International Coal Group, Inc.
Form S-4/A
November 09, 2005

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

Registration No. 333-126156

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 3
to
Form S-4
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 or other jurisdiction of Incorporation)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

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:
Randi L. Strudler, Esq.
Jones Day
222 East 41st Street
New York, New York 10017
(212) 326-3939

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective and upon completion of the reorganization described in the enclosed prospectus.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, 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 of 1933, 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

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

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

SUBJECT TO COMPLETION, NOVEMBER 9, 2005

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

, 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 , 2005, and is first being mailed to shareholders on or about , 2005.

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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.

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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

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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: We expect that the shares being issued in this reorganization will be listed 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

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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.

$ 8.885 or less	$10.00	$11.00	$12.00	$13.00	$13.70	$14.00	$15.00	$16.

ernational al Group nmon ck ering ce									
G nmon res issued Anker and alQuest uisitions:									
thout 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
th 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

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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

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 62.

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.

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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 128)

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 113)

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 114)

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 115)

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 117)

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 118)

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 125)

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.

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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.

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	AEI Resources Predecessor to Horizon	Horizon Predecessor to ICG, Inc.			ICG, Inc.			
	Period from January 1, 2002 to May 9, 2002(6)	Period from May 10, 2002 to December 31, 2002(6)	Year Ended December 31, 2003(6)	Period January 1, 2004 to September 30, 2004(6)	Period May 13, 2004 to December 31, 2004	Nine Months Ended September 30, 2005	Pro Forma Year Ended December 31, 2004(4)	Pro Forma Nine Months Ended September 30, 2005(4)
					(In thousands)			
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.

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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.

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.

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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

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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

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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.

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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.

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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.

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

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

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

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

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

During the last several years, the U.S. coal industry has experienced increased consolidation, which has contributed to the industry becoming more competitive. According to the EIA, in 1995, the top ten coal producers accounted for approximately 50% of total domestic coal production. By 2003, however, the top ten coal producers share had increased to approximately 63% of total domestic coal production. Consequently, many of our competitors in the domestic coal industry are major coal producers who have significantly greater financial resources than us. The intense competition among coal producers may impact our ability to retain or attract customers and may therefore adversely affect our future revenues and profitability.

The demand for U.S. coal exports is dependent upon a number of factors outside of our control, including the overall demand for electricity in foreign markets, currency exchange rates, ocean freight rates, the demand for foreign-produced steel both in foreign markets and in the U.S. market (which is

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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 and continuing in 2005, the creditworthiness of the energy trading and brokering companies with which we do business declined, increasing the risk that we may not be able to collect payment for all coal sold and delivered to or on behalf of these energy trading and brokering companies.

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

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

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

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

All of our coal production is from mines operated by union-free employees. However, our subsidiaries employees have the right at any time under the National Labor Relations Act to form or affiliate with a union. If the terms of a union collective bargaining agreement are significantly different from our current compensation arrangements with our employees, any unionization of our subsidiaries employees could adversely affect the stability of our production and reduce our profitability.

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

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

- incur additional debt;
- pay dividends on, redeem or repurchase capital stock;
- allow our subsidiaries to issue new stock to any person other than us or any of our other subsidiaries;
- make investments;
- make acquisitions;
- incur or permit to exist liens;
- enter into transactions with affiliates;
- guarantee the debt of other entities, including joint ventures;
- merge or consolidate or otherwise combine with another company; and
- transfer or sell a material amount of our assets outside the ordinary course of business.

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

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

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

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

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

See Management s Discussion and Analysis of Financial Condition and Results of Operations of ICG Liquidity and Capital Resources and Note 6 to ICG s 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

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

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

limitations on land use;

employee health and safety;

mandated benefits for retired coal miners;

mine permitting and licensing requirements;

reclamation and restoration of mining properties after mining is completed;

air quality standards;

water pollution;

protection of human health, plantlife and wildlife;

the discharge of materials into the environment;

surface subsidence from underground mining; and

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.

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

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

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

Mining companies must obtain numerous permits that impose strict regulations on various environmental and safety matters in connection with coal mining. These include permits issued by various federal and state agencies and regulatory bodies. The permitting rules are complex and may change over time, making our ability to comply with the applicable requirements more difficult or even impossible, thereby precluding continuing or future mining operations. Private individuals and the public have certain rights to comment upon and otherwise engage in the permitting process, including through court intervention. Accordingly, the permits we need may not be issued, maintained or renewed, or may not be issued or renewed in a timely fashion, or may involve requirements that restrict our ability to conduct our mining operations. An inability to conduct our mining operations pursuant to applicable permits would reduce our production, cash flow, and profitability.

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

The Surface Mining Control and Reclamation Act of 1977, or SMCRA, establishes operational, reclamation and closure standards for all aspects of surface mining as well as most aspects of deep mining. Estimates of our total reclamation and mine-closing liabilities are based upon permit requirements and our engineering expertise related to these requirements. The estimate of ultimate reclamation liability is reviewed periodically by our management and engineers. The estimated liability can change significantly if actual costs vary from assumptions or if governmental regulations change significantly. We adopted Statement of Financial Accounting Standard No. 143, Accounting for Asset Retirement Obligations (Statement No. 143) effective January 1, 2003. Statement No. 143 requires that retirement obligations be recorded as a liability based on fair value, which is calculated as the present value of the estimated future cash flows. In estimating future cash flows, we considered the estimated current cost of reclamation and applied inflation rates and a third-party profit, as necessary. The third-party profit is an estimate of

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the approximate markup that would be charged by contractors for work performed on behalf of us. The resulting estimated reclamation and mine closure obligations could change significantly if actual amounts change significantly from our assumptions.

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

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

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

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

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

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

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

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

Various new and proposed laws and regulations may require further reductions in emissions from coal-fired utilities. For example, under the Clean Air Interstate Rule issued in March 2005, the U.S. Environmental Protection Agency, or EPA, has further regulated sulfur dioxide and nitrogen oxides from coal-fired power plants. Among other things, in affected states, the rule mandates reductions in sulfur dioxide emissions by approximately 45% below 2003 levels by 2010, and by approximately 57% below 2003 levels by 2015. The stringency of this cap may require many coal-fired sources to install additional pollution control equipment, such as wet scrubbers. Installation of additional pollution control equipment required by this proposed rule could result in a decrease in the demand for low sulfur coal (because sulfur would be removed by the new equipment), potentially driving down prices for low sulfur coal. In March 2005, the EPA also adopted the Clean Air Mercury Rule to control mercury emissions from power plants, which could require coal-fired power plants to install new pollution controls or comply with a mandatory, declining cap on the total mercury emissions allowed from coal-fired power plants nationwide. Both of these are subject to judicial challenge. Certain aspects of the Clean Air Mercury Rule are being reconsidered by the EPA and the regulation has been subject to challenge in Congress. These and other future standards could have the effect of making the operation of coal-fired plants less profitable, thereby decreasing demand for coal. The majority of our coal supply agreements contain provisions that allow a purchaser to terminate its contract if legislation is passed that either restricts the use or type of coal permissible at the purchaser s plant or results in specified increases in the cost of coal or its use.

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

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

One major by-product of burning coal is carbon dioxide, which is considered a greenhouse gas and is a major source of concern with respect to global warming. The Kyoto Protocol to the 1992 Framework Convention on Global Climate Change, which establishes a binding set of emission targets for greenhouse gases, became binding on ratifying countries on February 16, 2005. Four industrialized nations have refused to ratify the Kyoto Protocol Australia, Liechtenstein, Monaco and the United States. Although the targets vary from country to country, if the United States were to ratify the Kyoto Protocol, our nation would be required to reduce greenhouse gas emissions to 93% of 1990 levels in a series of phased reductions from 2008 to 2012.

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

RISKS RELATING TO OUR COMMON STOCK

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, ICG, and its predecessor, Horizon. On or about the same time we complete the reorganization, we will complete the Anker and CoalQuest acquisitions. Each of these businesses have 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, and after giving effect to the Anker and CoalQuest acquisitions will not, meet all the standards applicable to public companies, including those contemplated by Section 404 of the Sarbanes-Oxley Act of 2002, as well as rules and regulations enacted by the Securities and Exchange Commission and The New York Stock Exchange. Areas of deficiency in our internal controls requiring improvement include documentation of controls and procedures, insufficient experience in public company accounting and periodic reporting matters among our financial and accounting staff.

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

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.

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

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

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

If our stockholders sell substantial amounts of our common stock following the reorganization and proposed public offering, the market price of our common stock may decline.

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

In addition, under a registration rights agreement that we entered into with certain of ICG s existing stockholders, those stockholders have demand and piggyback registration rights in connection with the proposed public offering and future offerings of our common stock. Demand rights enable the holders to demand that their shares of common stock be registered and may require us to file a registration statement under the Securities Act at our expense. Piggyback rights require us to provide notice to the relevant holders of our stock if we propose to register any of our securities under the Securities Act and grant such holders the right to include their shares in our registration statement. In addition, under a registration rights agreement that we will enter into with the former Anker shareholders and CoalQuest members who will receive shares of our common stock at the closing of the Anker and CoalQuest acquisitions, they will receive piggyback registration rights. 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 the proposed public offering, our costs will increase as a result of having to comply with the Exchange Act, the Sarbanes-Oxley Act and The New York Stock Exchange listing requirements, which will require us, among other things, to establish an internal audit function.

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

We may not pay dividends for the foreseeable future.

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

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RISKS RELATING TO THE REORGANIZATION

Failure to obtain a listing on the New York Stock Exchange may result in there being no active market for the International Coal Group common shares issued in the reorganization.

We have applied to list our common shares being issued in the reorganization on The New York Stock Exchange. We cannot assure you that these shares will be approved for listing on The New York Stock Exchange. International Coal Group s common shares may not be listed on The New York Stock Exchange if they fail to meet any listing criterion. If we are unable to list common shares on The New York Stock Exchange, we expect the shares to continue to trade on the Pink Sheets Electronic Quotation Service.

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 we continue to trade on the Pink Sheets Electronic Quotation Service, we cannot predict the extent to which investor will lead to an active trading market or how liquid this market might become. If an active trading market does not develop on either The New York Stock Exchange or the Pink Sheets Electronic Quotation Service, you may have difficulty selling any of our common stock that you receive.

Some specific factors that may have a significant effect on our common stock market price include:

- actual or anticipated fluctuations in our operating results or future prospects;
- the public s reaction to our press releases, our other public announcements and our filings with the SEC;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidance, interpretations or principles;
- 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;
- sales of common stock by us or members of our management team; and
- changes in stock market analyst recommendations or earnings estimates regarding our common stock, other comparable companies or the coal industry generally.

The voting power of the existing holders of common stock of ICG will be diluted significantly as a result of the proposed public offering.

The shares in the reorganization are being issued on a one-for-one basis for shares currently outstanding. In connection with the Anker and CoalQuest acquisitions, we will issue up to 30,950,129 shares to former Anker shareholders and CoalQuest members. This will dilute the voting rights of current holders (other than ICG holders who also own shares of Anker or are members of CoalQuest). We have also filed a registration statement with the SEC for a public offering of our common stock expected to raise approximately $300 million of gross proceeds (assuming no exercise of the over-allotment option by the underwriters). The issuance of shares in the proposed public offering and exercise of all outstanding stock options will further dilute the voting power held by holders of common stock.

There is no assurance as to the value you can receive by exercising dissenter s rights.

Under Section 262 of the DGCL record holders of ICG common shares are entitled to appraisal rights in connection with the reorganization. If an ICG shareholder exercises his or her demand for appraisal and follows the procedures specified in Section 262 of the DGCL, summarized in The Reorganization Appraisal Rights, he or she will have the right to receive cash payment of the fair value of his or her common shares. The express procedures of Section 262 must be followed and, if they are not, shareholders may lose their right to appraisal. The fair value cash payment for the ICG shares would potentially be determined in judicial proceedings, the result of which cannot be predicted. There can be no assurance that shareholders exercising appraisal rights will receive consideration equal to or greater than the value of International Coal Group common shares to be owned by such shareholders following consummation of the reorganization.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- market demand for coal, electricity and steel;
- availability of qualified workers;
- future economic or capital market conditions;
- weather conditions or catastrophic weather-related damage;
- our production capabilities;
- our proposed public offering;
- our consummation of the Anker and CoalQuest acquisitions and the integration of these businesses;
- the consummation of financing, acquisition or disposition transactions and the effect thereof on our business;
- our plans and objectives for future operations and expansion or consolidation;
- our relationships with, and other conditions affecting, our customers;
- timing of reductions or increases in customer coal inventories;
- long-term coal supply arrangements;
- risks in coal mining;
- unexpected maintenance and equipment failure;
- environmental laws and regulations, including those directly affecting our coal mining and production, and those affecting our customers coal usage;
- competition;
- railroad, barge, trucking and other transportation performance and costs;
- employee benefits costs and labor relations issues;
- our assumptions concerning economically recoverable coal reserve estimates;

regulatory and court decisions;

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

the impairment of the value of our goodwill; and

our liquidity, results of operations and financial condition.

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.

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INDUSTRY DATA

In this prospectus, we rely on and refer to information regarding the coal industry in the United States from the U.S. Energy Information Administration, or EIA. This organization is not affiliated with us. It is not aware of and has 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.

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CAPITALIZATION

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

for ICG on an actual basis;

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

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

The following unaudited table assumes no exercise of the underwriters over-allotment option in connection with the proposed public offering. You should read the information in this table 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, Description of Indebtedness and the consolidated financial statements included elsewhere in this prospectus.

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

Retained earnings	32,797	32,797	32,797
Total stockholders equity	186,526	477,776	730,836
Total capitalization	$ 375,461	$ 713,985	$ 735,660

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

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

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UNAUDITED CONSOLIDATED PRO FORMA FINANCIAL DATA OF ICG

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

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

ICG s corporate reorganization, reflecting the exchange of International Coal Group common stock for existing shares of ICG common stock at a 1-for-1 exchange ratio;

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

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

the Anker and CoalQuest acquisitions; and

the proposed public offering.

The unaudited pro forma consolidated statements of operations and unaudited pro forma balance sheet do not include any adjustments for future cost savings or operating improvements as a result of the Anker and CoalQuest acquisitions or for any other reason. See Risk Factors, Special Note Regarding Forward-Looking Statements, and Information About the Companies for a discussion of factors that may impact consolidated future operating results.

The unaudited pro forma consolidated financial data should be read in conjunction with the consolidated financial statements of ICG (and its predecessors), Anker and CoalQuest, and the other financial information appearing elsewhere in this prospectus, including Management s Discussion and Analysis of Financial Condition and Results of Operation of ICG.

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

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

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UNAUDITED PRO FORMA BALANCE SHEET DATA
As of September 30, 2005

	ICG, Inc. Historical	Anker Historical	CoalQuest Historical	ICG, Inc. Reorganization Adjustments	Anker Acquisition Adjustments	CoalQuest Acquisition Adjustments	Offering Adjustments	Pro Forma
					(In thousands)			
ASSETS								
Current assets:								
Cash and cash equivalents	$ 15,534	$ 695	$ 1,945	$ 2,597[1]	$ (2,597)[1]	$	$ 24,211[6]	$ 42,385
Accounts receivable	56,886	10,595	1,262	(2,597)[3]				66,146
Inventories	20,472	3,431						23,903
Deferred income taxes	2,113							2,113
Prepaid insurance	240		13					253
Prepaid expenses and other	10,094	923					(2,536)[6]	8,481
Total current assets	105,339	15,644	3,220		(2,597)		21,675	143,281
Property, plant and equipment, at cost including coal reserves, mine development and contract costs	241,185	155,513	19,000		23,183[3]	55,091[3]		493,972
Less accumulated depreciation, depletion and amortization	(37,654)	(87,756)	(118)					(125,528)
Net property, plant and equipment	203,531	67,757	18,882		23,183	55,091		368,444
Debt issuance costs, net	7,284							7,284
	5,691	3,593						9,284

Advance royalties								
Goodwill	190,861			1,819[2]	163,170[3]	43,011[3]		398,861
Deferred tax asset non-current	5,637							5,637
Other non-current assets	4,677	8,504						13,181
Total assets	$ 523,020	$ 95,498	$ 22,102	$ 1,819	$ 183,756	$ 98,102	$ 21,675	$ 945,972
LIABILITIES AND STOCKHOLDERS EQUITY/(DEFICIT)								
Current liabilities:								
Trade accounts payable	$ 36,130	$ 15,987	$ 183	$	$ (2,597) [1]	$	$	$ 49,703
Current portion of long-term debt and capital leases	1,997	35,186		(33,528)[2]			(2,100) [6]	1,555
Current portion of reclamation and mine closure costs	2,682	1,889						4,571
Accrued expenses and other	41,663	8,381	982					51,026
Total current liabilities	82,472	61,443	1,165	(33,528)	(2,597)		(2,100)	106,855
Non-current liabilities, less current portion								
Long-term debt and capital leases	186,938	10,269	16,250	35,347[2]		(16,250) [4]	(229,285) [6]	3,269
Reclamation and mine closure costs	39,432	23,899						63,331
Long-term employee benefits	20,759	4,314						25,073
	6,893	8,676	1,039					16,608

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

stockholders
equity
(accumulated
deficit)

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

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

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

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

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

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

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UNAUDITED PRO FORMA STATEMENT OF OPERATIONS DATA
For the Nine Months Ended September 30, 2005

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

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

Net income (loss)				
Average shares of common stock outstanding	107,230,999			147,303,991(5)
Basic earnings per share	$	0.27	$	0.17(5)
Diluted earnings per share:				
Net income (loss)	$	28,548	$	24,909
Average shares of common stock outstanding	107,280,820			147,353,812(5)
Diluted earnings per share	$	0.27	$	0.17(5)

(1) To eliminate intercompany royalty revenue and expense ($0.925 million) between CoalQuest and Anker.

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

(3) To eliminate intercompany coal sales and expense of $5.58 million between ICG, Inc. and Anker Coal Group, Inc.

(4) Represents 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	**ICG, Inc.**	**Anker**	**CoalQuest**	**Total**
		(In thousands)		
Revolver letter of credit fees	$ 1,037	$	$	$ 1,037
Revolver unutilized portion	218			218
Term note	7,668			7,668
Revolver	88			88

Amortization of finance costs	838			838
Annual administration fee	75			75
Interest rate cap	(21)			(21)
Anker related party term loan		1,064		1,064
Anker related party revolving line of credit		269		269
Anker senior notes		613		613
Miscellaneous other (capital lease, black lung, etc.)	550	262	446	1,258
Total historical interest expense	$ 10,453	$ 2,208	$ 446	$ 13,107

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	Pro Forma Interest Expense			
Description	**ICG, Inc.**	**Anker**	**CoalQuest**	**Total**
		(In thousands)		
Revolver letter of credit fees(a)	$ 1,071	$	$	$ 1,071
Revolver unutilized portion(b)	870			870
Term note(c)				
Revolver(d)	88			88
Amortization of finance costs(e)	838			838
Annual administration fee(f)	75			75
Interest rate cap(g)	(21)			(21)
Miscellaneous other (capital lease, black lung, etc.)	550	262		812
Total pro forma interest expense	3,471	262		3,733
Less: historical interest expense	10,453	2,208	446	13,107
Pro forma interest expense adjustment	$ 6,982	$ 1,946	$ 446	$ 9,374

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

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

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

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

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

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

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

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

(6) *Represents pro forma earnings per share information based on 147,303,991 outstanding shares of ICG common stock consisting of 107,230,999 shares of ICG common stock outstanding as of September 30, 2005 (which includes 600,000 shares of restricted stock), 20,072,992 shares of International Coal Group common stock*

issuable in the Anker and CoalQuest acquisitions, assuming a public offering price of $13.70 per share, and 20,000,000 shares of International Coal Group common stock expected to be issued in the proposed public offering, assuming the over-allotment option is not exercised. The number of shares of ICG common stock to be issued to former Anker shareholders and CoalQuest members in connection with the merger is subject to possible adjustments. As the following chart illustrates, the higher the offering price per share of International Coal Group common stock in the proposed public offering, the less shares of International Coal Group common stock will be issued in connection with the Anker and CoalQuest acquisitions. See Information About the Companies Business ICG s History The Anker and CoalQuest acquisitions for more information on acquisition adjustments.

share ring e of ICG nmon k	$8.885 or less	$10.00	$11.00	$12.00	$13.00	$13.70	$14.00	$15.00	$16
gregate res of G nmon k to be ed to ders of ker and alQuest:									
thout ustments	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
sic and uted nings per are	$0.18	$0.19	$0.19	$0.19	$0.19	$0.20	$0.20	$0.20	$0
th ustments	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
sic and uted nings per are	$0.18	$0.19	$0.19	$0.19	$0.20	$0.20	$0.20	$0.20	$0

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UNAUDITED PRO FORMA STATEMENT OF OPERATIONS DATA
For the Year Ended December 31, 2004

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

ncome (loss) from operations	9,395	17,438	(7,421)	(450)		1,369	(331)		20,000
nterest and other ncome expense):									
Interest expense	(3,453)	(114,211)	(1,485)	(535)	111,332 (4)			2,463 (4)	(5,889)
Reorganization items		(12,471) (1)							(12,471)
Other, net	898	1,581	5,709	1,910			(1,769) (2)		8,329
Total interest and other income (expense)	(2,555)	(125,101)	4,224	1,375	111,332		(1,769)	2,463	(10,031)
ncome (loss) efore ncome axes	6,840	(107,663)	(3,197)	925	111,332	1,369	(2,100)	2,463	9,969
ncome tax expense) enefit	(2,591)				(1,390) (5)	692 (5)	445 (5)	(933) (5)	(3,777)
Net income (loss)	$ 4,249	$ (107,663)	$ (3,197)	$ 925	$ 109,942	$ 2,061	$ (1,655)	$ 1,530	$ 6,192
asic arnings er share:									
Net income (loss) available to common stockholders	$ 4,249								$ 6,192
Average shares of common stock outstanding	106,605,999								146,678,991
Basic earning	$ 0.04								0.04(6

per share

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

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

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

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

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

	Pro Forma Interest Expense				
Description	**ICG, Inc.**	**Horizon**	**Anker**	**CoalQuest**	**Total**
			(In thousands)		
Revolver letter of credit fees(a)	$ 1,469	$	$	$	$ 1,469
Revolver unutilized portion(b)	1,228				1,228
Term note(c)					
Amortization of finance costs(d)	1,097				1,097
Annual administration fee(e)	100				100
Interest rate cap(f)	82				82
Miscellaneous other (capital lease, black lung, etc.)	211	1,702			1,913
Total pro forma interest expense	$ 4,187	$ 1,702	$	$	$ 5,889
Less: historical interest expense	$ 3,453	$ 114,211	$ 1,485	$ 535	$ 119,684

Pro forma interest expense adjustment	$ (734)	$ 112,509	$ 1,485	$ 535	$ 113,795

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

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

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

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

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

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

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

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

share ring e of ICG nmon k	$8.885 or less	$10.00	$11.00	$12.00	$13.00	$13.70	$14.00	$15.00	$16
gregate res of G nmon k to be ed to lers of ker and lQuest:									
thout ustments	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
sic and uted nings per re	$0.05	$0.05	$0.05	$0.05	$0.05	$0.05	$0.05	$0.05	$0
th ustments	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
sic and uted nings per re	$0.05	$0.05	$0.05	$0.05	$0.05	$0.05	$0.05	$0.05	$0

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SELECTED HISTORICAL CONSOLIDATED 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, ICG did not have any material assets, liabilities or results of operations. The selected historical consolidated financial data is derived from ICG s audited consolidated statement of operations for the period May 13, 2004 to December 31, 2004 and the predecessor audited consolidated financial data as of and for the nine months ended September 30, 2004, which have been audited by Deloitte & Touche LLP, an independent registered public accounting firm and are included elsewhere in the prospectus and the selected historical consolidated financial data as of and for the nine months ended September 30, 2005 have been derived from ICG s unaudited consolidated financial statements and are included elsewhere in this prospectus. The selected historical consolidated financial data as of and for the year ended December 31, 2003 and the period from May 10, 2002 to December 31, 2002 have been derived from the consolidated financial statement of Horizon, the predecessor to ICG, which have been audited by Deloitte & Touche LLP and which are included elsewhere in the prospectus (with the exception of the December 31, 2002 Horizon consolidated balance sheet which has not been included in this prospectus). The selected historical consolidated data for the period as of and for the years ended December 31, 2001 and 2000 were derived from the audited consolidated financial statements of AEI Resources, the predecessor to Horizon, which were audited by Arthur Andersen LLP, in the case of the financial data for the years ended December 31, 2000 and 2001 and which are not included in this prospectus. The selected historical consolidated financial data is derived from the statement of operations of AEI Resources, the predecessor of Horizon, for the period January 1, 2002 to May 9, 2002, included elsewhere in this prospectus, and has been audited by Deloitte & Touche LLP. In the opinion of management, the financial data reflect all adjustments, consisting of all normal and recurring adjustments, necessary for a fair presentation of the results for those periods. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year or for any future period. The financial statements for the predecessor periods have been prepared on a carve-out basis to include the assets, liabilities and results of operations of ICG 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 International Coal Group 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 of ICG and with the financial information included elsewhere in this prospectus, including the consolidated financial statements of ICG and Horizon (and its predecessor) and the related notes thereto.

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

and amortization								
Selling, general and administrative (exclusive of depreciation, depletion and amortization shown separately above)	20,364	19,324	9,677	16,695	23,350	8,477	4,194	23,592
(Gain)/loss on sale of assets	(594)	189	(93)	(39)	(4,320)	(226)	(10)	(518)
Writedowns and special items	12,306	20,218	8,323	729,953	9,100	10,018		
Total costs and expenses	546,845	526,394	167,937	1,044,035	489,044	355,945	126,714	415,875
Income (loss) from operations	(25,456)	23,998	(7,767)	(746,371)	(7,974)	17,438	9,395	49,780
Other income (expense)								
Interest expense	(116,319)	(138,655)	(36,666)	(80,405)	(145,892)	(114,211)	(3,453)	(10,453)
Reorganization items			787,900	(4,075)	(23,064)	(12,471)		
Other, net	(1,523)	(2,941)	499	1,256	187	1,581	898	4,007
Total interest and other income (expense)	(117,842)	(141,596)	751,733	(83,224)	(168,769)	(125,101)	(2,555)	(6,446)
Income (loss) before income taxes	(143,298)	(117,598)	743,966	(829,525)	(176,743)	(107,663)	6,840	43,334
Income tax (expense) benefit	48,290	(4,155)					(2,591)	(14,786)
Net income (loss)	$ (95,008)	$ (121,753)	$ 743,966	$ (829,525)	$ (176,743)	$ (107,663)	$ 4,249	$ 28,548

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

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

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

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF INTERNATIONAL COAL GROUP

International Coal Group was formed to facilitate the combination of Anker and CoalQuest with ICG and is currently a wholly owned subsidiary of ICG. If International Coal Group had existed and owned ICG prior to completion of the reorganization and acquisitions, International Coal Group believes that its consolidated financial statements would have been substantially identical to those of ICG and its predecessors for the years ended December 31, 2004, 2003 and 2002. See Selected Historical Consolidated Financial Data of ICG.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF ANKER AND COALQUEST

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

You should read the following data in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations of ICG and with the financial information included elsewhere in this prospectus, including the audited consolidated financial statements of Anker and CoalQuest and related notes thereto.

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

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

The following discussion contains forward-looking statements that include numerous risks and uncertainties. Actual results could differ materially from those discussed in the forward-looking statements as a result of these risks and uncertainties, including those set forth in this prospectus under Special Note Regarding Forward-Looking Statements and under Risk Factors. You should read the following discussion in conjunction with Selected Historical Consolidated Financial Data of ICG and audited and unaudited consolidated financial statements and notes of ICG and the audited and unaudited consolidated financial statements and notes of Horizon and its predecessors, each appearing elsewhere in this prospectus.

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

Overview

ICG 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 ICG s initial capitalization, ICG was able to complete the acquisition without significantly increasing the level of indebtedness. Following the proposed public offering, we expect to retire substantially all of our debt and, thus, will be strategically well-positioned. Consistent with the WLR investor group s strategy to acquire profitable coal assets, the Anker and CoalQuest acquisitions further diversifies our reserves.

ICG produces, processes and sells 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. ICG has two reportable business segments: (i) Central Appalachian. comprised of both surface and underground mines, and (ii) ICG Illinois, representing one underground mine located in the Illinois basin. For more information about IGC s reportable business segments, please see the audited and unaudited consolidated financial statements and the notes of ICG and the audited and unaudited consolidated financial statements and notes of Horizon and its predecessors, each appearing elsewhere in this prospectus. ICG also brokers coal produced by others; the majority of which is shipped directly from the third party producer to the ultimate customer. ICG s sales of steam coal were made to large utilities and industrial customers in the Eastern region of the United States. In addition, ICG generates other revenues from the manufacture and operation of highwall mining systems, parts sales and shop services relating to those systems and coal handling and processing fees.

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

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

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

ICG s 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 its coal.

Certain Trends and Economic Factors Affecting the Coal Industry

ICG s revenues depend on the price at which it is able to sell its coal. The 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 the future. In addition, ICG s results of operations depend on the cost of coal production. ICG is experiencing increased operating costs for fuel and explosives, steel products, health care and contract labor. ICG expects 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 ICG s actuarially determined employee-related liabilities.

For additional information regarding some of the risks and uncertainties that affect ICG and its business and the industry in which it operates, and that apply to an investment in International Coal Group common stock, see Risk Factors.

Critical Accounting Estimates

ICG s 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 ICG s consolidated financial statements provides a description of all significant accounting policies. ICG believes that of these significant accounting policies, the following may involve a higher degree of judgment or complexity.

Reclamation

ICG s asset retirement obligations arise from the Federal Surface Mining Control and Reclamation Act of 1977 and similar state statutes, which require that mine property be restored in accordance with specified standards and an approved reclamation plan. Significant reclamation activities include reclaiming refuse and slurry ponds, reclaiming the pit and support acreage at surface mines, and sealing portals at deep mines. ICG accounts for the costs of its reclamation activities in accordance with the provisions of SFAS No. 143, Accounting for Asset Retirement Obligations. ICG determines the future cash flows necessary to satisfy its 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, ICG determines the fair value of its asset retirement obligations. In order to determine fair value, ICG must also estimate a discount rate and third-party margin. Each is discussed further below:

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

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 ICG plans 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 ICG s 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 ICG s estimates of our cost to perform the reclamation activities. If ICG s 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, ICG reviews its entire reclamation liability and make necessary adjustments for permit changes as granted by state authorities, additional costs resulting from accelerated mine closures and revisions to cost estimates and productivity assumptions to reflect current experience. At September 30, 2005, ICG had recorded asset retirement obligation liabilities of $42.1 million, including amounts reported as current liabilities. While the precise amount of these future costs cannot be determined with certainty, as of September 30, 2005, ICG estimates that the aggregate undiscounted cost of final mine closure is approximately $59.0 million.

Depreciation, Depletion and Amortization

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

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

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

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

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

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

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

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

Asset Impairments

ICG follows SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which requires that projected future cash flows from use and disposition of assets be compared with the carrying amounts of those assets. When the sum of projected cash flows is less than the carrying amount, impairment losses are recognized. In determining such impairment losses, discounted cash flows are utilized to determine the fair value of the assets being evaluated. Also, in certain situations, expected mine lives are shortened because of changes to planned operations. When that occurs and it is determined that the mine s underlying costs are not recoverable in the future, reclamation and mine closing obligations are accelerated and the mine closing accrual is increased accordingly. To the extent it is determined asset carrying values will not be recoverable during a shorter mine life, a provision for such impairment is recognized. ICG s debt covenant ratios are based on adjusted EBITDA that excludes any non-cash items from the calculation, such as goodwill impairment. The minimum interest coverage ratio could be affected if the basis of goodwill (both book and tax) is impaired. A hypothetical impairment of $5.0 million to both the book and tax basis would result in additional annual federal taxes, over the amortization period of 15 years, of $0.1 million. This would not have a material impact on the ratio calculations.

Post-retirement Medical Benefits

All of ICG s 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 ICG s consolidated financial statements included elsewhere in this prospectus. Liabilities for post-retirement benefits are not funded. The liability is actuarially determined, and ICG uses various actuarial assumptions, including the discount rate and future cost trends, to estimate the costs and obligations for 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. ICG makes assumptions related to future trends for medical care costs in the estimates of retiree health care and work-related injury and illness obligations. The future health care cost trend rate represents the rate at which health care costs are expected to increase over the life of the plan. The health care cost trend rate assumptions are determined primarily based upon ICG s historical rate of change in retiree health care costs. The post-retirement expense in the three month operating period ended December 31, 2004 was based on an assumed heath care inflationary rate of 10.0% in the three month operating period decreasing to 5.0% in 2014, which represents the ultimate health care cost trend rate for the remainder of the plan life. A one-percentage point increase in the assumed ultimate health care cost trend rate would increase the service and interest cost components of the post-retirement benefit expense for the three month operating period ended December 31, 2004 by $0.2 million and increase the accumulated post-retirement benefit obligation at December 31, 2004 by $1.0 million. A one-percentage point decrease in the assumed ultimate health care cost trend rate would decrease the service and interest cost components of the post-retirement benefit expense for the three month operating period ended December 31, 2004 by $0.2 million and decrease the accumulated post-retirement benefit obligation at December 31, 2004 by $0.9 million. If our assumptions do not materialize as expected, actual cash expenditures and costs that we incur could differ materially from our current estimates. Moreover, regulatory changes could increase our requirement to satisfy these or additional obligations.

Workers Compensation

Workers compensation is a system by which individuals who sustain personal injuries due to job-related accidents are compensated for their disabilities, medical costs and on some occasions, for the costs of their rehabilitation, and by which the survivors of workers who suffer fatal injuries receive compensation for lost financial support. The workers compensation laws are administered by state agencies with each state having its own set of rules and regulations regarding compensation that is owed to an employee who is injured in the course of employment. ICG s operations are covered through a combination of participation in a state run program and insurance policies. ICG s estimates of these costs are adjusted based upon actuarial studies.

Coal Workers Pneumoconiosis

ICG is responsible under various federal statutes, and various states statutes, for the payment of medical and disability benefits to eligible employees resulting from occurrences of coal workers pneumoconiosis disease (black lung). ICG s 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. ICG accrues for any self-insured liability by recognizing costs when it is probable that a covered liability has been incurred and the cost can be reasonably estimated. ICG s estimates of these costs are adjusted based upon actuarial studies. At September 30, 2005, ICG has recorded an accrual of $11.7 million for black lung benefits. Individual losses in excess of $0.5 million at the state level and $1.0 million at the federal level are covered by ICG s large deductible stop loss insurance. Actual losses may differ from these estimates, which could increase or decrease our costs.

Income Taxes

ICG accounts 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, ICG takes 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, ICG may record a change to the valuation allowance through income tax expense in the period the determination is made.

With regard to goodwill, a hypothetical write-off in the goodwill basis (both book and tax) of $5.0 million would result in additional annual federal taxes, as ICG would lose the tax deduction as a result of the write-off. The reduction of this tax asset, to be recognized over 15 years straight line under Section 197 of the Internal Revenue Code, would result in a decrease in taxable deductions of $0.3 million each year. This would increase annual taxable income by $0.3 million therefore creating an increase in income tax expense by the marginal effective federal income tax rate of 35%, or $0.1 million.

Results of Continuing Operations

Basis of Presentation

Certain assets of Horizon and its subsidiaries were acquired by ICG as of September 30, 2004. The remaining Horizon assets and all of its liabilities were transferred to A.T. Massey Coal Company, Inc. and Lexington Coal Company, LLC. Due to the change in ownership, and the resultant application of purchase accounting, the historical financial statements of Horizon and ICG 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 International Coal Group was formed on March 31, 2005 as a holding company in order to effect the corporate reorganization and the Anker and CoalQuest acquisitions.

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

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

The financial statements for the predecessor periods of Horizon and AEI Resources have been prepared on a carve-out basis to include the assets, liabilities and results of operations of ICG 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 if it had operated during the predecessor period presented.

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

Revenues

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

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

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

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

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

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Costs and expenses

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

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

* *Not meaningful*

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

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

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

Depreciation, depletion and amortization. Depreciation, depletion and amortization expense increased $1.9 million to $29.5 million in the first nine months of 2005 compared to $27.6 million in the first nine months of 2004. Depreciation, depletion and amortization per ton increased from $2.64 per ton in the first nine months of 2004 to $2.78 per ton in the first nine months of 2005. The principal component of the increase was an increase in depreciation expense of $8.2 million in the first nine months of 2005 due to an increase in capital expenditures as well as shortened depreciable asset lives of the Horizon equipment purchased by ICG in September 2004. The cost increase was offset by a decrease in amortization expense of $3.0 million and depletion of $3.3 million. Effective January 1, 2004, Horizon discontinued the accounting practice of capitalization of major repair costs in excess of $25,000 per occurrence. The decrease in amortization relating to this practice was $3.9 million.

Selling, general and administrative expenses. Selling, general and administrative expenses for the nine months ended September 30, 2005 were $23.6 million compared to $8.5 million for the nine months ended September 30, 2004. The increase of $15.1 million is primarily attributable to increases in stock compensation expense of $9.8 million, administrative fees of $1.6 million, legal and professional services of $1.4 million, miscellaneous bonuses of $1.3 million, bad debt expense of $0.9 million and other costs of $0.1 million.

Writedowns and other items. During first nine months of 2004, Horizon recognized a loss on the sale of coal reserves of $13.3 million, a $7.7 million gain on a lease buyout, a loss on the retirement of a highwall mining system of $6.2 million and other gains of $1.8 million.

Twelve Months Ended December 31, 2004 of ICG, Inc. and Predecessor (Combined) Compared to Twelve Months Ended December 31, 2003 of Predecessor.

This discussion of the results of operations for the twelve months ended December 31, 2004 represents an addition of Horizon s actual results for the nine months ended September 30, 2004 together with ICG s actual results of operations for the three months ended December 31, 2004 (Combined). The following discussion does not reflect any of the pro forma adjustments shown under Unaudited Consolidated Pro Forma Financial Data of ICG.

Revenues

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

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

Coal revenues. ICG s combined coal revenue increased $36.2 million for the year ended 2004, or 8%, to $477.4 million, as compared to Horizon s for the same period in 2003. This increase was due to a $7.60 per ton (29%) increase in the average sales price, offset by a decrease in tons sold of 16% over the

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comparable period in the prior year. The increase in the average sales price of our coal was due to the general increase in coal prices during the period as well as the favorable renegotiations of coal sales contracts as a result of Horizon s Chapter 11 bankruptcy.

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

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

Costs and expenses

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

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

* *Not meaningful*

Cost of coal sales and other revenues. In the twelve month period ended December 31, 2004, ICG s combined cost of coal sales increased $19.5 million, or 5% to $420.1 million compared to Horizon s twelve month period ended December 31, 2003. The increase in cost of coal sales is primarily a result of increases in prices for steel-related mine supplies, increasing costs for roof control supplies ($4.3 million), escalating diesel fuel costs ($8.3 million), increasing costs for repairs and maintenance ($13.8 million). A portion of

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

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

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

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

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

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

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

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

Revenues

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

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

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

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

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

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

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Costs and Expenses

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

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

* *Not meaningful*

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

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

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

Depreciation, depletion and amortization. Depreciation, depletion and amortization decreased $20.0 million, or 28%, to $52.3 million for the twelve months ended December 31, 2003 as compared to the same period in 2002. Depreciation, depletion and amortization per ton decreased from $4.37 per ton in 2002 to $3.14 per ton in 2003. The principal components of the decrease were a reduction of $7.4 million in depreciation as original asset lives were fully depreciated and not replaced with new assets due to cash constraints related to Horizon s Chapter 11 bankruptcy, as well as a $3.2 million decrease related to the amortization of major repair costs. Depletion in 2003 was $9.2 million less than the same period in 2002 due to a change in depletion rates as a result of Horizon s first Chapter 11 bankruptcy.

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

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

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

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

Liquidity and Capital Resources

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

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

As of December 31, 2004, ICG s leased equipment was, on average, 8.5 years old. We believe that a significant portion of its equipment needs to be upgraded in the near-term. We currently expect our capital expenditures to be approximately $139 million for 2005, approximately $99 million of which has been incurred through September 30, 2005, and approximately $166 million in 2006, primarily for investments in new equipment and for mining development operations (in each case pro forma for the Anker and CoalQuest acquisitions). We expect to fund these capital expenditures for the next two years from our internal operations. As we take advantage of planned expansion opportunities from 2007 through 2009 principally as a result of the Anker and CoalQuest acquisitions, we expect to spend approximately $627 million on capital expenditures, which may require external financing. However, our capital expenditures may be different than currently anticipated depending upon the size and nature of new business opportunities and actual cash flows generated by our operations. In addition, as a result of infrastructure weaknesses and short-term geologic issues at Anker, the transition period for implementation of various operational improvements has taken longer than originally anticipated. This extended transition has resulted in, and will continue to result in, decreased coal production and increased production costs in the third and fourth quarters. Since these issues are temporary in nature and recent operating performance has significantly improved, 2006 profit margins are not expected to be materially impacted.

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

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

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

Cash Flows

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

The increase in net income during the first nine months of 2005 was due to increased sales realization due to the strengthening of the coal markets during the period. The decrease in net operating assets and liabilities was primarily related to accrued interest charges in 2004. Effective October 1, 2004, in connection with purchase accounting, major repairs were considered a component of the fair value of fixed assets acquired and depreciated accordingly. The first nine months of 2004 included a charge to depreciation, depletion and amortization of $3.9 million relating to the major repairs.

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

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

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

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

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

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

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

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

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

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

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Credit Facility and Long-Term Debt Obligations

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

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

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

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

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

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

As a regular part of ICG s business, it reviews opportunities for, and engages in discussions and negotiations concerning, the acquisition of coal mining assets and interests in coal mining companies, and acquisitions of, or combinations with, coal mining companies. When 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, ICG has long-term liabilities relating to mine reclamation, end-of-mine closure costs and black lung costs, and all of its 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 ICG s current operations, the historical results of ICG s 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 the proposed public 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.

Contractual Obligations

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

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

(1) See Certain Relationships and Related Party Transactions.

(2)

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

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Off-Balance Sheet Arrangements

In the normal course of business, ICG is a party to certain off-balance sheet arrangements. These arrangements include guarantees and financial instruments with off-balance sheet risk, such as bank letters of credit and performance or surety bonds. No liabilities related to these arrangements are reflected in ICG s 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. ICG typically secures these payment obligations by using surety bonds, an off-balance sheet instrument. The use of surety bonds is less expensive for us than the alternative of posting an all cash bond or a bank letter of credit, either of which would require a greater use of our credit facility. We then use bank letters of credit to secure our surety bonding obligations as a lower cost alternative than securing those bonds with cash. ICG currently has a $75.0 million committed bonding facility pursuant to which we are required to provide bank letters of credit in an amount up to 50% of the aggregate bond liability. Recently, surety bond costs have increased, while the market terms of surety bonds have generally become less favorable to us. To the extent that surety bonds become unavailable, we would seek to secure our reclamation obligations with letters of credit, cash deposits or other suitable forms of collateral.

As of September 30, 2005, ICG had outstanding surety bonds with third parties for post-mining reclamation totaling $85.6 million plus $1.9 million for miscellaneous purposes. ICG maintained letters of credit as of September 30, 2005 totaling $52.9 million to secure reclamation surety bonds and other obligations, including $10.0 million related to Lexington Coal Company. These letters of credit are issued under ICG s current $75.0 million bonding facility.

Inflation

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

Recent Accounting Pronouncements

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

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

In January 2005, the FASB issued Statement 123R, Share Based Payment. FASB Statement 123R supersedes APB Opinion 25, Accounting for Stock Issued to Employees. This statement establishes standards for accounting transactions in which an entity exchanges its equity instruments for goods or

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services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity s equity instruments or that may be settled by the issuance of those equity instruments. FASB 123R is effective as of the beginning of the first fiscal year beginning after June 15, 2005. We believe the adoption of FASB 123R will have a material impact on our financial position and results of operations as a result of our equity and incentive performance plans. See Note 9 to ICG s September 2005 financial statements for a discussion of the impact of adoption of FASB 123R.

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

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

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Quantitative and Qualitative Disclosure About Market Risk

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

Interest rate risk. Historically, ICG has had exposure to changes in interest rates on a portion of its 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, ICG anticipates exposure to changes in interest rates on a portion of its new level of indebtedness. A hypothetical increase or decrease in interest rates by 1% would have changed quarterly interest expense on our term loan facility by $434,219 for the three months ended September 30, 2005. We expect to use interest rate swaps to manage this risk.

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

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF INTERNATIONAL COAL GROUP

International Coal Group was formed for the purpose of facilitating the acquisitions of Anker and CoalQuest and is currently a wholly owned subsidiary of ICG. If International Coal Group had existed and owned ICG prior to completion of the reorganization and acquisitions, International Coal Group believes that its consolidated financial statements would have been substantially identical to those of ICG and its predecessors for the years ended December 31, 2004, 2003 and 2002. Please refer to Management s Discussion and Analysis of Financial Condition and Results of Operations of ICG.

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INFORMATION ABOUT THE COMPANIES

BUSINESS ICG

Overview

ICG is a leading producer of coal in Central Appalachia, with a broad range of mid to high Btu, low to medium sulfur steam coal. ICG s Central Appalachian mining complexes, which include four of its mining complexes, are located in West Virginia and Kentucky. ICG also has a complementary mining complex of mid-to-high sulfur steam coal, strategically located in the Illinois Basin. ICG markets its coal to a diverse customer base of largely investment grade electric utilities, as well as domestic industrial customers. The high quality of ICG s coal, and the availability of multiple transportation options, including rail, truck and barge, throughout the Appalachian region, enable ICG 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.

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, are union free, have limited reclamation liabilities, and are substantially free of other legacy liabilities. Due to ICG s initial capitalization, ICG 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 consummate the Anker and CoalQuest acquisitions to further diversify ICG s reserves.

As of January 1, 2005, ICG owned or controlled approximately 510 million tons of steam coal reserves. Based on expected 2005 production rates, ICG s Central Appalachian reserves could support existing production levels for approximately 16 years. Further, ICG owns or controls approximately 564 million tons of non-reserve coal deposits.

For the year ended December 31, 2004, ICG sold 14.0 million tons of coal, all of which was steam coal. ICG s steam coal sales volume in 2004 consisted of mid to high quality, high Btu (greater than 12,000 Btu/lb.), low to medium sulfur (1.5% or less) coal, which typically sells at a premium to lower quality, lower Btu, higher sulfur steam coal. ICG s three largest customers for the nine months ended September 30, 2005 were Georgia Power Company, Carolina Power & Light Company and Duke Power and ICG derived approximately 67% of its coal revenues from sales to its five largest customers.

ICG S HISTORY

The Horizon acquisition

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

As a result of its continuing financial and operational difficulties, Horizon filed a second voluntary petition for relief under Chapter 11 on November 13, 2002. Horizon obtained a debtor-in-possession financing facility of up to $350.0 million and was effective in rationalizing its operations, selling noncore 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 ICG through a bankruptcy auction on August 17, 2004. Presented as a combined $290.0 million cash bid with A.T. Massey, ICG, Inc. agreed to pay $285.0 million in cash plus the assumption of up to $5.0 million to be paid to contract counterparties to cure the pre-sale defaults under the leases and contracts assumed and assigned to ICG to acquire the assets plus ICG also contributed a credit bid of second lien Horizon bonds, and A.T. Massey agreed to pay $5.0 million in cash to acquire a separate group of assets associated with two Horizon subsidiaries. The credit bid included the cancellation of $482.0 million of certain Horizon bonds in return for which those Horizon bondholders received the right to participate in a rights offering to purchase ICG common stock. Shares issued in connection with the rights offering are included in ICG s outstanding stock. The former bondholders of Horizon that purchased shares of ICG common stock in the rights offering were creditors of Horizon and received the shares in reliance on Section 1145 of the U.S. Bankruptcy Code, which in general provides for the limited exemption from the registration requirements of the Securities Act for securities issued in exchange for a claim against the debtor in bankruptcy. Since ICG s formation, some trading of ICG, Inc. s common stock has occurred. See Price Range of ICG, Inc. Common Stock. ICG has not previously been a reporting company under the Securities Exchange Act of 1934.

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

The bankruptcy court confirmed the sale on September 16, 2004 as part of the completion of the Horizon bankruptcy proceedings. At closing, ICG 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 ICG s senior secured credit facility, which ICG entered into at the closing of the Horizon acquisition. See Description of Indebtedness for a discussion of ICG s senior credit facility.

The Anker and CoalQuest Acquisitions

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

The stockholders of Anker, collectively, are entitled to receive the lesser of (i) 19,498,581 shares of ICG common stock and (ii) the number of shares of ICG common stock equal to the quotient of 173,250,000 divided by the price per share at which our stock is offered in the proposed public offering (the base merger share number), subject to the following possible adjustments. If certain events relating to the commencement of specified coal production and the execution of a coal purchase contract do not occur prior to the effectiveness of the merger, ICG will only issue shares equal to the lesser of (i) 18,373,122 shares of ICG common stock and (ii) the number of shares of ICG common stock equal to the quotient of 163,250,000 divided by the price per share at which our common stock is offered in the proposed public offering (the adjusted merger share number) at the effective time of the merger and will reserve but not issue the number of shares equal to the difference between the adjusted merger share number and base merger share number (this difference, the contingent shares). These contingent shares are only issuable to the former stockholders of Anker if one of the following events occurs before the earlier of April 1, 2006 and the effectiveness of this registration statement: (i) the commencement of the

production of coal at Anker s Stoney River mine or (ii) the execution of a contract for the purchase of coal from the Glady s Fork mine; provided in either case that such event, at the time it occurs, could reasonably be expected (alone or with the other event) to generate at least $6.0 million of EBITDA during calendar years of 2005 and 2006.

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

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

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

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

Our Reorganization

Prior to the reorganization, our current top-tier parent holding company is ICG. Upon completion of the reorganization, International Coal Group will become the new top-tier parent holding company. In the reorganization, the stockholders of ICG will receive one share of International Coal Group common stock for each share of ICG common stock. We filed this registration statement with the SEC to register the shares of our common stock being issued to the ICG stockholders. All stockholders of ICG, all Anker stockholders and all CoalQuest members will be stockholders of International Coal Group after the reorganization and the Anker and CoalQuest acquisitions.

COAL MINING METHODS

ICG produces 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 ICG s produced and processed coal volume came from underground mining operations generally using the room-and-pillar method with continuous mining equipment.

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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.

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

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continuous miner with an attached beltline system cuts horizontal passages from the highwall into a seam. These passages can penetrate to a depth of up to 1,600 feet. This method typically can recover up to 65% of the reserve block penetrated.

Coal Preparation and Blending

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

COAL CHARACTERISTICS

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

Heat Value

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

Bituminous Coal

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

Sulfur Content

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

High sulfur coal can be burned in electric utility plants equipped with sulfur-reduction technology, such as scrubbers, which can reduce sulfur dioxide emissions by up to 90%. Plants without scrubbers can burn high sulfur coal by blending it with lower sulfur coal, or by purchasing emission allowances on the open market, which credits allow the user to emit a ton of sulfur dioxide. Each emission allowance permits

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the user to emit a ton of sulfur dioxide. By 2000, 90,000 megawatts of electric generation capacity utilized scrubbing technologies. According to the EIA, by 2025, an additional 27,000 megawatts of electric generation capacity will have installed scrubbers. Additional scrubbing will provide new market opportunities for our medium to high sulfur coal. All new coal-fired electric utility generation plants built in the United States will use clean coal-burning technology.

Other Characteristics

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

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

COAL RESERVES

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

ICG estimates that there are approximately 183 million tons of coal reserves that can be developed by its existing operations which will allow ICG to maintain current production levels for an extended period of time. ICG Natural Resources, LLC owns and leases all of ICG s reserves that are not currently assigned to or associated with one of its mining operations. These reserves contain approximately 327 million tons of mid-to-high Btu, low and high sulfur coal located in Kentucky, West Virginia and Illinois. ICG s multi-region base and flexible product line allows ICG to adjust to changing market conditions and sustain high sales volume by supplying a wide range of customers.

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ICG s total coal reserves could support current production levels for more than 43 years. The following table provides the location of ICG s mining operations and the type and amount of coal produced at those complexes as of January 1, 2005:

Mining Complex	Assigned or Unassigned[1]	Operating (O) or Development (D)	State	Mining Method Surface (S) or Underground (UG)	Total Proven and Probable Reserves[2]	Owned Proven and Probable Reserves (In million tons)	Leased Proven and Probable Reserves (In million tons)	Steam Proven and Probable Reserves (In million tons)	Metallurgical Proven and Probable Reserves (In million tons)
Central Appalachia									
ICG-Eastern	Assigned	O	WV	S	23.69	7.27	16.42	23.69	0.00
Total ICG-Eastern					23.69	7.27	16.42	23.69	0.00
ICG-Hazard	Assigned	O	KY	S/UG	51.27	0.23	51.04	51.27	0.00
	Unassigned	D	KY	S/UG	20.11	0.00	20.11	20.11	0.00
Total ICG-Hazard					71.38	0.23	71.15	71.38	0.00
ICG-Knott County	Assigned	O	KY	UG	6.73	5.81	0.92	6.73	0.00
Total ICG-Knott County					6.73	5.81	0.92	6.73	0.00
ICG-East Kentucky	Assigned	O	KY	S	2.62	0.00	2.62	2.62	0.00
Total ICG-East Kentucky					2.62	0.00	2.62	2.62	0.00
ICG-Natural Resources	Unassigned (Mt. Sterling)	D	KY	S	5.91	4.36	1.55	5.91	0.00
		D	WV	S/UG	44.90	2.20	42.69	44.90	0.00

ICG-Natural Resources	Unassigned (Jennie Creek)								
Central Appalachia Total					155.23	19.87	135.35	155.23	0.00
Other									
ICG-Illinois	Assigned (Viper)	O	IL	UG	29.63	11.38	18.25	29.63	0.00
ICG-Natural Resources	Unassigned	D	IL	UG	325.21	305.06	20.15	325.21	0.00
Total Other					354.84	316.44	38.39	354.84	0.00
Total Proven and Probable Reserves					510.07	336.31	173.74	510.07	0.00

(1) *The proven and probable reserves indicated for each mine are Assigned. Unassigned proven and probable reserves for each mining complex are shown separately. Assigned reserves means coal which has been committed by the coal company to operating mine shafts, mining equipment, and plant facilities, and all coal which has been leased by the company to others. Unassigned reserves represent coal which has not been committed, and which would require new mineshafts, mining equipment, or plant facilities before operations could begin in the property. The primary reason for this distinction is to inform investors which coal reserves will require substantial capital investments before production can begin.*

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

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

		As Received Quality					Total Reserves	
Mining Complex	**Assigned or Unassigned[1]**	**% Moisture**	**% Ash**	**% Sulfur**	**Btu/lb.**	**Lbs. SO_2 Million Btu s**	**<1.2 lbs. SO_2 Compliance**	**>1.2 lbs SO_2 Non-Compliance**
Central Appalachia								
ICG-Eastern	Assigned	6.00	14.42	1.24	11,964	2.07	0.00	23.69
Total ICG-Eastern		6.00	14.42	1.24	11,964	2.07	0.00	23.69
ICG-Hazard	Assigned	6.00	9.23	1.44	12,438	2.32	0.00	51.27
	Unassigned	6.00	12.98	1.63	12,047	2.72	0.00	20.11
Total ICG-Hazard		6.00	10.33	1.49	12,316	2.43	0.00	71.38
ICG-Knott County	Assigned	6.00	4.47	1.22	13,463	1.87	3.50	3.23
Total ICG-Knott County		6.00	4.47	1.22	13,463	1.87	3.50	3.23
ICG-East Kentucky	Assigned	4.50	11.59	1.36	12,680	2.14	0.00	2.62
Total ICG-East Kentucky		4.50	11.59	1.36	12,680	2.14	0.00	2.62
ICG-Natural Resources	Unassigned (Mt. Sterling)	6.00	9.18	0.83	12,430	1.33	0.00	5.91
ICG-Natural Resources	Unassigned	7.00	6.47	1.10	12,935	1.69	0.00	44.90
	(Jennie Creek)							
Central Appalachia Total							3.50	151.73
Other								
ICG-Illinois	Assigned	16.00	8.80	2.86	10,692	5.35	0.00	29.63
	(Viper)							
ICG-Natural Resources	Unassigned	10.00	8.99	3.24	11,377	5.70	0.00	325.21

Total Other	10.50	8.98	3.21	11,320	5.67	0.00	354.84
Total Proven and Probable Reserves						3.50	506.57

(1) The proven and probable reserves indicated for each mine are Assigned. Unassigned proven and probable reserves for each mining complex are shown separately. Assigned reserves means coal which has been committed by the coal company to operating mine shafts, mining equipment, and plant facilities, and all coal which has been leased by the company to others. Unassigned reserves represent coal which has not been committed, and which would require new mineshafts, mining equipment, or plant facilities before operations could begin in the property. The primary reason for this distinction is to inform investors which coal reserves will require substantial capital investments before production can begin.

ICG s reserve estimate is based on geological data assembled and analyzed by its staff of geologists and engineers. Reserve estimates are periodically updated to reflect past coal production, new drilling information and other geologic or mining data. Acquisitions or sales of coal properties will also change the reserves. Changes in mining methods may increase or decrease the recovery basis for a coal seam as will plant processing efficiency tests. ICG maintains reserve information in secure computerized databases, as well as in hard copy. The ability to update and/or modify the reserves is restricted to a few individuals and the modifications are documented.

Actual reserves may vary substantially from the estimates. Estimated minimum recoverable reserves are comprised of coal that is considered to be merchantable and economically recoverable by using mining practices and techniques prevalent in the coal industry at the time of the reserve study, based upon then-current prevailing market prices for coal. ICG uses the mining method that it believes will be most profitable with respect to particular reserves. ICG believes the volume of its current reserves exceeds the volume of its contractual delivery requirements. Although the reserves shown in the table above include a variety of qualities of coal, ICG presently blends coal of different qualities to meet contract specifications. See Risk Factors Risks Relating to Our Business.