International Coal Group, Inc.
Form S-1
April 28, 2005

Table of Contents

As filed with the Securities and Exchange Commission on April 28, 2005
Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Offering Price(1)(2)	Amount of Registration Fee(2)
Common stock, par value $0.01 per share	$250,000,000	$29,425

(1) Estimated solely for determining the registration fee pursuant to Rule 457(o) promulgated under Securities Act of 1933.

(2) Includes common stock issuable upon the exercise of the underwriters over-allotment option.

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.

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

April 28, 2005

Shares
Common Stock

We are offering 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 , 2005, as reported on the Pink Sheets Electronic Quotation Service, was $ per share. We will apply 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 of our common stock, 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 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**

The date of this prospectus is , 2005.

Table of Contents

[Inside cover graphics to be filed by amendment]

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.

TABLE OF CONTENTS

Prospectus summary	**1**
Risk factors	**13**
Special note regarding forward-looking statements	**35**
Industry data	**36**
Price range of common stock	**36**
Use of proceeds	**37**
Dividend policy	**37**
Capitalization	**38**
Dilution	**39**
Unaudited consolidated pro forma financial data	**41**
Selected historical consolidated financial data of ICG	**47**
Selected historical consolidated financial data of Anker and CoalQuest	**49**
Management s discussion and analysis of financial condition and results of operations	**50**
The coal industry	**65**
Business	**71**
Environmental and other regulatory matters	**93**
Management	**101**
Principal stockholders	**109**
Certain relationships and related party transactions	**111**
Description of indebtedness	**112**
Description of capital stock	**114**
Shares eligible for future sale	**120**
Certain U.S. federal income and estate tax consequences to non-U.S. holders	**122**
Underwriting	**125**
Validity of the shares	**129**
Experts	**130**
Experts coal reserves	**130**
Where you can find additional information	**131**
Glossary of selected terms	**132**
Index to financial statements	**F-1**

EX-3.1: AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
EX-3.2: AMENDED AND RESTATED BY-LAWS
EX-10.1: AMENDED AND RESTATED CREDIT AGREEMENT
EX-10.2: FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
EX-10.3: SECURITY AGREEMENT
EX-10.4: ADVISORY SERVICES AGREEMENT
EX-10.5: EMPLOYMENT AGREEMENT
EX-11.1: STATEMENT RE COMPUTATION OF PER SHARE EARNINGS
EX-21.1: LIST OF SUBSIDIARIES

EX-23.2: CONSENT OF DELOITTE & TOUCHE, LLP
EX-23.3: CONSENT OF MARSHALL MILLER & ASSOCIATES, INC.
EX-24.1: POWERS OF ATTORNEY

ADDCAR^{tm} is the registered trademark of ICG, Inc.

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.

Table of Contents

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.

Unless the context otherwise requires, the term Horizon refers to 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 acquisition refer to ICG s acquisition of both Anker and CoalQuest, which is expected to occur in the second quarter of 2005. 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 reorganization and the Anker acquisition. For purposes of the discussion in this prospectus, references to ICG include all the assets and coal reserves resulting from the Anker acquisition. 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 reorganization and that we issue 30,950,129 shares of common stock in the Anker acquisition. The term coal reserves as used in this prospectus means proven and probable reserves and the term coal resources in this prospectus means inferred and indicated reserves.

THE COMPANY

We are a leading producer of coal in Northern and Central Appalachia with a broad range of mid to high Btu, low 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. Through the acquisition of certain key assets from the bankruptcy estate of Horizon, the WLR investor group was able to acquire high quality reserves strategically located in Appalachia and the Illinois Basin that 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. Following this offering, we expect to retire substantially all of our long-term debt and, thus, will be strategically well-positioned. Consistent with the WLR investor group s strategy to consolidate profitable coal assets, the Anker acquisition further diversifies our reserves.

As of January 1, 2005, we owned or controlled approximately 315 million tons of metallurgical quality coal reserves and approximately 572 million tons of steam coal reserves. Coal reserves are the part of a mineral deposit that can be economically and legally extracted or produced at the time of the

reserve determination. 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 coal resources. Coal resources are coal bearing bodies that have been sufficiently sampled and analyzed, but do not qualify as a commercially viable coal reserve as prescribed by SEC rules until a final comprehensive SEC prescribed evaluation is performed.

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, 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 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 $84.2 million of pro forma earnings before interest, taxes, depreciation and amortization, as adjusted, or EBITDA, for the year ended December 31, 2004. For a reconciliation of EBITDA, as adjusted, to the most comparable financial measure calculated in accordance with GAAP and of EBITDA, as adjusted, to pro forma EBITDA, an explanation of why we present EBITDA, as adjusted, and pro forma EBITDA, and how management uses these financial measures, see 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. 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.

Significant reserve base 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. We own or control an additional 707 million tons of coal resources. 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 resources would allow us to as much as double our existing production levels over the next several years. Our ownership and control of such a substantial portion of undeveloped reserves in both Northern and Central Appalachia and the Illinois Basin provides us with significant internal growth opportunities, which is in contrast to other U.S. coal producers who

must acquire or lease new reserves to enable their growth. We also have coalbed methane reserves in our owned reserves in West Virginia, which provides 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, resources and production. Our production, reserves and resources are located in three of the four major coal regions in the United States. Our production, reserves and resources in Northern and Central Appalachia and the Illinois Basin provide important geographical diversity in terms of markets, transportation and labor. The diversity of our operations and reserves provides us with a significant competitive advantage, allowing 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 December 31, 2004, we had total accrued reclamation liabilities of only $68.7 million, post-retirement employee obligations of only $8.0 million, black lung liabilities of approximately $10.0 million and Coal Act liabilities of only $4.8 million. In addition, our entire workforce is union free, which minimizes employee-related liabilities commonly associated with union-represented mines. As of December 31, 2004, our pro forma total long-term debt was $180.4 million and after this offering we expect to retire substantially all of this long-term debt. 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.

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 $264 million of capital expenditures in the next two years. As we take advantage of planned expansion opportunities from 2007 through 2009, we expect to spend approximately $572 million on capital expenditures, which may require external financing.

Leverage owned and controlled reserve base to generate substantial internal growth. We own a large undeveloped reserve in Northern Appalachia containing approximately 194 million tons of high Btu,

Table of Contents

low sulfur steam and metallurgical quality coal. 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, 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. We are in the process of developing and exploiting our coalbed methane reserves. 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 April 25, 2005, we had entered into contracts to sell approximately 88% of 2005 planned production, approximately 66% of 2006 planned production and approximately 49% 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.

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 fourth quarter of 2004, 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 99 million tons at the end of February 2005, down 8% from the same period in the prior year;

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 88.4% in 2003, up from 70.5% in 1993, as estimated by the EIA;

Table of Contents

4 high current and forward prices for natural gas and oil, the primary fuels for electricity generation, with spot prices as of April 22, 2005 for natural gas and heating oil at $7.06 per million Btu and $1.55 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 $61.00/ton, during the week of April 22, 2005. This price level represents a dramatic 64.9% 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, the supply for metallurgical coal in the United States has been temporarily restricted as Consol Energy was forced to seal its Buchanan mine on February 14, 2005 due to an underground fire. The Buchanan mine produced 4.4 million tons of metallurgical coal in 2004 and has yet to return into service. 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 25% in 2003 as compared to 2002, and Asia-Pacific Rim consumption of metallurgical coal continues

Table of Contents

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.

RECENT DEVELOPMENTS

The Anker acquisition

On March 31, 2005, ICG, Inc. entered into business combination agreements with each of Anker and CoalQuest pursuant to which each of Anker and CoalQuest are to become indirect wholly owned subsidiaries of ICG. Holders of all of the outstanding stock of Anker and the membership interests in CoalQuest will be issued shares of ICG common stock equal to up to 22.5% of the common stock of ICG outstanding on the date of the agreement. The aggregate amount of common stock to be issued will be based upon the price of the shares of common stock sold in this offering. The acquisitions are subject to certain closing conditions. See Business Our history The Anker acquisition for additional information regarding the acquisitions.

The reorganization

In connection with the acquisitions of Anker and CoalQuest, the current parent holding company, ICG, Inc., will merge with and into a merger subsidiary and become a subsidiary of ICG. Upon consummation of the merger, ICG will become the new parent holding company. All stockholders of ICG, Inc. prior to the reorganization, all Anker stockholders and all CoalQuest members prior to the Anker acquisition will be stockholders of ICG after the reorganization and the Anker acquisition. The

Table of Contents

following chart reflects our corporate organizational structure following the consummation of the Anker acquisition, the reorganization and this offering:

OUR SPONSOR

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 $2.0 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.

Table of Contents

The offering

Shares of common stock offered by us	shares.
Shares of common stock to be outstanding after this offering	shares.
Use of proceeds	We estimate that the net proceeds from this offering, after expenses, will be approximately $, or approximately $ if the underwriters exercise their over-allotment option in full, assuming a public offering price of $ per share. As of March 31, 2005, $174.6 million was outstanding under our term loan facility. We will use $174.6 million to repay our term loan facility and the remaining proceeds to further reduce debt or for general corporate purposes. See Use of proceeds.
Over-allotment option	We have granted the underwriters an option to purchase up to 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 outstanding after this offering is based on approximately shares outstanding as of , 2005. Unless otherwise indicated, all information in this prospectus assumes that we issue shares of our common stock in the Anker acquisition and all outstanding shares of common stock of ICG, Inc. are exchanged for shares of our common stock at a 1-for-1 exchange ratio in the reorganization.

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 plan to grant prior to the effectiveness of the registration statement of which this prospectus is a part; and

4 the shares of our common stock expected to be available for future grant under the equity incentive plan we plan to adopt prior to the effectiveness of the registration statement of which this prospectus is a part.

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.

Table of Contents

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 October 1, 2004 to December 31, 2004 have been derived from the audited consolidated financial statements of ICG, Inc. 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 as of and for the year ended December 31, 2004 have been prepared to give pro forma effect to our reorganization and our acquisitions of Horizon, Anker and CoalQuest, as if each had occurred on January 1, 2004, in the case of unaudited pro forma statement of operations data, and on December 31, 2004, 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	Period from May 10, 2002 to December 31, 2002	Year ended December 31, 2003	Period January 1, 2004 to September 30, 2004	Period October 1, 2004 to December 31, 2004	Pro forma year ended December 31, 2004[(3)]
	(in thousands, except share data)					
Statement of operations data:						
Revenues:						
Coal sales revenues	$ 136,040	$ 264,235	$ 441,291	$ 346,981	$ 130,463	$ 624,120
Freight and handling revenues	2,947	6,032	8,008	3,700	880	15,996
Other revenues	21,183	27,397	31,771	22,702	4,766	33,696
Total revenues	160,170	297,664	481,070	373,383	136,109	673,812
Cost and expenses:						
Freight and handling costs	2,947	6,032	8,008	3,700	880	15,996
Cost of coal sales and other revenues (exclusive of depreciation, depletion and amortization shown separately below)	114,767	251,361	400,652	306,429	113,707	564,723
Depreciation, depletion and amortization	32,316	40,033	52,254	27,547	7,943	45,323
	9,677	16,695	23,350	8,477	4,194	17,257

Selling, general and administrative (exclusive of depreciation, depletion and amortization shown separately above)						
(Gain)/loss on sale of assets	(93)	(39)	(4,320)	(226)	(10)	(236)
Writedowns and other items	8,323	729,953	9,100	10,018		(140)
Total costs and expenses	167,937	1,044,035	489,044	355,945	126,714	642,923
Income (loss) from operations	(7,767)	(746,371)	(7,974)	17,438	9,395	30,889
Other income (expense):						
Interest expense	(36,666)	(80,405)	(145,892)	(114,211)	(3,453)	(14,348)
Reorganization items	1,567,689	(143,663)	(52,784)	727		
Other, net	499	1,256	187	1,581	898	8,329
Total interest and other income (expense)	1,531,522	(222,812)	(198,489)	(111,903)	(2,555)	(6,019)
Income (loss) before income taxes	1,523,755	(969,183)	(206,463)	(94,465)	6,840	24,870
Income tax expense					(2,591)	(9,421)
Net income (loss)	$ 1,523,755	$ (969,183)	$ (206,463)	$ (94,465)	$ 4,249	$ 15,449
Earnings (loss) per share[(1)]:						
Basic					0.04	0.11
Diluted					0.04	0.11
Average common shares						

outstanding[1] :						
Basic					106,605,999	137,556,128
Diluted					106,605,999	137,556,128
Balance sheet data (at period end):						
Cash and cash equivalents	$ 87,278	$ 114	$ 859		$ 23,967	$ 18,359
Total assets	1,521,318	484,212	407,064	370,298	459,975	826,724
Long term debt and capital leases	933,106	1,157	315	29	173,446	180,388
Total liabilities	1,286,318	1,222,218	1,351,393	1,409,092	305,575	381,076
Total stockholders equity (members deficit)	$ 235,000	$ (738,006)	$ (944,329)	$ (1,038,794)	$ 154,400	$ 445,648
Total liabilities and stockholders equity (members deficit)	$ 1,521,318	$ 484,212	$ 407,064	$ 370,298	$ 459,975	$ 826,724
Other financial data (unaudited):						
EBITDA, as adjusted[2]	$ 33,278	$ 24,832	$ 49,247	$ 56,358	$ 18,226	$ 84,165[4]
Net cash provided by (used in)						
Operating activities	$ (298,196)	$ 76,372	$ 17,753	$ 34,057	$ 30,209	$
Investing activities	$ (10,841)	$ (12,799)	$ (1,549)	$ (2,535)	$ (329,166)	$
Financing activities	$ 259,011	$ (78,025)	$ (15,459)	$ (32,381)	$ 322,924	$
Capital expenditures	$ 10,963	$ 13,435	$ 16,937	$ 6,624	$ 5,583	$
Operating data (unaudited):						
Tons sold	5,416	11,124	16,655	10,421	3,582	18,400
Tons produced	4,231	7,139	12,041	8,812	2,959	14,591
Average coal sales realization (per ton)	$ 25.12	$ 23.75	$ 26.50	$ 33.30	$ 36.42	$ 33.92

10

Table of Contents

(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 they were prepared on a carve-out basis.*

(2) *EBITDA, as adjusted, represents net income (but excluding gain on the sale of assets, reorganization items and writedowns and other items) before deducting net 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:

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

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

4 *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;*

4 *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*

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

4 *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.*

Table of Contents

The following table reconciles (i) net income, which we believe to be the closest GAAP performance measure, to EBITDA and (ii) EBITDA to EBITDA, as adjusted.

	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 October 1, 2004 to December 31, 2004
			(in thousands)		
Net income (loss)	$ 1,523,755	$ (969,183)	$ (206,463)	$ (94,465)	$ 4,249
Interest expense	36,666	80,405	145,892	114,211	3,453
Income tax expense					2,591
Depreciation, depletion and amortization expense	32,316	40,033	52,254	27,547	7,943
EBITDA	$ 1,592,737	$ (848,745)	$ (8,317)	$ 47,293	$ 18,236
(Gain)/loss on sale of assets	(93)	(39)	(4,320)	(226)	(10)
Reorganization items	(1,567,689)	143,663	52,784	(727)	
Writedowns and other items	8,323	729,953	9,100	10,018	
Total EBITDA adjustments	(1,559,459)	873,577	57,564	9,065	(10)
EBITDA, as adjusted	$ 33,278	$ 24,832	$ 49,247	$ 56,358	$ 18,226

(3) *The summary unaudited pro forma data of ICG, Inc. and its subsidiaries as of and for the year ended December 31, 2004 have been prepared to give pro forma effect to our reorganization, the acquisition of Horizon, Anker and CoalQuest, as if each had occurred on January 1, 2004, in the case of unaudited statements of operations data, and on December 31, 2004, in the case of unaudited pro forma balance sheet data.*

(4) *The following table reconciles (i) pro forma net income, which we believe to be the closest GAAP performance measure, to pro forma EBITDA and (ii) pro forma EBITDA to pro forma EBITDA, as adjusted.*

	Pro forma year ended December 31, 2004
	(in thousands)

Net income	$15,449
Interest expense	14,348
Income tax expense	9,421
Depreciation, depletion and amortization expense	45,323
Pro forma EBITDA	84,541
(Gain)/loss on sale of assets	(236)
Reorganization items	
Other items	(140)
Total pro forma EBITDA adjustments	(376)
Pro forma EBITDA, as adjusted	$84,165

Table of Contents

Risk factors

An investment 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, we believe that historical information regarding our company prior to October 1, 2004 and for Horizon, our predecessor for accounting purposes, 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 three month period ended December 31, 2004, which does not include the historical financial information for Anker and CoalQuest, is 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 substantial or extended decline in coal prices could reduce our revenues and the value of our coal reserves.

Our results of operations are substantially dependent upon the prices we receive for our coal. 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;

4 regulatory, administrative and judicial decisions;

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

Table of Contents

Risk factors

4 the effect of worldwide energy conservation measures.

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.

Our coal mining production is subject to operating risks that could result in higher operating expenses and/or decreased production.

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. In addition, we may experience disruptions in our supply of coal from third parties who produce coal for us due to the foregoing conditions and events. Any interruptions in the production of coal by us or third parties who supply us with coal could adversely affect our business and revenues.

Any change in coal consumption patterns by North American electric power generators resulting in a decrease in the use of coal by those consumers could result in lower prices for our coal, which would 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. 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

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Table of Contents

Risk factors

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.

We expect that many new power plants will be built to produce electricity during peak periods of demand, when the demand for electricity rises above the base load demand, or minimum amount of electricity required if consumption occurred at a steady rate. However, 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 and changes in purchasing patterns in the coal industry may make it difficult for us to extend existing agreements or enter into long-term supply agreements, 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. As of December 31, 2004 approximately 66% of our pro forma revenues were derived from coal sales that were made under long-term coal supply agreements. As of that date, we had 28 long-term sales agreements with a volume-weighted average term of approximately 4.6 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.

Table of Contents

Risk factors

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. 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, 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. We will decide whether to mine, process and market these coals as metallurgical or steam coal based on management s assessment as to which market is likely to provide us with a higher margin. We will consider a number of factors when making this assessment, including the difference between the current and anticipated future market prices of steam coal and metallurgical coal, the lower volume of saleable tons that results from producing a given quantity of

Risk factors

reserves for sale in the metallurgical market instead of the steam market, the increased costs incurred in producing coal for sale in the metallurgical market instead of the steam market, the likelihood of being able to secure a longer-term sales commitment by selling coal into the steam market and our contractual commitments to deliver different types of coals to our customers. 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 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.

We face numerous uncertainties in estimating our economically recoverable coal reserves, and inaccuracies in our estimates could result in lower than expected revenues, higher than expected costs or decreased profitability.

We base our reserve 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:

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

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

4 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 year ended December 31, 2004 were Georgia Power, Carolina Power & Light and Duke Power and we derived approximately 51% of our pro forma coal revenues from sales to our five largest customers. At December 31, 2004, we had 16 coal supply agreements with these customers that expire at various times from 2005 to 2020. We are currently discussing the

Table of Contents

Risk factors

extension of existing agreements or entering into new long-term agreements with some of these customers, but we cannot assure you that these negotiations will be successful or that those customers will continue to purchase coal from us without 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.

Disruptions in transportation services could limit our ability to deliver coal to our customers.

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 reduce revenues by causing us to reduce our production or impairing 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

Table of Contents

Risk factors

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 the business, financial condition and results of operations.

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.

Because our profitability is substantially dependent on the availability of an adequate supply of coal reserves that can be mined at competitive costs, the unavailability of these types of reserves would cause our profitability to decline.

We have not yet applied for or obtained all of the permits required, or developed the mines necessary, to use all of our reserves. Furthermore, we may not be able to mine all of our reserves as profitably as we do at our current operations. Our planned development projects and acquisition activities may not result in significant additional reserves and we may not have continuing success developing new mines or expanding existing mines beyond our existing reserve base. Most of our mining operations are conducted on properties owned or leased by us. Because title to most of our leased properties and mineral rights is not thoroughly verified until a permit to mine the property is obtained, our right to mine some of our reserves may be materially adversely affected if defects in title or boundaries exist. In addition, in order to develop our reserves, we must receive various governmental permits. We may be unable to obtain the permits necessary for us to operate profitably in the future. Some of these permits are becoming increasingly more difficult and expensive to obtain and the review process continues to lengthen.

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 results.

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

Risk factors

significantly in recent months, and historically, the prices of scrap steel and petroleum have fluctuated. If the price of steel or other of these materials increase, our operational expenses will increase, which could have a significant negative impact on our operating results.

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 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 results of operations.

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 cannot assure you that we would 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 cannot assure you that we will continue to employ key personnel or that we will be able to attract and retain qualified personnel in the future. Our failure to retain or attract key personnel could have a material adverse effect on our operations.

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 are able to acquire, our

Risk factors

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.

We may not be able to effectively integrate Anker and CoalQuest into our operations.

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.

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

Risk factors

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 December 31, 2004, on a combined basis, we had $54.4 million of letters of credit in place, of which $45.0 million serve as collateral for reclamation surety bonds and $9.4 million secure miscellaneous obligations. Included in the $45.0 million letters of credit securing collateral for reclamation surety bonds is a $10.0 million letter of credit related to Lexington Coal Company. Our credit facility provides for a $110.0 million revolving credit facility, of which up to $60.0 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.

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 December 31, 2004, on a pro forma basis, we had cash of approximately $18.4 million and total consolidated indebtedness, including current maturities and capital lease obligations, of approximately $195.4 million. During 2005, our anticipated principal repayments will be approximately $1.8 million on the term loan. 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.

Table of Contents

Risk factors

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 sell coal.

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.

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, the creditworthiness of the energy trading and brokering companies with which we do business declined, increasing the risk that we may not be able

Table of Contents

Risk factors

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 mine 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 could adversely affect our ability to mine the associated reserves. Title to most of our 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. 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. 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.

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 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.

Risk factors

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

Additionally, 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 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.

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 appearing 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

The government extensively regulates our mining operations, which imposes significant costs on us, 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;

Table of Contents

Risk factors

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 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.

Table of Contents

Risk factors

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

Table of Contents

Risk factors

We have significant reclamation and mine closure obligations. If the assumption underlying our accruals 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 liability could change significantly if actual amounts change significantly from our assumptions.

Our operations may substantially impact the environment or cause exposure to hazardous substances, 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

Table of Contents

Risk factors

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 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. 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

Table of Contents

Risk factors

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

Implementation of required public company corporate governance and financial reporting practices and policies will increase our costs, and 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

Table of Contents

Risk factors

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.

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.

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 will be determined by negotiations between the representative of the underwriters and us 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 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.

Prior to this offering, there has not been a public market for our common stock. 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

Table of Contents

Risk factors

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.

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 intend to adopt prior to the consummation of this offering, 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 % of our common stock on a fully consolidated basis following the completion of the offering and after giving effect to the Anker acquisition, assuming 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.

Table of Contents

Risk factors

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 reorganization and after giving effect to the Anker acquisition, we will have approximately shares of common stock outstanding. 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 of the shares to be issued by us in the reorganization to the holders of ICG, Inc. common stock, will be freely tradable without restrictions or further registration under the Securities Act, 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 shares of common stock covering the shares of common stock to be issued pursuant to the exercise of options expected to be granted under our employee stock option plan.

In addition, under a registration rights agreement that we expect to enter into with certain of our existing stockholders, certain of our stockholders will have demand and piggyback registration rights in connection with 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. 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 acquisition. 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 may not be able to do so in a timely fashion or without incurring material costs.

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.

Table of Contents

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 reorganization and the Anker acquisition 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;

4 regulatory and court decisions;

4 future legislation and changes in regulations or governmental policies or changes in interpretations thereof; and

4 our liquidity, results of operations and financial condition.

Table of Contents

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 common stock

The following table shows, for the quarterly periods indicated, the high and low quotes for the shares of our common stock as reported on the Pink Sheets Electronic Quotation Service. Prior to this offering, there has not been a public market for our common stock. These quotes are provided solely for informational purposes and are not necessarily representative of trading prices in a public trading market nor 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		**Average Daily**
	High	**Low**	**Volume(1)**
November 15, 2004 through December 31, 2004[2]	$ 14.50	$ 7.63	673,493
Three months ended March 31, 2005	$ 15.00	$ 12.13	224,952

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

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

Use of proceeds

The net proceeds to us from the sale of shares of common stock in this offering are estimated to be approximately $ million, or $ million if the underwriters exercise their over-allotment option in full, based on the public offering price of $ 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 March 31, 2005, $174.6 million was outstanding under our term loan facility. As of March 31, 2005, amounts outstanding under our term loan facility bore interest at a weighted average rate of approximately 5.36%. For additional information, see Description of indebtedness.

We will use $174.6 million to repay all of our term loan facility and 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.

Table of Contents

Capitalization

The following table sets forth cash and cash equivalents and capitalization as of December 31, 2004:

4 for ICG, Inc. on an actual basis;

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

4 for ICG on a pro forma, as adjusted basis, to give effect to the Anker acquisition and the sale by us of approximately shares of our common stock in this offering at an assumed public offering price of $, the last sale price of our common stock on , 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 table assumes no exercise of the underwriter s 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 December 31, 2004		
	Actual	**Pro forma (unaudited)**	**Pro forma, as adjusted for the offering (unaudited)**
		(dollars in thousands)	
Cash and cash equivalents	$ 23,967	$ 18,359	$
Long-term debt, including current portion:			
Revolving credit facility(1)		15,957(3)	
Term loan facility	175,000	175,000	
Other long-term debt, including capital leases	4,468	4,468	
Total debt	$ 179,468	$ 195,425	$
Stockholders equity:			
Common stock, par value $0.0001 per share, 1,800,000,000 shares authorized, 106,605,999 shares issued and outstanding, actual and shares issued and outstanding, as adjusted for the offering and the Anker acquisition(2)	11	1,376	
Preferred stock, par value $0.0001 per share, 200,000,000 shares authorized, no shares issued and outstanding(2)			
Paid-in-capital	150,140	440,023	
Retained earnings	4,249	4,249	
Total stockholders equity	154,400	445,648	

Total capitalization	$ 333,868	$ 641,073	$

(1) Our credit facility provides for a $110.0 million revolving credit facility, of which up to $60.0 million may be used for letters of credit. As of December 31, 2004, $54.4 million of letters of credit were outstanding.

(2) Represents stock of our predecessor, ICG, Inc. 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.

(3) Represents debt to be assumed in the Anker acquisition.

38

Table of Contents

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 December 31, 2004 equaled approximately $ million, or $ 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 shares of common stock offered by us in this offering at an assumed public offering price of $ per share (the last sale price of our common stock on , 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 shares of common stock upon completion of the Anker acquisition at an implied value of $ per share, our pro forma as adjusted net tangible book value, as of December 31, 2004 would have equaled approximately $, or $ per share of common stock. This represents an immediate increase in net tangible book value of $ per share to our existing stockholders and an immediate dilution in net tangible book value of $ 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		$
Pro forma net tangible book value per share as of December 31, 2004	$	
Increase in pro forma net tangible book value per share attributable to this offering		
Net tangible book value per share after this offering		
Dilution per share to new investors		$

The following table as of December 31, 2004 summarizes, on a pro forma basis, to give effect to the shares issued in connection with the Anker acquisition and the reorganization, 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 existing stockholders include shares that would be issued by us on the exercise of currently outstanding options or other rights to acquire shares of our common stock by directors, officers and affiliated parties, and the proceeds that would be received by us in connection with this exercise. The calculations with respect to shares purchased by new investors in this offering reflect an assumed public offering price of $ per share (the last sale price of our common stock on , 2005, as quoted on the Pink Sheets Electronic Quotation Service).

Table of Contents

Dilution

	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					
Former Anker stockholders and CoalQuest members					
New investors					
Total					

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

40

Table of Contents

Unaudited consolidated pro forma financial data

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

4 our reorganization;

4 our acquisition of the Horizon assets;

4 borrowings under our credit facilities, in part, to finance the Horizon asset acquisition (including the preliminary application of purchase accounting); and

4 the Anker acquisition.

The unaudited pro forma consolidated statements of operations and unaudited pro forma balance sheet do not include any adjustments for this offering or for future cost savings or operating improvements as a result of the Anker acquisition. 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 other financial information appearing elsewhere in this prospectus, including Management s discussion and analysis of financial condition and results of operations.

The unaudited pro forma balance sheet gives effect to our reorganization, the acquisition of the Horizon assets, the related financing and the Anker acquisition as if they had occurred on December 31, 2004. The unaudited pro forma statements of operations give effect to these transactions as if they had occurred on January 1, 2004. The unaudited pro forma consolidated statements of operations do not include any adjustments for future cost savings or other operating improvements. See Risk factors, Special note regarding forward-looking statements, and Business for a discussion of factors that may impact consolidated future operating results.

The pro forma adjustments reflect our preliminary estimates of the purchase price allocation of certain assets and liabilities in the Anker acquisition. 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.

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.

Table of Contents

Unaudited consolidated pro forma financial data

Unaudited pro forma balance sheet data as of December 31, 2004

	ICG, Inc. Historical Predecessor (period October 1, 2004 to December 31, 2004)	Anker historical	CoalQuest historical	ICG, Inc. acquisition adjustments	Anker acquisition adjustments	CoalQuest acquisition adjustments	Pro forma
	(in thousands)						
ASSETS							
Current assets:							
Cash and cash equivalents	$ 23,967	$ 1,166	$ 1,819	$	$ (8,593) (1)	$	$ 18,359
Trade accounts receivable	40,417	11,361	1,238				53,016
Inventories	13,943	4,027					17,970
Deferred income taxes	2,188						2,188
Prepaid insurance	7,142		15				7,157
Prepaid expenses and other	5,899	1,457					7,356
Total current assets	$ 93,556	$ 18,011	$ 3,072	$	$ (8,593)	$	$ 106,046
Property, plant and equipment, at cost including mineral interests, mine development and contract costs	$ 165,079	$ 134,046	$ 19,000	$	$ 23,183(2)	$ 55,091(2)	$ 396,399
Less accumulated depreciation, depletion and amortization	(7,943)	(79,923)	(79)				(87,945)
Net property, plant and	157,136	54,123	18,921		23,183	55,091	308,454

equipment

Debt issuance costs, net	7,865						7,865
Advance royalties	5,424	3,439					8,863
Goodwill	183,946				148,668(2)	43,036(2)	375,650
Deferred tax asset non-current	7,741						7,741
Other non-current assets	4,307	7,798					12,105
Total assets	$ 459,975	$ 83,371	$ 21,993	$	$ 163,258	$ 98,127	$ 826,724
LIABILITIES AND STOCKHOLDERS EQUITY/(DEFICIT)							
Current liabilities							
Trade accounts payable	$ 21,250	$ 10,281	$ 546	$	$	$	$ 32,077
Current portion of long-term debt and capital leases	6,022	10,370			(1,356)(1)		15,036
Current portion of reclamation and mine closure costs	2,682	105					2,787
Accrued income tax	2,232						2,232
Accrued expenses and other	33,854	8,253	535				42,642
Total current liabilities	$ 66,040	$ 29,009	$ 1,081	$	$ (1,356)	$	$ 94,774
Non-current liabilities, less current portion							
Long-term debt and capital leases	$ 173,446	$ 14,179	$ 16,250	$	$ (7,237) (1)	$ (16,250) (3)	$ 180,388
Reclamation and mine closure costs	40,616	25,169					65,785
Long-term employee benefits	18,007						18,007
Other non-current liabilities	7,466	13,617	1,039				22,122

Total non-current liabilities	239,535	52,965	17,289		(7,237)	(16,250)	286,302
Total liabilities	$ 305,575	$ 81,974	$ 18,370	$	$ (8,593)	$ (16,250)	$ 381,076
STOCKHOLDERS EQUITY (DEFICIT):							
Preferred stock-par value $0.0001, 200,000,000 shares authorized, none issued							

42

Table of Contents

Unaudited consolidated pro forma financial data

	ICG, Inc. Historical Predecessor (period October 1, 2004 to December 31, 2004)	Anker historical	CoalQuest historical	ICG, Inc. acquisition adjustments	Anker acquisition adjustments	CoalQuest acquisition adjustments	Pro forma
	(in thousands)						
Common stock-par value $0.0001, 1,800,000,000 shares authorized, 106,605,999 issued and outstanding (137,556,128 issued and outstanding at a par value of $0.01 on a pro forma basis)	11			1,055(4)	195(4)	115(4)	1,376
Paid-in Capital	150,140	145,588	3,250	(1,055) (4)	27,465(2,4)	114,635(2,3,4)	440,023
Comprehensive Income							
Retained earnings (deficit)	4,249	(144,191)	373		144,191(3)	(373)(3)	4,249
Total stockholders equity (members deficit)	154,400	1,397	3,623		171,851	114,377	445,648
Total liabilities and stockholders equity (members deficit)	$ 459,975	$ 83,371	$ 21,993	$	$ 163,258	$ 98,127	$ 826,724

(1) Reflects the repayment of Anker s senior notes ($7.0 million) and the payment of the worker s compensation premium to the state of West Virginia ($1.5 million).

(2) Reflects the assumed issuance of 30,950,129 additional shares of common stock at an assumed $8.885 per share for the acquisitions of Anker ($173.25 million) and CoalQuest ($101.75 million) for a total of $275.0 million.

(3) Reflects the conversion of CoalQuest s note payable ($16.3 million) to equity upon consummation of the Anker acquisition.

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

Unaudited consolidated pro forma financial data

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

	Historical							
	Horizon	ICG, Inc.						
	Predecessor (period January 1, 2004 to September 30, 2004)	Predecessor (period October 1, 2004 to December 31, 2004)	Anker historical	CoalQuest historical	Horizon acquisition adjustments	Anker acquisition adjustments	CoalQuest acquisition adjustments	Pro forma
	(dollars in thousands)							
Revenues								
Coal sales revenues	$ 346,981	$ 130,463	$ 146,676	$	$	$	$	$ 624,120
Freight and handling revenues	3,700	880	11,416					15,996
Other revenues	22,702	4,766	6,228					33,696
Total revenues	373,383	136,109	164,320					673,812
Costs and expenses								
Freight and handling costs	3,700	880	11,416					15,996
Cost of coal sales and other revenues (exclusive of depreciation, depletion and amortization shown separately below)	306,429	113,707	145,985	371		(1,769)[(1)]		564,723
Depreciation, depletion	27,547	7,943	9,754	79				45,323

and amortization								
Selling, general and administrative (exclusive of depreciation, depletion and amortization shown separately above)	8,477	4,194	3,654					17,257
Gain on sale of assets	(226)	(10)						(236)
Writedowns and other items	10,018				(10,158) [2]			(140)
Total costs and expenses	355,945	126,714	170,809	450	(10,158)	(1,769)		642,923
Income (loss) from operations	17,438	9,395	(6,489)	(450)	10,158	1,769		30,889
Interest and other income (expense):								
Interest expense	(114,211)	(3,453)	(1,485)	(535)	105,336 [3]			(14,348)
Reorganization items	727				(727) [4]			
Other, net	1,581	898	5,709	1,910			(1,769) [1]	8,329
Total interest and other income (expense)	(111,903)	(2,555)	4,224	1,375	104,609		(1,769)	(6,019)
Income (loss) before income taxes	(94,465)	6,840	(2,265)	925	114,767	1,769	(1,769)	24,870
Income tax (expense) benefit		(2,591)			(7,690) [5]	188 [5]	320 [5]	(9,421)
Net income (loss)	$ (94,465)	$ 4,249	$ (2,265)	$ 925	$ 107,077	$ 1,957	$ (1,449)	$ 15,449

(footnotes on next page)

Table of Contents

Unaudited consolidated pro forma financial data

(1) To eliminate intercompany royalty revenue and expense ($1.8 million) between CoalQuest and Anker.
(2) Reflects the removal of writedowns and other items related to the bankruptcy reorganization during the predecessor period January 1, 2004 to September 30, 2004.
(3) Represents pro forma interest expense to reflect the acquisition of Horizon s assets and the related debt required to finance the purchase as shown in the tables below.

Historical interest expense

Description	Horizon (Period Jan. 1, 2004 to Sep. 30, 2004)	ICG, Inc. (Period Oct. 1, 2004 to Dec. 31, 2004)	Anker	CoalQuest	Total
Amortization of financing fee	$ 1,437,278	$	$	$	$ 1,437,278
DIP facility	11,114,618				11,114,618
Term loan	42,757,312				42,757,312
Wells Fargo loan	57,199,570				57,199,570
Funded letter of credit fees		130,278			130,278
Revolver letter of credit fees		248,351			248,351
Revolver unutilized portion		63,666			63,666
Term note		2,462,985			2,462,985
Amortization of finance cost		265,878			265,878
Annual administration fee		25,000			25,000
Interest rate cap		20,427			20,427
Revolver base rate interest		24,863			24,863
Anker related party term loan			294,215		294,215
Anker related party revolving line of credit			110,311		110,311
Anker senior notes			751,469		751,469
Miscellaneous other (capital lease, black lung, etc)	1,701,814	211,375	329,486	535,200	2,777,875
Total historical interest expense	$ 114,210,592	$ 3,452,822	$ 1,485,481	$ 535,200	$ 119,684,095

Table of Contents

Unaudited consolidated pro forma financial data

	Pro forma interest expense				
Description	Horizon	ICG, Inc.	Anker	CoalQuest	Total
Revolver letter of credit fees(a)	$	$ 1,469,475	$	$	$ 1,469,475
Revolver(b)		756,353			756,353
Revolver unutilized portion(c)		198,091			198,091
Term note(d)		8,732,500			8,732,500
Amortization of finance costs(e)		1,096,553			1,096,553
Annual administration fee(f)		100,000			100,000
Interest rate cap(g)		82,187			82,187
Miscellaneous other (capital leases, black lung, etc.)	1,701,814	211,375			1,913,189
Total pro forma interest expense	1,701,814	12,646,534			14,348,348
Less: historical interest expense	114,210,592	3,452,822	1,485,481	535,200	119,684,095
Pro forma interest expense adjustment	$ 112,508,778	$ (9,193,712)	$ 1,485,481	$ 535,200	$ 105,335,747

(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 on the revolver at an estimated rate of 4.74% on an estimated average balance of $16.0 million.

(c) Reflects pro forma interest expense at the fixed rate of 0.5% on an estimated unutilized balance of $39.6 million on the revolving facility.

(d) Reflects pro forma interest expense at the actual December 31, 2004 rate of 4.99% on the $175 million term note. The term note utilizes LIBOR rate and is adjusted quarterly.

(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 $25,000 per quarter to UBS AG, Stamford Branch.

(g) Reflects the estimated expense incurred on the two year interest rate cap agreement of $88 million at 4.5% per year.

A hypothetical 1/8% change in interest rates on our variable rate debt would cause pro forma interest expense to increase $239,031 for the year ended December 31, 2004.

(4) Reflects the removal of reorganization expenses incurred in the predecessor period January 1, 2004 to September 30, 2004 that were related to the Horizon bankruptcy filing.

(5) Reflects 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%.

Table of Contents

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 as of and for the year ended December 31, 2004 are derived from ICG, Inc. s audited consolidated statement of operations for the period October 1, 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. 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 audited consolidated statement of operations of Horizon, the predecessor to ICG, which have been audited by Deloitte & Touche LLP and which are included elsewhere in the prospectus and from the audited consolidated balance sheet of Horizon as of December 31, 2002, which has been audited by Deloitte & Touche LLP and which is not 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 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, 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.

Table of Contents

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	Period from May 10, 2002 to December 31, 2002	Year ended December 31, 2003	Period January 1, 2004 to September 30, 2004	Period October 1, 2004 to December 31, 2004
	(in thousands, except share data)						
Statement of Operations Data:							
Revenues:							
Coal sales revenues	$ 486,848	$ 500,829	$ 136,040	$ 264,235	$ 441,291	$ 346,981	$ 130,463
Freight and handling revenues	11,050	14,728	2,947	6,032	8,008	3,700	880
Other revenues	23,491	34,835	21,183	27,397	31,771	22,702	4,766
Total revenues	521,389	550,392	160,170	297,664	481,070	373,383	136,109
Cost and expenses:							
Freight and handling costs	11,050	14,728	2,947	6,032	8,008	3,700	880
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
Depreciation, depletion and	94,183	92,602	32,316	40,033	52,254	27,547	7,943

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
(Gain)/loss on sale of assets	(594)	189	(93)	(39)	(4,320)	(226)	(10)
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
Income (loss) from operations	(25,456)	23,998	(7,767)	(746,371)	(7,974)	17,438	9,395
Other income (expense)							
Interest expense	(116,319)	(138,655)	(36,666)	(80,405)	(145,892)	(114,211)	(3,453)
Reorganization items	(429,751)	(22,839)	1,567,689	(143,663)	(52,784)	727	
Other, net	(1,523)	(2,941)	499	1,256	187	1,581	898
Total interest and other income (expense)	(547,593)	(164,435)	1,531,522	(222,812)	(198,489)	(111,903)	(2,555)
Income (loss) before income taxes	(573,049)	(140,437)	1,523,755	(969,183)	(206,463)	(94,465)	6,840
Income tax expense (benefit)	48,290	(4,155)					(2,591)
Net income (loss)	$ (524,759)	$ (144,592)	$ 1,523,755	$ (969,183)	$ (206,463)	$ (94,465)	$ 4,249

Earnings (loss) per share[(1)]:

Basic							0.04
Diluted							0.04
Average common shares outstanding[1]:							
Basic							106,605,999
Diluted							106,605,999
Balance sheet data (at period end):							
Cash and cash equivalents	$ 55,513	$ 64,592	$ 87,278	$ 114	$ 859	$	$ 23,967
Total assets	881,847	859,084	1,521,318	484,212	407,064	370,298	459,975
Long term debt and capital leases	14		933,106	1,157	315	29	173,446
Total liabilities	1,451,796	1,581,346	1,286,318	1,222,218	1,351,393	1,409,092	305,575
Total stockholders equity (members deficit)	$ (569,949)	$ (722,262)	$ 235,000	$ (738,006)	$ (944,329)	$ (1,038,794)	$ 154,400
Total liabilities and stockholders equity (members deficit)	$ 881,847	$ 859,084	$ 1,521,318	$ 484,212	$ 407,064	$ 370,298	$ 459,975
Statement of cash flows data:							
Net cash provided by (used in):							
Operating activities	$	$ 106,060	$ (298,196)	$ 76,372	$ 17,753	$ 34,057	$ 30,209
Investing activities	$	$ (88,434)	$ (10,841)	$ (12,799)	$ (1,549)	$ (2,535)	$ (329,166)
Financing activities	$	$ (8,547)	$ 259,011	$ (78,025)	$ (15,459)	$ (32,381)	$ 322,924
Capital expenditures	$ 24,143	$ 34,254	$ 10,963	$ 13,435	$ 16,937	$ 6,624	$ 5,583

* *The selected historical financial data of AEI Resources for the year ended December 31, 2000 and the year ended December 31, 2001 is not derived from audited financial statements.*

(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.*

Table of Contents

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.

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.

	Year ended December 31, 2004	
	Anker	**CoalQuest**
Statement of operations data:		
Net income (loss)	$ (3,196,973)	$ 925,553
Balance sheet data (at period end):		
Cash and cash equivalents	$ 1,165,559	$ 1,818,833
Total assets	83,370,701	21,993,658
Total liabilities	81,973,367	18,370,242
Total stockholders equity (members deficit)	$ 1,397,334	$ 3,623,416
Total liabilities and stockholders equity/members deficit	$ 83,370,701	$ 21,993,658
Statement of cash flows data:		
Net cash provided by (used in)		
Operating activities	$ 10,149,401	$ 1,318,103
Investing activities	$ (27,086,561)	$
Financing activities	$ 14,925,969	$
Capital expenditures	$ 27,238,311	$

49

Table of Contents

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 consolidated financial statements and notes of ICG, Inc. and the audited consolidated financial statements and notes of Horizon and its predecessors, each appearing elsewhere in this prospectus.

Unless otherwise indicated, for purposes of the following management s discussion and analysis of ICG, Inc. s financial condition and results of operations, all references to ICG, we, our and us refer only to ICG, Inc. and its consolidated subsidiaries, without Anker and CoalQuest, but assuming the reorganization.

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 long term debt and, thus, will be strategically well-positioned. Consistent with the WLR investor group s strategy to acquire profitable coal assets, the Anker acquisition 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 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. We also generate revenue when we are reimbursed by our customers for freight and handling charges. However, these freight and handling revenues are offset by equivalent freight and handling costs and do not contribute to our profitability.

Revenues are recognized on coal sales in accordance with the terms of the sales agreement, which is when the coal is shipped to the customer and title has passed. Freight and handling costs paid directly to third-party carriers and invoiced to coal customers are recorded as freight and handling costs and freight and handling revenues, respectively. Other revenues are recognized in the period earned or when the service is completed. Advance payments received are deferred and recognized in revenue as coal is shipped or rentals are 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.

We have one reportable segment, coal mining operations, which includes all of our revenues and costs from coal production and sales, operations parts and shop services related to highwall mining systems,

Table of Contents

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

freight and handling, rentals, royalties and coal handling and processing services. We report the revenues from the operation of highwall mining systems and coal handling and processing in our other revenues category.

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 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.

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

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 December 31, 2004, we had recorded asset retirement obligation liabilities of $43.3 million, including amounts reported as current liabilities. While the precise amount of these future costs cannot be determined with certainty, as of December 31, 2004, we estimate that the aggregate undiscounted cost of final mine closure is approximately $59.0 million.

Coal reserves

There are numerous uncertainties inherent in estimating quantities of economically recoverable coal reserves. Many of these uncertainties are beyond our control. As a result, estimates of economically recoverable coal reserves are by their nature uncertain. Information about our reserves consists of estimates based on engineering, economic and geological data assembled by our internal engineers and geologists and reviewed by a third-party consultant. We believe that the most important factors and assumptions that impact economically recoverable reserve estimates are:

4 geological conditions;

4 historical production from the area compared with production from other producing areas;

4 the assumed effects of regulations and taxes by governmental agencies;

4 assumptions governing future demand and prices; and

4 assumptions regarding future operating costs.

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

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. If our assumptions do not materialize as expected, actual cash expenditures and costs that

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

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. Actual losses may differ from these estimates, which could increase or decrease our costs.

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. 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.

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. 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 reorganization and the Anker acquisition.

Predecessors Represents the consolidated financial position of ICG, Inc. as of December 31, 2004 and its consolidated results of operations and cash flows for the period from October 1 through

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

December 31, 2004 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 ending 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 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. The financial statements for the predecessor periods of Horizon and AEI 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.

Three months ended December 31, 2003 of Horizon compared to three months ended December 31, 2004 of ICG, Inc.

Revenues

	Horizon	ICG, Inc.		
	Three months ended December 31,		Increase (decrease)	
	2003	2004	($ or tons)	% change
	(in thousands, except percentages and per ton data)			
Coal revenues	$ 111,428	$ 130,463	$ 19,305	17%
Freight and handling revenues	1,221	880	(341)	(28%)
Other revenues	6,398	4,766	(1,632)	(26%)
Total revenues	$ 119,047	$ 136,109	$ 17,062	14%
Tons sold	3,855	3,582	(273)	(7%)
Coal sales realization per ton sold	$ 28.90	$ 36.42	$ 7.52	26%

Coal revenues. ICG, Inc. s coal revenues increased in the last three months of 2004 by $19.3 million, or 17%, to $130.5 million, as compared to the last three months of 2003 for Horizon. This increase was due to a $7.52 per ton increase in the average sales price of our coal, partially offset by a sales tons decrease of 0.3 million tons, or 7%, over the comparable period last 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 decreased to $0.9 million for the period ended December 31, 2004 for ICG, Inc. a decrease of $0.3 million compared to the period ended December 31, 2003 for Horizon, due to a decrease in shipments where we pay the freight and handling costs and are then reimbursed by the customer.

Table of Contents

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

Other revenues. Other revenues of ICG, Inc. decreased for the last three months of 2004 by $1.6 million, or 26%, to $4.8 million, as compared to the last three months of 2003 for Horizon, primarily due to a $1.4 million decrease in highwall miner lease revenue.

Costs and expenses

	Horizon	ICG, Inc.		
	Three months ended December 31,		Increase (decrease)	
	2003	2004	($ or tons)	% change
	(in thousands, except percentages and per ton data)			
Cost of coal sales and other revenues (exclusive of depreciation, depletion and amortization)	$ 100,267	$ 113,707	$ 13,440	13%
Cost of coal sales and other revenues as % of revenues	84%	84%		
Freight and handling costs	$ 1,221	$ 880	$ (341)	(28%)
Freight and handling costs as % of revenues	1%	1%		
Depreciation, depletion and amortization	$ 13,230	$ 7,943	$ (5,287)	(40%)
Depreciation, depletion and amortization as % of revenues	11%	6%		
Selling, general and administrative expenses (exclusive of depreciation, depletion and amortization)	$ 4,873	$ 4,194	$ (679)	(14%)
Selling, general and administrative expenses as % of revenues	4%	3%		
Gain on sale of assets	$ (2,260)	$ (10)	$ 2,250	(100%)
Writedowns and other items	$ 203	$	$ (203)	(100%)
Total costs and expenses	$ 117,534	$ 126,714	$ 9,180	8%
Total costs and expenses as % of revenues	99%	93%		
Cost of coal sales per ton sold	$ 30.49	$ 35.38	$ 4.89	16%

Cost of coal sales and other revenues. In the last three months of 2004, ICG, Inc. s cost of coal sales, which excludes charges for depreciation, depletion and amortization, increased $13.4 million, or 13%, to $113.7 million compared to the last three months of 2003 for Horizon. ICG, Inc. s cost of coal sales increased primarily as a result of increased prices for steel-related mine supplies, escalating diesel fuel costs ($1.9 million), increasing costs for repair and maintenance of an aging equipment fleet ($2.8 million), increased coal trucking costs ($2.7 million) and increased variable sales-related costs ($2.2 million), such as royalties and severance taxes related to increased sale realizations. The average cost per ton sold increased 16% from $30.49 per ton in the last three months of 2003 to $35.38 per ton in the last three months of 2004. ICG, Inc. s cost of coal sales as a percentage of coal revenues remained constant at 84% for the last three months of both 2003 and 2004.

Freight and handling costs. Freight and handling costs decreased $0.3 million to $0.9 million during the last three months of 2004 as compared to the last three months of 2003, mainly due to the decrease in shipments where we initially pay the freight and handling costs and are then reimbursed by the customer.

Depreciation, depletion and amortization. Depreciation, depletion, and amortization decreased $5.3 million, or 40%, to $7.9 million for the last three months of 2004 as compared to the last three months of 2003. Depreciation, depletion and amortization per ton decreased from $3.43 per ton in the last three months of 2003 to $2.22 per ton in the last three months of 2004. The principal components of the decrease were a $3.1 million decrease in amortization related to an above market contract that expired at the end of 2003, as well as a $1.5 million decrease in connection with a change in accounting practice related to the capitalization and amortization of major repair costs in excess of $25,000 per occurrence.

Table of Contents

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

Selling, general and administrative expenses. Selling, general and administrative expenses decreased $0.7 million, or 14%, to $4.2 million in the last three months of 2004 compared to the same period in 2003 for Horizon. This reduction was due in large part to a significant reduction in salary expense for senior management for the period. ICG, Inc. s selling, general and administrative expenses as a percentage of total revenues decreased from 4.0% in the last three months of 2003 to 3.0% in the last three months of 2004.

Gain on sale of assets. Gain on sale of assets decreased $2.3 million from a gain of $2.3 million in last three months of 2003 to a gain of $0.01 million in the last three months of 2004. The gain on sale of assets in 2003 occurred in relation to the sale of the Hannah Land property, also known as the Republic Reserve, which was acquired by A. T. Massey.

Writedowns and other items. Writedowns and other items decreased $0.2 million in the last three months of 2004 as compared to the same period in 2003.

Interest Expense. Interest expense decreased $32.4 million to $3.5 million during the last three months of 2004 compared to the same period in 2003 for Horizon. The decrease was mainly due to the elimination of approximately $915 million of debt through our Horizon s Chapter 11 bankruptcy. This debt was replaced with a $175 million term loan that ICG, Inc. entered into at the closing of the Horizon acquisition.

Nine Months Ended September 30, 2003 of Horizon Compared to Nine Months Ended September 30, 2004 of Horizon.

Revenues

	Nine months ended September 30,		Increase (decrease)	
	2003	**2004**	**($ or tons)**	**% change**
	(in thousands, except percentages and per ton data)			
Coal revenues	$ 329,863	$ 346,981	$ 17,118	5%
Freight and handling revenues	6,786	3,700	(3,086)	(45%)
Other revenues	25,373	22,702	(2,671)	(11%)
Total revenues	$ 362,022	$ 373,383	$ 11,361	3%
Tons sold	12,801	10,421	(2,380)	(19%)
Coal sales realization per ton sold	$ 25.77	$ 33.30	$ 7.53	29%

Coal revenues. Coal revenues increased in the first nine months of 2004 by $17.1 million, or 5%, to $347.0 million, as compared to the first nine months of 2003. This increase was due to a $7.53 per ton increase in the average sales price of Horizon s coal, partially offset by a sales tons decrease of 2.4 million tons, or 19%, over the comparable period last year. The principal reason for the reduction in sales tons in the first nine months of 2004 over 2003 is due to the elimination of 1.3 million tons of synfuel sales in 2004. The increase in the average sales price of our coal was due to the general increase in coal prices during 2004, 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 $3.7 million for the nine months ended September 30, 2004, a decrease of $3.1 million compared to the period ended September 30, 2003 due to a decrease in shipments where we pay the freight and handling costs and are then reimbursed by the customer.

Other revenues. Other revenues decreased for the first nine months of 2004 by $2.7 million, or 11%, to $22.7 million, as compared to the first nine months of 2003 primarily due to a $2.4 million decrease in highwall miner lease revenue.

Table of Contents

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

Costs and expenses

	Nine months ended September 30,			
	2003	**2004**	**Increase (decrease)**	**% change**
	(in thousands, except percentages and per ton data)			
Cost of coal sales and other revenues (exclusive of depreciation, depletion and amortization)	$ 300,386	$ 306,429	$ 6,043	2%
Cost of coal sales and other revenues as % of revenues	83%	82%		
Freight and handling costs	$ 6,786	$ 3,700	$ (3,086)	(45%)
Freight and handling costs as % of revenues	2%	1%		
Depreciation, depletion and amortization	$ 39,023	$ 27,547	$ (11,476)	(29%)
Depreciation, depletion and amortization as % of revenues	11%	7%		
Selling, general and administrative expenses (exclusive of depreciation, depletion and amortization)	$ 18,478	$ 8,477	$ (10,001)	(54%)
Selling, general and administrative expenses as % of revenues	5%	2%		
Gain on sale of assets	$ (2,060)	$ (226)	$ 1,834	(89%)
Writedowns and other items	$ 8,897	$ 10,018	$ 1,121	13%
Total costs and expenses	$ 371,510	$ 355,945	$ (15,565)	(4%)
Total costs and expenses as % of revenues	103%	95%		
Cost of coal sales per ton sold	$ 29.02	$ 34.16	$ 5.14	18%

Cost of coal sales and other revenues. In the first nine months of 2004, Horizon s cost of coal sales, which excludes charges for depreciation, depletion and amortization, increased $6.0 million, or 2%, to $306.4 million compared to the first nine months of 2003. Horizon s cost of coal sales increased by approximately $6.0 million primarily as a result of increased prices for steel-related mine supplies, escalating diesel fuel costs ($5.2 million), increasing costs for repair and maintenance of an aging equipment fleet ($10.7 million), increased coal trucking costs ($2.9 million) and increased variable sales-related costs, such as royalties and severance taxes ($4.2 million). These increased costs were offset by volume related decreases in purchased coal cost ($22.3 million). The average cost per ton sold increased 18% from $29.02 per ton in the first nine months of 2003 to $34.16 per ton in the first nine months of 2004. Horizon s cost of coal sales as a percentage of coal revenues decreased from 83% in the first nine months of 2003 to 82% in the first nine months of 2004.

Freight and handling costs. Freight and handling costs decreased $3.1 million to $3.7 million during the first nine months of 2004 as compared to the first nine months of 2003, mainly due to the decrease in shipments where we pay the freight and handling costs and are then reimbursed by the customer.

Depreciation, depletion and amortization. Depreciation, depletion and amortization decreased $11.5 million, or 29%, to $27.5 million for the first nine months of 2004 as compared to the first nine months of 2003. Depreciation, depletion and amortization per ton decreased from $3.05 per ton in the first nine months of 2003 to $2.64 per ton in the first nine months of 2004. The principal components of the decrease were a $6.3 million decrease in amortization related to an above market contract that expired at the end of 2003, as well as a $1.6 million decrease in connection

with a change in accounting practice related to the capitalization and amortization of major repair costs in excess of $25,000 per occurrence.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased $10.0 million, or 54%, to $8.5 million in the first nine months of 2004 compared to the same period in 2003. The decrease is primarily attributed to decreased general and supervisory salaries ($1.7 million), reduction in building rent ($0.7 million) as operations were consolidated to two floors reducing total square footage utilized, reduced taxes and licenses ($0.8 million), reduced sales

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

commissions ($1.1 million), reduced bad debt expense ($3.6 million), decreased consulting fees, attorney fees and professional services ($0.9 million).

Gain on sale of assets. Gain on sale of assets decreased $1.8 million from a gain of $2.1 million in first nine months of 2003 to a gain of $0.2 million in the first nine months of 2004. The gain on sale of assets in 2003 occurred in relation to the sale of the Hannah Land property, which was acquired by A. T. Massey

Writedowns and other items. Writedowns and other items increased $1.1 million in the first nine months of 2004 as compared to the same period in 2003.

Interest expense. Interest expense increased $4.2 million to $114.2 million during the first nine months of 2004 as compared to the same period in 2003. This increase was primarily due to default interest on unpaid interest amounts.

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

Revenues

	Year ended December 31,		Increase (decrease)	
	2002[(1)]	2003	($ or tons)	% change
	(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 we pay the freight and handling costs and are 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 $3.6 million in synfuel earnings.

Table of Contents

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

Costs and expenses

	Year ended December 31,			
	2002	**2003**	**Increase (decrease)**	**% change**
	(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%		
Cost of coal sales 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 average cost 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 released to Horizon s bankruptcy. Horizon s cost of coal sales as a percentage of coal revenues increased from 80% in 2002 to 83% 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 we pay the freight and handling costs and are 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 $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

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

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 write off of goodwill ($697.1 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 reserve base, 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 December 31, 2004, our available liquidity was $79.6 million, including cash of $24.0 million and $55.6 million available under our credit facility. Total debt represented 54% of our total capitalization at December 31, 2004.

We currently expect our capital expenditures to be approximately $92.2 million for the remainder of 2005, and approximately $145.1 million in 2006, primarily for investments in new equipment and for mining development operations. 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, we expect to spend approximately $571.8 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.

Cash flows

Cash provided by operating activities was $30.2 million for the last three months of 2004, an increase of $26.1 million from the same period in 2003. Cash provided by operations for the last three months of 2004 benefited from the strength of the coal markets during the period. This increase is attributable to an increase in net income of $69.3 million for the last three months of 2004 over the same period the previous year, and the effects of a $42.3 million reduction in net operating assets and liabilities primarily related to accrued interest charges in 2003.

Net cash used in investing activities was $329.2 million during the last three months of 2004 as compared to cash of $4.1 million generated by investing activities in the year ended December 31, 2003. Cash used in investing activities of $323.6 million was for the purchase of certain assets of Horizon in the last three months of 2004. Capital expenditures were virtually unchanged between the two periods, with the increase in cash generated in the last three months of 2003 related to the sale of assets during Horizon s Chapter 11 bankruptcy.

Net cash provided by financing activities was $322.9 million in the last three months of 2004 compared with net cash used by financing activities of $10.9 million in the prior period. The increase

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

in financing activities was a result of the initial capital contribution of $150.2 million and borrowings of $175 million used in the purchase of certain Horizon assets. Net cash used in financing activities by Horizon in 2003 related to the use of proceeds from the sale of assets to pay down debtor-in-possession financing related to Horizon s Chapter 11 bankruptcy.

Cash provided by operating activities was $17.8 million for the full year 2003, an increase of $239.6 million from the same period in 2002. This increase is attributable to the effects of a $905.7 million change in non-cash items related to Horizon s first Chapter 11 bankruptcy case, a decrease in net income of $761.0 million for 2003 as compared to the same period in 2002, and the effects of a $94.9 million increase in net operating assets and liabilities primarily related to accrued interest charges in 2003.

Net cash used in investing activities decreased $22.1 million in 2003 to $1.6 million as compared to $23.6 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.

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.

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 (dollars 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), 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. The $285.0 million credit facility provides for a term loan of $175.0 million and a revolving credit facility of up to $110.0 million with a letter of credit sub-limit of up to $60.0 million. As of December 31, 2004, the $175.0 million term loan principal amount was outstanding and letters of credit totaling $54.4 million were outstanding under the revolving credit facility, leaving $55.6 million available for borrowing on the revolving credit facility. 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 4.99% as of December 31, 2004. The principal balance of the term loan is due on October 1, 2010 and the revolving credit facility expires on October 1, 2009. ICG 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

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

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 December 31, 2004.

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 December 31, 2004, we had $54.4 million in letters of credit outstanding, all of which are supported by our $60.0 million letter of credit sub-limit contained in our $285.0 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 another $2.4 million in interest on our credit facility on January 10, 2005. We also made a term loan amortization payment of $0.4 million on January 10, 2005, which was the first scheduled amortization payment date.

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.

Table of Contents

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

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 acquisition:

	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	$ 7,067	$ 5,039	$ 4,553	$ 166,273	$ 182,932
UBS revolving credit facility	15,957				15,957
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	7,348	19,876	6,195	29,345	62,764
Total[2]	$ 161,011	$ 175,530	$ 72,392	$ 224,304	$ 633,237

(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 our President and Chief Executive Officer. 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 a 100% 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 has a $60.0 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 December 31, 2004, we had outstanding surety bonds with third parties for post-mining reclamation totaling $67.5 million plus $9.4 million for miscellaneous purposes. We maintained letters of credit as of December 31, 2004 totaling $54.7 million to secure reclamation surety bonds and other obligations, including $10.0 million related to

Lexington Coal Company. Of the $54.7 million, $54.4 million of these letters of credit are issued under our $60.0 million bonding facility with another approximately $300,000 of letters of credit which are cash collateralized and issued by a third party bank.

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

RECENT ACCOUNTING PRONOUNCEMENTS

Emerging Issues Task Force (EITF) Issue 04-02 addresses the issue of whether mineral rights are tangible or intangible assets. FASB Statement 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 Financial Accounting Standards Board (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 afterDecember 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. FIN 46 did not have a material effect on our consolidated financial position or results of operations.

In January 2005, the FASB issued Statement 123R, Accounting for Stock Based Compensation. 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 adoption of FASB 123R will have no material impact on our financial position, results of operations, or cash flows.

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 February 28, 2005, we had sales commitments for 88% 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.

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 interest expense on our credit facility by $437,500 for the three months ended December 31, 2004. We expect to use interest rate swaps to manage this risk.

Our concentration of credit risk is substantially with electric utilities the majority of which are investment grade, producers of steel and foreign customers. Our policy is to evaluate independently each customer s creditworthiness prior to entering into transactions and to constantly monitor the credit extended.

Table of Contents

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, 98% of coal consumed in the United States in 2003 was from domestic production sources. Coal produced in the United States is also exported, primarily from east coast

Table of Contents

The coal industry

terminals. The breakdown of 2003 U.S. coal consumption by sector, according to the EIA, is as follows:

End use	Tons (millions)	% of total
Electric Power	1,004	91.7%
Other Industrial Plants	62	5.7%
Coke Plants	24	2.2%
Residential & Commercial	4	0.4%
Total	1,095	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 2003, as estimated by the EIA, is as follows:

Electricity generation source	% of total electricity generation
Coal	51%
Nuclear	20%
Natural Gas	16%
Hydro	7%
Petroleum	3%
Other	3%
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.

Table of Contents

The coal industry

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, low sulfur content, 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 2003. Coal mined from this region generally has a high heat content of between 12,000 and 14,000 Btus per pound and a low 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 depletion of economically attractive reserves, permitting issues and increasing costs of production,

Table of Contents

The coal industry

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 PRB 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 2003 coal consumption in the United States increased from 895 million tons to 1,095 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 106 coal-fired plants, representing 65,000 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:

4 burning lower sulfur coal, either exclusively or mixed with higher sulfur coal;

4 installing pollution control devices such as scrubbers, which reduce the emissions from high sulfur coal;

4 reducing electricity generating levels; or

4 purchasing or trading emission credits to allow them to comply with the sulfur dioxide emission compliance requirements.

Table of Contents

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

Table of Contents

The coal industry

Illinois Basin Pricing Environment

Source: EIA, Bloomberg

Business

OVERVIEW

We are a leading producer of coal in Northern and Central Appalachia with a broad range of mid to high Btu, low 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. Through the acquisition of certain key assets from the bankruptcy estate of Horizon the WLR investor group was able to acquire high quality reserves strategically located in Appalachia and the Illinois Basin that 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. Following this offering, we expect to retire substantially all of our long term debt and will be strategically well-positioned. Consistent with the WLR investor group s strategy to consolidate profitable coal assets, the Anker acquisition further diversifies our reserves.

As of January 1, 2005, 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 coal resources.

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, 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 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 $84.2 million of pro forma EBITDA for the year ended December 31, 2004.

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,

Table of Contents

Business

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.

The Horizon assets were sold to us through a public 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 in cure costs to acquire the assets plus ICG, Inc. also contributed a credit bid of $482.0 million in 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. 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, we agreed to provide a $10.0 million letter of credit to support reclamation obligations and to pay a 0.75% royalty on the gross sales receipts for coal mined and sold from the assets we acquired from Horizon until the completion by Lexington Coal of all reclamation liabilities acquired from Horizon. 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.

The Anker acquisition

On March 31, 2005, ICG, Inc. entered into a business combination agreement with Anker Coal Group, Inc., International Coal Group, Inc. (formerly known as ICG Holdco, Inc.), 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, simultaneously with the effective time of the mergers under the CoalQuest 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.

In the reorganization, the stockholders of ICG, Inc. are expected to receive one share of ICG common stock for each share of ICG, Inc. common stock. The shares of our common stock being issued to the ICG, Inc. stockholders are expected to be registered pursuant to a separate registration statement to be filed with the SEC. 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

Business

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 specified release events occurs before the completion of this offering.

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, simultaneously with the effective time of the mergers under the Anker 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 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 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.

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 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 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. 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 reserve base 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. We own or control an additional 707 million tons of coal resources. We have not yet developed approximately 73% of these owned and controlled reserves. We believe these owned and controlled

Business

but as yet undeveloped reserves and resources would allow us to as much as double our existing production levels over the next several years. Our ownership and control of such a substantial portion of undeveloped reserves in both Northern and Central Appalachia and the Illinois Basin provides us with significant internal growth opportunities, this is in contrast to other U.S. coal producers who must acquire or lease new reserves to enable their growth. We also have coalbed methane reserves in our owned reserves in West Virginia, which provides 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, resources and production. Our reserves, resources and production are located in three of the four major coal regions in the United States. Our production, reserves and resources in Northern and Central Appalachia and the Illinois Basin provide important geographical diversity in terms of markets, transportation and labor. The diversity of our operations and reserves provides us with a significant competitive advantage, allowing 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 December 31, 2004, we had total accrued reclamation liabilities of only $68.7 million, post-retirement employee obligations of only $8.0 million, black lung liabilities of approximately $10.0 million and Coal Act liabilities of only $4.8 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 December 31, 2004, our pro forma total long-term debt was $180.4 million and after this offering we expect to retire substantially all of this long-term debt. 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.

Table of Contents

Business

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 $264 million of capital expenditures in the next two years. As we take advantage of planned expansion opportunities from 2007 through 2009, we expect to spend approximately $572 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 reserve base to generate substantial internal growth. We own a large undeveloped reserve in Northern Appalachia containing approximately 194 million tons of high Btu, low sulfur steam and metallurgical quality coal. 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, 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. We are in the process of developing and exploiting our coalbed methane reserves (the first such development and exploration in the region). 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 April 25, 2005, we had entered into contracts to sell approximately 88% of 2005 planned production, approximately 66% of 2006 planned production and approximately 49% 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.

Table of Contents

Business

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.

Table of Contents

Business

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.

Auger mining
Auger mining is a surface mining method generally utilized in conjunction with truck-and-shovel/ loader operations. At the highwall exposed by a truck-and-shovel/ loader operation, a spiral steel auger bit is used to bore a horizontal hole into the coal seam up to a depth of 400 feet. The auger also conveys the coal to the highwall. Seam recovery using auger mining is typically 33%.

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 we