International Coal Group, Inc.
Form 424B3
November 21, 2005

Table of Contents

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-126156

International Coal Group, Inc.
2000 Ashland Drive
Ashland, Kentucky 41101

November 18, 2005

Dear ICG Shareholder:

International Coal Group has agreed to acquire Anker Coal Group, Inc. and CoalQuest Development LLC.

The transactions will be carried out through a holding company reorganization. In the reorganization, (1) the existing International Coal Group, Inc. changed its name to ICG, Inc., and (2) a new company will become the holding company for ICG, Anker and CoalQuest and adopt the name International Coal Group, Inc. Shareholders who acquired shares of old International Coal Group when it was organized in 2004 will receive shares of the new holding company in a one-for-one tax-free exchange. The directors and officers of old International Coal Group will become the directors and officers of the new holding company.

The reorganization is being completed to facilitate the acquisitions of Anker and CoalQuest, on a tax-deferred basis. ICG has received irrevocable proxies from holders of a majority of all issued and outstanding common stock authorizing ICG to vote those shares in favor of the reorganization. No further board or shareholder action is required to complete the reorganization and, therefore, we are not soliciting your vote.

If you oppose the reorganization, you are entitled to exercise rights of appraisal, which generally entitle shareholders to receive a cash payment equal to the judicially determined fair value of the ICG common stock in connection with the reorganization. A detailed description of the appraisal rights and procedures available to ICG shareholders is included in The Reorganization Appraisal Rights.

The conditions to the reorganization and Anker and CoalQuest acquisitions are complete, subject only to the issuance of shares of new International Coal Group being registered under the federal securities laws and other customary conditions, such as the absence of material litigation. As a result of the registration, all International Coal Group common shares held by former ICG shareholders will be freely tradable, other than shares beneficially owned by directors, officers and other affiliates. The new holding company also plans to sell common shares to the public in a registered public offering, although there is no assurance that the public offering will be completed.

Further shareholder approvals are not required to complete the reorganization or the acquisitions. Stock certificates which previously represented old International Coal Group common shares will represent shares of new International Coal Group after the transactions. As a consequence, shareholders need not do anything at this time. After the reorganization is effected, shareholders owning registered shares may have any legends removed unless they are held by directors, officers or other affiliates.

The attached prospectus provides you with detailed information about ICG, International Coal Group, the reorganization and the acquisitions. Please carefully review the entire prospectus, including the matters discussed under Risk Factors beginning on page 7 of the attached prospectus.

Wilbur L. Ross, Jr.
Chairman of the Board

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be offered pursuant to this prospectus or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

This prospectus is dated November 18, 2005, and is first being mailed to shareholders on or about November 21, 2005.

Table of Contents

REFERENCES TO ADDITIONAL INFORMATION

This prospectus incorporates important business and financial information about International Coal Group from other documents that are not included in or delivered with this prospectus. More information is available without charge to security holders upon written or oral request. Request should be made to International Coal Group at the following address or telephone number:

International Coal Group, Inc.
2000 Ashland Drive
Ashland, Kentucky 41101
(606) 920-7400
Attention: William D. Campbell

See Where You Can Find More Information.

TABLE OF CONTENTS

	Page
EXPLANATORY NOTE	ii
QUESTIONS AND ANSWERS ABOUT THE REORGANIZATION AND ACQUISITIONS	iii
SUMMARY	1
RISK FACTORS	7
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	28
INDUSTRY DATA	29
CAPITALIZATION	30
UNAUDITED CONSOLIDATED PRO FORMA FINANCIAL DATA OF ICG	31
SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF ICG	38
SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF INTERNATIONAL COAL GROUP	40
SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF ANKER AND COALQUEST	41
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF ICG	42
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF INTERNATIONAL COAL GROUP	62
INFORMATION ABOUT THE COMPANIES	63
ENVIRONMENTAL AND OTHER REGULATORY MATTERS	103
THE REORGANIZATION	111
THE BUSINESS COMBINATION AGREEMENT	116
DESCRIPTION OF INTERNATIONAL COAL GROUP CAPITAL STOCK	120
COMPARISON OF SHAREHOLDERS RIGHTS	126
COMPARATIVE MARKET PRICES	128
PRICE RANGE OF ICG, INC. COMMON STOCK	128
DIVIDEND POLICY	128
MANAGEMENT	129
PRINCIPAL SHAREHOLDERS	140
CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS	143
DESCRIPTION OF INDEBTEDNESS	143
LEGAL MATTERS	145
EXPERTS	145
EXPERTS COAL RESERVES	146
WHERE YOU CAN FIND MORE INFORMATION	146

GLOSSARY OF SELECTED TERMS	147
INDEX TO FINANCIAL STATEMENTS	F-1
ANNEX A: SECTION 262 OF THE DGCL	A-1

Table of Contents

EXPLANATORY NOTE

In this prospectus, we sometimes refer to:	as:
Acquisitions of each of Anker and CoalQuest	Anker and CoalQuest acquisitions
Anker Coal Group, Inc. and its consolidated subsidiaries	Anker
Proven and probable coal reserves, consisting of the part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination	coal reserves
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	non-reserve coal deposits
CoalQuest Development LLC	CoalQuest
Horizon NR, LLC (the entity holding the operating subsidiaries of Horizon Natural Resources Company) and its consolidated subsidiaries	Horizon
ICG, Inc.	ICG
International Coal Group, Inc.	International Coal Group, we, our, us and similar terms
WL Ross & Co. LLC	WLR

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE REORGANIZATION AND ACQUISITIONS

Q: Who are ICG and International Coal Group?

A: ICG, Inc. is the current name of the entity formerly known as International Coal Group, Inc. when it acquired certain assets of Horizon Natural Resources Company in September 2004. In anticipation of the acquisitions of Anker and CoalQuest, International Coal Group, Inc. (now called ICG, Inc.) formed ICG Holdco, Inc. to act as the holding company for Anker, CoalQuest and itself. The name of ICG Holdco was changed to International Coal Group, Inc. After the reorganization, International Coal Group will own ICG and all former ICG shareholders will become International Coal Group shareholders.

Q: What is the purpose of the reorganization?

A: The reorganization is being completed to facilitate the acquisitions of Anker and CoalQuest on a tax-deferred basis. The reorganization will be on a tax-free basis for ICG shareholders. After the reorganization, former ICG shareholders, as well as former Anker shareholders and CoalQuest members will become shareholders of the new parent holding company, International Coal Group.

Q: What will I receive in the reorganization?

A: ICG shareholders will receive one International Coal Group common share for each ICG common share owned immediately prior to the reorganization. Existing stock certificates representing ICG common shares will represent International Coal Group common shares following the reorganization. You need not send your stock certificates to us.

Q: How do the reorganization and the Anker and CoalQuest acquisitions relate to the proposed public offering?

A: Neither the reorganization nor the acquisitions are conditioned on the proposed public offering. However, the value of the shares to be issued in the Anker and CoalQuest acquisitions will be based on the public offering price if such offering is consummated prior to March 2006. If the proposed public offering does not occur, the number of shares issuable in the acquisition to Anker shareholders is 19,498,581 and to CoalQuest members is 11,451,548. See The Reorganization for more information on the calculation of the number of shares to be issued in connection with the acquisitions. The public offering will have no affect on the number of shares to be issued in the reorganization.

Q: Will the shares I receive in the reorganization be freely tradeable?

A: The shares being issued in this reorganization have been authorized for listing on the New York Stock Exchange under the symbol ICO. Unless you are an affiliate of International Coal Group, your International Coal Group common shares will not be subject to any restrictions on transfer under the federal securities laws.

Q: What are the tax consequences of the reorganization?

A: The reorganization and exchange of shares are intended to qualify as transactions in which no gain or loss is recognized by ICG shareholders for U.S. federal income tax purposes. In general, you will not be subject to U.S. federal income tax solely as a result of the receipt of shares of International Coal Group in exchange for your ICG common shares if you are a citizen or resident of the United States. However, you should consult your own tax advisor as to your particular U.S. federal, state, local and other tax consequences.

Q: What shareholder or other approvals are needed to approve the reorganization?

A: ICG has received irrevocable proxies from holders of a majority of all issued and outstanding common shares authorizing ICG to vote those shares in favor of the reorganization. No further board or shareholder action is required for the reorganization to be completed and, therefore, we are not soliciting your vote. Additionally, the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act, or HSR, has been terminated, and all other conditions to the closing of the acquisitions

Table of Contents

and reorganization, have occurred, other than the absence of material litigation and similar technical conditions such as the delivery of required closing documents.

Q: What do I need to do now?

A: No further action by any shareholder is required to effect the reorganization. You do not need to send in your stock certificates. Your current ICG stock certificates will represent shares in International Coal Group following the reorganization.

Q: When do you expect the reorganization to be completed?

A: We expect to complete the reorganization on or about the same time that we complete the Anker and CoalQuest acquisitions. We intend to complete the reorganization and the acquisitions as soon as possible after the effectiveness of the registration statement of which this prospectus forms a part.

Q: What rights do I have if I oppose the reorganization?

A: Any holder of ICG common stock who otherwise complies with the requirements and procedures of Section 262 of the Delaware General Corporation Law, or DGCL, is entitled to exercise rights of appraisal, which generally entitle shareholders to receive a cash payment equal to the judicially determined fair value of the ICG common stock in connection with the reorganization. A detailed description of the appraisal rights and procedures available to ICG shareholders is included in The Reorganization Appraisal Rights.

Q: What is the purpose of this document?

A: This prospectus is part of a registration statement that registers the shares of International Coal Group that you will receive in connection with the reorganization under the federal securities laws. If you are not an affiliate of International Coal Group, the common shares you receive in the reorganization will not be subject to any transfer restrictions under the federal securities laws.

Q: Will my ownership interest be diluted?

A: Not by the reorganization in the reorganization, shares are being converted on a one-to-one basis, regardless of whether the proposed public offering is consummated. However, the issuance of shares in the acquisitions and the proposed public offering will result in increasing the number of International Coal Group common shares outstanding. This will have the effect of proportionately decreasing the percentage share ownership held by the existing ICG common shareholders who do not also have ownership interests in Anker and CoalQuest. As of September 30, 2005, there were 107,230,999 ICG common shares outstanding. The maximum number of ICG shares to be issued in connection with the Anker and CoalQuest acquisitions is 30,950,129, assuming the proposed public offering does not occur or the offering price is $8.885 per share or less, subject to possible adjustments. As the following chart illustrates, the higher the offering price per share of International Coal Group common stock in the proposed public offering, the less International Coal Group common shares will be issued in connection with the Anker and CoalQuest acquisitions. The number of shares to be issued will continue to decrease if the proposed public offering price is greater than the $16.00 shown below. The table does not reflect the impact of the proposed public offering the shares to be issued in the proposed public offering, which we currently estimate to be 20,000,000 shares assuming the over-allotment option is not exercised, will further dilute existing shareholders proportionately.

ernational al Group nmon ck ering ce	$ 8.885 or less	$10.00	$11.00	$12.00	$13.00	$13.70	$14.00	$15.00	$16.
G nmon res issued Anker and alQuest uisitions:									
ithout justments	30,950,129	27,500,000	25,000,000	22,916,667	21,153,846	20,072,992	19,642,857	18,333,333	17,187,5
ith justments	29,824,670	26,500,000	24,090,909	22,083,333	20,384,615	19,343,065	18,928,571	17,666,667	16,562,5

Table of Contents

Q: How will the adjustment to the number of shares to be issued in the acquisition work?

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

Q: Who can help answer my questions about the reorganization?

A: If you would like additional copies of this document, or if you would like to ask any additional questions about the reorganization and the acquisitions, you should contact:

International Coal Group, Inc.
2000 Ashland Drive
Ashland, Kentucky 41101
(606) 920-7400
Attention: William D. Campbell

Table of Contents

SUMMARY

This summary highlights selected information from this document. It does not contain all of the information that is important to you. We urge you to carefully read the entire document and the other documents to which we refer in order to fully understand the reorganization and the related transactions. See Where You Can Find More Information. Each item in this summary refers to the page of this document on which that subject is discussed in more detail.

OVERVIEW

ICG was formed by WLR and other investors in May 2004 to acquire and operate competitive coal mining facilities. As of September 30, 2004, ICG acquired certain key assets of Horizon through a bankruptcy auction. These assets are high quality reserves strategically located in Appalachia and the Illinois Basin, are union free, have limited reclamation liabilities and are substantially free of other legacy liabilities. Due to ICG s initial capitalization, it was able to complete the acquisition without incurring a significant level of indebtedness. Consistent with the WLR investor group s strategy to consolidate profitable coal assets, ICG intends to acquire Anker and CoalQuest to further diversify its reserves.

The Reorganization

ICG is proposing to undergo a corporate reorganization to facilitate the combination of Anker and CoalQuest with ICG. In the corporate reorganization, ICG shareholders will receive one International Coal Group common share for each ICG common share owned immediately prior to the reorganization.

The Anker and CoalQuest Acquisitions

On March 31, 2005, ICG entered into an agreement to acquire Anker for the lesser of (1) 19,498,581 International Coal Group common shares and (2) the number of International Coal Group common shares equal to 173,250,000 divided by the price per share at which International Coal Group s stock is offered in the proposed public offering, subject to certain possible adjustments as described on page 64.

On March 31, 2005, International Coal Group also entered into an agreement to acquire CoalQuest, for the lesser of (1) 11,451,548 International Coal Group common shares and (2) the number of common shares equal to 101,750,000 divided by the price per share at which International Coal Group s common stock is offered in the proposed public offering.

The former Anker shareholders and CoalQuest members will be granted certain piggyback registration rights with respect to the International Coal Group common shares issued to them. For additional information on registration rights, see Description of International Coal Group Capital Stock Registration Rights.

INFORMATION ABOUT THE COMPANIES (Page 63)

ICG, Inc.

ICG is a leading producer of coal in Central Appalachia, with mining complexes located in Kentucky and West Virginia. ICG has a complementary mining complex located in the Illinois Basin. ICG acquired its current properties in 2004 from Horizon through a bankruptcy auction.

ICG s principal executive offices are located at 2000 Ashland Drive, Ashland, Kentucky 41101 and its telephone number is (606) 920-7400.

International Coal Group, Inc.

International Coal Group was formed in March 2005 to be ICG s new top-tier parent holding company following the reorganization. International Coal Group currently has no operations and no significant assets. Following the completion of the reorganization and acquisitions, International Coal Group will own, through ICG, all of the ICG business as well as Anker and CoalQuest.

International Coal Group s principal executive offices are located at 2000 Ashland Drive, Ashland, Kentucky 41101 and its telephone number is (606) 920-7400.

Table of Contents

Anker Coal Group and CoalQuest

Anker produces coal from mining complexes in West Virginia, Virginia, Maryland and Pennsylvania. It leases a majority of its coal reserves from CoalQuest. CoalQuest has no other material operations other than its leasing activity.

INTERNATIONAL COAL GROUP MANAGEMENT FOLLOWING COMPLETION OF THE REORGANIZATION AND ACQUISITIONS (Page 129)

The Board of Directors and executive officers of International Coal Group will be the same as the current Board of Directors and executive officers of ICG.

APPRAISAL RIGHTS (Page 114)

Under Section 262 of the Delaware General Corporation Law, record holders of ICG common shares are entitled to appraisal rights in connection with the reorganization. Failure to follow the procedures required by Section 262 of the DGCL for perfecting appraisal rights may result in the loss of appraisal rights. If an ICG shareholder withdraws his or her demand for appraisal or has his or her appraisal rights terminated, that holder of ICG common shares will only be entitled to receive the reorganization consideration consisting of one International Coal Group common share for one ICG common share.

ACCOUNTING TREATMENT (Page 115)

For accounting purposes, our reorganization will be accounted for as a transfer of assets and exchange of shares between entities under common control. As such, the transaction will be accounted for in a manner similar to a pooling-of-interests. Accordingly, the financial position and results of operations of ICG will be included in our consolidated financial statements on a historical cost basis.

EFFECTIVE TIME OF THE REORGANIZATION (Page 116)

The Anker merger and ICG reorganization will become effective upon the filing of certificates of merger with the Secretary of State of the State of Delaware or at such later time as may be agreed upon by ICG and Anker and as specified in the certificates of merger. The filing of the certificates of merger will occur as soon as practicable after the effectiveness of the registration statement of which this prospectus forms a part.

CONDITIONS TO COMPLETION OF THE REORGANIZATION (Page 118)

Substantially all of the conditions to the completion of the reorganization have been satisfied, other than the absence of material litigation and certain formal conditions such as the delivery of closing documents. The acquisitions and reorganization are not conditioned upon the completion of International Coal Group s proposed public offering and, in fact, are expected to be completed prior to the completion of such offering.

TERMINATION OF THE ANKER BUSINESS COMBINATION AGREEMENT (Page 119)

The Anker business combination agreement may be terminated by either party upon the happening of specified events, including by mutual consent, if the Anker merger and ICG reorganization have not occurred by April 2006 or if the CoalQuest business combination agreement is terminated. The CoalQuest business combination agreement may be terminated under the same or reciprocal conditions as apply to the Anker business combination agreement, including if the Anker business combination agreement is terminated.

COMPARISON OF SHAREHOLDERS RIGHTS (Page 126)

The rights of ICG shareholders will change as a result of the reorganization and the listing of the common stock on NYSE. In general, the provisions being terminated provide special governance rights to the ICG shareholders who sponsored ICG s formation last year.

Table of Contents

SUMMARY HISTORICAL CONSOLIDATED AND PRO FORMA FINANCIAL DATA OF ICG

International Coal Group 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, did not have any material assets, liabilities or results of operations. The summary historical consolidated financial data as of and for the period from May 13, 2004 to December 31, 2004 have been derived from the audited consolidated financial statements of ICG and the summary historical consolidated financial data as of and for the nine months ended September 30, 2005 have been derived from ICG s unaudited consolidated financial statements. The following summary historical consolidated financial data as of and for the period January 1, 2004 to September 30, 2004, the year ended December 31, 2003 and the period May 10, 2002 to December 31, 2002 has been derived from the audited consolidated financial statements of Horizon (the predecessor to ICG for accounting purposes). The summary historical consolidated financial data for the period January 1, 2002 to May 9, 2002 has been derived from the audited consolidated financial statements of AEI Resources (the predecessor to Horizon for accounting purposes). The financial statements for the predecessor periods have been prepared on a carve-out basis to include the assets, liabilities and results of operations of ICG that were previously included in the consolidated financial statements of Horizon. The financial statements for the predecessor periods include allocations of certain expenses, taxation charges, interest and cash balances relating to the predecessor based on management s estimates. The predecessor financial information is not necessarily indicative of the consolidated financial position, results of operations and cash flows of International Coal Group 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 and its subsidiaries for the year ended December 31, 2004 and as of and for the nine months ended September 30, 2005 have been prepared to give pro forma effect to our corporate reorganization, our acquisitions of Horizon, Anker and CoalQuest and the proposed public offering of 20,000,000 shares by International Coal Group at an offering price of $13.70 per share, as if each had occurred on January 1, 2004, in the case of unaudited pro forma statement of operations data, and on September 30, 2005, in the case of unaudited pro forma balance sheet data. The successor balance sheet data and pro forma adjustments used in preparing the pro forma financial data reflect our preliminary estimates of the purchase price allocation to certain assets and liabilities. The pro forma financial data are for informational purposes only and should not be considered indicative of actual results that would have been achieved had the transactions actually been consummated on the dates indicated and do not purport to indicate balance sheet data or results of operations as of any future date or for any future period. You should read the following data in conjunction with Unaudited Consolidated Pro Forma Financial Data of ICG, Management s Discussion and Analysis of Financial Condition and Results of Operations of ICG and the audited consolidated financial statements and related notes of each of ICG, Horizon (and its predecessors), Anker and CoalQuest, each included elsewhere in this prospectus.

Table of Contents

	AEI Resources Predecessor to Horizon	Horizon Predecessor to ICG, Inc.			ICG, Inc.			
	Period from January 1, 2002 to May 9, 2002[6]	Period from May 10, 2002 to December 31, 2002[6]	Year Ended December 31, 2003[6]	Period January 1, 2004 to September 30, 2004[6]	Period May 13, 2004 to December 31, 2004	Nine Months Ended September 30, 2005	Pro Forma Year Ended December 31, 2004[4]	Pro Forma Nine Months Ended September 30, 2005[4]
					(In thousands)			
Statement of operations data:								
Revenues:								
Coal sales revenues	$ 136,040	$ 264,235	$ 441,291	$ 346,981	$ 130,463	$ 441,662	$ 624,120	$ 542,744
Freight and handling revenues	2,947	6,032	8,008	3,700	880	6,236	15,996	15,307
Other revenues	21,183	27,397	31,771	22,702	4,766	17,757	33,696	22,132
Total revenues	160,170	297,664	481,070	373,383	136,109	465,655	673,812	580,183
Cost and expenses:								
Freight and handling costs	2,947	6,032	8,008	3,700	880	6,236	15,996	15,307
Cost of coal sales and other revenues (exclusive of depreciation, depletion and	114,767	251,361	400,652	306,429	113,707	357,076	564,723	465,415

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

Income (loss) before income taxes								
Income tax expense					(2,591)	(14,786)	(3,777)	(12,945)
Net income (loss)	$ 743,966	$ (829,595)	$ (176,743)	$ (107,663)	$ 4,249	$ 28,548	$ 6,192	$ 24,909
Earnings (loss) per share[1]:								
Basic					0.04	0.27	0.04	0.17
Diluted					0.04	0.27	0.04	0.17
Average common shares outstanding[1] :								
Basic					106,605,999	107,230,999	146,678,991	147,303,991
Diluted					106,605,999	107,280,820	146,728,812	147,353,812
Balance sheet data (at period end):								
Cash and cash equivalents	$ 87,278	$ 114	$ 859	$	$ 23,967	$ 15,534	$	$ 42,385
Total assets	1,521,318	623,800	576,372	539,606	459,975	523,020		945,972
Long-term debt and capital leases	933,106	1,157	315	29	173,446	186,938		3,269
Total liabilities	1,286,318	1,222,219	1,351,393	1,422,290	305,575	336,494		215,136
Total stockholders equity (members deficit)	$ 235,000	$ (598,419)	$ (775,021)	$ (882,684)	$ 154,400	$ 186,526	$	$ 730,836
Total liabilities and stockholders equity (members deficit)	$1,521,318	$ 623,800	$ 576,372	$ 539,606	$ 459,975	$ 523,020	$	$ 945,972

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

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

(2) EBITDA represents net income before deducting interest expense, income taxes and depreciation, depletion and amortization. We present EBITDA and pro forma EBITDA because we consider them important supplemental measures of our performance and believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry, substantially all of which present EBITDA when reporting their results.

Table of Contents

We also use EBITDA for the following purposes: Our executive compensation plan bases incentive compensation payments on our EBITDA performance measured against budgets and a peer group. Our credit agreement uses EBITDA (with additional adjustments) to measure our compliance with covenants, such as interest coverage and debt incurrence. EBITDA is also widely used by us and others in our industry to evaluate and price potential acquisition candidates.

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

- *EBITDA and pro forma EBITDA do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;*
- *EBITDA and pro forma EBITDA do not reflect changes in, or cash requirements for, our working capital needs;*
- *EBITDA and pro forma EBITDA do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debts;*
- *Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and pro forma EBITDA do not reflect any cash requirements for such replacements; and*
- *Other companies in our industry may calculate EBITDA and pro forma EBITDA differently than we do, limiting their usefulness as comparative measures.*

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

Table of Contents

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

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

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

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

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

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

	Pro forma	Pro forma

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

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

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

6

Table of Contents

RISK FACTORS

You should carefully consider the risks described below before deciding whether or not to exercise your appraisal rights. If you do not exercise your appraisal rights, you will be choosing to invest in the common stock of International Coal Group. Investing in our common stock involves a high degree of risk. If any of the following risks develop into actual events, our business, financial condition or results of operations could be materially adversely affected, the trading price of your shares of our common stock could decline and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

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

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

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

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

- the supply of and demand for domestic and foreign coal;
- the demand for electricity;
- domestic and foreign demand for steel and the continued financial viability of the domestic and/or foreign steel industry;
- the proximity to, capacity of and cost of transportation facilities;
- domestic and foreign governmental regulations and taxes;
- air emission standards for coal-fired power plants;
- regulatory, administrative and judicial decisions;

- the price and availability of alternative fuels, including the effects of technological developments; and
- the effect of worldwide energy conservation measures.

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

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

- the unavailability of qualified labor;
- our inability to acquire, maintain or renew necessary permits or mining or surface rights in a timely manner, if at all;
- unfavorable geologic conditions, such as the thickness of the coal deposits and the amount of rock embedded in or overlying the coal deposit;
- failure of reserve estimates to prove correct;
- changes in governmental regulation of the coal industry, including the imposition of additional taxes, fees or actions to suspend or revoke our permits or changes in the manner of enforcement of existing regulations;
- mining and processing equipment failures and unexpected maintenance problems;
- adverse weather and natural disasters, such as heavy rains and flooding;
- increased water entering mining areas and increased or accidental mine water discharges;
- increased or unexpected reclamation costs;
- interruptions due to transportation delays;
- the unavailability of required equipment of the type and size needed to meet production expectations; and
- unexpected mine safety accidents, including fires and explosions from methane.

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

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

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

Although we expect that many new power plants will be built to produce electricity during peak periods of demand, we also expect that many of these new power plants will be fired by natural gas because gas-fired plants are cheaper to construct than coal-fired plants and because natural gas is a cleaner burning fuel. Gas-fired generation from existing and newly constructed gas-fired facilities has the potential to displace coal-fired generation, particularly from

older, less efficient coal-powered generators. In addition,

the increasingly stringent requirements of the Clean Air Act may result in more electric power generators shifting from coal to natural gas-fired plants. Any reduction in the amount of coal consumed by North American electric power generators could reduce the price of steam coal that we mine and sell, thereby reducing our revenues and adversely impacting our earnings and the value of our coal reserves.

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

Overall economic activity and the associated demands for power by industrial users can have significant effects on overall electricity demand. Robust economic activity can cause much heavier demands for power, particularly if such activity results in increased utilization of industrial assets during evening and nighttime periods. The economic slowdown experienced during the last several years significantly slowed the growth of electrical demand and, in some locations, resulted in contraction of demand. Any downward pressure on coal prices, whether due to increased use of alternative energy sources, changes in weather patterns, decreases in overall demand or otherwise, would likely cause our profitability to decline.

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

We sell a significant portion of our coal under long-term coal supply agreements, which we define as contracts with a term greater than 12 months. For the nine months ended September 30, 2005 (pro forma for the Anker and CoalQuest acquisitions), approximately 75% of our revenues were derived from coal sales that were made under long-term coal supply agreements. As of that date, we had 30 long-term sales agreements with a volume-weighted average term of approximately 5.2 years. The prices for coal shipped under these agreements are fixed for the initial year of the contract, subject to certain adjustments in later years, and thus may be below the current market price for similar type coal at any given time, depending on the timeframe of contract execution or initiation. As a consequence of the substantial volume of our sales that are subject to these long-term agreements, we have less coal available with which to capitalize on higher coal prices, if and when they arise. In addition, in some cases, our ability to realize the higher prices that may be available in the spot market may be restricted when customers elect to purchase higher volumes allowable under some contracts.

When our current contracts with customers expire or are otherwise renegotiated, our customers may decide not to extend or enter into new long-term contracts or, in the absence of long-term contracts, our customers may decide to purchase fewer tons of coal than in the past or on different terms, including under different pricing terms. In addition, we have brokered coal contracts that will expire at the end of 2006. These contracts were signed during a period of oversupply in the coal industry and contain pricing that, while acceptable to the sellers at that time, is significantly below today s market levels and, management believes, will not be able to be renegotiated or replaced in today s market. Assuming today s market continues, we believe the loss of these contracts will have a significant impact on our earnings after 2006. Through the nine months ended September 30, 2005, these contracts have provided $26.2 million in revenue. For additional information relating to these contracts, see Information about the Companies Business International Coal Group Customers and Coal Contracts Long-Term Coal Supply Agreements.

Furthermore, as electric utilities seek to adjust to requirements of the Clean Air Act, particularly the Acid Rain regulations, the Clean Air Mercury Rule and the Clean Air Interstate Rule, although these two rules are subject to judicial challenge and the Clean Air Mercury Rule has been subject to legislative challenge in Congress, and the possible deregulation of their industry, they could become increasingly less willing to enter into long-term coal supply agreements and instead may purchase higher percentages of

coal under short-term supply agreements. To the extent the electric utility industry shifts away from long-term supply agreements, it could adversely affect us and the level of our revenues. For example, fewer electric utilities will have a contractual obligation to purchase coal from us, thereby increasing the risk that we will not have a market for our production. Furthermore, spot market prices tend to be more volatile than contractual prices, which could result in decreased revenues.

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

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

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

Consequently, due to the risks mentioned above with respect to long-term supply agreements, we may not achieve the revenue or profit we expect to achieve from these sales commitments. In addition, we may not be able to successfully convert these sales commitments into long-term supply agreements.

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

Following the Anker acquisition, portions of our coal reserves will possess quality characteristics that will enable us to mine, process and market them as either metallurgical coal or high quality steam coal, depending on the prevailing conditions in the metallurgical and steam coal markets. A decline in the metallurgical market relative to the steam market could cause us to shift coal from the metallurgical market to the steam market, thereby reducing our revenues and profitability.

Most of our expected metallurgical coal reserves possess quality characteristics that will enable us to mine, process and market them as high quality steam coal. However, some of our mines will 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.

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

We base our reserves information on engineering, economic and geological data assembled and analyzed by our staff, which includes various engineers and geologists, and which is periodically reviewed by outside firms. The reserves estimates as to both quantity and quality are annually updated to reflect production of coal from the reserves and new drilling or other data received. There are numerous uncertainties inherent in estimating quantities and qualities of and costs to mine recoverable reserves, including many factors beyond our control. Estimates of economically recoverable coal reserves and net

cash flows necessarily depend upon a number of variable factors and assumptions, all of which may vary considerably from actual results such as:

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

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

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

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

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

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

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

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

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

The states of West Virginia and Kentucky have recently increased enforcement of weight limits on coal trucks on its public roads. Additionally, West Virginia legislation, which raised coal truck weight limits in West Virginia, includes provisions supporting enhanced enforcement. The legislation went into effect on October 1, 2003 and implementation began on January 1, 2004. It is possible that other states in which our coal is transported by truck could conduct similar campaigns to increase enforcement of weight

Table of Contents

limits. Such stricter enforcement actions could result in shipment delays and increased costs. An increase in transportation costs could have an adverse effect on our ability to increase or to maintain production and could adversely affect revenues.

Some of our mines depend on a single transportation carrier or a single mode of transportation. Disruption of any of these transportation services due to weather-related problems, mechanical difficulties, strikes, lockouts, bottlenecks and other events could temporarily impair our ability to supply coal to our customers. Our transportation providers may face difficulties in the future that may impair our ability to supply coal to our customers, resulting in decreased revenues. Currently, there is a shortage of available train cars to service our coal operations in eastern Kentucky.

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

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

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

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

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

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

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

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

Table of Contents

Unexpected increases in raw material costs could significantly impair our operating profitability.

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

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

Efficient coal mining using modern techniques and equipment requires skilled laborers, preferably with at least a year of experience and proficiency in multiple mining tasks. In order to support our planned expansion opportunities, we intend to sponsor both in-house and vocational coal mining programs at the local level in order to train additional skilled laborers. In the event the shortage of experienced labor continues or worsens or we are unable to train the necessary amount of skilled laborers, there could be an adverse impact on our labor productivity and costs and our ability to expand production and therefore have a material adverse effect on our earnings.

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

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

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

Our senior management team averages 23 years of experience in the coal industry, which includes developing innovative, low-cost mining operations, maintaining strong customer relationships and making strategic, opportunistic acquisitions. The loss of any of our senior executives could have a material adverse effect on our business. There may be a limited number of persons with the requisite experience and skills to serve in our senior management positions. We may not be able to locate or employ qualified executives on acceptable terms. In addition, as our business develops and expands, we believe that our future success will depend greatly on our continued ability to attract and retain highly skilled personnel with coal industry experience. Competition for these persons in the coal industry is intense and we may not be able to successfully recruit, train or retain qualified personnel. We may not be able to continue to employ key personnel or attract and retain qualified personnel in the future. Our failure to retain or attract key personnel could have a material adverse effect on our ability to effectively operate our business.

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

We continually seek to expand our operations and coal reserves through acquisitions. If we are unable to successfully integrate the companies, businesses or properties we acquire, our profitability may decline

and we could experience a material adverse effect on our business, financial condition, or results of operations. Acquisition transactions involve various inherent risks, including:

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;

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

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

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

unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying 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 or realize the expected benefits of those acquisitions.

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

the loss of key employees or customers;

the challenge of maintaining the quality of customer service;

the need to coordinate geographically diverse operations;

retooling and reprogramming of equipment and information technology systems; and

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

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

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

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

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

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

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

- lack of availability, higher expense or unfavorable market terms of new bonds;
- restrictions on availability of collateral for current and future third-party surety bond issuers under the terms of our credit facility; and
- the exercise by third-party surety bond issuers of their right to refuse to renew the surety.

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

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

Our business requires substantial capital investment and maintenance expenditures, which we may be unable to provide.

Our business strategy will require additional substantial capital investment. We require capital for, among other purposes, managing acquired assets, acquiring new equipment, maintaining the condition of our existing equipment and maintaining compliance with environmental laws and regulations. To the extent

that cash generated internally and cash available under our credit facilities are not sufficient to fund capital requirements, we will require additional debt and/or equity financing. However, this type of financing may not be available or, if available, may not be on satisfactory terms. Future debt financings, if available, may result in increased interest and amortization expense, increased leverage and decreased income available to fund further acquisitions and expansion. In addition, future debt financings may limit our ability to withstand competitive pressures and render us more vulnerable to economic downturns. If we fail to generate or obtain sufficient additional capital in the future, we could be forced to reduce or delay capital expenditures, sell assets or restructure or refinance our indebtedness.

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.