cash needs, growth plans and the terms of any credit agreements that we may be a party to at the time. Our credit facilities limit us from paying cash dividends or other payments or distributions with respect to our capital stock in excess of certain limitations. In addition, the terms of any future credit agreement may contain similar restrictions on our ability to pay any dividends or make any distributions or payments with respect to our capital stock. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize their investment.

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Special note regarding forward-looking statements

This prospectus contains forward-looking statements that are not statements of historical fact and may involve a number of risks and uncertainties. We have used the words anticipate, believe, could, estimate, expect, intend, plan, predict, project and similar terms and phrases, including references to assumptions, in this prospectus to identify forward-looking statements. These forward-looking statements are made based on expectations and beliefs concerning future events affecting us and are subject to uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control, that could cause our actual results to differ materially from those matters expressed in or implied by these forward-looking statements. The following factors are among those that may cause actual results to differ materially from our forward-looking statements:

4 market demand for coal, electricity and steel;

4 availability of qualified workers;

4 future economic or capital market conditions;

4 weather conditions or catastrophic weather-related damage;

4 our production capabilities;

4 our consummation of the corporate reorganization and the Anker and CoalQuest acquisitions and the integration of these businesses;

4 the consummation of financing, acquisition or disposition transactions and the effect thereof on our business;

4 our plans and objectives for future operations and expansion or consolidation;

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

4 timing of reductions or increases in customer coal inventories;

4 long-term coal supply arrangements;

4 risks in coal mining;

4 unexpected maintenance and equipment failure;

4 environmental laws and regulations, including those directly affecting our coal mining and production, and those affecting our customers coal usage;

4 competition;

4 railroad, barge, trucking and other transportation performance and costs;

4 employee benefits costs and labor relations issues;

4 our assumptions concerning economically recoverable coal reserve estimates;

- regulatory and court decisions;
- future legislation and changes in regulations or governmental policies or changes in interpretations thereof;
- the impairment of the value of our goodwill; and
- our liquidity, results of operations and financial condition.

Special note regarding forward-looking statements

You should keep in mind that any forward-looking statement made by us in this prospectus speaks only as of the date on which we make it. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the forward-looking statements in this prospectus after the date of this prospectus, except as may be required by law. In light of these risks and uncertainties, you should keep in mind that any forward-looking statement made in this prospectus or elsewhere might not occur.

Industry data

In this prospectus, we rely on and refer to information regarding the coal industry in the United States from the U.S. Department of Energy, or DOE, the U.S. Energy Information Administration, or EIA, the National Mining Association, or NMA, the National Energy Technology Laboratory, or NETL, the Bureau of Economic Analysis and Bloomberg L.P. These organizations are not affiliated with us. They are not aware of and have not consented to being named in this prospectus. We believe that this information is reliable. In addition, in many cases we have made statements in this prospectus regarding our industry and our position in the industry based on our experience in the industry and our own investigation of market conditions. We have made determinations based on publicly available information of production by competitors and our internal estimates of competitors production based on discussions with industry participants. Statements relating to our leadership in safety and environmental performance are based on our receipt of numerous awards from state and federal agencies, including awards from the Mine Safety and Health Administration, or MSHA, the principal federal agency regulating health and safety in the coal mining industry, and the Office of Surface Mining, the principal federal agency regulating environmental performance in the coal mining industry.

Price range of ICG, Inc. common stock

The following table shows, for the quarterly periods indicated, the high and low quotes at the end of the day for the shares of the common stock of ICG, Inc. as reported on the Pink Sheets Electronic Quotation Service. Certain of the shares of ICG, Inc. were issued to former creditors of Horizon in a transaction exempt from the registration requirements of the Securities Act. These quotes are provided solely for informational purposes and may not be indicative of any price at which the shares of common stock purchased in this offering may trade in the future. See Risk Factors Risks relating to our common stock and this offering Our stock price may be extremely volatile and you may not be able to resell your shares at or above the public offering price.

	Stock Price		Average Daily
	High	**Low**	**Volume(1)**
November 15, 2004 through December 31, 2004(2)	$ 14.50	$ 7.63	673,493
January 1, 2005 through March 31, 2005	$ 15.00	$ 12.13	224,952
April 1, 2005 through June 30, 2005	$ 15.00	$ 12.00	99,629
July 1, 2005 through September 30, 2005	$ 15.00	$ 12.50	213,756
October 1, 2005 to November 7, 2005	$ 15.00	$ 13.50	127,772

(1) Does not include days on which there were no quotes for the shares of the ICG, Inc. common stock.

(2) Quotes for the shares of ICG, Inc. common stock were not reported prior to November 15, 2004.

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Use of proceeds

We estimate that the net proceeds to us from the sale of 20,000,000 shares of common stock in this offering will be approximately $253.1 million, or $291.7 million if the underwriters exercise their over-allotment option in full, based on an assumed public offering price of $13.70, the last sale price of our common stock on November 7, 2005, as quoted on the Pink Sheets Electronic Quotation Service, and after deducting estimated underwriting discounts and commissions and the estimated offering expenses, which are payable by us. Under the terms of our credit facilities, we are required to use 50% of our net proceeds from this offering to repay amounts outstanding under our term loan facility, which otherwise matures on October 1, 2010. As of September 30, 2005 (pro forma for the Anker and CoalQuest acquisitions), our total debt was $236.2 million. As of September 30, 2005, amounts outstanding under our term loan facility bore interest at a weighted average rate of approximately 6.43% and the Anker debt bore interest at an average rate ranging from 8% to 10%. For additional information, see Description of indebtedness.

We expect to retire all of our debt, excluding $4.8 million of capitalized leases and other debt obligations, with the net proceeds of this offering and use our remaining net proceeds for general corporate purposes. We may also use a portion of the remaining proceeds to pursue possible acquisitions of businesses, technologies, products or assets complementary to our business. Although we currently have no commitments or agreements to make any additional material acquisitions for cash, we may make acquisitions in the future. Pending our use of any excess net proceeds, we intend to invest the excess net proceeds of this offering in short-term, interest-bearing investment-grade or government securities.

Dividend policy

We have never declared or paid a dividend on our common stock. We may retain any future earnings to support the development and expansion of our business or make additional payments under our credit facilities and, as a result, we may not pay cash dividends in the foreseeable future. Our payment of any future dividends will be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, cash needs, growth plans and the terms of any credit agreements that we may be a party to at the time. Our credit facilities limit us from paying cash dividends or other payments or distributions with respect to our capital stock in excess of certain limitations. In addition, the terms of any future credit agreement may contain similar restrictions on our ability to pay dividends or make payments or distributions with respect to our capital stock.

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Capitalization

The following unaudited table sets forth cash and cash equivalents and capitalization as of September 30, 2005:

4 for ICG, Inc. on an actual basis;

4 for ICG on a pro forma basis to give effect to the Anker and CoalQuest acquisitions; and

4 for ICG on a pro forma, as adjusted basis, to give effect to the Anker and CoalQuest acquisitions and the sale by us of approximately 20,000,000 shares of our common stock in this offering at an assumed public offering price of $13.70, the last sale price of our common stock on November 7, 2005, as quoted on the Pink Sheets Electronic Quotation Service, after deducting underwriting discounts and estimated offering expenses and the application of the estimated net proceeds as described under Use of proceeds.

The following unaudited table assumes no exercise of the underwriters over-allotment option in connection with this offering. You should read the information in this table in conjunction with Unaudited consolidated pro forma financial information, Management s discussion and analysis of financial condition and results of operations, Description of indebtedness and the consolidated financial statements included elsewhere in this prospectus.

	As of September 30, 2005 (unaudited)		
	Actual	**Pro forma**	**Pro forma, as adjusted for the offering**
		(in thousands)	
Cash and cash equivalents	$ 15,534	$ 18,174	$ 42,385
Long-term debt, including current portion:			
Term loan facility(1)	173,688	208,688	
Revolving credit facility(1)	15,000	22,697	
Other long-term debt, including capital leases	247	4,824	4,824
Total debt	$ 188,935	$ 236,209	$ 4,824
Stockholders equity:			
Common stock, par value $0.0001 per share, 1,800,000,000 shares authorized, 107,230,999 shares issued and outstanding, actual, and 127,303,991 shares issued and outstanding, pro forma and 147,303,991 shares issued and outstanding, pro forma as adjusted for the offering(2)	11	1,382	1,582
Preferred stock, par value $0.0001 per share, 200,000,000 shares authorized, no shares issued and outstanding(2)			
Paid-in-capital	158,850	448,729	701,589
Unearned compensation-restricted stock	(5,132)	(5,132)	(5,132)
Retained earnings	32,797	32,797	32,797
Total stockholders equity	186,526	477,776	730,836

Total capitalization	$ 375,461	$ 713,985	$ 735,660

(1) Our current credit facility provides for a $110.0 million revolving credit facility, of which up to $75.0 million may be used for letters of credit. Upon consummation of this offering, we intend to use a portion of the net proceeds to fully repay our term loan of $208.7 million and to use the remaining net proceeds of this offering as described under Use of proceeds. Further, we intend to increase our revolving credit facility to $300.0 million. As of September 30, 2005, $52.9 million of letters of credit were outstanding.

(2) Represents stock of our predecessor, ICG, Inc. and assumes 20,072,992 shares are issued in connection with the Anker and CoalQuest acquisitions based upon a public offering price of $13.70 per share. The par value of our common stock is $0.01 per share and the par value of our preferred stock is $0.01 per share.

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Dilution

If you invest in our common stock, you will experience dilution to the extent of the difference between the public offering price per share you pay in this offering and the pro forma net tangible book value per share of our common stock immediately after this offering.

Our pro forma net tangible book value as of September 30, 2005, pro forma for the Anker and CoalQuest acquisitions, equaled approximately $71.6 million, or $0.56 per share of common stock. Pro forma net tangible book value per share of common stock is equal to the amount of our total tangible assets (total assets less intangible assets) less total liabilities, divided by the total number of shares of common stock outstanding.

On a pro forma basis, after giving effect to the sale of 20,000,000 shares of common stock offered by us in this offering at an assumed public offering price of $13.70 per share (the last sale price of our common stock on November 7, 2005, as quoted on the Pink Sheets Electronic Quotation Service) and after deducting the estimated underwriting discounts and commissions and offering expenses payable by us and the application of the estimated net proceeds of this offering as described under Use of proceeds, and after giving effect to the issuance of 20,072,992 shares of common stock upon completion of the Anker and CoalQuest acquisitions at an implied value of $13.70 per share, our pro forma as adjusted net tangible book value, as of September 30, 2005 would have equaled approximately $324.7 million, or $2.20 per share of common stock. This represents an immediate increase in net tangible book value of $1.64 per share to our existing stockholders and an immediate dilution in net tangible book value of $11.50 per share to new investors of common stock in this offering. If the public offering price in this offering is higher or lower, the dilution to new investors will be greater or less, respectively. The following table illustrates this per share dilution to new investors purchasing our common stock in this offering.

Assumed public offering price per share		$ 13.70
Pro forma net tangible book value per share as of September 30, 2005	$ 0.56	
Increase in pro forma net tangible book value per share attributable to this offering	1.64	
Net tangible book value per share after this offering		2.20
Dilution per share to new investors		$ 11.50

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Dilution

The following table as of September 30, 2005 summarizes the differences of the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid by the existing stockholders and by new investors. The calculations with respect to shares purchased by new investors in this offering reflect an assumed public offering price of $13.70 per share (the last sale price of our common stock on November 7, 2005, as quoted on the Pink Sheets Electronic Quotation Service).

	Shares purchased or issuable upon the exercise of currently outstanding options		Total consideration		Average price per share
	Number	Percent	Amount	Percent	
Existing stockholders, directors, officers and affiliated parties	127,303,991	86%	431,905,489	61%	$ 3.39
New investors	20,000,000	14%	274,000,000	39%	13.70
Total	147,303,991	100%	705,905,489	100%	4.79

The table and calculations above assume no exercise of outstanding options. As of September 30, 2005, 644,052 shares of common stock were subject to outstanding options at a weighted average exercise price of $4.79 per share. To the extent outstanding options are exercised, there will be further dilution to new investors.

Unaudited consolidated pro forma financial data

The following unaudited pro forma financial data is based on the information derived from the consolidated financial statements of ICG, Inc. and its subsidiaries (and its predecessors), Anker and CoalQuest, each appearing elsewhere in this prospectus.

The unaudited pro forma balance sheet as of September 30, 2005 gives effect to the following transactions as if they had occurred on September 30, 2005, and the unaudited pro forma statements of operations for the year ended December 31, 2004 and the nine months ended September 30, 2005 also give effect to the following transactions as if they had occurred on January 1, 2004 and carried forward through September 30, 2005:

4 our corporate reorganization, reflecting the exchange of ICG common stock for existing shares of ICG, Inc. common stock at a 1-for-1 exchange ratio;

4 our acquisition of the Horizon assets (including the preliminary application of purchase accounting) (for purposes of the December 31, 2004 unaudited pro forma statement of operations data only);

4 borrowings under our credit facilities, in part, to finance the Horizon asset acquisition and the Anker and CoalQuest acquisitions;

4 the Anker and CoalQuest acquisitions; and

4 this offering.

The unaudited pro forma consolidated statements of operations and unaudited pro forma balance sheet do not include any adjustments for future cost savings or operating improvements as a result of the Anker and CoalQuest acquisitions or for any other reason. See Risk factors, Special note regarding forward-looking statements, and Business for a discussion of factors that may impact consolidated future operating results.

The unaudited pro forma consolidated financial data should be read in conjunction with the consolidated financial statements of ICG, Inc. (and its predecessors), Anker and CoalQuest, and the other financial information appearing elsewhere in this prospectus, including Management s discussion and analysis of financial condition and results of operations.

The pro forma adjustments reflect our preliminary estimates of the purchase price allocation of certain assets and liabilities in the Anker and CoalQuest acquisitions. An allocation to inventory would impact cost of coal sales subsequent to the acquisition date. An allocation to coal reserves, property, plant and equipment, coal supply agreements or other intangible assets would result in additional depreciation, depletion and amortization expense which may be significant. Our preliminary estimates of the allocations may change upon finalization of appraisals and other valuation studies that we have arranged to be obtained by October 2005. Although we do not expect any adjustments to be material, we cannot assure you that the final allocations will not differ significantly from those shown.

The unaudited pro forma financial data is for informational purposes only and is not intended to represent or be indicative of the consolidated results of operations or financial position that would have been reported had the transactions been completed as of the dates presented, and should not be taken as representative of future consolidated results of operations or financial position.

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Unaudited consolidated pro forma financial data

Unaudited pro forma balance sheet data as of September 30, 2005

	ICG, Inc. historical	Anker historical	CoalQuest historical	ICG, Inc. reorganization adjustments	Anker acquisition adjustments	CoalQuest acquisition adjustments	Offering adjustments	Pro forma
					(in thousands)			
ASSETS								
Current assets:								
Cash and cash equivalents	$ 15,534	$ 695	$ 1,945	$ 2,597[1]	$ (2,597)[1]	$	$ 24,211[6]	$ 42,385
Accounts receivable	56,886	10,595	1,262	(2,597)[1]				66,146
Inventories	20,472	3,431						23,903
Deferred income taxes	2,113							2,113
Prepaid insurance	240		13					253
Prepaid expenses and other	10,094	923					(2,536)[6]	8,481
Total current assets	105,339	15,644	3,220		(2,597)		21,675	143,281
Property, plant and equipment, at cost including coal reserves, mine development and contract costs	241,185	155,513	19,000		23,183[3]	55,091[3]		493,972
Less accumulated depreciation, depletion and amortization	(37,654)	(87,756)	(118)					(125,528)
Net property, plant and equipment	203,531	67,757	18,882		23,183	55,091		368,444

Debt issuance costs, net	7,284							7,284
Advance royalties	5,691	3,593						9,284
Goodwill	190,861			1,819(2)	163,170(3)	43,011(3)		398,861
Deferred tax asset non-current	5,637							5,637
Other non-current assets	4,677	8,504						13,181
Total assets	$ 523,020	$ 95,498	$ 22,102	$ 1,819	$ 183,756	$ 98,102	$ 21,675	$ 945,972
LIABILITIES AND STOCKHOLDERS EQUITY/(DEFICIT)								
Current liabilities:								
Trade accounts payable	$ 36,130	$ 15,987	$ 183	$	$ (2,597) (1)	$	$	$ 49,703
Current portion of long-term debt and capital leases	1,997	35,186		(33,528)(2)			(2,100) (6)	1,555
Current portion of reclamation and mine closure costs	2,682	1,889						4,571
Accrued expenses and other	41,663	8,381	982					51,026
Total current liabilities	82,472	61,443	1,165	(33,528)	(2,597)		(2,100)	106,855
Non-current liabilities, less current portion								
Long-term debt and capital leases	186,938	10,269	16,250	35,347(2)		(16,250) (4)	(229,285) (6)	3,269
Reclamation and mine closure costs	39,432	23,899						63,331
Long-term employee	20,759	4,314						25,073

benefits								
Other non-current liabilities	6,893	8,676	1,039					16,608
Total non-current liabilities	254,022	47,158	17,289	35,347		(16,250)	(229,285)	108,281
Total liabilities	336,494	108,601	18,454	1,819	(2,597)	(16,250)	(231,385)	215,136
STOCKHOLDERS EQUITY (DEFICIT):								
Preferred stock-par value $0.0001, 200,000,000 shares authorized, none issued								
Common stock-par value $0.0001, 1,800,000,000 shares authorized, 107,230,999 issued and outstanding (147,303,991 issued and outstanding at a par value of $0.01 on a pro forma basis)	11			1,061[5]	195[5]	115[5]	200[6]	1,582
Paid-in Capital	158,850	145,588	3,250	(1,061)[5]	27,467[3,5]	114,635[3,4,5]	252,860[6]	701,589
Unearned compensation-restricted stock	(5,132)							(5,132)
Retained earnings (accumulated deficit)	32,797	(158,691)	398		158,691[3]	(398)[3]		32,797
Total stockholders equity (accumulated deficit)	186,526	(13,103)	3,648		186,353	114,352	253,060	730,836
	$ 523,020	$ 95,498	$ 22,102	$ 1,819	$ 183,756	$ 98,102	$ 21,675	$ 945,972

Total liabilities and stockholders equity (accumulated deficit)

(1) *Reflects the payment of $2.6 million in accounts receivables and accounts payables between ICG, Inc. and Anker Coal Group, Inc. upon consummation of the Anker and CoalQuest acquisitions.*

(2) *Reflects an increase of $35.0 million to ICG s term loan to repay Anker s existing debt of $40.9 million (not including equipment leases of $4.6 million), to record the related acquisition costs of $1.8 million, and to properly classify the balances of long-term debt and capital leases.*

(3) *Reflects the issuance of 20,072,992 additional common shares, which assumes a public offering price of $13.70 per share, for the acquisitions of Anker ($173.25 million) and CoalQuest ($101.75 million) for a total of $275.0 million.*

(4) *Reflects the conversion of CoalQuest s notes payable ($16.3 million) to equity upon consummation of the Anker and CoalQuest acquisitions.*

(5) *Reflects the change in par value from $0.0001 per share to $0.01 per share upon the effective date of this offering.*

(6) *Reflects the issuance of 20,000,000 shares of common stock in this offering at $13.70 per share, net of underwriting and offering expenses of $20.9 million, used to fully repay total debt of $231.4 million and the remainder for general corporate purposes.*

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Unaudited consolidated pro forma financial data

Unaudited pro forma statement of operations data for the nine months ended September 30, 2005

	ICG, Inc. historical	Anker historical	CoalQuest historical	ICG, Inc. reorganization adjustments	Anker acquisition adjustments	CoalQuest acquisition adjustments	Offering adjustments	Pro forma
	(in thousands, except share and per share data)							
Revenues:								
Coal sales revenues	$ 441,662	$ 106,662	$	$ (5,580)[3]	$	$	$	$ 542,744
Freight and handling revenues	6,236	9,071						15,307
Other revenues	17,757	4,375						22,132
Total revenues	465,655	120,108		(5,580)				580,183
Costs and expenses:								
Freight and handling costs	6,236	9,071						15,307
Cost of coal sales and other revenues (exclusive of depreciation, depletion and amortization shown separately below)	357,076	114,541	303		(6,505) [1,3]			465,415
Depreciation, depletion and amortization	29,489	9,218	39		356[2]	164[2]		39,266
Selling, general and administrative	23,592	4,664						28,256

(exclusive of depreciation, depletion and amortization shown separately above)								
Gain on sale of assets	(518)							(518)
Total costs and expenses	415,875	137,494	342		(6,149)	164		547,726
Income (loss) from operations	49,780	(17,386)	(342)	(5,580)	6,149	(164)		32,457
Interest and other income (expense):								
Interest expense	(10,453)	(2,208)	(446)	1,706[4]			7,668[4]	(3,733)
Reorganization items								
Other, net	4,007	5,123	925			(925)[1]		9,130
Total interest and other income (expense)	(6,446)	2,915	479	1,706		(925)	7,668	5,397
Income (loss) before income taxes	43,334	(14,471)	137	(3,874)	6,149	(1,089)	7,668	37,854
Income tax (expense) benefit	(14,786)	(29)		1,322[5]	2,839[5]	325[5]	(2,616)[5]	(12,945)
Net income (loss)	$ 28,548	$ (14,500)	$ 137	$ (2,552)	$ 8,988	$ (764)	$ 5,052	$ 24,909

Basic earnings

per share:

Net income (loss)	$	28,548	$	24,909
Average shares of common stock outstanding		107,230,999		147,303,991(5)
Basic earnings per share	$	0.27	$	0.17(5)

Diluted earnings per share:

Net income (loss)	$	28,548	$	24,909
Average shares of common stock outstanding		107,280,820		147,353,812(5)
Diluted earnings per share	$	0.27	$	0.17(5)

(footnotes on next page)

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Unaudited consolidated pro forma financial data

(1) To eliminate intercompany royalty revenue and expense ($0.925 million) between CoalQuest and Anker.
(2) To record depletion expense on the purchase price allocation to coal reserves of $23.2 million to Anker and $55.0 million to CoalQuest.
(3) To eliminate intercompany coal sales and expense of $5.58 million between ICG, Inc. and Anker Coal Group, Inc.
(4) Represents the decrease in interest expense as a result of the repayment of the term loan with a portion of the proceeds of this offering as shown in the tables below:

	Historical interest expense			
Description	**ICG, Inc.**	**Anker**	**CoalQuest**	**Total**
	(in thousands)			
Revolver letter of credit fees	$ 1,037	$	$	$ 1,037
Revolver unutilized portion	218			218
Term note	7,668			7,668
Revolver	88			88
Amortization of finance costs	838			838
Annual administration fee	75			75
Interest rate cap	(21)			(21)
Anker related party term loan		1,064		1,064
Anker related party revolving line of credit		269		269
Anker senior notes		613		613
Miscellaneous other (capital lease, black lung, etc.)	550	262	446	1,258
Total historical interest expense	$ 10,453	$ 2,208	$ 446	$ 13,107

	Pro forma interest expense			
Description	**ICG, Inc.**	**Anker**	**CoalQuest**	**Total**
	(in thousands)			
Revolver letter of credit fees(a)	$ 1,071	$	$	$ 1,071
Revolver unutilized portion(b)	870			870
Term note(c)				
Revolver(d)	88			88
Amortization of finance costs(e)	838			838
Annual administration fee(f)	75			75
Interest rate cap(g)	(21)			(21)
Miscellaneous other (capital lease, black lung, etc.)	550	262		812
Total pro forma interest expense	3,471	262		3,733
Less: historical interest expense	10,453	2,208	446	13,107

Pro forma interest expense adjustment	$ 6,982	$ 1,946	$ 446	$ 9,374

(a) *Reflects pro forma interest expense at the fixed rate of 2.7% on $52.9 million estimated letters of credit outstanding under the revolving letter of credit facility.*

(b) *Reflects pro forma interest expense at the fixed rate of 0.5% on an estimated unutilized balance of $232.1 million on the revolving facility.*

(c) *Reflects the use of a portion of the proceeds of this offering to fully repay the term loan of $208.7 million.*

(d) *Reflects pro forma interest expense at an average rate of 6.28% on the $15.0 million in borrowings on the revolving facility.*

(e) *Reflects amortization of finance costs of $8.1 million at a nominal rate of 8.118% for 72 months.*

(f) *Reflects the quarterly administration fee of $25 thousand per quarter to the administration agent.*

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Unaudited consolidated pro forma financial data

(g) Reflects the estimated reduction in interest expense as a result of our two year Interest Rate Cap agreement of $88 million at a maximum rate of 4.5% per year.

(5) To reflect the federal and state tax effects on the combined historical net income and pro forma adjustments assuming an estimated average tax rate at September 30, 2005 of 34.12%.

(6) Represents pro forma earnings per share information based on 147,303,991 outstanding shares of ICG common stock consisting of 107,230,999 shares of ICG common stock outstanding as of September 30, 2005 (which includes 600,000 shares of restricted stock), 20,072,992 shares of ICG common stock issuable in the Anker and CoalQuest acquisitions, assuming a public offering price of $13.70 per share, and 20,000,000 shares of our common stock expected to be issued in this offering, assuming the over-allotment option is not exercised. The number of shares of ICG common stock to be issued to former Anker shareholders and CoalQuest members in connection with the merger is subject to possible adjustments. As the following chart illustrates, the higher the offering price per share of ICG common stock in this offering, the fewer shares of ICG common stock will be issued in connection with the Anker and CoalQuest acquisitions. See Business Our history The Anker and CoalQuest acquisitions for more information on acquisition adjustments.

er share ffering rice of ICG ommon ock	$8.885 or less	$10.00	$11.00	$12.00	$13.00	$13.70	$14.00	$15.00	$16.0
ggregate hares of CG ommon ock to be sued to olders of nker and oalQuest:									
Vithout djustments	30,950,129	27,500,000	25,000,000	22,916,667	21,153,846	20,072,992	19,642,857	18,333,333	17,187,50
Basic and liluted arnings per hare	$0.18	$0.19	$0.19	$0.19	$0.19	$0.20	$0.20	$0.20	$0.2
Vith djustments	29,824,670	26,500,000	24,090,909	22,083,333	20,384,615	19,343,065	18,928,571	17,666,667	16,562,50
Basic and liluted arnings per hare	$0.18	$0.19	$0.19	$0.19	$0.20	$0.20	$0.20	$0.20	$0.2

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Unaudited consolidated pro forma financial data

Unaudited pro forma statement of operations data for the year ended December 31, 2004

	ICG, Inc. historical	Horizon historical	Anker historical	CoalQuest historical	Horizon acquisition adjustments	Anker acquisition adjustments	CoalQuest acquisition adjustments	Offering adjustments	Pro forma[1]
	(in thousands, except share and per share data)								
Revenues:									
Coal sales revenues	$ 130,463	$ 346,981	$ 146,676	$	$	$	$	$	$ 624,120
Freight and handling revenues	880	3,700	11,416						15,996
Other revenues	4,766	22,702	6,228						33,696
Total revenues	136,109	373,383	164,320						673,812
Costs and expenses:									
Freight and handling costs	880	3,700	11,416						15,996
Cost of coal sales and other revenues	113,707	306,429	145,985	371		(1,769)[2]			564,723
Depreciation, depletion and amortization	7,943	27,547	9,754	79		400[3]	331[3]		46,054
Selling, general and administrative	4,194	8,477	4,586						17,257
Gain on sale of assets	(10)	(226)							(236)
Writedowns and other items		10,018[1]							10,018
	126,714	355,945	171,741	450		(1,369)	331		653,812

Total costs and expenses									
Income (loss) from operations	9,395	17,438	(7,421)	(450)		1,369	(331)		20,000
Interest and other income (expense):									
Interest expense	(3,453)	(114,211)	(1,485)	(535)	111,332[4]			2,463[4]	(5,889)
Reorganization items		(12,471) [1]							(12,471)
Other, net	898	1,581	5,709	1,910			(1,769)[2]		8,329
Total interest and other income (expense)	(2,555)	(125,101)	4,224	1,375	111,332		(1,769)	2,463	(10,031)
Income (loss) before income taxes	6,840	(107,663)	(3,197)	925	111,332	1,369	(2,100)	2,463	9,969
Income tax (expense) benefit	(2,591)				(1,390)[5]	692[5]	445[5]	(933)[5]	(3,777)
Net income (loss) available to common stockholders	$ 4,249	$ (107,663)	$ (3,197)	$ 925	$ 109,942	$ 2,061	$ (1,655)	$ 1,530	$ 6,192
Basic earnings per share:									
Net income (loss)	$ 4,249								$ 6,192
Average shares of common stock outstanding	106,605,999								146,678,991

Basic earning per share	$	0.04	$	0.04(6)
Diluted earnings per share:				
Net income (loss) available to common stockholders	$	4,249	$	6,192
Average shares of common stock outstanding		106,605,999		146,728,812
Diluted earnings per share	$	0.04	$	0.04(6)

(1) The above pro forma income statement does not reflect the removal of non-recurring charges for writedowns and other items of $10.0 million and reorganization items of $12.5 million incurred in connection with Horizon s Chapter 11 bankruptcy proceedings.

(2) To eliminate intercompany royalty revenue and expense ($1.8 million) between CoalQuest and Anker.

(3) To record depletion expense on the purchase price allocation to coal reserves of $23.2 million to Anker and $55.0 million to CoalQuest.

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Unaudited consolidated pro forma financial data

(4) The tables below represents the net adjustments to interest expense as a result of the repayment of the term loan with a portion of the proceeds of this offering and the elimination of interest expense incurred in connection with Horizon s Chapter 11 bankruptcy proceedings:

	Historical interest expense				
Description	**ICG, Inc.**	**Horizon**	**Anker**	**CoalQuest**	**Total**
	(in thousands)				
Amortization of financing fee	$	$ 1,437	$	$	$ 1,437
DIP facility		11,115			11,115
Term loan		42,757			42,757
Wells Fargo loan		57,200			57,200
Funded letter of credit fees	130				130
Revolver letter of credit fees	248				248
Revolver unutilized portion	64				64
Term note	2,463				2,463
Amortization of finance costs	266				266
Annual administration fee	25				25
Interest rate cap	21				21
Revolver base rate interest	25				25
Anker related party term loan			293		293
Anker related party revolving line of credit			110		110
Anker senior notes			752		752
Miscellaneous other (capital lease, black lung, etc.)	211	1,702	330	535	2,778
Total historical interest expense	$ 3,453	$ 114,211	$ 1,485	$ 535	$ 119,684

	Pro forma interest expense				
Description	**ICG, Inc.**	**Horizon**	**Anker**	**CoalQuest**	**Total**
	(in thousands)				
Revolver letter of credit fees(a)	$ 1,469	$	$	$	$ 1,469
Revolver unutilized portion(b)	1,228				1,228
Term note(c)					
Amortization of finance costs(d)	1,097				1,097
Annual administration fee(e)	100				100
Interest rate cap(f)	82				82
Miscellaneous other (capital lease, black lung, etc.)	211	1,702			1,913

Total pro forma interest expense	$ 4,187	$ 1,702	$	$	$ 5,889
Less: historical interest expense	$ 3,453	$ 114,211	$ 1,485	$ 535	$ 119,684
Pro forma interest expense adjustment	$ (734)	$ 112,509	$ 1,485	$ 535	113,795

(a) Reflects pro forma interest expense at the fixed rate of 2.7% on $54.4 million estimated letters of credit outstanding under the revolving letter of credit facility.

(b) Reflects pro forma interest expense at the fixed rate of 0.5% on an estimated unutilized balance of $245.6 million on the revolving facility.

(c) Reflects the use of a portion of the proceeds of this offering to fully repay the term loan of $208.7 million.

(d) Reflects amortization of finance costs of $8.1 million at a nominal rate of 8.118% for 72 months.

(e) Reflects the quarterly administration fee of $25 thousand per quarter to the administrative agent.

(f) Reflects the estimated expense incurred as a result of our two year Interest Rate Cap agreement of $88 million at a maximum rate of 4.5% per year.

(5) To reflect the federal and state tax effects on the combined historical net income and pro forma adjustments assuming an estimated average tax rate at December 31, 2004 of 37.88%.

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Unaudited consolidated pro forma financial data

(6) Represents pro forma earnings per share information based on 146,678,991 outstanding shares of ICG common stock consisting of 106,605,999 shares of ICG common stock outstanding as of December 31, 2004, 20,072,992 shares of ICG common stock issuable in the Anker and CoalQuest acquisitions, assuming a public offering price of $13.70 per share, and 20,000,000 shares of our common stock expected to be issued in this offering, assuming the over-allotment option is not exercised. The number of shares of ICG common stock to be issued to former Anker shareholders and CoalQuest members in connection with the merger is subject to possible adjustments. As the following chart illustrates, the higher the offering price per share of ICG common stock in this offering, the fewer shares of ICG common stock will be issued in connection with the Anker and CoalQuest acquisitions. See Business Our history The Anker and CoalQuest acquisitions for more information on acquisition adjustments.

er share ffering rice of ICG ommon ock	$8.885 or less	$10.00	$11.00	$12.00	$13.00	$13.70	$14.00	$15.00	$16.0
ggregate hares of CG ommon ock to be sued to olders of nker and oalQuest: Vithout djustments	30,950,129	27,500,000	25,000,000	22,916,667	21,153,846	20,072,992	19,642,857	18,333,333	17,187,50
Basic and iluted arnings per hare	$0.05	$0.05	$0.05	$0.05	$0.05	$0.05	$0.05	$0.05	$0.0
With djustments	29,824,670	26,500,000	24,090,909	22,083,333	20,384,615	19,343,065	18,928,571	17,666,667	16,562,50
Basic and iluted arnings per hare	$0.05	$0.05	$0.05	$0.05	$0.05	$0.05	$0.05	$0.05	$0.0

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Selected historical consolidated financial data of ICG

ICG is a recently formed holding company which does not have any independent external operations, assets or liabilities, other than through its operating subsidiaries. Prior to the acquisition of certain assets of Horizon as of September 30, 2004, ICG, Inc. did not have any material assets, liabilities or results of operations. The selected historical consolidated financial data is derived from ICG, Inc. s audited consolidated statement of operations for the period May 13, 2004 to December 31, 2004 and the predecessor audited consolidated financial data as of and for the nine months ended September 30, 2004, which have been audited by Deloitte & Touche LLP, an independent registered public accounting firm and are included elsewhere in the prospectus and the selected historical consolidated financial data as of and for the nine months ended September 30, 2005 have been derived from ICG, Inc. s unaudited consolidated financial statements and are included elsewhere in this prospectus. The selected historical consolidated financial data as of and for the year ended December 31, 2003 and the period from May 10, 2002 to December 31, 2002 have been derived from the consolidated financial statements of Horizon, the predecessor to ICG, which have been audited by Deloitte & Touche LLP and which are included elsewhere in the prospectus (with the exception of the December 31, 2002 Horizon consolidated balance sheet which has not been included in this prospectus). The selected historical consolidated data for the period as of and for the years ended December 31, 2001 and 2000 were derived from the audited consolidated financial statements of AEI Resources, the predecessor to Horizon, which were audited by Arthur Andersen LLP, in the case of the financial data for the years ended December 31, 2000 and 2001 and which are not included in this prospectus. The selected historical consolidated financial data is derived from the statement of operations of AEI Resources, the predecessor of Horizon, for the period January 1, 2002 to May 9, 2002, included elsewhere in this prospectus, and has been audited by Deloitte & Touche LLP. In the opinion of management, the financial data reflect all adjustments, consisting of all normal and recurring adjustments, necessary for a fair presentation of the results for those periods. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year or for any future period. The financial statements for the predecessor periods have been prepared on a carve-out basis to include the assets, liabilities and results of operations of ICG, Inc. that were previously included on the consolidated financial statements of Horizon. The financial statements for the predecessor periods include allocations of certain expenses, taxation charges, interest and cash balances relating to the predecessor based on management s estimates. The predecessor financial information is not necessarily indicative of the consolidated financial position, results of operations and cash flows of ICG if it had operated during the predecessor periods presented.

You should read the following data in conjunction with Management s discussion and analysis of financial condition and results of operations and with the financial information included elsewhere in this prospectus, including the consolidated financial statements of ICG and Horizon (and its predecessor) and the related notes thereto.

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Selected historical consolidated financial data of ICG

	AEI RESOURCES Predecessor to Horizon			HORIZON Predecessor to ICG, Inc.			ICG, Inc.	
	Year ended December 31, 2000	Year ended December 31, 2001	Period from January 1, 2002 to May 9, 2002(2)	Period from May 10, 2002 to December 31, 2002(2)	Year ended December 31, 2003(2)	Period January 1, 2004 to September 30, 2004(2)	Period May 13, 2004 to December 31, 2004	Nine months ended September 30, 2005
	(in thousands, except share and per share data)							
Statement of Operations Data:								
Revenues:								
Coal sales revenues	$ 486,848	$ 500,829	$ 136,040	$ 264,235	$ 441,291	$ 346,981	$ 130,463	$ 441,662
Freight and handling revenues	11,050	14,728	2,947	6,032	8,008	3,700	880	6,236
Other revenues	23,491	34,835	21,183	27,397	31,771	22,702	4,766	17,757
Total revenues	521,389	550,392	160,170	297,664	481,070	373,383	136,109	465,655
Cost and expenses:								
Freight and handling costs	11,050	14,728	2,947	6,032	8,008	3,700	880	6,236
Cost of coal sales and other revenues (exclusive of depreciation, depletion and amortization shown separately below)	409,536	379,333	114,767	251,361	400,652	306,429	113,707	357,076
	94,183	92,602	32,316	40,033	52,254	27,547	7,943	29,489

Depreciation, depletion and amortization								
Selling, general and administrative (exclusive of depreciation, depletion and amortization shown separately above)	20,364	19,324	9,677	16,695	23,350	8,477	4,194	23,592
(Gain)/loss on sale of assets	(594)	189	(93)	(39)	(4,320)	(226)	(10)	(518)
Writedowns and special items	12,306	20,218	8,323	729,953	9,100	10,018		
Total costs and expenses	546,845	526,394	167,937	1,044,035	489,044	355,945	126,714	415,875
Income (loss) from operations	(25,456)	23,998	(7,767)	(746,371)	(7,974)	17,438	9,395	49,780
Other income (expense)								
Interest expense	(116,319)	(138,655)	(36,666)	(80,405)	(145,892)	(114,211)	(3,453)	(10,453)
Reorganization items			787,900	(4,075)	(23,064)	(12,471)		
Other, net	(1,523)	(2,941)	499	1,256	187	1,581	898	4,007
Total interest and other income (expense)	(117,842)	(141,596)	751,733	$ (83,224)	$ (168,769)	$ (125,101)	(2,555)	(6,446)
Income (loss) before income taxes	(143,298)	(117,598)	743,966	(829,595)	(176,743)	(107,663)	6,840	43,334
Income tax (expense) benefit	48,290	(4,155)					(2,591)	(14,786)
Net income	$ (95,008)	$ (121,753)	$ 743,966	$ (829,595)	$ (176,743)	$ (107,663)	$ 4,249	$ 28,548

(loss)								
Earnings (loss) per share[1]:								
Basic							0.04	0.27
Diluted							0.04	0.27
Average common shares outstanding[1]:								
Basic							106,605,999	107,230,999
Diluted							106,605,999	107,280,820
Balance sheet data (at period end):								
Cash and cash equivalents	$ 55,513	$ 64,592	$ 87,278	$ 114	$ 859	$	$ 23,967	$ 15,534
Total assets	1,311,600	881,924	1,521,318	623,800	576,372	539,606	459,975	523,020
Long-term debt and capital leases	14		933,106	1,157	315	29	173,446	186,938
Total liabilities	1,451,796	1,581,346	1,286,318	1,222,219	1,351,393	1,422,290	305,575	336,494
Total stockholders equity (members deficit)	$ (140,198)	$ (699,422)	$ 235,000	$ (598,419)	$ (775,021)	$ (882,684)	$ 154,400	$ 186,526
Total liabilities and stockholders equity (members deficit)	$1,311,600	$ 881,924	$1,521,318	$ 623,800	$ 576,372	$ 539,606	$ 459,975	$ 523,020
Statement of cash flows data:								
Net cash provided by (used in):								
Operating activities	$	$ 106,060	$ (353,592)	$ 76,378	$ 20,030	$ 28,085	$ 30,211	$ 57,545
Investing activities	$	$ (88,434)	$ 44,555	$ (12,805)	$ (3,826)	$ 3,437	$ (329,168)	$ (75,389)
Financing activities	$	$ (8,547)	$ 259,011	$ (78,025)	$ (15,459)	$ (32,381)	$ 322,924	$ 9,411
	$ 24,143	$ 34,254	$ 10,963	$ 13,435	$ 16,937	$ 6,624	$ 5,583	$ 75,941

Capital expenditures

(1) Earnings per share data and average shares outstanding are not presented for the period from January 1, 2002 to May 9, 2002, the period from May 10, 2002 to December 31, 2002, the year ended December 31, 2003 and the period from January 1, 2004 to September 30, 2004 because they were prepared on a carve-out basis. The financial statements prepared for predecessor periods are carve-out financial statements reflecting the operations and financial condition of the Horizon assets acquired by ICG as of September 30, 2004 (collectively, the combined companies). The predecessor financial statements were prepared from the separate accounts and records maintained by the combined companies. In addition, certain assets and expense items represent allocations from Horizon. The accounts allocated include vendor advances, reclamation deposits and selling, general and administrative expenses.

(2) As restated. See Note 19 to the combined financial statements of Horizon NR, LLC included elsewhere in this prospectus.

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Selected historical consolidated financial data of Anker and CoalQuest

The following table presents the selected historical consolidated financial data for Anker and CoalQuest. The selected historical consolidated financial data for the year ended December 31, 2004 have been derived from the audited consolidated financial statements of Anker and CoalQuest, respectively, each of which have been audited by Deloitte & Touche LLP, an independent registered public accounting firm and are included elsewhere in this prospectus. The selected historical consolidated financial data as of and for the nine months ended September 30, 2005 have been derived from Anker s and CoalQuest s unaudited consolidated financial statements and are included elsewhere in this prospectus. In the opinion of management, the financial data reflect all adjustments, consisting of all normal and recurring adjustments, necessary for a fair presentation of the results for those periods. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year or for any future period.

You should read the following data in conjunction with Management s discussion and analysis of financial condition and results of operations and with the financial information included elsewhere in this prospectus, including the audited consolidated financial statements of Anker and CoalQuest and related notes thereto.

	Anker		CoalQuest	
	Year ended December 31, 2004	**Nine months ended September 30, 2005**	**Year ended December 31, 2004**	**Nine months ended September 30, 2005**
Statement of operations data:				
Net income (loss)	$ (3,196,973)	$ (14,499,954)	$ 925,553	$ 137,023
Balance sheet data (at period end):				
Cash and cash equivalents	$ 1,165,559	$ 694,782	$ 1,818,833	$ 1,944,691
Total assets	83,370,701	95,497,168	21,993,658	22,102,302
Total liabilities	81,973,367	108,599,788	18,370,242	18,453,997
Total stockholders equity (members deficit)	$ 1,397,334	$ (13,102,620)	$ 3,623,416	$ 3,648,305
Total liabilities and stockholders equity/members deficit	$ 83,370,701	$ 95,497,168	$ 21,993,658	$ 22,102,302
Statement of cash flows data:				
Net cash provided by (used in)				
Operating activities	$ 9,972,694	$ 1,921,761	$ 1,318,103	$ 237,942
Investing activities	$ (26,121,875)	$ (23,298,789)	$	$
Financing activities	$ 14,137,990	$ 20,906,251	$	$ (112,134)
Capital expenditures	$ 27,238,311	$ 23,044,221	$	$

Management s discussion and analysis of financial condition and results of operations

The following discussion contains forward-looking statements that include numerous risks and uncertainties. Actual results could differ materially from those discussed in the forward-looking statements as a result of these risks and uncertainties, including those set forth in this prospectus under Special note regarding forward-looking statements and under Risk factors. You should read the following discussion in conjunction with Selected historical consolidated financial data of ICG and audited and unaudited consolidated financial statements and notes of ICG, Inc. and the audited and unaudited consolidated financial statements and notes of Horizon and its predecessors, each appearing elsewhere in this prospectus.

As discussed in Note 15 to ICG, Inc. s consolidated financial statements and Note 19 to Horizon NR, LLC s combined financial statements, our financial statements have been restated. The accompanying management discussion and analysis gives effect to that restatement.

OVERVIEW

The company was formed by WLR and other investors in May 2004 to acquire and operate competitive coal mining facilities. Through the acquisition of key assets from the Horizon bankruptcy estate, the WLR investor group was able to target properties strategically located in Appalachia and the Illinois Basin with high quality reserves that are union free, have limited reclamation liabilities and are substantially free of legacy liabilities. Due to our initial capitalization, we were able to complete the acquisition without significantly increasing our level of indebtedness. Following this offering, we expect to retire substantially all of our debt and, thus, will be strategically well-positioned. Consistent with the WLR investor group s strategy to acquire profitable coal assets, the Anker and CoalQuest acquisitions further diversifies our reserves.

We produce, process and sell steam coal from five regional business units, which, as of December 31, 2004 were supported by five active underground mines, seven active surface mines and three preparation plants located throughout West Virginia, Kentucky and Illinois. We have two reportable business segments, which are based on the coal regions in which we operate: (i) Central Appalachian, comprised of both surface and underground mines, and (ii) ICG Illinois, representing one underground mine located in the Illinois basin. For more information about our reportable business segments, please see the audited and unaudited consolidated financial statements and the notes of ICG, Inc. and the audited and unaudited consolidated financial statements and notes of Horizon and its predecessors, each appearing elsewhere in this prospectus. We also broker coal produced by others; the majority of which is shipped directly from the third party producer to the ultimate customer. Our sales of steam coal were made to large utilities and industrial customers in the Eastern region of the United States. In addition, we generate other revenues from the manufacture and operation of highwall mining systems, parts sales and shop services relating to those systems and coal handling and processing fees.

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 at the time of shipment or delivery to the customer, at fixed or determinable prices, and the title 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, where coal is loaded to the rail, barge, truck or other transportation sources that deliver coal to its destination.

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.

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Other revenues consist of equipment and parts sales, equipment rebuild and maintenance services, coal handling and processing, royalties, commissions on coal trades, contract mining, and rental income. With respect to other revenues recognized in situations unrelated to the shipment of coal, we carefully review the facts and circumstances of each transaction and apply the relevant accounting literature as appropriate, and do 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 as coal is shipped or rental income is earned.

Our primary expenses are wages and benefits, repair and maintenance expenditures, diesel fuel purchases, blasting supplies, coal transportation costs, cost of purchased coal, royalties, freight and handling costs and taxes incurred in selling our coal.

CERTAIN TRENDS AND ECONOMIC FACTORS AFFECTING THE COAL INDUSTRY

Our revenues depend on the price at which we are able to sell our coal. The current pricing environment for U.S. coal is strong. Any decrease in coal prices due to, among other reasons, the supply of domestic and foreign coal, the demand for electricity and the price and availability of alternative fuels for electricity generation could adversely affect our revenues and our ability to generate cash flows. In addition, our results of operations depend on the cost of coal production. We are experiencing increased operating costs for fuel and explosives, steel products, health care and contract labor. We expect to experience higher costs for surety bonds and letters of credit. In addition, historically low interest rates have had a negative impact on expenses related to our actuarially determined employee-related liabilities. For additional information regarding some of the risks and uncertainties that affect our business and the industry in which we operate, and that apply to an investment in our common stock, see Risk factors.

CRITICAL ACCOUNTING ESTIMATES

Our financial statements are prepared 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 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. Note 2 to our audited consolidated financial statements provides a description of all significant accounting policies. We believe that of these significant accounting policies, the following may involve a higher degree of judgment or complexity.

Reclamation

Our 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. Significant reclamation activities include reclaiming refuse and slurry ponds, reclaiming the pit and support acreage at surface mines, and sealing portals at deep mines. We account for the costs of our reclamation activities in accordance with the provisions of SFAS No. 143, Accounting for Asset Retirement Obligations. We determine the future cash flows necessary to satisfy our reclamation obligations on a mine-by-mine basis based upon current permit requirements and various estimates and assumptions, including estimates of disturbed acreage, cost estimates, and assumptions regarding productivity. Estimates of disturbed acreage are determined based on approved mining plans and related engineering data. Cost estimates are based

Management s discussion and analysis of financial condition and results of operations

upon third-party costs. Productivity assumptions are based on historical experience with the equipment that is expected to be utilized in the reclamation activities. In accordance with the provisions of SFAS No. 143, we determine the fair value of our asset retirement obligations. In order to determine fair value, we must also estimate a discount rate and third-party margin. Each is discussed further below:

4 *Discount rate.* SFAS No. 143 requires that asset retirement obligations be recorded at fair value. In accordance with the provisions of SFAS No. 143, we utilize discounted cash flow techniques to estimate the fair value of our obligations. We base our discount rate on the rates of treasury bonds with maturities similar to expected mine lives, adjusted for our credit standing.

4 *Third-party margin.* SFAS No. 143 requires the measurement of an obligation to be based upon the amount a third-party would demand to assume the obligation. Because we plan to perform a significant amount of the reclamation activities with internal resources, a third-party margin was added to the estimated costs of these activities. This margin was estimated based upon our historical experience with contractors performing certain types of reclamation activities. The inclusion of this margin will result in a recorded obligation that is greater than our estimates of our cost to perform the reclamation activities. If our cost estimates are accurate, the excess of the recorded obligation over the cost incurred to perform the work will be recorded as a gain at the time that reclamation work is completed.

On at least an annual basis, we review our 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 September 30, 2005, we had recorded asset retirement obligation liabilities of $42.1 million, including amounts reported as current liabilities. While the precise amount of these future costs cannot be determined with certainty, as of September 30, 2005, we estimate that the aggregate undiscounted cost of final mine closure is approximately $59.0 million.

Depreciation, depletion and amortization

Property, plant and equipment, including coal lands and mine development costs, 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.

Coal land costs are depleted using the units-of-production method, based on estimated recoverable interest. The coal lands fair values are established by either using third party mining engineering consultants or market values as established when coal lands are purchased on the open market. These values are then evaluated as to the number of recoverable tons contained in a particular mining area. Once the coal land values are established, and the number of recoverable tons contained in a particular coal land area is determined, a units of production depletion rate can be calculated. This rate is then utilized to calculate depletion expense for each period mining is conducted on a particular coal lands area.

Any uncertainty surrounding the application of the depletion policy is directly related to the assumptions as to the number of recoverable tons contained in a particular coal land area. The amount of compensation paid for the coal lands is a set amount; however the recoverable tons contained in the coal land area are based on third party engineering estimates which can and often do change as the tons are mined. Any change in the number of recoverable tons contained in a coal

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land area will result in a change in the depletion rate and corresponding depletion expense. A hypothetical example of a typical depletion rate calculation is as follows:

Coal Lands Purchase Price	$10,000,000
Third Party Estimate of recoverable tons	10,000,000 tons
Depletion Rate per Ton	$1.00

Assuming the recoverable tons are reduced to 9,000,000 tons, the depletion rate would be increased to $1.11 per ton ($10,000,000/9,000,000). Based on a production rate of 1,000,000 tons per year, this would result in decrease in pre-tax income of $0.1 million.

This calculation would also be applied in the case of a coal land area containing more recoverable tons than the original estimate. This would result in increased pre-tax income.

Mine development costs are amortized using the units-of-production method, based on estimated recoverable interest in the same manner described above.

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

Asset impairments

We follow SFAS No. 144, Accounting for the 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 the sum of projected cash flows is less than the carrying amount, impairment losses are recognized. In determining such impairment losses, discounted cash flows 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 closing obligations are accelerated and the mine closing 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. Our debt covenant ratios are based on adjusted EBITDA that excludes any non-cash items from the calculation, such as goodwill impairment. The minimum interest coverage ratio could be affected if the basis of goodwill (both book and tax) is impaired. A hypothetical impairment of $5.0 million to both the book and tax basis would result in additional annual federal taxes, over the amortization period of 15 years, of $0.1 million. This would not have a material impact on the ratio calculations.

Post-retirement medical benefits

All of our subsidiaries have long and short-term liabilities for post-retirement benefit cost obligations. Detailed information related to these liabilities is included in the notes to our consolidated financial statements included elsewhere in this prospectus. Liabilities for post-retirement benefits are not funded. The liability is actuarially determined, and we use various actuarial assumptions, including the discount rate and future cost trends, to estimate the costs and obligations for post-retirement benefits. The discount rate assumption reflects the rates available on high quality fixed income debt instruments. The discount rate used to determine the net periodic benefit cost for post-retirement medical benefits was 5.75% for the year ended December 31, 2004. We make assumptions related to future trends for medical care costs in the estimates of retiree health care and work-related injury and illness obligations. The future health care cost trend rate represents the rate at which health care costs are expected to increase over the life of the plan. The health care cost trend rate assumptions are determined primarily based upon our historical rate of change in retiree health care costs. The post-retirement expense in the three month operating period ended December 31, 2004 was based on an assumed heath care inflationary rate of 10.0% in the three month operating period decreasing to 5.0%

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in 2014, which represents the ultimate health care cost trend rate for the remainder of the plan life. A one-percentage point increase in the assumed ultimate health care cost trend rate would increase the service and interest cost components of the post-retirement benefit expense for the three month operating period ended December 31, 2004 by $0.2 million and increase the accumulated post-retirement benefit obligation at December 31, 2004 by $1.0 million. A one-percentage point decrease in the assumed ultimate health care cost trend rate would decrease the service and interest cost components of the post-retirement benefit expense for the three month operating period ended December 31, 2004 by $0.2 million and decrease the accumulated post-retirement benefit obligation at December 31, 2004 by $0.9 million. If our assumptions do not materialize as expected, actual cash expenditures and costs that we incur could differ materially from our current estimates. Moreover, regulatory changes could increase our requirement to satisfy these or additional obligations.

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 set of rules and regulations regarding compensation that is owed to an employee who is injured in the course of employment. Our operations are covered through a combination of participation in a state run program and insurance policies. Our estimates of these costs are adjusted based upon actuarial studies.

Coal workers pneumoconiosis

We are 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). Our operations are covered through a combination of a self-insurance program, in which we are a participant in a state run program, and an insurance policy. We accrue 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. Our estimates of these costs are adjusted based upon actuarial studies. At September 30, 2005, we have recorded an accrual of $11.7 million for black lung benefits. Individual losses in excess of $0.5 million at the state level and $1.0 million at the federal level are covered by our large deductible stop loss insurance. Actual losses may differ from these estimates, which could increase or decrease our costs.

Income taxes

We account for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes, 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 bases of recorded assets and liabilities. SFAS No. 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. In evaluating the need for a valuation allowance, we take into account various factors including 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, we may record a change to the valuation allowance through income tax expense in the period the determination is made.

With regard to goodwill, a hypothetical write-off in the goodwill basis (both book and tax) of $5.0 million would result in additional annual federal taxes, as the Company would lose the tax deduction as a result of the write-off. The reduction of this tax asset, to be recognized over 15 years straight line under Section 197 of the Internal Revenue Code, would result in a decrease in taxable

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deductions of $0.3 million each year. This would increase annual taxable income by $0.3 million therefore creating an increase in income tax expense by the marginal effective federal income tax rate of 35%, or $0.1 million.

RESULTS OF CONTINUING OPERATIONS

Basis of presentation

Certain assets of Horizon and its subsidiaries were acquired by ICG, Inc. as of September 30, 2004. The remaining Horizon assets and all of its liabilities were transferred to A.T. Massey Coal Company, Inc. and Lexington Coal Company, LLC. Due to the change in ownership, and the resultant application of purchase accounting, the historical financial statements of Horizon and ICG, Inc. included in this prospectus have been prepared on different bases for the periods presented and are not comparable. In May 2002, Horizon, formerly operating as AEI Resources, was reorganized.

The following provides a description of the basis of presentation during all periods presented:

Successor ICG was formed on March 31, 2005 as a holding company in order to effect the corporate reorganization and the Anker and CoalQuest acquisitions.

Predecessors Represents the consolidated financial position of ICG, Inc. as of December 31, 2004 and as of September 30, 2005 and its consolidated results of operations and cash flows for the period from May 13 through December 31, 2004 and for the nine months ended September 30, 2005 and the consolidated financial position (at the end of the period), results of operations and cash flows for AEI Resources for the period January 1, 2002 to May 9, 2002 and for Horizon for the period May 10, 2002 to December 31, 2002, the year ended December 31, 2003 and for the period January 1 through September 30, 2004. ICG, Inc. had no material assets, liabilities or results of operations until the acquisition of certain assets from Horizon as of September 30, 2004. ICG, Inc. s consolidated financial position at December 31, 2004 and its consolidated results of operations for the period ended December 31, 2004 reflect the purchase price allocation partially based on appraisals prepared by independent valuation specialists and employee benefit valuations prepared by independent actuaries. The Horizon accounts receivable, advance royalties, accounts payable and accrued expenses, intangibles, goodwill and other assets and long-term liabilities were estimates of management. An independent valuation specialist prepared appraisals of the Horizon property, plant and equipment, coal lands and accrued reclamation obligations while employee benefit valuations were prepared by independent actuaries; management allocated amounts of the purchase price to these assets and liabilities using these appraisals and valuations prepared by these specialists. The application of purchase accounting to the acquired assets of Horizon resulted in increases to coal inventories and the asset arising from recognition of asset retirement obligations. It also resulted in increases to plant and equipment, coal supply agreements and goodwill and a decrease in deferred taxes. With regard to consolidated results of operations for the three month operating period ended December 31, 2004, the principal effects of the application of purchase accounting, in comparison to reporting for historical periods, were to increase the net cost of coal sold by $1.4 million due to the revaluation of coal inventories to market price as required by purchase accounting.

In ICG, Inc. s consolidated balance sheet as of December 31, 2004, we recorded $183.9 million in goodwill which represents the excess of costs over the fair value of the net assets acquired from Horizon. We tested for impairment of these assets in December 2004 and determined that impairment review supported the carrying value of goodwill. We will perform the next impairment test of this asset in December 2005. If the upcoming impairment review results in the application of impairment adjustments, we will be required to recognize these adjustments as operating expenses. As a result, we would have to write-off the impaired portion which could significantly reduce the value of our assets and reduce our net income for the year in which the write-off occurs.

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The financial statements for the predecessor periods of Horizon and AEI Resources have been prepared on a carve-out basis to include the assets, liabilities and results of operations of ICG, Inc. that were previously included in the consolidated financial statements of Horizon. The financial statements for the Horizon predecessor periods include allocations of certain expenses, taxation charges, interest and cash balances relating to Horizon based on management s estimates. The Horizon predecessor financial information is not necessarily indicative of the consolidated financial position, results of operations and cash flows of ICG, Inc. if it had operated during the predecessor period presented.

Nine months ended September 30, 2005 of ICG, Inc. compared to the nine months ended September 30, 2004 of Predecessor

Revenues

The following table depicts revenues for the nine-month periods ended September 30, 2005 and September 30, 2004 for the indicated categories:

	Horizon	ICG, Inc.	Actual	
	Nine Months Ended September 30,		Increase (Decrease)	
	2004	2005	$	%
	(in thousands, except percentages and per ton data)			
Coal revenue	$ 346,981	$ 441,662	$ 94,681	27%
Freight and handling revenues	3,700	6,236	2,536	69%
Other revenue	22,702	17,757	(4,945)	(22%)
Total revenue	$ 373,383	$ 465,655	$ 92,272	25%
Tons sold	10,421	10,590	169	2%
Coal revenue per ton	$ 33.30	$ 41.71	$ 8.41	25%

Coal revenues. ICG, Inc. s coal revenue increased in the first nine months of 2005 by $94.7 million, or 27%, to $441.7 million, as compared to the first nine months of 2004 for Horizon. This increase was due to an $8.41 per ton increase in the average sales price of our coal and an increase in tons sold of 2% over the comparable period in the prior year. The increase in the average sales price of our coal was due to the general increase in coal prices during the period as well as the favorable renegotiations of coal sales contracts as a result of Horizon s Chapter 11 bankruptcy.

Freight and handling revenues. Freight and handling revenues increased $2.5 million to $6.2 million for the nine months ended September 30, 2005 compared to the same period in 2004. The increase is due to an increase in shipments where ICG, Inc. initially pays the freight and handling costs and is then reimbursed by the customer.

Other revenues. Other revenue decreased in the first nine months of 2005 by $4.9 million, or 22%, to $17.8 million, as compared to the first nine months of 2004 for Horizon. This decrease was due in a large part to ICG, Inc. s election to reclassify miscellaneous other revenue (such as royalty income, farming revenue, etc.) from the revenue section of the income statement to miscellaneous other income and expense. Management believes that this reclassification improves the reporting of revenue by separating revenue pertaining primarily to mining activities from non-mining activities. The decrease was partially offset by other revenue derived from our highwall mining activities and shop services both performed by our subsidiary, ICG ADDCAR. Highwall mining and shop services increased to $17.7 million for the first nine months of 2005 compared to $15.2 million in the same period in 2004. In addition to these, other revenue for the first nine months of 2004 included $5.1 million that related primarily to non-mining activities.

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Costs and expenses

The following table reflects cost of operations for the nine-month periods ended September 30, 2005 and September 30, 2004:

	Horizon	ICG, Inc.	Actual	
	Nine Months Ended September 30,		Increase (Decrease)	
	2004	2005	$	%
	(in thousands, except percentages and per ton data)			
Cost of coal sales and other revenues (exclusive of depreciation, depletion and amortization)	$ 306,429	$ 357,076	$ 50,647	17%
Cost of coal sales and other revenues as % of revenues	82%	77%		
Freight and handling costs	3,700	6,236	2,536	69%
Freight and handling costs as % of revenues	1%	1%		
Depreciation, depletion and amortization	27,547	29,489	1,942	7%
Depreciation, depletion and amortization as % of revenues	7%	6%		
Selling, general and administrative expenses (exclusive of depreciation, depletion and amortization)	8,477	23,592	15,115	178%
Selling, general and administrative expenses as % of revenues	2%	5%		
Gain on sale of assets	(226)	(518)	(292)	*
Writedowns and other items	10,018		(10,018)	*
Total costs and expenses	$ 355,945	$ 415,875	$ 59,930	17%
Total costs and expenses as % of revenues	95%	89%		
Total costs and expenses per ton sold	$ 34.16	$ 39.27	$ 5.11	15%

* *Not meaningful*

Cost of coal sales and other revenues. In the first nine months of 2005, our cost of coal sales increased $50.6 million, or 17%, to $357.1 million compared to $306.4 million in the comparable period of the prior year. The increase in cost of coal sales is primarily a result of increases in prices for steel-related mine supplies, increasing costs for roof control supplies ($1.2 million), increasing costs for conveyor belts and structure ($2.0 million), escalating diesel fuel costs, which were further heightened by Hurricane Katrina s devastation in Mississippi and Louisiana ($8.5 million), increasing costs for repairs and maintenance ($4.1 million), increasing site preparation and maintenance ($1.2 million) and increasing purchase coal costs ($1.3 million). Variable sales-related costs such as royalties and severance taxes increased ($9.1 million) due to increased sales realizations. Trucking costs increased ($8.1 million) due to both escalating diesel fuel costs and increased driver compensation costs. In addition, salary and hourly payroll expense increased ($11.2 million) due to a highly competitive labor market and the necessity to maintain a competitive compensation program. Payroll taxes and other employee benefits increased ($0.5 million) due primarily to increases in workers compensation premiums, payroll taxes and employer 401(k) expense offset by decreased group insurance expense. These increases were partially offset by decreases in equipment rental expense of ($5.5 million) due to the decision to purchase rather than lease to fulfill our equipment needs. The total costs and expenses per ton sold increased 15% from $34.16 per ton the first nine months of 2004 to $39.27 per ton in the first nine months of 2005.

Total cost as percentage of revenues. Total costs and expenses as a percentage of coal revenues decreased to 89% for the first nine months of 2005 compared to 95% in 2004.

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Freight and handling costs. Freight and handling costs increased $2.5 million to $6.2 million for the nine months ended September 30, 2005 compared to the same period in 2004. The increase is due to an increase in shipments where ICG, Inc. initially pays the freight and handling costs and is then reimbursed by the customer.
Depreciation, depletion and amortization. Depreciation, depletion and amortization expense increased $1.9 million to $29.5 million in the first nine months of 2005 compared to $27.6 million in the first nine months of 2004. Depreciation, depletion and amortization per ton increased from $2.64 per ton in the first nine months of 2004 to $2.78 per ton in the first nine months of 2005. The principal component of the increase was an increase in depreciation expense of $8.2 million in the first nine months of 2005 due to an increase in capital expenditures as well as shortened depreciable asset lives of the Horizon equipment purchased by ICG, Inc. in September 2004. The cost increase was offset by a decrease in amortization expense of $3.0 million and depletion of $3.3 million. Effective January 1, 2004, Horizon discontinued the accounting practice of capitalization of major repair costs in excess of $25,000 per occurrence. The decrease in amortization relating to this practice was $3.9 million.
Selling, general and administrative expenses. Selling, general and administrative expenses for the nine months ended September 30, 2005 were $23.6 million compared to $8.5 million for the nine months ended September 30, 2004. The increase of $15.1 million is primarily attributable to increases in stock compensation expense of $9.8 million, administrative fees of $1.6 million, legal and professional services of $1.4 million, miscellaneous bonuses of $1.3 million, bad debt expense of $0.9 million and other costs of $0.1 million.
Writedowns and other items. During first nine months of 2004, Horizon recognized a loss on the sale of coal reserves of $13.3 million, a $7.7 million gain on a lease buyout, a loss on the retirement of a highwall mining system of $6.2 million and other gains of $1.8 million.
Twelve months ended December 31, 2004 of ICG, Inc. and Predecessor (Combined) compared to twelve months ended December 31, 2003 of Predecessor.
This discussion of the results of operations for the twelve months ended December 31, 2004 represents an addition of Horizon s actual results for the nine months ended September 30, 2004 together with ICG, Inc. s actual results of operations for the three months ended December 31, 2004 (Combined). The following discussion does not reflect any of the pro forma adjustments shown under Unaudited consolidated pro forma financial data.

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Revenues

The following table depicts ICG, Inc. s combined revenue for the twelve months ended December 31, 2004 and Horizon s revenue for the twelve months ended December 31, 2003 for the indicated categories:

	Horizon	ICG, Inc. (Combined)	Actual	
	Twelve Months Ended December 31,		Increase (Decrease)	
	2003	2004	$	%
	(in thousands, except percentages and per ton data)			
Coal revenues	$ 441,291	$ 477,444	$ 36,153	8%
Freight and handling revenues	8,008	4,580	(3,428)	(43%)
Other revenues	31,771	27,468	(4,303)	(14%)
Total revenues	$ 481,070	$ 509,492	$ 28,422	6%
Tons sold	16,656	14,003	(2,653)	(16%)
Coal revenue per ton	$ 26.49	$ 34.09	$ 7.60	29%

Coal revenues. ICG, Inc. s combined coal revenue increased $36.2 million for the year ended 2004, or 8%, to $477.4 million, as compared to Horizon s for the same period in 2003. This increase was due to a $7.60 per ton (29%) increase in the average sales price, offset by a decrease in tons sold of 16% over the comparable period in the prior year. The increase in the average sales price of our coal was due to the general increase in coal prices during the period as well as the favorable renegotiations of coal sales contracts as a result of Horizon s Chapter 11 bankruptcy.

Freight and handling revenues. ICG, Inc. s combined freight and handling revenues decreased $3.4 million for the twelve months ended December 31, 2004 compared to Horizon s for the same period in 2003. The decrease is due to a decrease in shipments where we pay the freight and handling costs and are then reimbursed by the customer.

Other revenues. ICG, Inc. s combined other revenue decreased $4.3 million for the twelve months ended December 31, 2004 compared to Horizon s for the same period in 2003. The decrease in other revenues was primarily a result of decreased participation in the Synfuel sales market in 2004. In addition, for the period beginning October 1, 2004, ICG, Inc. elected to reclassify miscellaneous other revenue (such as royalty income, farming revenue, etc.) from the revenue section of the income statement to miscellaneous other income and expense. Management believes that this reclassification improves the reporting of revenue by separating revenue pertaining primarily to mining activities from non-mining activities. Other revenue for the last three months of 2004 included $0.5 million that related primarily to non-mining activities.

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Costs and expenses

The following table depicts ICG, Inc. s combined cost of operations for the twelve months ended December 31, 2004 and Horizon s cost of operations for the twelve months ended December 31, 2003 for the indicated categories:

	Horizon	ICG, Inc. (Combined)	Actual	
	Twelve months ended December 31,		Increase (Decrease)	
	2003	2004	$	%
	(in thousands, except percentages and per ton data)			
Cost of coal sales and other revenues (exclusive of depreciation, depletion and amortization)	$ 400,652	$ 420,136	$ 19,484	5%
Cost of coal sales and other revenues as % of revenues	83%	82%		
Freight and handling costs	8,008	4,580	(3,428)	(43%)
Freight and handling costs as % of revenues	2%	1%		
Depreciation, depletion and amortization	52,254	35,490	(16,764)	(32%)
Depreciation, depletion and amortization as % of revenues	11%	7%		
Selling, general and administrative expenses (exclusive of depreciation, depletion and amortization)	23,350	12,671	(10,679)	(46%)
Selling, general and administrative expenses as % of revenues	5%	3%		
Gain on sale of assets	(4,320)	(236)	4,084	(95%)
Writedowns and other items	9,100	10,018	918	*
Total costs and expenses	$ 489,044	$ 482,659	$ (6,385)	(1%)
Total costs and expenses as % of revenues	102%	95%		
Total costs and expenses per ton sold	$ 29.36	$ 34.47	$ 5.11	17%

* *Not meaningful*

Cost of coal sales and other revenues. In the twelve month period ended December 31, 2004, ICG, Inc. s combined cost of coal sales increased $19.5 million, or 5% to $420.1 million compared to Horizon s twelve month period ended December 31, 2003. The increase in cost of coal sales is primarily a result of increases in prices for steel-related mine supplies, increasing costs for roof control supplies ($4.3 million), escalating diesel fuel costs ($8.3 million), increasing costs for repairs and maintenance ($13.8 million). A portion of the increase ($7.6 million) in repair and maintenance expense results from a change in accounting practice adopted by Horizon on January 1, 2004. This change resulted in the elimination of capitalization of major repair items with a cost of $25,000 or more, the impact of this change equates to an increase in annual repair and maintenance cost. Variable sales-related costs such as royalties and severance taxes increased ($6.8 million) due to increased sales realizations. Trucking costs increased ($5.6 million) due to both escalating diesel fuel costs and increased driver compensation costs. In addition, salary and hourly payroll expense increased ($8.0 million) due to a highly competitive labor market and the necessity to maintain a competitive compensation program. Payroll taxes and other employee benefits increased ($6.0 million) due primarily to increases in workers compensation premiums, payroll taxes, employer 401(k) expense, and group insurance expense these increases were partially offset by reduced pension fund costs. Purchased coal cost decreased $32.8 million between 2003 and 2004 due to reduced purchased coal volume. The total costs and expenses per ton sold increased 17% from $29.36 per ton for the twelve months ended December 31, 2003 to $34.47 per ton in the same period in 2004 (pro forma).

Total cost as percentage of revenues. Total costs and expenses as a percentage of coal revenues decreased to 95% for the twelve months ended December 31, 2004 compared to 102% in 2003.

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Freight and handling costs. ICG, Inc. s combined freight and handling costs decreased $3.4 million for the year ended December 31, 2004 compared to Horizon s for the same period in 2003. The decrease is due to a decrease in shipments where we pay the freight and handling costs and are then reimbursed by the customer.

Depreciation, depletion and amortization. ICG, Inc. s combined depreciation, depletion and amortization expense decreased $16.7 million to $35.5 million for the twelve months ended December 31, 2004 compared to Horizon s for the same period in 2003. Depreciation, depletion and amortization decreased $0.61 per ton to $2.53 per ton for the twelve months ended December 31, 2004 as compared to same period in 2003. The principal components of the decrease were a $9.6 million decrease in amortization related to an above market contract that expired at the end of 2003, a $2.2 million decrease in depletion due to lower depletion rates in the fourth quarter 2004 and higher production subject to depletion in 2003. Effective January 1, 2004, Horizon discontinued the accounting practice of capitalization of major repair costs in excess of $25,000 per occurrence. The amortization relating to this practice was $3.9 million for the twelve months ended December 31, 2004 as compared to $6.9 million for the same period in 2003. The remaining decrease for the combined twelve months ended December 31, 2004 as compared to the same period in 2003 was due primarily to assets being fully depreciated as well as reduced amortization of mine development costs.

Selling, general and administrative expenses. ICG, Inc. s combined selling, general and administrative expenses decreased $10.7 million to $12.7 for the twelve months ended December 31, 2004 compared to Horizon s for the same period of 2003. The decrease of $10.7 million is primarily attributable to decreases in labor costs of $4.5 million, group insurance of $1.6 million, professional and consulting fees of $1.0 million, officers life insurance of $0.8 million, office rent of $0.7 million, taxes and licenses of $0.7 million and other insurance of $0.6 million.

Gain on sale of assets. ICG, Inc. s combined gain on sale of assets decreased $4.1 million, to $0.2 million for the twelve months ended December 31, 2004 compared to Horizon s for the same period in 2003. The Horizon gain on sale of assets was due primarily to the sales of Cyrus Dock, Hannah Land and Blue Springs.

Writedowns and other items. ICG, Inc. s combined writedowns and other items increased $0.9 million, to $10.0 million in 2004 compared to Horizon s for the same period in 2003. The 2004 writedowns and other items were attributable to a loss of $13.3 million on the sale of coal lands, a gain of $7.7 million on a lease buyout, a loss on the retirement of highwall mining system of $6.2 million and other gains of $1.8 million. The 2003 writedowns and other items were attributable to a writedown of assets of $6.4 million relating primarily to a closed operation (Blue Springs) and a writedown of parts inventory of $2.7 million.

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Twelve Months Ended December 31, 2002 of Predecessor Compared to Twelve Months Ended December 31, 2003 of Predecessor

Revenues

The following table depicts revenues for the year ended December 31, 2003 and December 31, 2002 for the indicated categories:

	Year ended December 31, 2002(1)	Year ended December 31, 2003	Actual Increase (Decrease) $	Actual Increase (Decrease) %
	(in thousands, except percentages and per ton data)			
Coal revenues	$ 400,275	$ 441,291	$ 41,016	10%
Freight and handling revenues	8,979	8,008	(971)	(11%)
Other revenues	48,580	31,771	(16,809)	(35%)
Total revenues	$ 457,834	$ 481,070	$ 23,236	5%
Tons sold	16,540	16,655	115	1%
Coal sales realization per ton sold	$ 24.20	$ 26.50	$ 2.30	10%

(1) Represents the combination of amounts for the period January 1, 2002 to May 9, 2002 with the amounts for the period May 10, 2002 to December 31, 2002.

Coal revenues. Coal revenues increased for the twelve months ended December 31, 2003 by $41.0 million or 10%, to $441.3 million, as compared to the twelve months ended December 31, 2002. This increase was due to a $2.30 per ton increase in the average sales price of Horizon s coal. The increase in the average sales price of Horizon s coal was due to the general increase in coal prices during the latter part of 2003, as well as the favorable renegotiations of coal sales contracts related to Horizon s Chapter 11 bankruptcy.

Freight and handling revenues. Freight and handling revenues decreased to $8.0 million for the twelve months ended December 31, 2003, a decrease of $1.0 million compared to the twelve months ended December 31, 2002 due to a decrease in shipments where Horizon paid the freight and handling costs and was then reimbursed by the customer.

Other revenues. Other revenues decreased for the twelve months ended December 31, 2003 by $16.8 million, or 35%, to $31.8 million, as compared to the same period in 2002. This decrease is primarily due to a $10.9 million decrease in revenue related to our highwall mining subsidiary and a decrease of $3.4 million in synfuel earnings.

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Costs and expenses

The following table reflects cost of operations for the year ended December 31, 2003 and December 31, 2002:

	Year ended December 31,		Actual Increase (Decrease)	
	2002	2003	$	%
	(in thousands, except percentages and per ton data)			
Cost of coal sales and other revenues (exclusive of depreciation, depletion and amortization)	$ 366,128	$ 400,652	$ 34,524	9%
Cost of coal sales and other revenues as % of revenues	80%	83%		
Freight and handling costs	$ 8,979	$ 8,008	$ (971)	(11%)
Freight and handling costs as % of revenues	2%	2%		
Depreciation, depletion and amortization	$ 72,350	$ 52,254	$ (20,096)	(28%)
Depreciation, depletion and amortization as % of revenues	16%	11%		
Selling, general and administrative expenses (exclusive of depreciation, depletion and amortization)	$ 26,372	$ 23,350	$ (3,022)	(11%)
Selling, general and administrative expenses as % of revenues	6%	5%		
Gain on sale of assets	$ (132)	$ (4,320)	$ (4,188)	*
Writedowns and other items	$ 738,275	$ 9,100	$ (729,175)	(99%)
Total costs and expenses	$ 1,211,972	$ 489,044	$ (722,928)	(60%)
Total costs and expenses as % of revenues	265%	102%		
Total costs and expenses per ton sold	$ 73.28	$ 29.36	$ (43.92)	(60%)

* *Not meaningful*

Cost of coal sales and other revenues. In the twelve months ended December 31, 2003, Horizon s cost of coal sales, which excludes costs for depreciation, depletion and amortization, increased $34.5 million, or 9%, to $400.7 million compared to the twelve months ended December 31, 2002. Horizon s cost of coal sales increased by approximately $34.5 million primarily as a result of increased prices for steel-related mine supplies, escalating diesel fuel costs ($3.9 million), increased cost of blasting materials ($1.8 million), increased equipment rental costs ($2.9 million) and increased variable sales-related costs, such as royalties and severance taxes ($0.8 million). These increased costs were offset by volume related increases in purchased coal cost ($22.1 million). The total costs and expenses per ton sold decreased 60% from $73.28 per ton in 2002 to $29.36 per ton in the same period of 2003. The per ton cost in 2002 was impacted by writedowns and other items that related to Horizon s bankruptcy.

Total costs as percentage of revenues. Horizon s total costs and expenses as a percentage of coal revenues decreased from 265% in 2002 to 102% in 2003.

Freight and handling costs. Freight and handling costs decreased $1.0 million, or 11%, to $8.0 million compared to the twelve months ended December 31, 2002, mainly due to the decrease in shipments where Horizon paid the freight and handling costs and was then reimbursed by the customer.

Depreciation, depletion and amortization. Depreciation, depletion and amortization decreased $20.0 million, or 28%, to $52.3 million for the twelve months ended December 31, 2003 as compared to the same period in 2002. Depreciation, depletion and amortization per ton decreased from $4.37 per ton in 2002 to $3.14 per ton in 2003. The principal components of the decrease were a reduction of $7.4 million in depreciation as original asset lives were fully depreciated and not replaced with new assets due to cash constraints related to Horizon s Chapter 11 bankruptcy, as well as a

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$3.2 million decrease related to the amortization of major repair costs. Depletion in 2003 was $9.2 million less than the same period in 2002 due to a change in depletion rates as a result of Horizon s first Chapter 11 bankruptcy.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased $3.0 million, or 11%, to $23.3 million in the twelve months ended December 31, 2003 as compared to the same period in 2002. The decrease is attributed to reduced bad debt expense ($0.9 million) and a $1.7 million decrease in general and supervisory bonuses.

Gain on sale of assets. Gain on sale of assets increased $4.2 million from a gain of $0.1 million in 2002 to a gain of $4.3 million in 2003. The gain on sale of assets in 2003 occurred in relation to the sale of Cyrus Dock ($3.1 million), and the Hannah Land property ($2.2 million), which was acquired by A.T. Massey, partially offset by a loss on sale of the Blue Springs property ($1.1 million).

Writedowns and other items. Writedowns and other items decreased $729.2 million in the 2003 as compared to 2002 due to the 2002 write-off of goodwill ($697.1 million), and sale of coal lands and equipment, and impairment of operating assets, of approximately $32.1 million.

Interest expense. Interest expense increased $28.8 million to $145.9 million during 2003 as compared to the same period in 2002. This increase was primarily due to default interest on unpaid interest amounts.

LIQUIDITY AND CAPITAL RESOURCES

Our business is capital intensive and requires substantial capital expenditures for, among other things, purchasing, upgrading and maintaining equipment used in developing and mining our coal lands, as well as remaining in compliance with environmental laws and regulations. Our principal liquidity requirement is to finance our coal production, fund capital expenditures and to service our debt and reclamation obligations. We may also engage in acquisitions from time to time. Our primary sources of liquidity to meet these needs are cash flow from sales of our coal, other income and borrowings under our senior credit facility.

We believe the principal indicators of our liquidity are our cash position and remaining availability under our credit facility. As of September 30, 2005 (pro forma for the Anker and CoalQuest acquisitions), our available liquidity was $52.6 million, including cash of $18.2 million and $34.4 million available under our credit facility. Total debt represented 33.1% of our total capitalization at September 30, 2005, pro forma for the Anker and CoalQuest acquisitions and without giving effect to this offering. Our total capitalization represents our current short- and long-term debt combined with our total stockholders equity.

As of December 31, 2004, our leased equipment was, on average, 8.5 years old. We believe that a significant portion of our equipment needs to be upgraded in the near-term. We currently expect our capital expenditures to be approximately $139 million for 2005, approximately $99 million of which has been incurred through September 30, 2005, and approximately $166 million in 2006, primarily for investments in new equipment and for mining development operations (in each case pro forma for the Anker and CoalQuest acquisitions). We expect to fund these capital expenditures for the next two years from our internal operations. As we take advantage of planned expansion opportunities from 2007 through 2009 principally as a result of the Anker and CoalQuest acquisitions, we expect to spend approximately $627 million on capital expenditures, which may require external financing. However, our capital expenditures may be different than currently anticipated depending upon the size and nature of new business opportunities and actual cash flows generated by our operations. In addition, as a result of infrastructure weaknesses and short term geologic issues at Anker, the transition period for implementation of various operational improvements has taken longer than originally anticipated. This extended transition has resulted in, and will continue to result in, decreased coal production and increased production costs in the third and fourth quarters. Since these issues are

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temporary in nature and recent operating performance has significantly improved, 2006 profit margins are not expected to be materially impacted.

In ICG, Inc. s consolidated balance sheet as of December 31, 2004, we preliminarily recorded $183.9 million in goodwill which represents the excess of costs over the fair value of the net assets acquired from Horizon. We tested for impairment of these assets in December 2004 and determined that impairment review supported the carrying value of goodwill. We will perform the next impairment test of this asset in December 2005. If the upcoming impairment review results in the application of impairment adjustments, we will be required to recognize these adjustments as operating expenses. As a result, we would have to write-off the impaired portion which could significantly reduce the value of our assets and reduce our net income for the year in which the write-off occurs. Our debt covenant ratios are based on adjusted EBITDA that excludes any non-cash items from the calculation, such as a goodwill write-off. The minimum interest coverage ratio could be affected if the basis of goodwill (both book and tax) is written off. A hypothetical write-off of $5.0 million to both the book and tax basis would result in additional annual federal taxes (as the Company would lose the tax deduction as a result of the write-off), over the amortization period of 15 years, of $0.1 million. This would not have a material impact on the ratio calculations.

At ICG, third quarter profitability has been, and fourth quarter profitability is expected to be, negatively impacted by several factors including non-cash costs associated with restricted stock issued to senior management, short term quality issues at the Knott County operations and permit delays related to the Hazard operations. ICG is being adversely impacted by margin compressions due to cost increases for various commodities and services influenced by the recent price acceleration of crude oil and natural gas a trend that was greatly exacerbated by the Gulf hurricanes. Costs of diesel fuel, explosives (ANFO) and coal trucking have all escalated as a direct result of supply chain problems related to the Gulf hurricanes. These problems are expected to moderate over the coming months but will likely remain a significant issue for the balance of 2005. We presently expect that the margin compression experienced in the third quarter of 2005 and expected to be experienced in the fourth quarter of 2005 will be substantially mitigated in 2006 as these recent cost pressures abate and revenues are favorably impacted by sales contract price reopeners and general market improvement.

In addition, we have brokered coal contracts that will expire at the end of 2006. These contracts were signed during a period of oversupply in the coal industry and contain pricing that, while acceptable to the sellers at that time, is significantly below today s market levels and, management believes, will not be able to be renegotiated or replaced in today s market. The loss of these contracts will have a significant impact on our earnings after 2006. Through the nine months ended September 30, 2005, these contracts have provided $26.2 million in revenue, which is recognized net of expenses. However, the loss of this revenue is expected to be mitigated somewhat as additional owned and controlled mining complexes are brought into production in 2007.

Cash flows

Net cash provided by operating activities was $57.5 million for the first nine months of 2005, an increase of $29.4 million from the same period in 2004. This increase is attributable to increases in net income of $136.2 million and non-cash charges of $6.2 million. These increases were partially offset by decreases in net operating assets and liabilities of $103.0 million and writedowns of $17.7 million. In the same period in 2004 there was a gain on a lease buyout option of $7.7 million related to our predecessor s bankruptcy filing.

The increase in net income during the first nine months of 2005 was due to increased sales realization due to the strengthening of the coal markets during the period. The decrease in net operating assets and liabilities was primarily related to accrued interest charges in 2004. Effective October 1, 2004, in connection with purchase accounting, major repairs were considered a component of the fair value of

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fixed assets acquired and depreciated accordingly. The first nine months of 2004 included a charge to depreciation, depletion and amortization of $3.9 million relating to the major repairs.

For the nine months ended September 30, 2005, net cash was used in investing activities of $75.4 million compared to a source of cash of $3.4 million for the nine months ended September 30, 2004. Cash was used in investing activities for the first nine months of 2005 of $75.9 million to begin replacement of ICG s aged mining equipment fleet compared to $6.6 million in the first nine months of 2004. Cash was used for deposits of restricted cash used for collateral for reclamation and royalty bonds of $0.2 million for the first nine months in 2005 compared to $1.8 million in the same period of 2004. Proceeds of equipment sales were $0.5 million in the first nine months of 2005 compared to $4.1 million in the same period of 2004 and proceeds from lease buyouts of $7.7 million in 2004 had a positive impact on investing for the first nine months in 2004.

Net cash provided by financing activities of $9.4 million for the nine months ended September 30, 2005 was primarily due to proceeds from net borrowings under our revolving credit facility of $15.0 million and proceeds from issuance of common stock of $0.2 million offset by net repayments on our general liability insurance program of $3.8 million, net repayments on long term debt of $1.3 million, capital lease repayments of $0.4 million and deferred finance costs of $0.3 million. Cash used in financing activities for the nine months ended September 30, 2004 was $32.4 million comprised of $27.1 million in net repayments on Horizon s DIP facility, $4.7 million net repayments on long-term debt and $0.6 million repayments on capital leases.

Net cash provided by operating activities was $58.3 million for the combined twelve months ended December 31, 2004, an increase of $38.3 million from the same period in 2003. This increase is attributable to an increase of $73.3 million in net income primarily due to a strengthening coal market during the period. This increase was offset by a decrease in accrued expenses of $66.2 million primarily related to accrued interest charges in 2003. Other changes in operating activities resulted in a source of $31.2 million.

For the combined twelve months ended December 31, 2004 net cash used in investing activities was $325.7 million compared to a use of cash of $3.9 million for the same period in 2003. Cash used in 2004 was primarily related to the acquisition of the assets of Horizon.

Net cash provided by financing activities was $290.5 million for the combined twelve months ended December 31, 2004 as compared to a use of $15.5 million for the comparable period in 2003. The increase in cash provided by financing activities in 2004 was primarily due to $150.2 million in capital provided by the original investors in ICG, LLC as well as the funding of a $175 million term loan. Other changes in financing activities resulted in a use of funds of $19.2 million primarily related to the repayment of Horizon s DIP facility.

Net cash provided by operating activities was $20.0 million for the full year 2003, an increase of $297.2 million from the same period in 2002. This increase is attributable to the effects of a $743.6 million change in non-cash items related to Horizon s first Chapter 11 bankruptcy case, a decrease in net income of $91.1 million for 2003 as compared to the same period in 2002, and the effects of a $355.3 million decrease in net operating assets and liabilities.

Net cash used in investing activities was $3.8 million in 2003 as compared to a source of $31.8 million in 2002. This decrease is the result of decreased capital expenditures of $7.5 million as well as an increase in proceeds from the sale of assets of $14.6 million in 2003 and a decrease from net deposits of restricted cash of $57.7 million.

Net cash used in financing activities decreased $196.4 million in 2003 to $15.5 million as compared to a source of cash of $180.9 million in 2002. This change is entirely related to various debt transactions in 2002 related to Horizon s first Chapter 11 bankruptcy.

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On a pro forma basis after giving effect to the Anker and CoalQuest acquisitions, our cash interest expense for the year ended December 31, 2004 and for the nine months ended September 30, 2005, would have been $10.5 million and $10.3 million, respectively. For additional information on how the Anker and CoalQuest acquisitions impact our financial condition see Unaudited consolidated pro forma financial data.

We will use a portion of the proceeds of this offering to repay all of our $208.7 million term loan facility outstanding, as of September 30, 2005 (pro forma for the Anker and CoalQuest acquisitions). Our remaining net proceeds are expected to be used for general corporate purposes. We may also use a portion of the remaining proceeds to pursue possible acquisitions of businesses, technologies, products or assets complementary to our business.

Credit facility and long-term debt obligations

As of December 31, 2004, our total long-term indebtedness, including capital lease obligations, consisted of the following:

		As of December 31, 2004
		(in thousands)
Term loan due 2010	$	175,000(1)
Revolving credit facility		
Capital lease obligations		681
Other		3,787
Total long-term debt	$	179,468
Less current portion		(6,022)
Long-term debt, net of current portion	$	173,446

(1) *We are required to use 50% of the net proceeds of this offering to repay amounts outstanding under the term loan.*

On September 30, 2004 (later amended and restated on November 5, 2004 and amended on June 29, 2005), ICG, LLC, entered into a credit facility with a group of lending institutions, for which UBS Securities LLC serves as Arranger, Bookmanager and Syndication Agent. As amended, the $320.0 million credit facility provides for a term loan of $210.0 million and a revolving credit facility of up to $110.0 million with a letter of credit sub-limit of up to $75.0 million. As of September 30, 2005, ICG, Inc. s $173.7 million term loan principal amount was outstanding and letters of credit totaling $52.9 million and borrowings of $15.0 million were outstanding under the revolving credit facility, leaving $42.1 million available for borrowing on the revolving credit facility. $35.0 million of the term loan facility will not be advanced until we consummate the Anker and CoalQuest acquisitions. The interest rate on both the term loan and revolving credit facility bear interest at a variable rate based upon either the prime rate or a London Interbank Offered Rate (LIBOR), in each case plus a spread that is dependent on our leverage ratio. The interest rate applicable to our borrowings under the term loan was 6.43% as of September 30, 2005. The principal balance of the term loan is due on October 1, 2010 and the revolving credit facility expires on October 1, 2009. ICG, Inc. and each of the subsidiaries of ICG, LLC, have guaranteed ICG, LLC s obligations under the credit facility. The obligations of ICG, LLC, under the credit facility are secured by a lien on all of the assets of ICG, ICG, LLC and their subsidiaries. We must pay an annual commitment fee up to a maximum of 1/2 of 1% of the unused portion of the commitment under the revolving credit facility. We were in compliance with our debt covenants under the credit facility as of

September 30, 2005.

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The credit facility imposes certain restrictions on us, including restrictions on our ability to: incur debt, grant liens, enter into agreements with negative pledge clauses, provide guarantees in respect of obligations of any other person, pay dividends and make other distributions, make loans, investments, advances and acquisitions, sell our assets, make redemptions and repurchases of capital stock, make capital expenditures, prepay, redeem or repurchase debt, liquidate or dissolve; engage in mergers or consolidations, engage in affiliate transactions, change our business, change our fiscal year, amend certain debt and other material agreements, issue and sell capital stock of subsidiaries, engage in sale and leaseback transactions, and restrict distributions from subsidiaries. In addition, the credit facility provides that we must comply with certain covenants, including certain interest coverage ratios. For a more detailed description of these ratios, see Description of indebtedness.

At September 30, 2005, ICG, Inc. had $52.9 million in letters of credit outstanding, all of which are supported by our current $75.0 million letter of credit sub-limit contained in our $320.0 million credit facility. We paid $0.3 million in interest on our credit facility on October 10, 2004, the first scheduled interest payment date on the credit facility and additional interest payments of $2.4 million on January 10, 2005, April 11, 2005 and $2.6 million on July 11, 2005. We also made term loan amortization payments of $0.4 million on January 10, 2005, April 11, 2005 and July 11, 2005.

As a regular part of our business, we review opportunities for, and engage 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 we believe that these opportunities are consistent with our growth plans and our acquisition criteria, we 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 us to terminate the discussions and any related agreement if, among other things, we are not satisfied with the results of our due diligence investigation. Any acquisition opportunities we pursue could materially affect our liquidity and capital resources and may require us to incur indebtedness, seek equity capital or both. There can be no assurance that additional financing will be available on terms acceptable to us, or at all.

Additionally, we have long-term liabilities relating to mine reclamation, end-of-mine closure costs and black lung costs, and all of our operating and management-services subsidiaries have long-term liabilities relating to retiree health care (post-retirement benefits).

Our ability to meet our long-term debt obligations will depend upon our 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 our control. Based upon our current operations, the historical results of our predecessors, as well as those of Anker and CoalQuest, we believe that cash flow from operations, together with other available sources of funds, including additional borrowings under our credit facility and the proceeds from this offering, will be adequate for at least the next 12 months for making required payments of principal and interest on our indebtedness and for funding anticipated capital expenditures and working capital requirements. However, we cannot assure you that our operating results, cash flow and capital resources will be sufficient for repayment of our debt obligations in the future.

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CONTRACTUAL OBLIGATIONS

The following is a summary of our significant future contractual obligations by year as of December 31, 2004, on a pro forma basis after giving effect to the Anker and CoalQuest acquisitions and this offering:

	Payments due by period				
	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
			(in thousands)		
Long-term debt obligations	$ 215,317	$ 1,539	$ 1,053	$ 23	$ 217,932
Capital leases obligations	513	168			681
Operating leases	13,506	12,058			25,564
Coal purchase obligation	114,620	134,389	57,644	25,186	331,839
Advisory Services agreement[1]	2,000	4,000	4,000	3,500	13,500
Minimum royalties	8,567	15,688	14,016	30,158	68,429
Total[2]	$ 354,523	$ 167,842	$ 76,713	$ 58,867	$ 657,945

(1) See Certain relationships and related party transactions.

(2) Our contractual obligations exclude interest amounts due for the years shown above because it is at a variable rate. We are also a party to an employment agreement with each of our President and Chief Executive Officer and our Senior Vice President and General Counsel. See Management Employment agreements regarding the terms and conditions of this employment agreement.

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, we are 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 our combined 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.

Federal and state laws require us to secure payment of certain long-term obligations such as mine closure and reclamation costs, federal and state workers compensation, coal leases and other obligations. We typically secure these payment obligations by using surety bonds, an off-balance sheet instrument. The use of surety bonds is less expensive for us than the alternative of posting an all cash bond or a bank letter of credit, either of which would require a greater use of our credit facility. We then use bank letters of credit to secure our surety bonding obligations as a lower cost alternative than securing those bonds with cash. ICG, Inc. currently has a $75.0 million committed bonding facility pursuant to which we are 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 us. To the extent that surety bonds become unavailable, we would seek to secure our reclamation obligations with letters of credit, cash deposits or other suitable forms of collateral.

As of September 30, 2005, ICG, Inc. had outstanding surety bonds with third parties for post-mining reclamation totaling $85.6 million plus $1.9 million for miscellaneous purposes. ICG, Inc. maintained letters of credit as of

September 30, 2005 totaling $52.9 million to secure reclamation surety bonds and other obligations, including $10.0 million related to Lexington Coal Company. These letters of credit are issued under our current $75.0 million bonding facility.

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Management s discussion and analysis of financial condition and results of operations

INFLATION

Inflation in the United States has been relatively low in recent years and did not have a material impact on result of operations for the twelve months ended December 31, 2004, twelve months ended December 31, 2003, twelve months ended December 31, 2002 and nine months ended September 30, 2005.

RECENT ACCOUNTING PRONOUNCEMENTS

Emerging Issues Task Force (EITF) Issue 04-02 addresses the issue of whether mineral rights are tangible or intangible assets. Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 141, Business Combinations, requires the acquirer in a business combination to allocate the cost of the acquisition to the acquired assets and liabilities. At the March 17-18, 2004 meeting, the EITF reached a consensus that mineral rights (defined as the legal right to explore, extract and retain at least a portion of the benefits from mineral deposits) are tangible assets. As a result of the EITF s consensus, the FASB issued FASB Staff Position (FSP) Nos. SFAS No. 141-a and SFAS No. 142-a, Interaction of FASB Statements No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, and EITF Issue No. 04-02, Whether Mineral Rights Are Tangible or Intangible Assets, which amend SFAS Nos. 141 and 142 and results in the classification of mineral rights as tangible assets. We have recorded mineral rights as tangible assets.

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46), and subsequently revised FIN 46 in December 2003. As revised, FIN 46 s consolidation provisions apply to interest in variable interest entities (VIEs) that are referred to as special-purpose entities for periods ending after December 15, 2003. For all other VIEs, FIN 46 s consolidation provisions apply for periods ending after March 15, 2004, or as of March 31, 2004. We determined that FIN 46 did not impact our consolidated financial position, results of operations or cash flows.

In January 2005, the FASB issued Statement 123R, Share Based Payment. FASB Statement 123R supersedes APB Opinion 25, Accounting for Stock Issued to Employees. This statement establishes standards for accounting transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity s equity instruments or that may be settled by the issuance of those equity instruments. FASB 123R is effective as of the beginning of the first fiscal year beginning after June 15, 2005. We believe the adoption of FASB 123R will have a material impact on our financial position, and results of operations, as a result of our equity and incentive performance plans. See Note 9 to our September 2005 financial statements for a discussion of the impact of adoption of FASB 123R.

On March 30, 2005, the FASB ratified the consensus reached by the EITF on Issue 04-6, Accounting for Stripping Costs in the Mining Industry. This issue applies to stripping costs incurred in the production phase of a mine for the removal of overburden or waste materials for the purpose of obtaining access to coal that will be extracted. Under the new rule, stripping costs incurred during the production phase of the mine are variable production costs that are included in the cost of inventory produced and extracted during the period the stripping costs are incurred. Historically, the coal industry has considered coal uncovered at a surface mining operation but not yet extracted to be coal inventory (pit inventory). This represents a change in accounting principle. The guidance in this EITF consensus is effective for fiscal years beginning after December 15, 2005 for which the cumulative effect of adoption should be recognized as an adjustment to the beginning balance of retained earnings during the period. We are evaluating what impact this guidance will have on our consolidated financial statements.

In March 2005, the FASB issued FIN 47, Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143, Accounting for Asset Retirement Obligations. FIN 47 requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the liability s fair value can be reasonably estimated. This interpretation is effective for fiscal years ending after December 15, 2005. Management does not expect this interpretation to have a material impact on our consolidated financial position or results of operations.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Commodity price risk. We manage our commodity price risk for coal sales through the use of long-term coal supply agreements rather than through the use of derivative instruments. As of September 30, 2005 (pro forma for the Anker and CoalQuest acquisitions), we had sales commitments for all of our planned 2005 production. Some of the products used in our mining activities, such as diesel fuel, are subject to price volatility. Through our suppliers, we utilize forward contracts to manage the exposure related to this volatility. A hypothetical increase of $0.10 per gallon for diesel fuel would reduce pre-tax income for the nine months ended September 30, 2005 by $1.7 million. A hypothetical increase of 10% in steel prices would result in an increase in roof support costs. This would reduce pre-tax income for nine months ended September 30, 2005 by $1.1 million.

Interest rate risk. Historically, we have had exposure to changes in interest rates on a portion of our existing level of indebtedness. This exposure had been hedged at 50% of the debt for a two year period using pay-fixed, receive-variable interest rate swaps. As a result of the transactions, we anticipate exposure to changes in interest rates on a portion of our new level of indebtedness. A hypothetical increase or decrease in interest rates by 1% would have changed quarterly interest expense on our term loan facility by $434,219 for the three months ended September 30, 2005. We expect to use interest rate swaps to manage this risk.

Market price risk. We are exposed to market price risk in the normal course of mining and selling coal. As of September 30, 2005 (pro forma for the Anker and Coal Quest acquisitions), we had all of our remaining 2005 planned production committed and approximately 75% of 2006 planned production committed for sale leaving approximately 25% uncommitted for sale. A hypothetical decrease of $1.00 per ton in the market price for coal would not reduce pre-tax income for the remainder of 2005, but in 2006, the hypothetical decrease would reduce pre-tax income by $5.6 million.

The coal industry

OVERVIEW

A major contributor to the world energy supply, coal represents over 23% of the world s primary energy consumption according to the World Coal Institute. The primary use for coal is to fuel electric power generation. In 2004, coal-fired plants generated 50% of the electricity produced in the United States, according to the EIA, a statistical agency of the U.S. Department of Energy.

The United States produces over one-fifth of the world s coal and is the second largest coal producer in the world, exceeded only by China. Other leading coal producers include India, Australia and South Africa. The United States is the largest holder of coal reserves in the world, with over 250 years supply at current production rates.

U.S. coal demand trends 1975-2003

Source: EIA

DEMAND FOR U.S. COAL PRODUCTION

Coal produced in the United States is used primarily by utilities 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 and processing facilities. Significant quantities of coal are also exported from both east and west coast terminals. According to the EIA, 99% of coal consumed in the United States in 2004 was from domestic production sources. Coal produced in the United States is also exported, primarily from east coast

The coal industry

terminals. The breakdown of 2004 U.S. coal consumption by sector, according to the EIA, is as follows:

End use	**Tons (millions)**	**% of total**
Electric Power	1,015	91.9%
Other Industrial Plants	61	5.6%
Coke Plants	24	2.1%
Residential & Commercial	4	0.4%
Total	1,104	100.0%

Source: EIA

Coal has long been favored as an electricity generating fuel by regulated utilities because of its basic economic advantage. The largest cost component in electricity generation is fuel. According to the National Mining Association, coal is by far the cheapest source of power fuel per million Btu, averaging less than one-third the price of both petroleum and natural gas.

According to the EIA, for a new coal-fired plant built today, fuel costs would represent about one-half of total operating costs, whereas the share for a new natural-gas-fired plant would be almost 90%. Coal used as fuel to generate electricity is commonly referred to as steam coal.

Other factors that influence each utility s choice of electricity generation mode, include facility cost, fuel transportation infrastructure, environmental restrictions and other factors. The breakdown of U.S. electricity generation by fuel source in 2004, as estimated by the EIA, is as follows:

Electricity generation source	**% of total electricity generation**
Coal	50%
Nuclear	20%
Natural Gas	18%
Hydro	7%
Petroleum	3%
Other	2%
Total	100%

Source: EIA

The EIA projects that generators of electricity will increase their demand for coal as demand for electricity increases. Because coal-fired generation is used in most cases to meet base load requirements, coal consumption has generally grown at the pace of electricity demand growth. Demand for electricity has historically grown in proportion to U.S. economic growth as measured by gross domestic product. According to the EIA, coal use for electricity generation is expected to increase on average by 1.6% per year from 2003 to 2025.

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U.S. electricity demand increasing 1970-2025 forecasted

Source: EIA

The other major market for coal is the steel industry. The type of coal used in steel making is referred to as metallurgical coal and is distinguished by special quality characteristics that include high carbon content, low expansion pressure and various other chemical attributes. Metallurgical coal is also high in heat content (as measured in Btus), and therefore is desirable to utilities as fuel for electricity generation. Consequently, metallurgical coal producers have the ongoing opportunity to select the market that provides maximum revenue. The premium price offered by steel makers for the metallurgical quality attributes is typically higher than the price offered by utility coal buyers that value only the heat content.

U.S. COAL PRODUCTION AND DISTRIBUTION

In 2004, total coal production as estimated by the DOE was 1.1 billion tons. The primary producing regions were Appalachia (35%), Interior (13%) and Western (52%). Most of our coal production comes from the Central Appalachian region. In 2003, approximately 67% of U.S. coal was produced by surface mining methods. The remaining 33% was produced by underground mining methods that include room and pillar mining and longwall mining.

U.S. coal production

	1998	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
				(tons in millions)			
Area:							
Appalachian	460.4	425.6	419.4	431.2	396.2	376.0	390.7
Interior (includes Illinois Basin)	168.4	162.5	143.5	146.9	146.6	146.0	147.5
Western	488.8	512.3	510.7	547.9	550.4	548.7	573.3
Total	1,117.6	1,100.4	1,073.6	1,126.0	1,093.2	1,070.7	1,111.4

Source: Coal Industry Annual Review and Coal Weekly, 1998-2004, EIA.

Central Appalachia

Central Appalachia, including eastern Kentucky, Virginia and southern West Virginia, produced 21% of the total U.S. coal production in 2004. Coal mined from this region generally has a high heat content of between 12,000 and 14,000 Btus per pound and a sulfur content ranging from 0.7% to 1.5%. From 2000 to 2004 according to the EIA, the Central Appalachian region experienced a decline in production from 258 million tons to 230 million tons, or a 11% decline, primarily as a result of the

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depletion of economically attractive reserves, permitting issues and increasing costs of production, which was partially offset by production increases in Southern West Virginia due to the expansion of more economically attractive surface mines.

The structural issues in Central Appalachia have led to exceedingly high barriers to entry. These barriers are likely to prevent large-scale development in the region in both the short and medium term. In addition, alternative fuel sources have limited benefits and eastern utilities are reluctant to invest heavily to switch to Powder River Basin coal. Thus, the increasing demand coupled with the supply constraints will likely result in price stabilization at higher levels in Central Appalachia.

INDUSTRY TRENDS

In recent years, the coal industry has experienced several significant trends including:

Significant gains in mining productivity. U.S. coal production more than doubled from 1968 to 1998 due largely to changes in work practices and the introduction of new technologies that have greatly increased mine productivity. According to the EIA, overall coal mine productivity, measured in tons produced per miner shift, has increased from 30.6 tons in 1990 to 55.6 tons in 2003.

Growth in coal consumption. According to EIA, from 1990 to 2004 coal consumption in the United States increased from 904 million tons to 1,104 million tons, or 22%. The largest driver of increased coal consumption during this period was increased demand for electricity. The EIA estimates that coal use for electricity generation is expected to increase on average by 1.6% per year from 2003 to 2025.

Increased utilization of existing capacity of coal-fired power plants. We believe that existing coal-fired plants will supply much of the projected increase in the demand for electricity because they possess excess capacity that can be utilized at low incremental costs. The NETL has identified 124 coal-fired plants, representing 73,000 megawatts of electric generation capacity, that have been proposed and are currently in various stages of development.

Restructuring of electricity industry

In October 1992, Congress enacted the Energy Policy Act of 1992, which gave wholesale electricity suppliers access to the transmission lines of U.S. utility companies. In May 1996, the Federal Energy Regulatory Commission issued the first of a series of orders establishing rules to promote competition in wholesale electricity markets by providing wholesale electricity suppliers open access to electricity transmission systems. In 1999, the Federal Energy Regulatory Commission issued a rule to encourage the establishment of regional transmission organizations. Wholesale competition has resulted in a substantial increase in non-utility generating capacity in the United States.

Increasingly stringent air quality laws

The coal industry has witnessed a recent shift in demand to low sulfur coal production driven by regulatory restrictions on sulfur dioxide emissions from coal-fired power plants. In 1995, Phase I of the Clean Air Act Acid Rain program required high sulfur coal plants to reduce their emissions of sulfur dioxide to 2.5 pounds or less per million Btu, and in 2000, Phase II of the Clean Air Act tightened these sulfur dioxide restrictions further to 1.2 pounds of sulfur dioxide per million Btu. Currently, electric power generators operating coal-fired plants can comply with these requirements by:

- burning lower sulfur coal, either exclusively or mixed with higher sulfur coal;
- installing pollution control devices such as scrubbers, which reduce the emissions from high sulfur coal;
- reducing electricity generating levels; or
- purchasing or trading emission credits to allow them to comply with the sulfur dioxide emission compliance requirements.

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The coal industry

However, as new and proposed laws and regulations, including the Clean Air Interstate Rule and the Clean Air Mercury Rule require further reductions in emissions, coal-fired utilities may need to install additional pollution control equipment, such as wet scrubbers, to comply. Installation of such additional pollution control equipment required could potentially result in a decrease in the demand for low sulfur coal (because sulfur would be removed by the new equipment), potentially driving down prices for low sulfur coal.

RECENT COAL MARKET CONDITIONS

According to traded coal indices and reference prices, U.S. and international coal demand is currently at high levels, and coal pricing has increased year-over-year in nearly every significant U.S. and international market. We believe that current fundamentals in the U.S. coal industry are among the strongest witnessed over the past decade, supported primarily by:

4 stronger industrial demand following a recovery in the U.S. manufacturing sector;

4 relatively low customer stockpiles;

4 production difficulties and reserve degradation experienced by some U.S. coal producers;

4 capacity constraints of U.S. nuclear-powered electricity generators;

4 high current and forward prices for natural gas and oil;

4 transportation disruptions including constrained rail line capacity and increased costs faced by the trucking industry; and

4 increased international demand for U.S. coal for electricity generation and steelmaking, driven by global economic growth, high ocean freight rates and the weak U.S. dollar.

Coal prices are influenced by a number of factors and often vary dramatically by region. The following charts illustrate coal spot prices and annual production for Central Appalachia and the Illinois Basin.

Central Appalachian pricing environment

Source: EIA, Bloomberg L.P.

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The coal industry

Illinois Basin Pricing Environment

Source: EIA, Bloomberg L.P.

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OVERVIEW

We are a leading producer of coal in Northern and Central Appalachia with a broad range of mid to high Btu, low to medium sulfur steam and metallurgical coal. Our Appalachian mining complexes, which include 11 of our mining complexes, are located in West Virginia, Kentucky and Maryland. We also have a complementary mining complex of mid to high sulfur steam coal strategically located in the Illinois Basin. We market our coal to a diverse customer base of largely investment grade electric utilities, as well as domestic and international industrial customers. The high quality of our coal and the availability of multiple transportation options, including rail, truck and barge, throughout the Appalachian region enable us to participate in both the domestic and international coal markets. Due to the decline in Appalachian coal production in recent years, these markets are currently characterized by strong demand with limited supply response and elevated spot and contract prices.

The company was formed by WLR and other investors in May 2004 to acquire and operate competitive coal mining facilities. As of September 30, 2004, ICG, Inc. acquired certain key assets of Horizon through a bankruptcy auction. These assets are high quality reserves strategically located in Appalachia and the Illinois Basin, are union free, have limited reclamation liabilities and are substantially free of other legacy liabilities. Due to our initial capitalization, we were able to complete the acquisition without incurring a significant level of indebtedness. Consistent with the WLR investor group s strategy to consolidate profitable coal assets, the Anker and CoalQuest acquisitions further diversify our reserves. On or about the same time as the Anker and CoalQuest acquisitions, we will complete a corporate reorganization. With the proceeds of this offering, we expect to retire substantially all of our debt, including debt assumed through the Anker and CoalQuest acquisitions, and, thus, we will be strategically well-positioned.

As of January 1, 2005 (pro forma for the Anker and CoalQuest acquisitions), we owned or controlled approximately 315 million tons of metallurgical quality coal reserves and approximately 572 million tons of steam coal reserves. Based on expected 2005 production rates, our Northern and Central Appalachian reserves (pro forma for the Anker and CoalQuest acquisitions) could support existing production levels for approximately 35 years and all of our reserves could support existing production levels for approximately 49 years. Further, we own or control approximately 707 million tons of non-reserve coal deposits, pro forma for the Anker and CoalQuest acquisitions.

Steam coal is primarily consumed by large electric utilities and industrial customers as fuel for electricity generation. Demand for low sulfur steam coal has grown significantly since the introduction of certain controls associated with the Clean Air Act and the decline in coal production in the eastern half of the United States. Metallurgical coal is primarily used to produce coke, a key raw material used in the steel making process. Generally, metallurgical coal sells at a premium to steam coal because of its higher quality and its importance and value in the steel making process. During 2004 and the first quarter of 2005, the demand for metallurgical coal increased substantially as the global demand for steel increased.

For the year ended December 31, 2004 (pro forma for the Anker and CoalQuest acquisitions), we sold 18.4 million tons of coal, of which 18.2 million tons were steam coal and 0.2 million tons were metallurgical coal. Our steam coal sales volume in 2004 consisted of mid to high quality, high Btu (greater than 12,000 Btu/lb.), low to medium sulfur (1.5% or less) coal, which typically sells at a premium to lower quality, lower Btu, higher sulfur steam coal, pro forma for the Anker and CoalQuest acquisitions. Our three largest customers for the nine months ended September 30, 2005 were Georgia Power Company, Carolina Power & Light Company and Duke Power and we derived approximately 53% of our coal revenues from sales to our five largest customers, pro forma for the Anker and CoalQuest acquisitions.

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OUR HISTORY

The Horizon acquisition

On February 28, 2002, Horizon (at that time operating as AEI Resources Holdings, Inc.) filed a voluntary petition for Chapter 11 and its plan of reorganization became effective on May 8, 2002. However, Horizon s profit margins and cash flows were negatively impacted in fiscal year 2002 by, among other things, the falling price of coal and continued increases in certain operating expenses. Due to capital and permit constraints, Horizon had to mine in areas which produced coal but at greatly reduced profit margins thus severely reducing cash flow.

As a result of its continuing financial and operational difficulties, Horizon filed a second voluntary petition for relief under Chapter 11 on November 13, 2002. Horizon obtained a debtor-in-possession financing facility of up to $350.0 million and was effective in rationalizing its operations, selling non-core assets, paying down outstanding borrowings and generating substantial operating profit. With stabilized operations and a significantly improved coal market, Horizon filed a joint plan of reorganization and a joint plan of liquidation under Chapter 11.

ICG was formed by WL Ross & Co. LLC and other investors in May 2004. The Horizon assets were sold to us through a bankruptcy auction on August 17, 2004. Presented as a combined $290.0 million cash bid with A.T. Massey, ICG, Inc. agreed to pay $285.0 million in cash plus the assumption of up to $5.0 million to be paid to contract counterparties to cure the pre-sale defaults under the leases and contracts assumed and assigned to ICG, Inc. to acquire the assets plus ICG, Inc. also contributed a credit bid of second lien Horizon bonds, and A.T. Massey agreed to pay $5.0 million in cash to acquire a separate group of assets associated with two Horizon subsidiaries. The credit bid included the cancellation of $482.0 million of certain Horizon bonds in return for which those Horizon bondholders received the right to participate in a rights offering to purchase ICG common stock. Shares issued in connection with the rights offering are included in our outstanding stock. The former bondholders of Horizon that purchased shares of ICG, Inc. common stock in the rights offering were creditors of Horizon and received the shares in reliance on Section 1145 of the U.S. Bankruptcy Code, which in general provides for the limited exemption from the registration requirements of the Securities Act for securities issued in exchange for a claim against the debtor in bankruptcy. Since ICG s formation, some trading of ICG, Inc. s common stock has occurred. See Price range of ICG, Inc. common stock. ICG has not previously been a reporting company under the Securities Exchange Act of 1934, as amended.

In addition, Lexington Coal Company, LLC, a newly formed entity, was organized by the founding ICG, Inc. stockholders to assume certain reclamation liabilities and assets not otherwise being purchased by A.T. Massey or ICG, Inc. In order to provide support to Lexington Coal Company in consideration for assuming these liabilities, we agreed to provide a $10.0 million letter of credit to support reclamation obligations and to pay a 0.75% additional payment on the gross sales receipts for coal mined and sold from the assets we acquired from Horizon until the completion by Lexington Coal Company of all reclamation liabilities acquired from Horizon. Other than this support and a limited commonality of ownership of ICG and Lexington Coal Company, there is no relationship between the entities.

The bankruptcy court confirmed the sale on September 16, 2004 as part of the completion of the Horizon bankruptcy proceedings. At closing, we increased the purchase price by $6.25 million, primarily to satisfy increased administrative expenses, and the sale was completed as of September 30, 2004.

The acquisition was financed through equity investments and borrowings under our senior secured credit facility, which we entered into at the closing of the Horizon acquisition. See Description of indebtedness for a discussion of our senior credit facility. We expect to repay a portion of the term loan facility with the proceeds of this offering.

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The Anker and CoalQuest acquisitions

On March 31, 2005, ICG, Inc. entered into a business combination agreement with Anker Coal Group, Inc., ICG (then known as ICG Holdco, Inc.), at that time a wholly owned subsidiary of ICG, Inc., ICG Merger Sub, Inc., an indirect wholly owned subsidiary of ICG, and Anker Merger Sub, Inc., an indirect wholly owned subsidiary of ICG. Under the terms of the business combination agreement, ICG Merger Sub will merge with and into ICG, Inc. and Anker Merger Sub will merge with and into Anker, with each of ICG, Inc. and, Anker surviving their respective mergers as indirect wholly owned subsidiaries of ICG and ICG will be the new parent holding company. The agreement was amended May 10, 2005 to allow the exchange ratio formula to be adjusted if ICG engages in a stock split. The agreement was amended June 29, 2005 to remove the condition that the CoalQuest acquisition close simultaneously with the Anker acquisition.

The stockholders of Anker, collectively, are entitled to receive the lesser of (i) 19,498,581 shares of ICG common stock and (ii) the number of shares of ICG common stock equal to the quotient of 173,250,000 divided by the price per share at which our stock is offered in this offering (the base merger share number), subject to the following possible adjustments. If certain events relating to the commencement of specified coal production and the execution of a coal purchase contract do not occur prior to the effectiveness of the merger, ICG will only issue shares equal to the lesser of (i) 18,373,122 shares of ICG common stock and (ii) the number of shares of ICG common stock equal to the quotient of 163,250,000 divided by the price per share at which our common stock is offered in this offering (the adjusted merger share number) at the effective time of the merger and will reserve but not issue the number of shares equal to the difference between the adjusted merger share number and base merger share number (this difference, the contingent shares). These contingent shares are only issuable to the former stockholders of Anker if one of the following events occurs before the earlier of April 1, 2006 and the effectiveness of this registration statement: (i) the commencement of the production of coal at Anker s Stoney River mine or (ii) the execution of a contract for the purchase of coal from the Glady s Fork mine; provided in either case that such event, at the time it occurs, could reasonably be expected (alone or with the other event) to generate at least $6.0 million of EBITDA during calendar years of 2005 and 2006.

On March 31, 2005, ICG, Inc. also entered into a business combination agreement with CoalQuest, ICG and CoalQuest Merger Sub LLC, an indirect wholly owned subsidiary of ICG, and the members of CoalQuest. Under the terms of the business combination agreement, the members of CoalQuest will contribute their interests in CoalQuest to us in exchange for shares of our common stock. As a result of this contribution, CoalQuest will become our wholly owned subsidiary. The agreement was amended May 10, 2005 to allow the exchange ratio formula to be adjusted if ICG engages in a stock split. The agreement was amended June 29, 2005 to remove the condition that the Anker acquisition close simultaneously with the CoalQuest acquisition.

The members of CoalQuest, collectively, will receive the lesser of (i) 11,451,548 shares of ICG common stock and (ii) the number of shares of common stock equal to the quotient of 101,750,000 divided by the price per share at which our common stock is offered in this offering.

The shares being issued in the Anker and CoalQuest acquisitions will be deposited with an escrow agent for the benefit of the holders of shares of Anker common stock and CoalQuest membership interests, until the final determination of the number of shares issuable on account of the acquisitions. These escrowed shares will be deemed outstanding from and after the effective time of the Anker and CoalQuest acquisitions; any dividends or distributions or other rights in respect of these shares will be added to and also held in escrow, and these escrowed shares will be voted in accordance with the instructions of the beneficial owners of those shares in accordance with their relative interest. If the shares deposited exceeds the finally determined number of shares to be issued in the Anker and CoalQuest acquisitions, the excess shares will be returned to ICG.

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The former stockholders of Anker and former members of CoalQuest will be granted certain piggyback registration rights with respect to the ICG common stock issued to them. For additional information on registration rights, see Description of capital stock Registration rights.

The completion of both transactions is subject to various conditions, all of which have been fulfilled other than the approval by the ICG, Inc. stockholders of the corporate reorganization. In addition, the completion of the transactions under each business combination agreement is conditioned upon the satisfaction of the conditions precedent of the transactions under the other business combination agreement.

Our reorganization

On or about the same time as the Anker and CoalQuest acquisitions, we will complete a corporate reorganization. Prior to this reorganization, our current top-tier parent holding company is ICG, Inc. Upon completion of this reorganization, ICG will become the new top-tier parent holding company. In the corporate reorganization, the stockholders of ICG, Inc. are expected to receive one share of ICG common stock for each share of ICG, Inc. common stock. We have filed a registration statement with the SEC to register the shares of our common stock being issued to the ICG, Inc. stockholders. All stockholders of ICG, Inc., all Anker stockholders and all CoalQuest members will be stockholders of ICG after the reorganization and the Anker and CoalQuest acquisitions.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths enhance our prominent market position in the United States:

Ability to provide variety of high-quality steam and metallurgical coal. Our customers, which include largely investment grade electric utilities, as well as domestic and international industrial customers, demand a variety of coal products. Our variety of coal qualities also allows us to blend coal in order to meet the exact specifications of our customers. Our access to a comprehensive range of high Btu steam and metallurgical quality coal allows us to market differentiated coal products to a variety of customers with different coal quality demands, which allows us to benefit from particularly strong pricing dynamics in the current metallurgical coal market.

Concentration in highly valued Central Appalachian region. Our operations are primarily located in Central Appalachia, a region known for its high quality coal characterized by low sulfur and high Btu content. Production from Central Appalachian mines accounted for approximately 73.2% of our 2004 coal sales volume, pro forma for the Anker and CoalQuest acquisitions. Increased electricity generation and steel production both domestically and internationally has lead to a substantial increase in demand and a significantly improved pricing environment. In addition to general market factors creating a favorable environment, the Central Appalachian region has experienced production declines in five out of the last six years, primarily due to difficult mining conditions, yet demand continues to increase. We believe that generally favorable market dynamics and trends in Central Appalachian coal supply and demand, the high quality of Central Appalachian coal and the low transportation costs that result from the relative proximity of Central Appalachian producers and customers have created favorable pricing dynamics that provide us with an advantage over producers from other regions.

Significant reserves providing internal expansion opportunities. We own approximately 613 million tons of reserves and control an additional 274 million tons of reserves through long-term leases, pro forma for the Anker and CoalQuest acquisitions. We own or control an additional 707 million tons of non-reserve coal deposits, pro forma for the Anker and CoalQuest acquisitions. We have not yet developed approximately 73% of these owned and controlled reserves. We believe these owned and controlled but as yet undeveloped reserves and non-reserve coal deposits would allow us to as much as double our existing production levels over the next several years. Prospecting and testing on our

Business

properties in West Virginia indicates the presence of coalbed methane, the development of which is expected to provide us with additional growth opportunities in this complementary energy market.

Ability to capitalize on strong coal market dynamics. A significant portion of our coal supply contracts were renegotiated during the second half of 2004 in connection with Horizon s bankruptcy and were re-priced at that time to then-current (and more favorable) market prices and terms. On average, our coal supply contracts have a life of approximately five years, however, the majority of our contracts contain annual price reopeners. Our marketing effort is focused on maintaining a balance of longer-term contracts and spot sales. We typically have 50% of our production contracted by the early part of the previous year with another 35% contracted by the second half of the year with the remainder of our production used to take advantage of market dynamics and maximize value in the spot market.

Diversity of reserves, non-reserve coal deposits and production. Our reserves, non-reserve coal deposits and production are located in three of the four major coal regions in the United States. Our production, reserves and non-reserve coal deposits in Northern and Central Appalachia and the Illinois Basin provide important geographical diversity in terms of markets, transportation and labor. We believe the diversity of our operations and reserves provides us with a significant advantage over 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 and reduce transportation costs.

Minimal level of long-term liabilities. We believe that compared to other publicly-traded U.S. coal producers we have among the lowest legacy reclamation liabilities and post-retirement employee obligations. As of September 30, 2005 (pro forma for the Anker and CoalQuest acquisitions), we had total accrued reclamation liabilities of only $67.9 million, post-retirement employee obligations of only $9.1 million, black lung liabilities of approximately $11.7 million and Coal Act liabilities of only $4.3 million. We maintain a comprehensive mine reclamation plan which we believe ensures that all of our mining operations are current on reclamation requirements. In addition, our entire workforce is union free, which minimizes employee-related liabilities commonly associated with union-represented mines. As of September 30, 2005 (pro forma for the Anker and CoalQuest acquisitions), our total debt was $236.2 million and after this offering we expect to retire all of this debt, excluding $4.8 million of capitalized leases and other debt obligations. We believe that our financial leverage is among the lowest of the publicly traded U.S. coal producers. We believe this low leverage will afford significant financial and operational flexibility.

Highly skilled management team. The members of our senior management team have, on average, 23 years of industry work experience across a variety of mining methods, including longwall mining. We have substantial Appalachian mining experience in increasing productivity, reducing costs, enhancing work safety practices, and maintaining strong customer relationships. In addition, the majority of our senior management team has extensive mine development and expansion experience.

Recognized leadership in safety and environmental stewardship. The injury incident rates at our mines throughout 2004, according to MSHA, were below industry averages. We have been recognized by safety and environmental agencies with several prestigious awards for our safety and environmental record, such as the Sentinels of Safety Award from MSHA, The Department of Interior Excellence in Surface Coal Mining and Reclamation Award and a reclamation award for innovative methods from the West Virginia Coal Association. Our focus on safety and environmental performance results in the reduced likelihood of disruption of production at our mines, which leads to higher productivity and improved financial performance.

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OUR BUSINESS STRATEGY

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

Maximize profitability through highly efficient and productive mining operations. We are continuing to evaluate and assess our current operations in order to maximize operating efficiency and returns on invested capital. We are focused on maintaining low-cost, highly productive operations by continuing to invest substantial capital in state-of-the-art equipment and advanced technologies. We expect to internally fund approximately $304 million of capital expenditures in the next two years. As we take advantage of planned expansion opportunities from 2007 through 2009 principally as a result of the Anker and CoalQuest acquisitions, we expect to spend approximately $627 million on capital expenditures, which may require external financing. We have developed and cultivated a productivity-focused culture through incentive programs that encourage employees to work efficiently, safely and productively. We intend to further leverage the scale of our purchasing power to obtain favorable pricing from suppliers of raw materials in addition to developing reserves and utilizing mining techniques, such as longwall mining and dragline operation, to enhance and streamline our operations.

Leverage owned and controlled reserves to generate substantial internal growth. We own a large undeveloped reserve in Northern Appalachia containing approximately 194 million tons of high Btu, low to medium sulfur steam and metallurgical quality coal, pro forma for the Anker and CoalQuest acquisitions. We currently expect underground longwall mining operations at this reserve to commence within the next four years, which will increase our production level by providing highly valued premium quality coal in an increasingly tight supply market. In addition, we have two substantial reserves in Central Appalachia (pro forma for the Anker and CoalQuest acquisitions), which contain 56.5 million tons of premium metallurgical coal and are expected to be developed in the next three to six years. Further, the substantial reserve position that we own in the Illinois Basin is expected to allow us to benefit from the expected increase in demand for high sulfur coal to generate electricity. In addition, CoalQuest has entered into an arrangement that will allow the recovery of coalbed methane from 9,600 acres within the Hillman property. Finally, we intend to opportunistically acquire new coal reserves and/or coal companies to expand our coal market opportunities and increase shareholder value.

Capitalize on favorable industry fundamentals by opportunistically marketing coal. U.S. coal market fundamentals are among the strongest in the last 20 years. We believe this generally favorable pricing environment will persist given systemic changes in market dynamics such as long-term supply constraints and increasing demand, particularly in Central Appalachia and for our metallurgical coal. Furthermore, because of the high quality of our coal, our access to a variety of alternative transportation methods, including truck, rail and barge, and our mix of long-term contract and spot market sales, we will be able to capitalize on the favorable industry dynamics to maximize our revenues and profits. We plan to extend the life of our longer-term contract arrangements and limit price reopeners in order to lock in margins and enhance our financial stability, while at the same time, we plan to maintain an uncommitted portion of planned production to allow for additional future pricing upside exposure. As of September 30, 2005 (pro forma for the Anker and CoalQuest acquisitions), we had entered into contracts to sell all of 2005 planned production, approximately 75% of 2006 planned production and approximately 51% of 2007 planned production.

Continue to focus on improving workplace safety and environmental compliance. We have maintained and plan to continue to maintain an excellent safety and environmental performance record. We continue to implement safety measures and environmental initiatives that are designed to promote safe operating practices and improved environmental stewardship among our employees. Our ability to maintain a good safety and environmental record improves our productivity and lowers our overall cost structure as well as bolsters employee morale.

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COAL MINING METHODS

We produce coal using two mining methods: underground room-and-pillar mining using continuous and longwall mining equipment, and surface mining, which are explained as follows:

Underground mining

Underground mines in the United States are typically operated using one of two different techniques: room-and-pillar mining or longwall mining. In 2004, approximately 36% of our produced and processed coal volume came from underground mining operations generally using the room-and-pillar method with continuous mining equipment.

Room-and-pillar mining

In room-and-pillar mining, rooms are cut into the coalbed leaving a series of pillars, or columns of coal, to help support the mine roof and control the flow of air. Continuous mining equipment is used to cut the coal from the mining face. Generally, openings are driven 20 feet wide and the pillars are generally rectangular in shape measuring 35-50 feet wide by 35-80 feet long. As mining advances, a grid-like pattern of entries and pillars is formed. Shuttle cars are used to transport coal to the conveyor belt for transport to the surface. When mining advances to the end of a panel, retreat mining may begin. In retreat mining, as much coal as is feasible is mined from the pillars that were created in advancing the panel, allowing the roof to cave. When retreat mining is completed to the mouth of the panel, the mined panel is abandoned. The room-and-pillar method is often used to mine smaller coal blocks or thinner seams. It is also employed whenever subsidence is prohibited. Seam recovery ranges from 35% to 70%, with higher seam recovery rates applicable where retreat mining is combined with room and pillar mining. Productivity for continuous room-and-pillar mining in the United States averages 3.3 tons per employee per hour, according to the EIA.

Longwall mining

The other underground mining method commonly used in the United States is the longwall mining method. ICG does not currently have any longwall mining operations, but expects to use this mining method in the development for two of its undeveloped mining properties in West Virginia. In longwall mining, a rotating drum is trammed mechanically across the face of coal and a hydraulic system supports the roof of the mine while it advances through the coal. Chain conveyors then move the loosened coal to an underground mine conveyor system for delivery to the surface.

Surface mining

Surface mining is used when coal is found close to the surface. In 2004, approximately 64% of our produced and processed coal volume came from surface mines. This method involves the removal of overburden (earth and rock covering the coal) with heavy earth moving equipment and explosives, loading out the coal, replacing the overburden and topsoil after the coal has been excavated and reestablishing vegetation and plant life and making other improvements that have local community and environmental benefit. Overburden is typically removed at our mines using large, rubber-tired diesel loaders. Seam recovery for surface mining is typically between 80% and 90%. Productivity depends on equipment, geological composition and mining ratios and averages 4.2 tons per employee per hour in eastern regions of the United States, according to the EIA.

We use the following four types of surface mining methods.

Truck-and-shovel/loader mining

Truck-and-shovel/loader mining is a surface mining method that uses large shovels or loaders to remove overburden which is used to backfill pits after coal removal. Shovels or loaders load coal into haul trucks for transportation to a preparation plant or unit train loadout facility. Seam recovery using the truck-and-shovel/ loader mining method is typically 85% or more.

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Dragline mining

Dragline mining is a surface mining method that uses large capacity draglines to remove overburden to expose the coal seams. Shovels load coal in haul trucks for transportation to a preparation plant or unit train loadout facility. Seam recovery using the dragline method is typically 85% or more and productivity levels are similar to those for truck-and-shovel/loader mining.

Highwall mining

Highwall mining is a surface mining method generally utilized in conjunction with truck-and-shovel/ loader surface mining. At the highwall exposed by the truck-and-shovel/ loader operation a modified continuous miner with an attached beltline system cuts horizontal passages from the highwall into a seam. These passages can penetrate to a depth of up to 1,600 feet. This method typically can recover up to 65% of the reserve block penetrated.

Coal preparation and blending

Depending on coal quality and customer requirements, raw coal may in some cases be shipped directly from the mine to the customer. Generally, raw coal from mountaintop removal, contour and strip mines can be shipped in this manner. However, the quality of most underground raw coal does not allow it to be shipped directly to the customer without processing in a preparation plant. Preparation plants separate impurities from coal. This processing upgrades the quality and heating value of the coal by removing or reducing sulfur and ash-producing materials, but entails additional expense and results in some loss of coal. Coals of various sulfur and ash contents can be mixed or blended at a preparation plant or loading facility to meet the specific combustion and environmental needs of customers. Coal blending helps increase profitability by reducing the cost of meeting the quality requirements of specific customer contracts, thereby optimizing contract revenue.

COAL CHARACTERISTICS

In general, coal of all geological composition is characterized by end use as either steam coal or metallurgical coal. Heat value and sulfur content are the most important variables in the profitable marketing and transportation of steam coal, while ash, sulfur and various coking characteristics are important variables in the profitable marketing and transportation of metallurgical coal. We mine, process, market and transport bituminous and sub-bituminous coal, characteristics of which are described below.

Heat value

The heat value of coal is commonly measured in Btus per pound of coal. A Btu is the amount of heat needed to raise one pound of water one degree Fahrenheit. Coal found in the Eastern and Midwestern regions of the United States tends to have a heat content ranging from 10,000 to 14,000 Btus per pound, as received. As received Btus per pound includes the weight of moisture in the coal on an as sold basis. Most coal found in the Western United States ranges from 8,000 to 10,000 Btus per pound, as received.

Bituminous coal

Bituminous coal is a relatively soft black coal with a heat content that ranges from 10,000 to 14,000 Btus per pound. This coal is located primarily in Appalachia, Arizona, Colorado, the Midwest and Utah, and is the type most commonly used for electricity generation in the United States. Bituminous coal is also used for industrial steam purposes by utility and industrial customers, and as metallurgical coal in steel production. Coal used in metallurgical processes has higher expansion/contraction characteristics than steam coal.

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Sulfur content

Sulfur content can vary from seam to seam and sometimes within each seam. When coal is burned, it produces sulfur dioxide, the amount of which varies depending on the chemical composition and the concentration of sulfur in the coal. Compliance coal is coal which, when burned, emits 1.2 pounds or less of sulfur dioxide per million Btus and complies with the requirements of the Clean Air Act Acid Rain program. Low sulfur coal is coal which, when burned, emits approximately 1.6 pounds or less of sulfur dioxide per million Btus.

High sulfur coal can be burned in electric utility plants equipped with sulfur-reduction technology, such as scrubbers, which can reduce sulfur dioxide emissions by up to 90%. Plants without scrubbers can burn high sulfur coal by blending it with lower sulfur coal, or by purchasing emission allowances on the open market, which credits allow the user to emit a ton of sulfur dioxide. Each emission allowance permits the user to emit a ton of sulfur dioxide. By 2000, 90,000 megawatts of electric generation capacity utilized scrubbing technologies. According to the EIA, by 2025, an additional 27,000 megawatts of electric generation capacity will have installed scrubbers. Additional scrubbing will provide new market opportunities for our medium to high sulfur coal. All new coal-fired electric utility generation plants built in the United States will use clean coal-burning technology.

Other characteristics

Ash is the inorganic residue remaining after the combustion of coal. As with sulfur content, ash content varies from coal seam to coal seam. Ash content is an important characteristic of coal because it increases transportation costs and electric generating plants must handle and dispose of ash following combustion.

Moisture content of coal varies by the type of coal, the region where it is mined and the location of coal within a seam. In general, high moisture content decreases the heat value per pound of coal, thereby increasing the delivered cost per Btu. Moisture content in coal, as sold, can range from approximately 5% to 30% of the coal s weight.

COAL RESERVES

Reserves are defined by SEC Industry Guide 7 as that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Proven (Measured) Reserves are defined by SEC Industry Guide 7 as reserves for which (1) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (2) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established. Probable reserves are defined by SEC Industry Guide 7 as reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation.

We estimate that there are approximately 242 million tons of coal reserves (pro forma for the Anker and CoalQuest acquisitions) that can be developed by our existing operations which will allow us to maintain current production levels for an extended period of time. ICG Natural Resources, LLC and CoalQuest own and lease all of our reserves that are not currently assigned to or associated with one of our mining operations. These reserves contain approximately 645 million tons of mid to high Btu, low and high sulfur coal located in Kentucky, West Virginia, Maryland, Illinois, Pennsylvania and Virginia. Our multi-region base and flexible product line allows us to adjust to changing market conditions and sustain high sales volume by supplying a wide range of customers.

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Our total coal reserves could support current production levels for more than 49 years. The following table provides the location of our mining operations and the type and amount of coal produced at those complexes as of January 1, 2005:

ining complex	Assigned or Unassigned(1)	Operating (O) or Development (D)	State	Mining method Surface (S) or Underground (UG)	Total proven and probable reserves(2) (in million tons)	Owned proven and probable reserves (in million tons)	Leased proven and probable reserves (in million tons)	Steam proven and probable reserves (in million tons)	Metallurgical(3) prove an probab reserv (in millio ton
rthern Appalachia									
index Energy Corp.	Assigned	O	MD	S	10.44	0.00	10.44	7.83	2.6
	Unassigned	D	MD	S/UG	6.21	0.47	5.74	0.15	6.0
Total Vindex Energy Corp.					16.66	0.47	16.19	7.98	8.6
atriot Mining Co.	Assigned	O	PA/WV	S	0.66	0.52	0.14	0.66	0.0
	Unassigned	D	WV	S	0.39	0.19	0.20	0.39	0.0
Total Patriot Mining Co.					1.05	0.71	0.34	1.05	0.0
pruce Fork Division	Assigned	O	WV	UG	8.02	7.95	0.07	0.00	8.0
	Unassigned	D	WV	UG	40.55	38.75	1.80	1.30	39.2
Total Spruce Fork Division					48.57	46.70	1.87	1.30	47.2
ycamore Group	Assigned	O	WV	UG	18.72	0.40	18.32	18.72	0.0
Total Sycamore Group					18.72	0.40	18.32	18.72	0.0
hilippi Development Division	Assigned	O	WV	UG	36.03	32.34	3.69	0.00	36.0
	Unassigned	D	WV	UG	4.94	0.00	4.94	0.00	4.9
Total Phillipi Development Division					40.97	32.34	8.63	0.00	40.9
oalQuest Development LLC	Unassigned (Hillman)	D	WV	UG	194.30	194.30	0.00	32.71	161.5
Total CoalQuest Development LLC					194.30	194.30	0.00	32.71	161.5
orthern Appalachia Total					320.27	274.92	45.35	61.76	258.5
ntral Appalachia									

CG-Eastern	Assigned	O	WV	S	23.69	7.27	16.42	23.69	0.0
Total ICG-Eastern					23.69	7.27	16.42	23.69	0.0
CG-Hazard	Assigned	O	KY	S/UG	51.27	0.23	51.04	51.27	0.0
	Unassigned	D	KY	S/UG	20.11	0.00	20.11	20.11	0.0
Total ICG-Hazard					71.38	0.23	71.15	71.38	0.0
CG-Knott County	Assigned	O	KY	UG	6.73	5.81	0.92	6.73	0.0
Total ICG-Knott County					6.73	5.81	0.92	6.73	0.0
CG-East Kentucky	Assigned	O	KY	S	2.62	0.00	2.62	2.62	0.0
Total ICG-East Kentucky					2.62	0.00	2.62	2.62	0.0
CG-Natural Resources	Unassigned (Mt. Sterling)	D	KY	S	5.91	4.36	1.55	5.91	0.0
CG-Natural Resources	Unassigned (Jennie Creek)	D	WV	S/UG	44.90	2.20	42.69	44.90	0.0
eckley-Smokeless Division(3)	Unassigned (Bay Hill)	D	WV	UG	28.97	1.28	27.69	0.00	28.9
nker Virginia Mining Company(3)	Unassigned (Big Creek)	D	V	UG	27.50	0.00	27.50	0.00	27.5
ntral Appalachia Total					211.70	21.16	190.55	155.23	56.4
her									
CG-Illinois	Assigned (Viper)	O	IL	UG	29.63	11.38	18.25	29.63	0.0
CG-Natural Resources	Unassigned	D	IL	UG	325.21	305.06	20.15	325.21	0.0
tal Other					354.84	316.44	38.39	354.84	0.0
tal Proven and Probable Reserves					886.81	612.52	274.29	571.82	314.9

(1) *The proven and probable reserves indicated for each mine are Assigned. Unassigned proven and probable reserves for each mining complex are shown separately. Assigned reserves means coal which has been committed by the coal company to operating mine shafts, mining equipment, and plant facilities, and all coal which has been leased by the company to others. Unassigned reserves represent coal which has not been committed, and which would require new*

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mineshafts, mining equipment, or plant facilities before operations could begin in the property. The primary reason for this distinction is to inform investors, which coal reserves will require substantial capital investments before production can begin.

(2) *The proven and probable reserves are reported as recoverable reserves, which is that part of a coal deposit which could be economically and legally extracted or produced at the time of the reserve determination, taking into account mining recovery and preparation plant yield.*

(3) *Beckley-Smokeless and Anker Virginia meet historical metallurgical coal quality specifications.*

(4) *Currently, ICG reports selling coal with ash and sulfur contents as high as 10% and 1.5%, respectively into the current metallurgical market from the Vindex Energy, Spruce Fork and Phillipi Divisions. Similarly, we believe all production from Mount Storm and portions of Hillman could be sold on this metallurgical market when production begins.*

The following table provides the quality (average moisture, ash, sulfur and Btu content, sulfur content and ash content per pound) of our coal reserves as of January 1, 2005:

		As received quality					Total reserves	
Mining complex	**Assigned or Unassigned[1]**	**% Moisture**	**% Ash**	**% Sulfur**	**Btu/lb.**	**Lbs. SO_2 million Btu's**	**<1.2 lbs. SO_2 compliance**	**>1.2 lbs SO_2 non-compliance**
Northern Appalachia								
Vindex Energy Corp.	Assigned	6.00	14.01	1.74	12,407	2.81	0.00	10.44
	Unassigned	6.00	9.47	0.86	13,193	1.31	0.00	6.21
Total Vindex Energy Corp.		6.00	12.32	1.42	12,700	2.25	0.00	16.66
Patriot Mining Co.	Assigned	6.00	14.55	2.01	11,975	3.36	0.00	0.66
	Unassigned	6.00	19.06	2.13	11,240	3.85	0.00	0.39
Total Patriot Mining Co.		6.00	16.22	2.05	11,704	3.54	0.00	1.05
Spruce Fork Division	Assigned	6.00	9.13	1.05	13,000	1.62	0.00	8.02
	Unassigned	6.00	8.87	1.11	13,076	1.70	0.00	40.55
Total Spruce Fork Division		6.00	8.92	1.10	13,063	1.69	0.00	48.57
Sycamore Group	Assigned	6.00	7.19	3.05	13,099	4.65	0.00	18.72
Total Sycamore Group		6.00	7.19	3.05	13,099	4.65	0.00	18.72
Philippi Development Division	Assigned	6.00	8.17	1.32	13,299	1.98	0.00	36.03
	Unassigned	6.00	8.04	1.44	13,353	2.15	0.00	4.94

Total Phillipi Development Division		6.00	8.15	1.33	13,306	2.00	0.00	40.97
Coal CoalQuest Development LLC	Unassigned (Hillman)	6.00	9.21	1.15	13,179	1.74	0.00	194.30
Northern Appalachia Total							**0.00**	**320.27**
Central Appalachia								
ICG-Eastern	Assigned	6.00	14.42	1.24	11,964	2.07	0.00	23.69
Total ICG-Eastern		6.00	14.42	1.24	11,964	2.07	0.00	23.69
ICG-Hazard	Assigned	6.00	9.23	1.44	12,438	2.32	0.00	51.27
	Unassigned	6.00	12.98	1.63	12,047	2.72	0.00	20.11
Total ICG-Hazard		6.00	10.33	1.49	12,316	2.43	0.00	71.38