BLACKACRELLC

The U.S. Coal Industry

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March 2011

FOR REQUIRED DISCLOSURES, INCLUDING ANALYST CERTIFICATION, PLEASE REFER TO THE IMPORTANT DISCLOSURES SECTION AT THE END OF THIS PRESENTATION

Topics for Discussion

- Companies under coverage
- What drives coal equities
- Current market themes
- Industry overview
- Our price deck
- Profiling our Buy-rated names
- The companies: how to differentiate one coal name from the next?

Appendix 1: Valuation Summary Sheet; Appendix 2: Additional Statistical Information;
Appendix 3: U.S. Coal Supply & Demand Model; Appendix 4: Share Price Performance

Companies Under Coverage

5 Buys, 9 Holds:
CNX, ICO, PCX, BTU and NRP are our top picks

Coal Producers	Ticker	Price	Rating	12-Month Target	Equity Performance MTD	QTD	YTD	EV/EBITDA 2011E	2012E	5-Year Median Fwd. EV/EBITDA
Alpha Natural Resources	ANR	$57.88	Hold	NA	-3.6%	-3.6%	-3.6%	6.0x	5.2x	4.6x
Arch Coal	ACI	$33.22	Hold	NA	-5.2%	-5.2%	-5.2%	6.6x	5.1x	6.0x
Cloud Peak Energy	CLD	$22.52	Hold	NA	-3.1%	-3.1%	-3.1%	5.0x	4.6x	5.1x
CONSOL Energy	CNX	$47.93	Buy	$57	-1.7%	-1.7%	-1.7%	8.8x	6.8x	6.0x
International Coal Group	ICO	$8.86	Buy	$11	14.5%	14.5%	14.5%	5.3x	4.3x	4.6x
James River Coal	JRCC	$22.24	Hold	NA	-12.2%	-12.2%	-12.2%	4.4x	8.8x	3.3x
Massey Energy	MEE	$57.23	Hold	NA	6.7%	6.7%	6.7%	6.6x	6.1x	5.3x
Patriot Coal	PCX	$25.46	Buy	$28	31.4%	31.4%	31.4%	6.8x	5.0x	6.6x
Peabody Energy	BTU	$61.09	Buy	$75	-4.5%	-4.5%	-4.5%	7.2x	5.6x	7.3x
Walter Energy	WLT	$126.96	Hold	NA	-0.7%	-0.7%	-0.7%	4.9x	5.1x	6.2x
COAL PRODUCER AVG.					2.2%	2.2%	2.2%	6.2x	5.6x	5.5x

Coal MLPs	Ticker	Price	Rating	12-Month Target	MTD	QTD	YTD	P/E 2011E	2012E	5-Year Median Fwd. P/E
Alliance Resource Partners, L.P.	ARLP	$68.46	Hold	NA	4.1%	4.1%	4.1%	9.1x	9.0x	12.4x
Natural Resource Partners, L.P.	NRP	$35.42	Buy	$40	6.7%	6.7%	6.7%	20.2x	15.4x	18.1x
Oxford Resource Partners, L.P.	OXF	$24.97	Hold	NA	2.5%	2.5%	2.5%	26.3x	11.6x	NA
Penn Virginia Resource Partners, L.P.	PVR	$27.74	Hold	NA	-2.0%	-2.0%	-2.0%	16.8x	15.0x	18.5x
COAL MLP AVG.					2.8%	2.8%	2.8%	18.1x	12.8x	16.3x

Source: BB&TCM estimates

The Risk Trade with Beta

- The consummate "risk on" or "risk off" group
- Lots of volatility, lots of beta (2x), and lots of hedge funds
- Very liquid: group trades ~3M shares/day on average
- Coal correlates most closely with front-month WTI oil prices

Coal Share Price Correlation Matrix (2000-Present)

	Henry Hub Natural Gas	WTI Crude Oil	S&P 500 Index	U.S. Dollar Index
Alpha Natural (ANR)	25%	82%	-2%	-61%
Arch (ACI)	71%	88%	40%	-70%
Cloud Peak (CLD)	-18%	76%	66%	-12%
CONSOL (CNX)	56%	96%	33%	-75%
International Coal (ICO)	66%	20%	34%	28%
James River Coal (JRCC)	50%	7%	-6%	24%
Massey Energy (MEE)	64%	81%	26%	-64%
Patriot Coal (PCX)	82%	89%	61%	-61%
Peabody (BTU)	56%	94%	61%	-76%
Walter (WLT)	32%	87%	12%	-69%
Average	**49%**	**72%**	**32%**	**-43%**

Key Drivers:

Utility coal-levered equities: economy, weather, natural gas prices

Met coal-levered equities: global steel fundamentals, CHINA!

Source: Bloomberg

Current Themes: Utility Market

Utility (thermal/steam) coal market (~93% of U.S. coal supply)

- Eastern coal prices have fallen sharply the last several weeks. PRB prices have remained relatively flat.
- Eastern inventories have come down considerably, but still remain well above long-term averages. The lack of port capacity to move thermal out of Hampton Roads when the arb is open remains an important issue.
- Costs in the eastern U.S. are under significant upward pressure due to stricter enforcement of mine regulations by MSHA. Productivity is declining rapidly. Even so, CAPP and NAPP production has been better than anticipated, largely due to met.

Current Themes: Met Market

Metallurgical coal market (~7% of U.S. coal supply)

- Met coal prices continue to surge. According to Platts, the spot price for highest quality low-vol met coal was $343/mt FOB Australia as of January 31. The Q1'11 met coal settlement was reached in late November at $225/mt, up from $209/mt for Q4'10. We anticipate a Q2'11 settlement of $300/mt+ (likely in late Feb./early Mar.).

- The recent flooding in Australia is far worse than in 2008, when the seaborne market lost ~8.5M tons of supply. The key from here is weather. The Australian rainy season runs through the end of March and the cyclone season through the end of April.

- There has been a sharp uptick in activity involving U.S. producers. While there is limited port space to accommodate a lot of spot buying in the near-term, U.S. producers are well-positioned to capture higher prices as the year progresses. We believe the met market is not only tight near-term, but longer term as well.

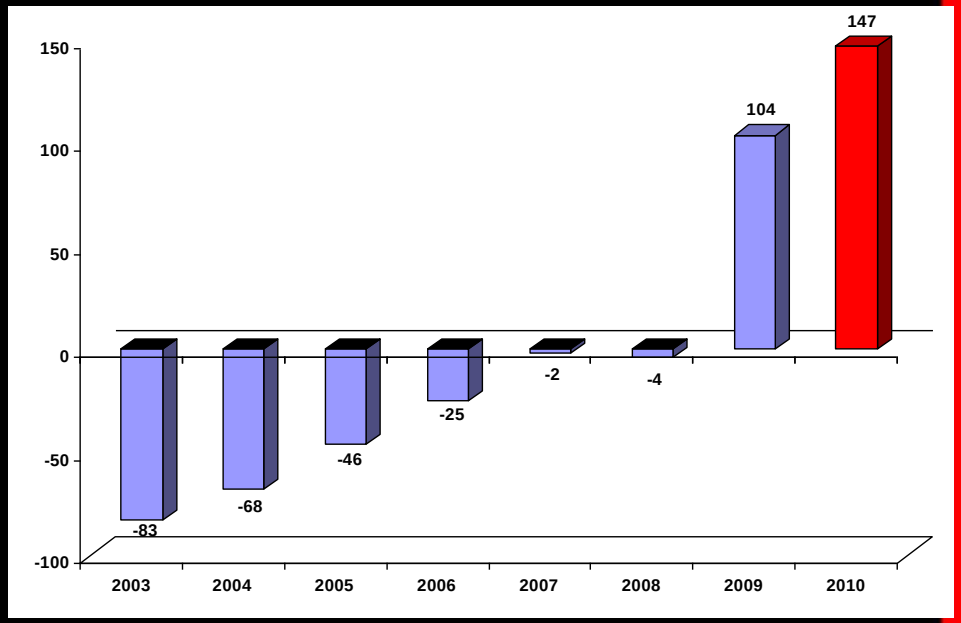
Current Themes: China

China

- Net imports set another record in 2010.
- Chinese thermal coal prices have come off significantly with utility inventories at healthy levels.
- Following the massive upsurge in Australian met prices, Chinese steel mills remain comfortable to source their coal internally as the economics dictate.

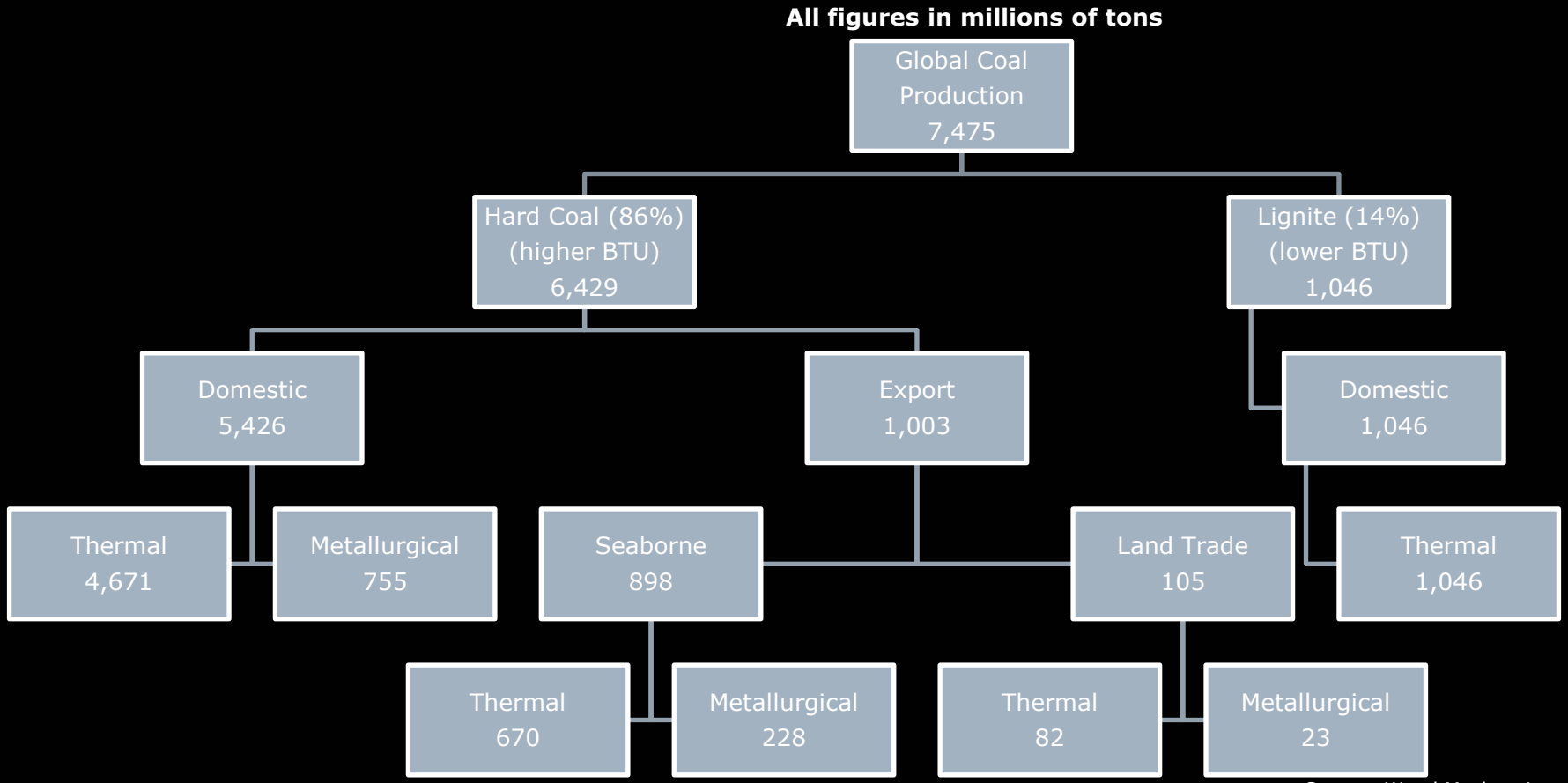
Chinese Net Coal Imports

(millions of metric tons)



Source: China General Administration of Customs

Global Coal Production (2008)



Source: Wood Mackenzie

A Global Snapshot: 2009

Global Coal Production, 2009

(millions of tons)

		Total Production	% of Total
1	China	3,210	46%
2	U.S.	1,073	15%
3	India	613	9%
4	Australia	450	6%
5	Indonesia	335	5%

Source: EIA, BP Statistical Review of World Energy 2010

Global Coal Consumption, 2009

(millions of tons)

		Total Consumption	% of Total
1	China	3,309	47%
2	U.S.	1,000	14%
3	India	681	10%
4	Germany	223	3%
5	Russia	223	3%

Source: EIA, BP Statistical Review of World Energy 2010

Global Coal Reserves, 2009

(millions of metric tons)

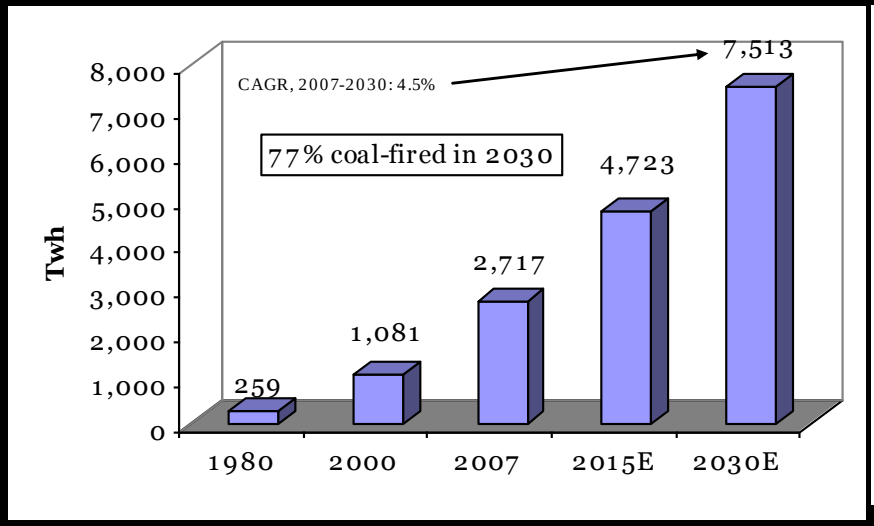
		Proved Reserves	% of Total	R/P Ratio
1	U.S.	238,308	29%	245
2	Russia	157,010	19%	487
3	China	114,500	14%	38
4	Australia	76,200	9%	186
5	India	58,600	7%	105

Source: BP Statistical Review of World Energy 2010

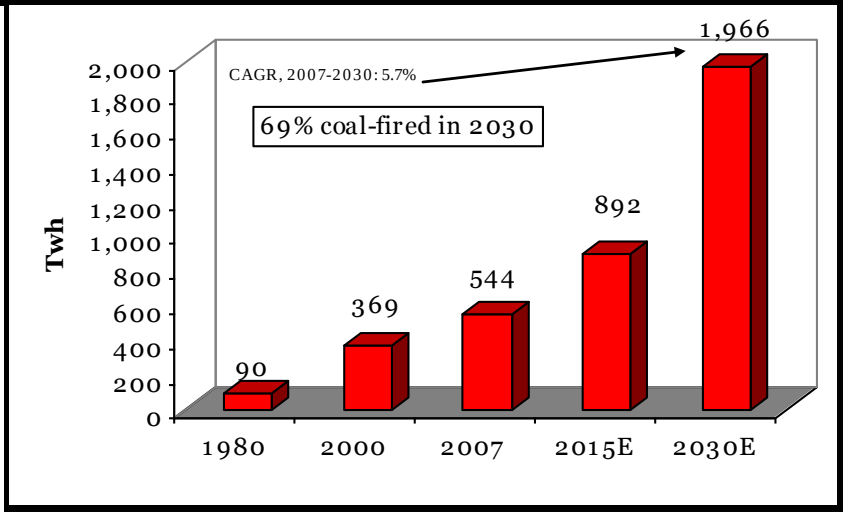
A Global Look: The Future

It's all about Asian demand.

CHINA



INDIA



Asia expected to represent 90% of long-term coal demand.

Source: EIA

New U.S. Coal Fired Generation

Current Coal-Fired Capacity Projects — **Annual Change**

General Status	Number of Plants: January 2009	Number of Plants: January 2010	Number of Plants: Net Change	Capacity (MW): January 2009	Capacity (MW): January 2010	Capacity (MW): Net Change
PROGRESSING						
Under Construction	28	22	-6	16,319	13,755	-2,564
Near Construction	7	1	-6	2,812	320	-2,492
Permitted	13	8	-5	7,000	3,280	-3,720
Sub-total	48	31	-17	26,131	17,355	-8,776
UNCERTAIN POTENTIAL & TIMING						
Announced (early stages of development)	47	46	-1	31,869	26,233	-5,636
TOTAL	95	77	-18	58,000	43,588	-14,412
Operational this Period	---	8	8	---	3,218	3,218
TOTAL with Operational			-10			-11,194

Definitions:

Under construction: Project is under construction.

Near construction: Project has been approved, and majority of all permits have been obtained.

Permitted: In the permitting phase. Two or more permits approved or fuel or power contracts negotiated.

Announced: Early stages of development to filing for permits.

Source: NETL

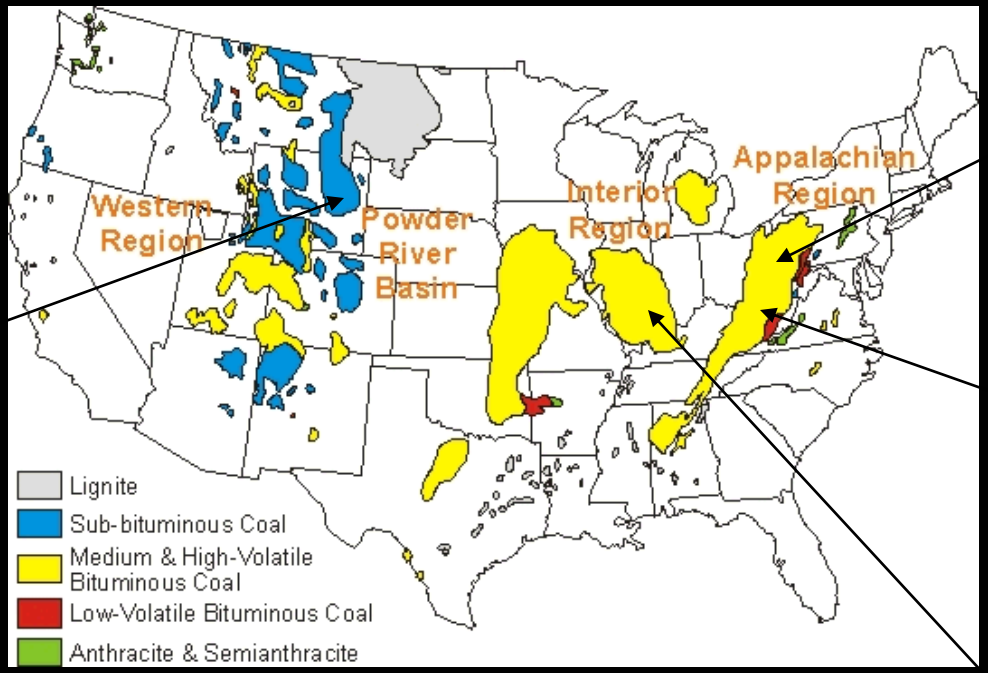
At least 40 GW of old, inefficient coal-fired generation at risk

Every 10 GW = 32 million tons of annual coal demand

AEP, TVA, Duke, Progress: lots of potential retirements

The U.S. Coal Industry

PRB (44% of total supply)
--Low Btu, low sulfur coal
--All thermal coal, all on surface
--Two main products: 8,800 and 8,400 BTU
--Lowest-cost U.S. region
--Little history of production discipline
--Advantages: cost, stability of supply, less gas competition
--Disadvantages: geography, rails steal eastern economics, lower Btu, high moisture, more scrubbers/less value to low sulfur
--BTU, ACI, CLD, ANR



NAPP (12% of total supply)
--High Btu, high sulfur coal
--Primarily thermal coal
--Lowest cost eastern coal due to geology, enabling longwall production
--Will take share from CAPP
--Close proximity to Northeast
--More scrubbers, more demand
--CNX, ANR, ICO, PCX

CAPP (18% of total supply)
--High Btu, low sulfur coal
--Thermal and met coal
--Production in sharp decline
--Regulatory environment terrible
--Highest cost region, with significant cost pressures
--Emerged as key global swing producer for met
--MEE, PCX, JRCC, ANR, ICO, ACI, CNX

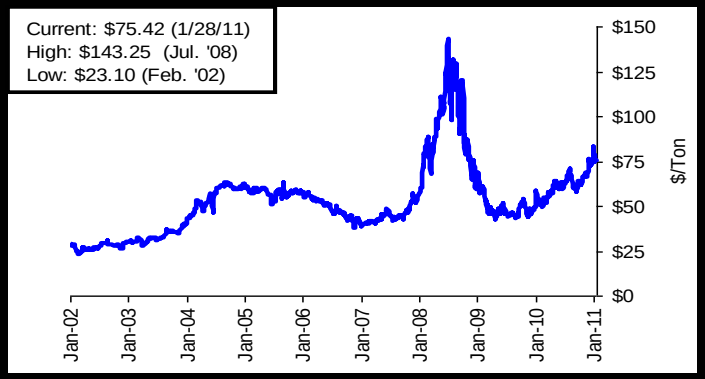
ILLINOIS BASIN (10% of total supply)
--High Btu, high sulfur coal
--Thermal coal
--Fastest growing region
--Poised to take share from CAPP and PRB
--Some of lowest cost underground mines
--Chlorine content an issue to watch
--BTU, ARLP, ICO, PCX, JRCC, Chris Cline

~80% of growth going forward should come from the PRB and Illinois Basin

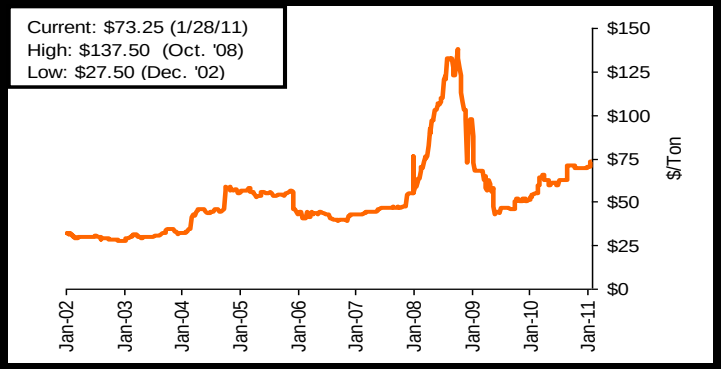
Source: AEP 2009 Factbook

Utility Coal Prices by Region

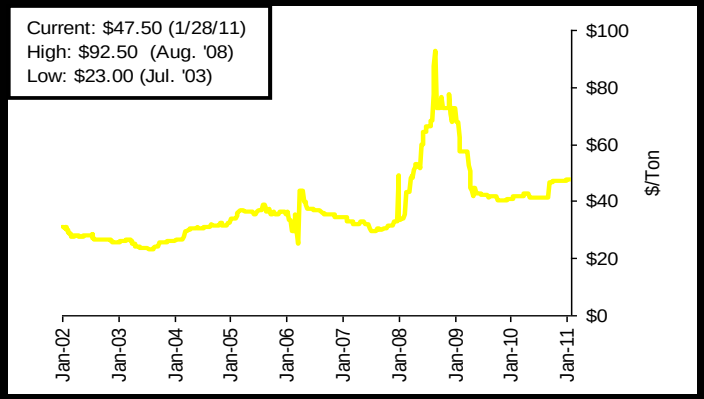
Central App Coal Prices



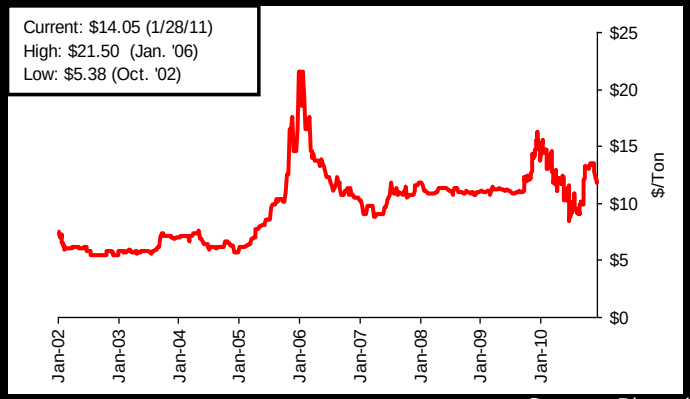
Northern App Coal Prices



Illinois Basin Coal Prices



PRB 8,800 Coal Prices



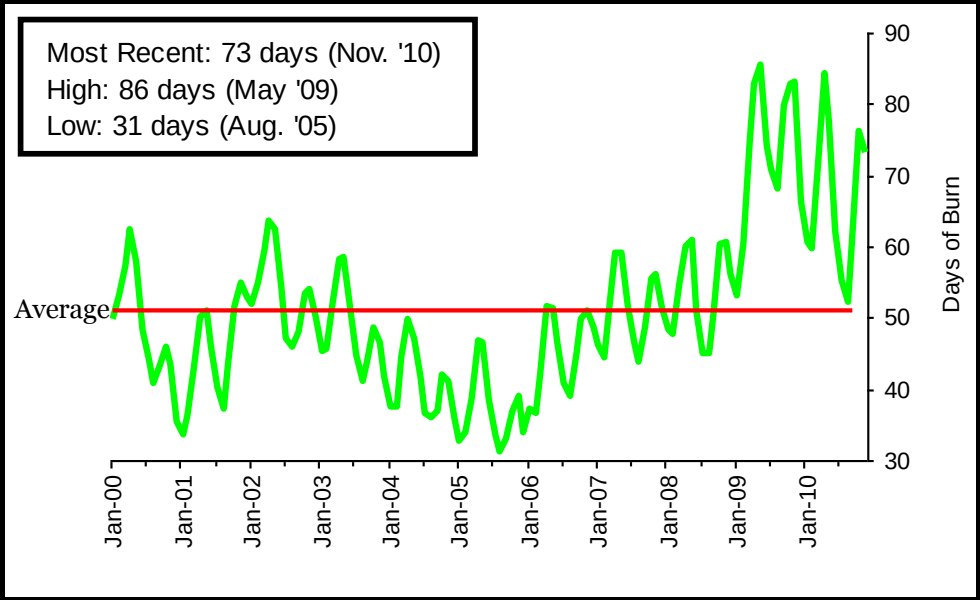
Source: Bloomberg

The U.S. Utility Market

- Electric utility coal consumption: ~1 billion tons
- Coal: ~43% of total U.S. electricity generation (#1 market share). Natural gas is a distant second.
- The value of utility coal is driven by five components:
  - Btu or heat content (the higher, the better)
  - Sulfur (the lower, the better)
  - Ash content (the lower, the better)
  - Moisture content (the lower, the better)
  - Location, location, location (utilities pay the freight/rails dictate the economics)
- The key driver of utility coal prices are INVENTORIES, which are dictated by:
  - Weather
  - Natural gas prices (competes directly against coal)
  - General economic activity (coal burn tied to GDP)
  - The relative strength of the export market

Utility Inventories

U.S. Utility Coal Inventories



Peak:	86 days (May 2009)
Trough:	31 days (August 2005)
End of November 2010:	73 days
10-Year Average:	51 days

Source: EIA

Utility Inventory Model

U.S. Electric Utility Coal Stockpiles

Short tons (thousands)

Year	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
2000	138,894	143,501	142,113	144,904	144,330	136,353	127,811	122,746	118,896	120,402	117,765	102,296
2001	96,545	98,220	109,154	118,523	127,521	126,683	119,005	113,066	115,750	126,747	135,428	138,496
2002	139,400	143,151	146,443	153,375	155,313	152,134	142,634	137,130	135,962	140,800	144,608	141,714
2003	134,761	130,372	133,536	140,709	146,104	144,257	134,968	126,747	124,518	127,645	126,692	121,567
2004	111,758	107,709	113,131	121,104	123,739	120,263	111,625	108,062	106,209	111,148	113,299	106,669
2005	97,514	98,059	105,226	115,919	119,902	115,524	105,631	98,879	98,192	101,218	106,573	101,137
2006	105,401	105,986	112,141	125,097	133,841	135,734	127,894	123,884	126,872	134,941	140,442	140,964
2007	136,377	133,468	141,389	149,657	154,735	154,812	145,450	140,668	142,666	150,075	154,292	151,221
2008	146,973	142,782	146,497	154,029	159,408	152,542	142,572	139,352	143,903	155,659	163,390	161,589
2009	156,075	160,601	174,223	185,790	195,103	195,656	193,563	191,532	197,208	199,477	203,765	189,467
2010A/E	178,063	171,123	177,763	189,196	191,295	181,062	169,215	159,805	162,798	175,147	179,163	171,996
2011E	164,257	162,713	170,035	178,536	183,893	179,847	169,236	162,297	162,297	169,444	174,866	167,697
2012E	160,989	160,184	165,790	174,080	179,302	174,999	164,499	159,071	159,071	165,433	169,683	162,884
L5YR AVG (INCL.2010)	144,578	142,792	150,403	160,754	166,876	163,961	155,739	151,048	154,689	163,060	168,210	148,876
% Above/Below												
L5YR AVG (INCL.2010)	23%	20%	18%	18%	15%	10%	9%	6%	5%	7%	7%	

Source: EIA, BB&TCM estimates

Why Natural Gas Prices Matter

Equivalent Dispatch Costs To Generate A MWh of Electricity:

Current Central Appalachian Barge Steam Coal & Henry Hub Natural Gas Contract Prices (NYMEX)

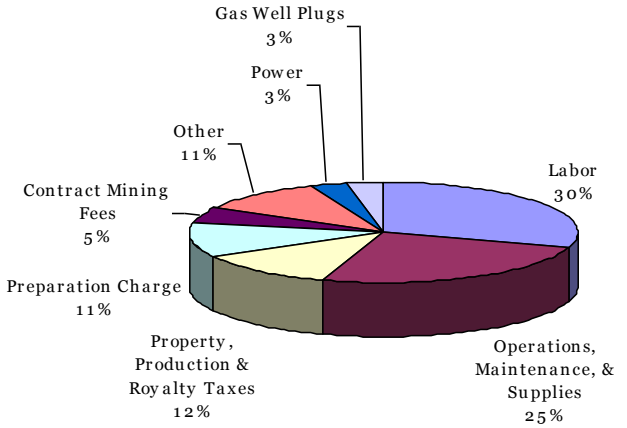
Contract*	Coal Price/ Ton	Equivalent Gas/mmBTU	Cost/ MWh	Gas Price/ mmBTU*	Equivalent Coal/Ton	Cost/ MWh	Coal/Gas Dispatch Spread (%)
March 2011	$75.42	$5.193	$38.09	$4.323	$60.38	$31.83	20%
April-June 2011	$75.37	$5.190	$38.07	$4.383	$61.42	$32.26	18%
July-September 2011	$77.27	$5.300	$38.86	$4.499	$63.42	$33.09	17%
October-December 2011	$79.18	$5.411	$39.66	$4.729	$67.39	$34.75	14%
2012	$82.65	$5.612	$41.10	$4.926	$70.81	$36.17	14%

Notes**:** Coal assumptions based on 12,000 BTUs/lb., transportation costs of $10/ton from the mine to the plant, a coal-fired power plant heat rate of 10,000 BTUs/kWh and incremental O&M of $2.50/MWh. Natural gas assumptions incorporate a gas-fired plant heat rate of 7,200 BTUs/kWh and incremental O&M of $0.70/MWh. Contract prices represent closing prices of respective Central App Barge contracts and NYMEX Henry Hub natural gas contracts on 1/28/11. Quarterly or annual Henry Hub contract prices represent the current average of the respective monthly contract prices.

Source: BB&T estimates; Bloomberg

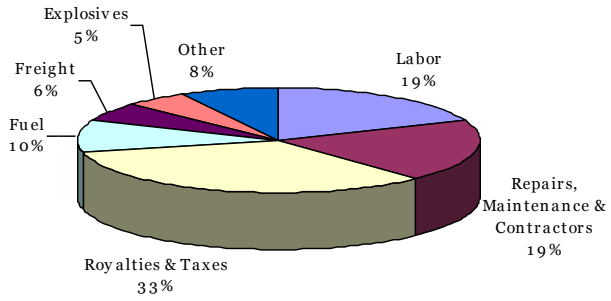
Cash Cost Breakdown

Eastern Coal: Estimated Cash Cost Components



Source: Massey Energy

PRB: Estimated Cash Cost Components



Source: Cloud Peak Energy

Eastern Cash Costs: Getting Worse

A Function of Three Factors: Increased Regulation, Geology, and Mix

Eastern (CAPP/NAPP) Operating Costs: A Historical & Projected Look

($/ton)	ANR	CNX	ICO	JRCC	MEE	PCX*	AVERAGE
2003	$28.17				$27.24		$27.71
2004	$36.11				$29.08		$32.60
2005	$44.06	$23.42		$38.18	$34.03		$34.92
2006	$46.34	$25.22	$38.20	$42.97	$40.94		$38.73
2007	$47.45	$25.49	$40.24	$44.60	$41.18	$50.64	$41.60
2008	$60.53	$31.36	$46.66	$52.45	$46.65	$57.91	$49.26
2009	$54.63	$33.78	$49.44	$63.87	$50.48	$57.13	$51.56
2010E	$60.60	$35.31	$56.12	$67.86	$60.35	$59.56	$56.63
2011E	$65.41	$36.22	$60.14	$70.72	$65.60	$64.09	$60.36
2012E	$68.49	$38.36	$62.46	$71.29	$67.94	$67.27	$62.64
CAGR, 2006-2009	6%	10%	9%	14%	7%	6%	9%
CAGR, 2006-2012E	7%	7%	9%	9%	9%	6%	8%

Excludes SG&A, DD&A and other non-operating costs.

*Patriot Coal CAGRs are from 2007-2009 and 2007-2012E, respectively.

Source: Company reports

Key Environmental Issues

- **New EPA CAIR Regulations -** On July 6th, the EPA proposed "The Transport Rule", which would require 31 states and the District of Columbia to reduce air pollution by meeting strict emission guidelines. The rule specifically limits emissions on SO2 and NOx that cross state lines. The reductions would take place one year after the rule is in place (2012), and by 2014, would reduce SO2 emissions by 71% from 2005 levels and NOx emissions by 52% from 2005 levels. A 60-day comment period began in August. The EPA hopes to have the rule finalized by late spring 2011.

- **Clean Water Act; Section 404 -** The U.S. Army Corps of Engineers issues "404 permits" that define surface mining and waste fill requirements. The EPA has challenged many issued permits, further slowing Central Appalachian mine development. The National Mining Association has filed a lawsuit against the Environmental Protection Agency (EPA) and U.S. Army Corps of Engineers, requesting that the court vacate recent federal rulings on surface mining and process a backlog of permit applications.

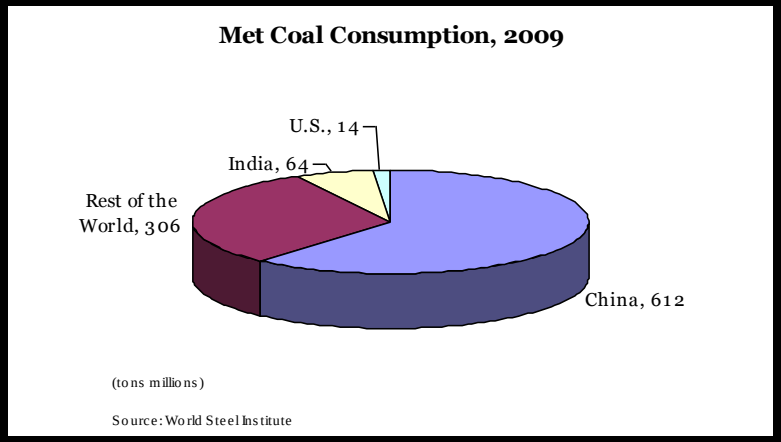
- **Coal Ash Regulations -** The EPA is in the process of developing new regulations for the storage and disposal of coal ash. The EPA is considering two potential avenues – one that classifies ash as "special waste" and another that classifies it as "solid waste". Under the "special waste" designation, the EPA could enforce strict standards for generation, storage, transport and disposal. Landfills would have to be lined and groundwater monitored.

Source: BB&TCM

The Met Coal Market

- **What is met (coking) coal?** Coal suitable to make coke for the manufacturing of steel. Met coal typically has a high Btu and low ash content.

- **From most valuable to least, what are the different grades of met coal?**
  - **Low-vol:** <20% volatile matter (impurities that become gaseous at certain temperatures)
  - **Mid-vol:** 20-34% volatile matter
  - **High-vol:** 35%+ volatile matter (depending upon price, high vol also used as utility coal)
  - **PCI:** Suitable for direct injection into a blast furnace in pulverised state



Coking coal represents only ~7% of total U.S. volumes

World Met Coal Trade (Mt)

	2005	2006	2007	2008	2009	2010E	2011E
Met coal imports							
Japan	57	58	54	57	46	53	57
EU	52	54	55	57	41	46	48
China	7	5	6	7	34	44	45
India	17	18	23	29	23	25	27
South Korea	21	20	23	24	15	22	25
Brazil	14	9	10	11	9	12	13
Taiwan	5	5	8	5	4	7	7
Other	39	41	48	46	39	37	37
World imports	**211**	**210**	**227**	**236**	**211**	**246**	**259**
Met coal exports							
Australia	125	124	138	135	135	159	162
U.S.	26	25	29	39	34	34	34
Canada	27	25	27	27	22	25	27
Russia	10	10	15	14	13	18	21
Other	24	26	18	21	7	10	15
World exports	**211**	**210**	**227**	**236**	**211**	**246**	**259**
Y/Y Growth		*-0.7%*	*8.1%*	*4.0%*	*-10.6%*	*16.6%*	*5.3%*

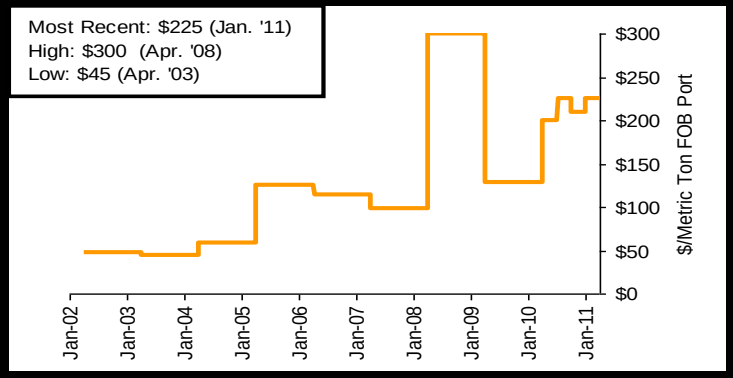
Source: ABARE, Australian commodities quarterly, December 2010

Met Coal Drivers & Prices

- **Key price drivers:**
  - Global steel production/demand/utilization expectations
  - Chinese steel consumption: ~45% of the global total
  - Potential for supply disruption (i.e. cyclones in Australia, mine collapses in Russia and the U.S.)
  - Pace of Australian rail and port capacity additions, plus the development of major met reserves in Mozambique (Tete Moatize) and Mongolia (Tavan Tolgoi)

Seaborne High-Quality Hard Coking Coal Prices

($/mt FOB Port)



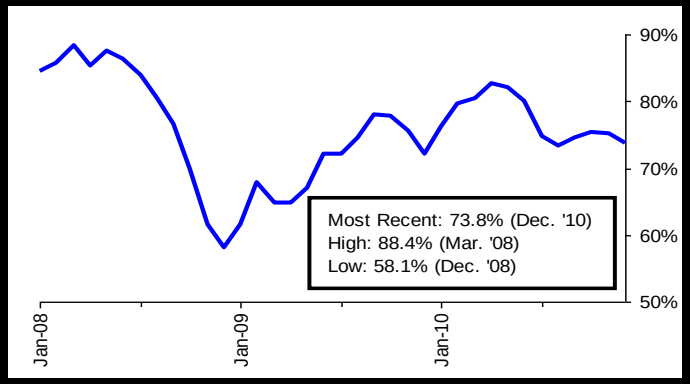
Period	($/mt FOB Port)
2002	$47
2003	$45
2004	$58
2005	$125
2006	$115
2007	$98
2008	$300
2009	$129
Apr-2010	$200
Jul-2010	$225
Oct-2010	$209
Jan-2011	$225

Note: Global benchmark price between the BHP Billiton-Mitsubishi Alliance (BMA) and Japanese steel producers for high-quality hard coking coal contracts for the Japanese fiscal year (4/1-3/31). HQHCC contracts settled on a quarterly basis beginning 4/1/10.

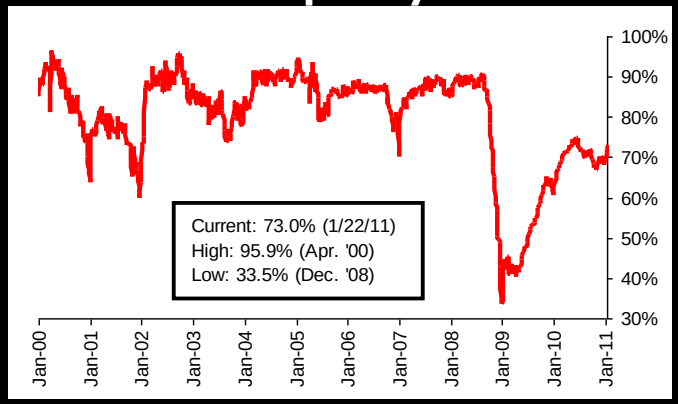
Source: Bloomberg, Reuters

Met Coal Market Indicators

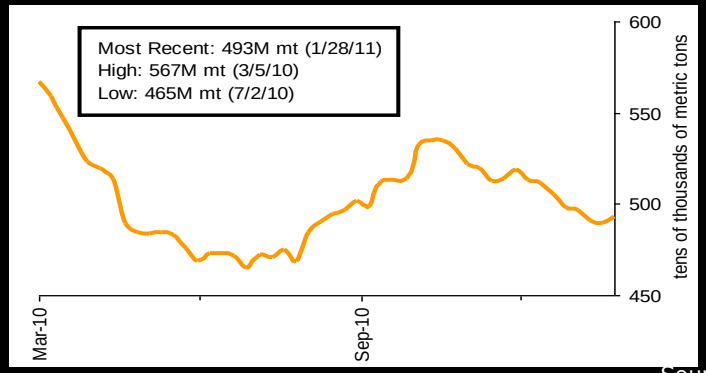
Global Steel Capacity Utilization



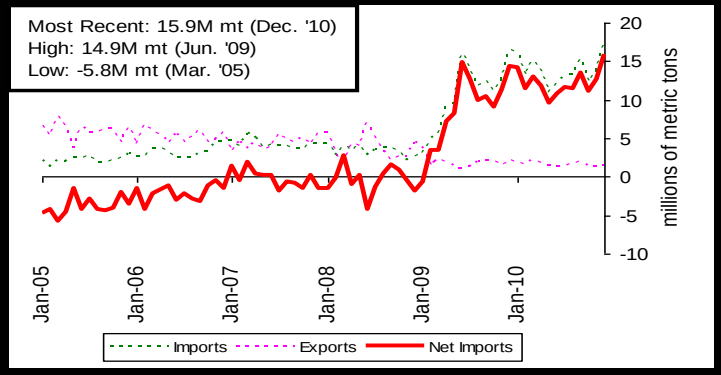
U.S. Steel Capacity Utilization



Chinese Hot Rolled Coil Inventories



Chinese Coal Net Imports



Sources: World Steel Association, AISI, China SteelHome, Chinese Customs data

U.S. Coal Exports/Imports

U.S. Coal Exports/Imports (in millions of short tons)

By Coal Type

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E
Coal Exports													
Met	33	25	22	22	27	29	28	32	43	37	55	56	58
Thermal	26	23	18	21	21	21	22	27	39	22	25	26	27
Total Coal Exports	**58**	**49**	**40**	**43**	**48**	**50**	**50**	**59**	**82**	**59**	**80**	**82**	**85**
Coal Imports													
Met	NA	NA	NA	NA	2	2	2	2	2	1	1	1	1
Thermal	NA	NA	NA	NA	25	29	35	35	33	22	18	19	22
Total Coal Imports	**13**	**20**	**17**	**25**	**27**	**31**	**36**	**36**	**34**	**23**	**19**	**20**	**23**
Net Exports (Imports)	***46***	***29***	***23***	***18***	***21***	***19***	***13***	***23***	***47***	***37***	***61***	***62***	***62***

By Destination/Origin

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E
Met Coal Exports													
Europe	20	15	12	12	12	15	15	18	26	20	NA	NA	NA
Brazil	5	4	4	3	3	3	4	6	6	7	NA	NA	NA
Canada	4	4	5	4	4	4	5	4	4	2	NA	NA	NA
China	0	0	0	0	0	0	0	0	0	1	NA	NA	NA
India	0	0	0	0	0	1	1	1	2	2	NA	NA	NA
South Korea	1	0	0	0	0	1	0	0	1	2	NA	NA	NA
All Other	3	2	2	3	7	3	2	3	5	3	NA	NA	NA
Total Met Coal Exports	**33**	**25**	**22**	**22**	**27**	**29**	**28**	**32**	**43**	**37**	**55**	**56**	**58**
Thermal Coal Exports													
Europe	5	6	4	3	3	3	6	9	15	10	NA	NA	NA
Canada	15	14	12	17	14	15	15	15	19	8	NA	NA	NA
All Other	6	3	2	1	4	3	1	4	5	3	NA	NA	NA
Total Thermal Coal Exports	**26**	**23**	**18**	**21**	**21**	**21**	**22**	**27**	**39**	**22**	**25**	**26**	**27**
Coal Imports													
Colombia	8	11	9	15	17	21	25	27	26	18	NA	NA	NA
Venezuela	2	3	3	5	4	4	4	3	2	1	NA	NA	NA
All Other	3	5	4	5	6	6	7	6	6	4	NA	NA	NA
Total Coal Imports	**13**	**20**	**17**	**25**	**27**	**31**	**36**	**36**	**34**	**23**	**19**	**20**	**23**

Source: EIA, BB&TCM estimates

U.S. Coal Export Capacity

- **Key points:**
  - "Actual" U.S. coal export (seaborne) capacity is ~105-110M tons, about 35-40M tons below "nameplate" capacity due to various restricting factors and coastwise movements
  - Recent export constraint has been poor rail service, not a lack of terminal capacity
  - Met coal has and should continue to dominate terminal capacity
  - CAPP thermal coal still "out of the money" at current API2 price levels
    - If API2 arb opens, NAPP coal will be first to move (higher BTU content & Europe is "scrubbed")

U.S. Coal Export Terminal Capacity

(in millions of short tons)

	Actual	Nameplate
Norfolk		
Lamberts Point	40	40
DTA	19	22
Pier IX	10	12
Total Norfolk	**69**	**74**
Baltimore		
CNX Terminal (CONSOL)	10	12
Chesapeake Bay (CSX)	5	6
Total Baltimore	**15**	**18**
New Orleans		
United Marine	17	20
IMT	6	8
IC RailMarine	4	4
Total New Orleans	**27**	**32**
Mobile (3 berths)	**10**	**20**
less: Coastwise movements	*15*	
Total Capacity	**105**	**144**

U.S. Coal Exports/Imports (in millions of short tons)

By Port

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E
Coal Exports													
Norfolk	22	17	12	13	14	15	15	22	30	28	NA	NA	NA
Baltimore	6	5	4	3	5	5	6	8	11	7	NA	NA	NA
Mobile	6	4	4	4	6	7	6	7	8	8	NA	NA	NA
New Orleans	1	1	1	1	3	2	2	4	9	5	NA	NA	NA
Detroit	1	1	0	3	6	9	14	13	17	6	NA	NA	NA
Cleveland	7	11	13	10	3	3	3	2	3	2	NA	NA	NA
All Other	15	9	5	8	10	9	3	3	4	3	NA	NA	NA
Total Coal Exports	**58**	**49**	**40**	**43**	**48**	**50**	**50**	**59**	**82**	**59**	**80**	**82**	**85**
Coal Imports													
Mobile	5	7	6	8	9	10	12	13	11	7	NA	NA	NA
Tampa	1	2	1	2	3	2	3	4	5	3	NA	NA	NA
Boston	2	2	2	4	4	5	5	5	5	4	NA	NA	NA
All Other	5	9	8	10	12	13	16	15	13	9	NA	NA	NA
Total Coal Imports	**13**	**20**	**17**	**25**	**27**	**30**	**36**	**36**	**34**	**23**	**80**	**82**	**85**

Sources: T. Parker Host, EIA, BB&TCM estimates

BB&TCM Coal Price Deck

BB&T Coal Price Assumptions

				BB&T Estimates	
	12/31/09	Price on 8/5/10	Current Price	2011E	2012E
DOMESTIC UTILITY					
Central Appalachia	$52.05	$72.10	$75.42	$80.00	$80.00
Northern Appalachia	$50.69	$62.75	$73.25	$75.00	$75.00
Illinois Basin	$40.50	$41.40	$47.50	$50.00	$60.00
Western Bituminous	$40.00	$40.00	$41.00	$45.00	$55.00
Powder River Basin, 8800	$9.17	$15.33	$14.05	$14.00	$15.00
Powder River Basin, 8400	$11.25	--	--	$12.00	$13.00
GLOBAL METALLURGICAL					
Benchmark Low Vol Coking Coal, FOB Port ($/metric ton)	$129.00	$225.00	$343.00	$250.00	$225.00
High Vol. B, FOB Port ($/metric ton)	--	--	--	$160.00	$140.00
PCI Coal	--	--	--	$145.00	$130.00
INTERNATIONAL THERMAL					
API2-Rotterdam			$116.00	$110.00	$110.00
Newcastle Coal (Australia)			$125.25	$115.00	$115.00

Source: Bloomberg, Platts and BB&TCM estimates

Coal Valuations: Mark-to-Market

MARK-TO-MARKET ASSUMPTIONS

		Price	EPS		EBITDA		P/E		EV/EBITDA		Share Price @ 2012 EV/EBITDA			
		1/20/11	2011	2012	2011	2012	2011	2012	2011	2012	4x	5x	6x	7x
Alpha Natural Resources	ANR	$57.68	$4.60	$6.58	$1,176	$1,494	12.5x	8.8x	6.0x	4.2x	$55	$67	$79	$92
Arch Coal	ACI	$31.94	$3.22	$4.26	$1,153	$1,370	9.9x	7.5x	5.5x	4.1x	$31	$39	$47	$56
Cloud Peak Energy	CLD	$21.59	$2.20	$1.94	$343	$326	9.8x	11.1x	4.8x	4.9x	$17	$22	$28	$33
CONSOL Energy	CNX	$50.57	$2.99	$4.01	$1,814	$2,171	16.9x	12.6x	8.5x	7.0x	$22	$32	$41	$51
International Coal Group	ICO	$8.47	$0.70	$1.05	$349	$454	12.1x	8.1x	5.1x	3.7x	$9	$11	$14	$16
James River Coal	JRCC	$22.89	$1.34	($1.39)	$152	$67	17.1x	NM	4.6x	11.5x	$5	$7	$10	$12
Massey Energy	MEE	$53.58	$3.65	$5.28	$979	$1,206	14.7x	10.1x	6.4x	4.9x	$45	$57	$69	$81
Patriot Coal	PCX	$23.65	$0.51	$1.79	$364	$552	46.4x	13.2x	6.4x	3.9x	$24	$30	$36	$43
Peabody Energy	BTU	$59.31	$5.00	$5.36	$2,644	$2,832	11.9x	11.1x	6.1x	5.3x	$45	$56	$66	$77
Walter Energy	WLT	$125.99	$13.92	$14.20	$1,202	$1,229	9.1x	8.9x	4.9x	4.3x	$120	$142	$166	$190
AVERAGE							16.0x	10.2x	5.8x	5.4x				

Assumptions:

CAPP PRICE (12,500)	$80.00
NAPP PRICE (+4.5 lb sulfur)	$75.00
PRB PRICE (8,800)	$14.00
IB PRICE	$43.00
WESTERN BIT PRICE	$36.00
MET COAL (LOW VOL & FOBT)	$250.00
NATURAL GAS	$4.50

Note: Estimates and valuations for all companies are pre-Q4 earnings releases (1/20/11) for comparative purposes.

Source: BB&TCM estimates

Coal Valuations: Peak

PEAK ASSUMPTIONS

		Price	EPS		EBITDA		P/E		EV/EBITDA		Share Price @ 2012 EV/EBITDA			
		1/20/11	2011	2012	2011	2012	2011	2012	2011	2012	4x	5x	6x	7x
Alpha Natural Resources	ANR	$57.68	$5.97	$11.44	$1,389	$2,250	9.7x	5.0x	5.0x	2.5x	$85	$104	$123	$141
Arch Coal	ACI	$31.94	$4.50	$6.78	$1,404	$1,862	7.1x	4.7x	4.4x	2.7x	$47	$58	$69	$81
Cloud Peak Energy	CLD	$21.59	$2.62	$3.15	$376	$423	8.2x	6.9x	4.3x	3.6x	$25	$32	$39	$46
CONSOL Energy	CNX	$50.57	$4.45	$6.23	$2,259	$2,847	11.4x	8.1x	6.7x	5.0x	$38	$50	$63	$75
International Coal Group	ICO	$8.47	$0.96	$1.66	$426	$633	8.8x	5.1x	4.1x	2.3x	$14	$17	$20	$23
James River Coal	JRCC	$22.89	$2.07	$1.34	$178	$143	11.1x	17.1x	3.8x	4.7x	$19	$24	$29	$34
Massey Energy	MEE	$53.58	$5.78	$9.01	$1,263	$1,705	9.3x	5.9x	4.7x	3.0x	$70	$87	$104	$121
Patriot Coal	PCX	$23.65	$3.01	$5.88	$591	$1,005	7.9x	4.0x	3.6x	1.6x	$51	$62	$73	$84
Peabody Energy	BTU	$59.31	$6.43	$7.84	$3,178	$3,758	9.2x	7.6x	5.0x	3.7x	$63	$77	$91	$105
Walter Energy	WLT	$125.99	$18.85	$19.28	$1,583	$1,622	6.7x	6.5x	3.6x	2.9x	$160	$190	$220	$250
AVERAGE							**8.9x**	**7.1x**	**4.5x**	**3.2x**				

Assumptions:

CAPP PRICE (12,500)	$90.00
NAPP PRICE (+4.5 lb sulfur)	$85.00
PRB PRICE (8,800)	$17.00
IB PRICE	$60.00
WESTERN BIT PRICE	$50.00
MET COAL (LOW VOL & FOBT)	$300.00
NATURAL GAS	$6.00

Note: Estimates and valuations for all companies are pre-Q4 earnings releases (1/20/11) for comparative purposes.

Source: BB&TCM estimates

Coal Valuations: Trough

TROUGH ASSUMPTIONS

		Price	EPS		EBITDA		P/E		EV/EBITDA		Share Price @ 2012 EV/EBITDA			
		1/20/11	2011	2012	2011	2012	2011	2012	2011	2012	4x	5x	6x	7x
Alpha Natural Resources	ANR	$57.68	$3.30	$0.93	$973	$614	17.5x	62.0x	7.4x	11.7x	$19	$24	$29	$34
Arch Coal	ACI	$31.94	$1.98	$1.65	$911	$858	16.1x	19.4x	7.2x	9.2x	$15	$19	$25	$30
Cloud Peak Energy	CLD	$21.59	$1.93	$1.14	$321	$262	11.2x	18.9x	5.2x	6.4x	$11	$16	$20	$24
CONSOL Energy	CNX	$50.57	$0.95	$0.54	$1,194	$1,116	53.2x	NM	13.3x	14.7x	NM	$3	$8	$13
International Coal Group	ICO	$8.47	$0.30	$0.11	$235	$179	28.2x	NM	7.9x	10.8x	$2	$3	$4	$5
James River Coal	JRCC	$22.89	($0.06)	($6.59)	$102	($78)	NM	NM	7.3x	NM	NM	NM	NM	NM
Massey Energy	MEE	$53.58	$0.64	($0.60)	$576	$420	NM	NM	11.1x	15.7x	$5	$9	$13	$18
Patriot Coal	PCX	$23.65	($3.48)	($4.14)	$0	($106)	NM	NM	NM	NM	NM	NM	NM	NM
Peabody Energy	BTU	$59.31	$2.95	$2.39	$1,883	$1,728	20.1x	24.8x	8.9x	9.5x	$24	$30	$37	$43
Walter Energy	WLT	$125.99	$6.53	$6.71	$632	$651	19.3x	18.8x	10.0x	9.3x	$62	$74	$86	$98
AVERAGE							23.7x	28.8x	8.7x	10.9x				

Assumptions:

CAPP PRICE (12,500)	$55.00
NAPP PRICE (+4.5 lb sulfur)	$50.00
PRB PRICE (8,800)	$12.00
IB PRICE	$35.00
WESTERN BIT PRICE	$30.00
MET COAL (LOW VOL & FOBT)	$175.00
NATURAL GAS	$3.50

Note: Estimates and valuations for all companies are pre-Q4 earnings releases (1/20/11) for comparative purposes.

Source: BB&TCM estimates

Top Pick: Patriot Coal (PCX-$25.46-Buy)

- Based in St. Louis, PCX ships 67% of its coal from CAPP, 21% from the Illinois Basin, and 12% from NAPP. Approximately 25% of 2011E shipments will be met coal. We have a Buy (1) rating and $28 price target. Our target assumes the shares trade to 5.5x our 2012 EBITDA estimate.

- Key reasons to own:
  - More met coal leverage than any other U.S. producer with every $1/st change in met coal prices impacting 2011 EBITDA by 3%, or 4x as much as the next closest producer.
  - In a peak scenario ($300/mt met and $90/st CAPP prices), no U.S. coal company has as much earnings and share price upside as PCX. See analysis on page 28.
  - Earnings should increase substantially with the roll-off of two underwater legacy thermal contracts. One agreement expires in 2012 and requires PCX to provide 2.9M tons/year of CAPP thermal coal at $52/st. The other expires in 2011 with PCX on hook to provide 3.5M tons of IB coal at $35/st.
  - Due to legacy liabilities and higher cost CAPP/IB assets, PCX is heavily shorted. We think as investors become more comfortable with "higher for longer" met prices and potential impact on FCF/de-leveraging, PCX will be re-rated. Shares of PCX reached $80 in the summer of 2008.
  - Biggest risks: Met and CAPP coal prices, regulatory issues, & operational execution

Top Pick: Int'l Coal Group (ICO-$8.86-Buy)

- Based in West Virginia, ICO is primarily an eastern producer formed in 2004 by an investor group led by Wilbur Ross. ICO produces 62% of its coal from CAPP, 24% from NAPP, and 14% from the Illinois Basin. Approximately 17% of 2011E shipments will be met coal. We have a Buy (1) rating and $11 price target.

- Key reasons to own:
  - We believe MEE has too much M&A risk. JRCC is too high cost and too exposed to CAPP thermal trends. By default, we believe ICO and PCX are the two best small-cap ways to play met coal.
  - CAPP production: 269M tons in 2001, 194M tons in 2009, 184M in 2010E and 176M in 2011E
  - Company managing costs better than peers. EPS poised to accelerate.
  - Owns most of its reserves, has strong balance sheet, 100% non-union, has minimal legacy liabilities
  - Big disconnect between private and public market CAPP valuations; could be M&A candidate
  - Biggest risks: Met and CAPP coal prices, regulatory issues, operational execution

Top Pick: CONSOL Energy (CNX-$47.93-Buy)

- Based in Pittsburgh, CNX is the largest producer of coal and natural gas in Appalachia. We estimate the company will generate ~74% of its 2011 EBITDA from coal and the remainder from the production of natural gas. We further estimate CNX generates ~35% of consolidated EBITDA from the sale of met coal. We have a Buy (1) rating and $57 price target that is based on the shares trading to 7.7x our 2012 EBITDA estimate as well as a sum-of-the-parts analysis.

- Key reasons to own:
  - We think the company continues to trade at a discount to its net asset value of $55-$60/share.
  - We think the company is catalyst-rich with the potential sale of 330M tons of met reserves, expansion of the Baltimore export terminal, and monetization of non-core Marcellus natural gas reserves all looming.
  - The company appears to be operating well against a very challenging regulatory backdrop.
  - CNX has some of the highest quality and lowest cost coal and natural gas reserves east of the Mississippi. CNX owns more of its reserves than any other U.S. producer.
  - CNX is in the best position to take advantage of market opportunities to export coal due its ownership of the Baltimore terminal.
  - Biggest risks: Met and CAPP coal prices, natural gas prices, regulatory issues, operational execution

Top Pick: CONSOL Energy (CNX-$47.93-Buy)

CONSOL ENERGY INC.
Sum-of-The-Parts Valuation For Price Target

	Metric	Amount	Multiple	Valuation ($MM)	Per Share
Coal	EBITDA - 2012	$1,552			
Other	EBITDA - 2012	403			
Total Coal & Other	EBITDA - 2012	$1,955	6.0x	$11,728	$51.40
CAPP met assets (Amonate, Elk Creek, Itmann)	tons (millions)	330	$3.50	$866	$3.80
Gas business	Bcfe	2,900	$1.25	$3,625	$15.89
Marcellus acreage					
Southwest Pensylvania	acres	170,000	$ 10,000	$1,700	$7.45
Central Pennsylvania	acres	230,000	$ 7,500	$1,725	$7.56
West Virginia					
West Virginia-East	acres	135,000	$ 4,000	$540	$2.37
West Virginia-West	acres	135,000	$ 2,000	$270	$1.18
Ohio	acres	80,000	$ 1,000	$80	$0.35
TOTAL Marcellus acreage		750,000	**$ 5,753**	$4,315	$18.91
Utica Shale acreage**					
East Ohio		200,000	$ 1,000	$200	$0.88
Southwest PA		300,000	$ -	$0	$0.00
Lower Huron acreage		300,000	$ -	$0	$0.00
Total Gas value				$8,140	$35.68
less: Legacy liabilities				($4,139)	($18.14)
less: Projected net debt at 12/31/12E				($3,314)	($14.52)
Equity value of CONSOL Energy				$13,282	**$58.21**
Diluted Shares Outstanding	228.2 million				

E=BB&T Capital Markets estimate.

Top Pick: Peabody Energy (BTU-$61.09-Buy)

- Based in St. Louis, Peabody is the largest coal producer in the U.S. We have a Buy (1) rating and $75/share price target.

- Key reasons to own:
  - Only company with visible (read: permitted) growth profile: from 23M to 35M-40M tons in Australia by 2014.
  - #1 market share in two fastest growing U.S. basins: PRB and Illinois Basin.
  - Uniquely positioned to serve fast growing Asian demand.
  - Great balance sheet, strong free cash flow, best track record of through the cycle returns.
  - Stock currently trading in-line with peers on our 2012 EBITDA estimate (5.6x vs. 5.6x average) and at a 1.7x discount to its historic median forward-year multiple (7.3x). Historically, BTU has traded at a 2.5x-3.0x premium to peers!
  - Biggest risks: Australia floods, M&A, PRB coal prices and to a lesser extent met coal prices, potential regulatory and operational issues

Source: BB&TCM estimates

Recent M&A Values

Major Coal M&A Transactions: Private Met Coal Producers Getting Gobbled Up

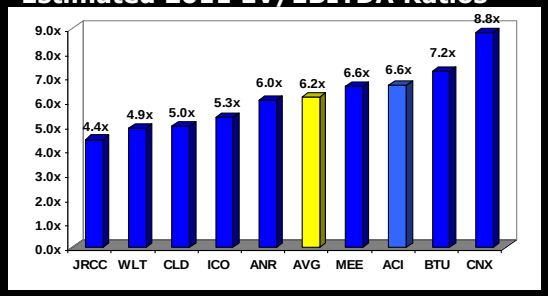
Date	Acquiree	Acquiror	Purchase Price	Reserves	Reserve Split	Production	Implied $/Ton Value
June 2007	PinnOak Resources	Cliffs Natural Resources	$610 million	140 million tons	----	3.9 million tons	$4.36
June 2007	AMVEST	CONSOL Energy	$335 million	200 million tons	----	4.9 million tons	$1.68
April 2008	Magnum Coal	Patriot Coal	$709 million	1.9 billiontons	----	16.1 million tons	$0.37
June 2008	Mid Vol Coal Group	ArcelorMittal (India)	Undisclosed	85 million tons	----	1.5 million tons	----
July 2008	Concept Group	ArcelorMittal (India)	Undisclosed	57 million tons	----	800,000 tons	----
August 2008	PBS Coals	Severstal (Russia)	$1.0 billion	422 million tons	----	2.4 million tons	$2.37
April 2009	Bluestone	Mechel OAO (Russia)	$436 million*	725 million tons	----	3.1 million tons	$1.96
April 2010	United Coal Company	Metinvest (Ukraine)	Not Disclosed	160 million tons	82% met	5.6 million tons	----
March 2010	Trinity Coal Corp.	Essar Group (India)	$600 million	200 million tons	50% met	8.9 million tons	$3.00
March 2010	Cumberland Resources	Massey Energy	$960 million**	416 million tons	52% met	7.8 million tons	$2.31
July 2010	INR Energy	Cliffs Natural Resources	$757 million	119 million tons	57% met	1.4 million tons	$6.36
December 2010	Western Coal	Walter Energy	$3.3 billion	209 million tons	84% met	6.7 million tons	$15.82
January 2011	Massey Energy	Alpha Natural Resources	$8.5 billion	2,800 million tons	46% met	37.1 million tons	$2.99

*Excludes preferred shares ($986 million beginning value)
**$640 million cash and $320 million stock

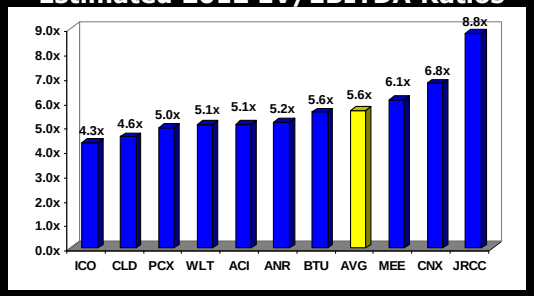
Source: Company reports; Reuters

Relative Valuation

Estimated 2011 EV/EBITDA Ratios



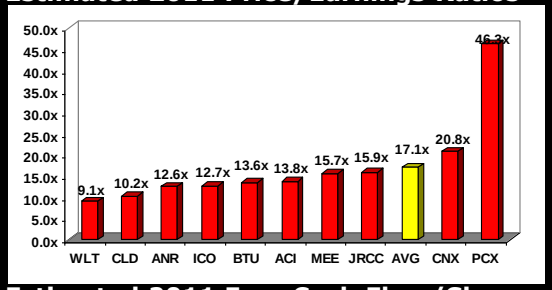
Estimated 2012 EV/EBITDA Ratios



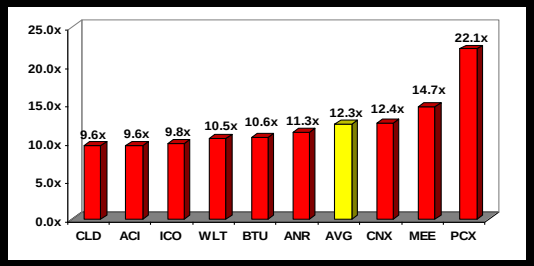
Historic Fwd. EV/EBITDA

5-year High:	8.6x
5-year Low:	1.9x
5-year Median:	5.5x
Current:	5.6x

Estimated 2011 Price/Earnings Ratios



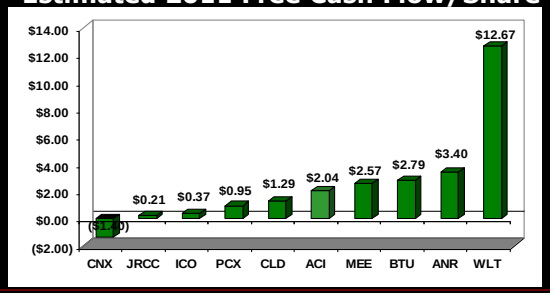
Estimated 2012 Price/Earnings Ratios



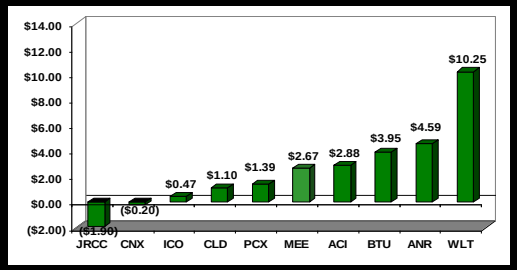
Historic Fwd. P/E

5-year High:	138.9x
5-year Low:	5.9x
5-year Median:	20.0x
Current:	12.3x

Estimated 2011 Free Cash Flow/Share



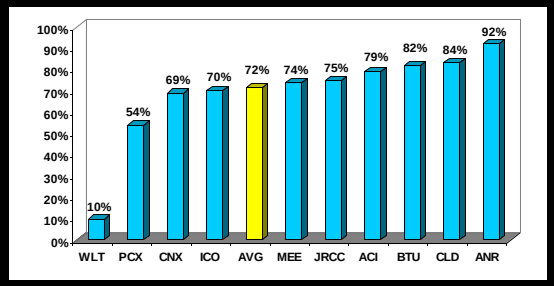
Estimated 2012 Free Cash Flow/Share



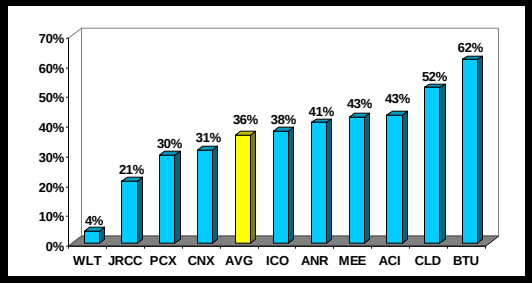
Source: FactSet, BB&TCM estimates

Differentiating the Companies

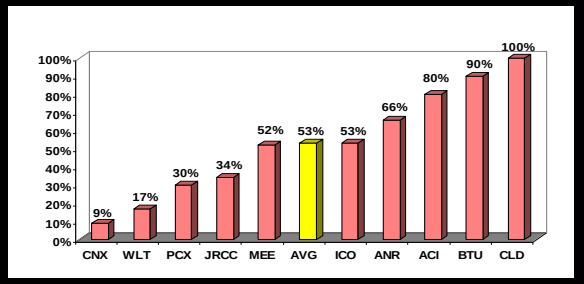
Committed & Priced 2011 Volume (%)



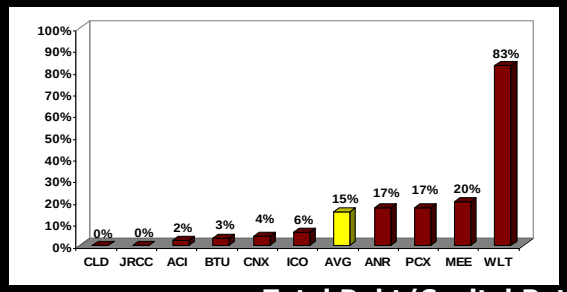
Committed & Priced 2012 Volume (%)



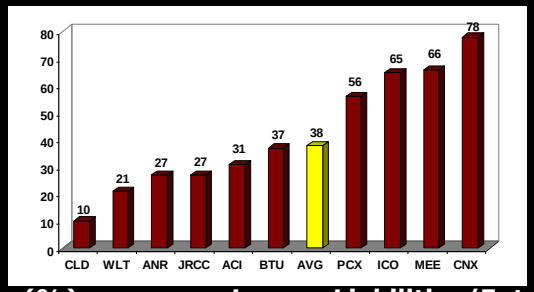
Production By Surface Mining % (2009)



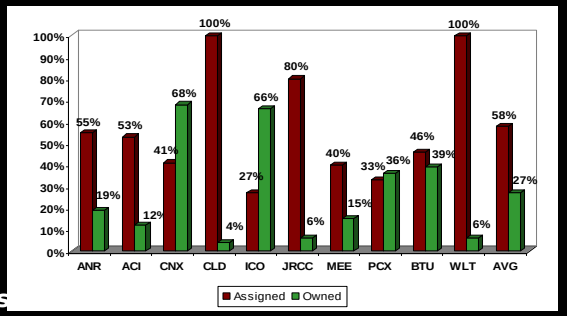
Metallurgical Coal Exposure (% of Production)



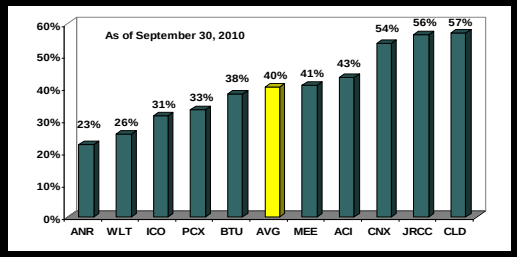
Proved & Probable Reserve Life 2009 (Yrs.)



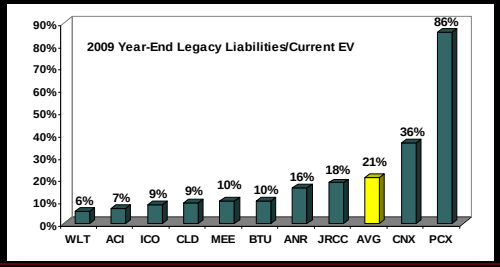
Owned & Assigned Reserves %



Total Debt/Capital Ratios (%)



Legacy Liabilities/Enterpris



Source: Company reports, BB&TCM estimates

Valuation Summary Page

EQUITY RATINGS, TARGETS & CAP STRUCTURE

Company	TICKER	CURRENCY	PRICE (01/27)	RATING	12-MONTH TARGET	90-DAY AVG VOL.	% SHORT	INSIDER OWNER. %	BETA	LEGACY LIABILITIES	DIL. SHARES OUT.	MARKET CAP	TOTAL DEBT	CASH	ENTERPRISE VALUE
Alpha Natural Resources	ANR	USD	$57.33	Hold	NA	2,992	9.7%	1.5%	2.04	$385	121.5	$7,092	$749	$655	$7,127
Arch Coal	ACI	USD	$29.22	Hold	NA	9,805	5.9%	0.9%	1.73	$457	189.5	$5,490	$1,810	$84	$8,948
Cloud Peak Energy	CLD	USD	$22.52	Hold	NA	915	10.5%	1.8%	1.82	$178	80.0	$1,351	$717	$506	$1,562
CONSOL Energy	CNX	USD	$47.99	Buy	$57	2,290	2.7%	0.9%	1.74	$4,199	228.2	$10,958	$3,350	$99	$14,759
International Coal Group	ICO	USD	$3.86	Buy	$11	1,807	7.7%	19.5%	2.22	$149	204.0	$1,203	$941	$219	$1,958
James River Coal	JRCC	USD	$22.24	Hold	NA	589	18.1%	1.8%	2.42	$147	27.8	$618	$289	$195	$705
Massey Energy	MEE	USD	$57.29	Hold	NA	3,884	8.5%	0.7%	2.09	$599	101.8	$5,815	$1,911	$520	$8,805
Patriot Coal	PCX	USD	$25.48	Buy	$28	3,721	14.5%	14.7%	2.42	$1,898	91.0	$2,918	$454	$203	$2,582
Peabody Energy	BTU	USD	$61.09	Buy	$75	4,141	2.9%	0.2%	1.85	$1,804	269.2	$16,445	$2,750	$1,295	$17,900
Walter Energy	WLT	USD	$128.98	Hold	NA	1,823	5.0%	0.7%	1.90	$370	59.4	$8,773	$178	$218	$8,735

ESTIMATES/BALANCE SHEET

Company	EPS 2010E	EPS 2011E	EPS 2012E	EPS CAGR	EBITDA 2010E	EBITDA 2011E	EBITDA 2012E	EBITDA CAGR	FREE CASH FLOW/SHARE 2010E	FREE CASH FLOW/SHARE 2011E	FREE CASH FLOW/SHARE 2012E	FREE CASH FLOW/SHARE CAGR	BOOK VALUE	NET DEBT/ EBITDA ('10)	DEBT/ CAPITAL
Alpha Natural Resources	$2.05	$4.80	$5.10	58%	$787	$1,178	$1,284	28%	$1.97	$3.40	$4.59	58%	$21.22	0.1x	22.5%
Arch Coal	$0.93	$2.40	$3.45	--	$724.1	$955	$1,203	--	$1.98	$2.04	$2.83	--	$19.75	2.1x	41.7%
Cloud Peak Energy	$1.28	$2.20	$2.95	53%	$202	$249	$259	4%	$0.28	$1.29	$1.10	-42%	$9.01	0.8x	57.0%
CONSOL Energy	$1.98	$2.90	$3.85	--	$1,499.1	$1,807	$2,107	--	($0.50)	($1.40)	($0.20)	--	$12.90	2.7x	58.7%
International Coal Group	$0.50	$0.70	$0.90	73%	$209	$249	$410	40%	$0.91	$0.97	$0.47	25%	$9.87	0.8x	31.9%
James River Coal	$2.20	$1.40	($0.30)	NA	$182	$154	$89	-28%	$0.80	$0.21	($1.90)	NA	$7.89	0.5x	58.5%
Massey Energy	($0.43)	$3.85	$3.90	NA	$975	$979	$1,021	85%	($0.35)	$2.57	$2.87	NA	$13.81	2.1x	40.9%
Patriot Coal	($2.00)	$0.55	$1.15	NA	$197	$387	$430	88%	($1.17)	$0.95	$1.99	NA	$9.98	1.8x	99.4%
Peabody Energy	$3.05	$4.50	$5.75	--	$1,315.1	$2,973	$2,903	--	$1.83	$2.73	$3.95	--	$17.42	0.8x	37.0%
Walter Energy	$7.75	$14.00	$12.05	25%	$729	$1,209	$1,089	21%	$7.82	$12.87	$10.25	14%	$9.53	-0.1x	25.8%
AVERAGE														1.1x	40.5%

VALUATION METRICS

Company	P/E 2010E	P/E 2011E	P/E 2012E	5-YEAR MEDIAN P/E	EV/EBITDA 2010E	EV/EBITDA 2011E	EV/EBITDA 2012E	5-YEAR MEDIAN EV/EBITDA	TOTAL RESERVES	% ASSIGNED RESERVES	% OWNED RESERVES	R/P RATIO	EV/ RESERVES*	EV/ ASSIGN. RES.*	EV/ SHIPMENTS*
Alpha Natural Resources	28.2x	12.8x	11.2x	14.8x	9.0x	6.0x	5.2x	4.8x	2,917	55%	19%	27	$9.03	$5.82	$39.94
Arch Coal	99.3x	19.2x	9.8x	22.5x	9.6x	6.6x	5.1x	6.0x	3,935	55%	12%	24	$1.77	$3.94	$49.08
Cloud Peak Energy	12.3x	10.2x	9.8x	11.4x	5.4x	5.0x	4.8x	5.1x	1,004	100%	4%	11	$1.56	$1.56	$18.85
CONSOL Energy	24.3x	20.2x	12.4x	15.3x	9.9x	8.3x	8.0x	8.0x	4,520	41%	88%	71	$9.28	$3.01	$250.52
International Coal Group	29.3x	12.7x	9.2x	91.7x	9.0x	5.9x	4.9x	4.8x	1,050	27%	88%	85	$1.73	$6.52	$115.22
James River Coal	10.1x	15.9x	--	7.1x	4.2x	4.4x	3.8x	9.9x	271	80%	8%	90	$2.60	$9.25	$77.94
Massey Energy	--	15.0x	14.7x	13.0x	11.4x	8.8x	8.1x	5.9x	2,410	40%	15%	84	$2.74	$6.81	$175.83
Patriot Coal	--	46.2x	22.1x	43.0x	19.1x	8.8x	5.0x	8.8x	1,342	99%	98%	59	$1.99	$4.11	$32.40
Peabody Energy	20.0x	13.8x	10.6x	20.0x	9.8x	7.2x	5.8x	7.9x	9,015	46%	99%	97	$1.99	$4.90	$72.79
Walter Energy	16.4x	9.1x	10.5x	10.9x	9.2x	4.9x	5.1x	8.2x	159	100%	8%	11	$49.94	$49.94	$756.28
AVERAGE	21.9x	17.1x	12.9x	20.0x	10.9x	6.2x	5.8x	5.5x		58%	27%	41	$2.24	$4.84	$99.80

*Average excludes Walter Energy.

Source: BB&TCM estimates

Additional Statistical Information

SHIPMENT STATS

Company	STEAM COAL (millions of tons)			MET COAL (millions of tons)			TOTAL SHIPMENTS (millions of tons)				MET AS % OF TOTAL			% BY MINE TYPE	
	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	CAGR	2010E	2011E	2012E	UNDER.	SURFACE
Alpha Natural Resources	79.0	79.8	75.9	11.9	19.8	19.8	84.9	97.2	89.5	3%	14%	18%	15%	94%	86%
Arch Coal	155.9	151.3	155.2	8.0	8.0	7.0	161.9	153.8	162.2	0%	4%	4%	4%	20%	80%
Cloud Peak Energy	99.9	97.0	97.5	0.0	0.0	0.0	99.9	97.0	97.5	2%	0%	0%	0%	0%	100%
CONSOL Energy	58.9	59.4	59.1	7.1	7.8	7.9	84.0	81.0	81.0	-2%	11%	12%	13%	91%	9%
International Coal Group	14.4	19.4	19.5	2.4	9.1	9.5	16.8	16.5	17.0	1%	14%	19%	21%	47%	53%
James River Coal	9.1	9.0	9.0	0.0	0.2	0.2	9.1	9.2	9.2	1%	0%	2%	2%	86%	14%
Massey Energy	29.7	32.5	31.9	7.9	11.0	12.1	37.6	43.5	44.0	8%	21%	25%	28%	48%	52%
Patriot Coal	29.7	22.5	21.8	7.4	8.0	8.8	37.1	30.5	30.5	-1%	24%	26%	29%	70%	30%
Peabody Energy	226.1	24.9	250.4	9.8	10.2	11.8	245.9	257.5	262.0	3%	4%	4%	4%	10%	90%
Walter Energy	1.8	1.7	1.7	7.9	8.5	9.0	8.9	10.2	10.7	10%	82%	83%	84%	100%	0%

ADDITIONAL SHIPMENT STATS

Company	% STEAM PRICED			% MET PRICED			% TOTAL PRICED			REGIONAL SHIPMENT BREAKDOWN % - 2009					
	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	CAPP	NAPP	IB	PRB	WEST SW	OTHER
Alpha Natural Resources	100%	97%	47%	100%	68%	4%	100%	92%	41%	28%	27%	0%	45%	0%	0%
Arch Coal	100%	80%	45%	100%	58%	9%	100%	79%	49%	9%	0%	0%	77%	14%	0%
Cloud Peak Energy	100%	84%	52%	0%	0%	0%	100%	84%	52%	0%	0%	0%	100%	0%	0%
CONSOL Energy	100%	75%	98%	100%	24%	0%	100%	69%	91%	14%	84%	0%	0%	2%	0%
International Coal Group	100%	72%	44%	98%	81%	14%	99%	70%	98%	82%	24%	14%	0%	0%	0%
James River Coal	100%	78%	21%	0%	0%	0%	100%	75%	21%	88%	0%	91%	0%	0%	0%
Massey Energy	100%	87%	54%	100%	98%	93%	100%	74%	49%	100%	0%	0%	0%	0%	0%
Patriot Coal	100%	81%	41%	100%	94%	0%	100%	89%	90%	87%	12%	21%	0%	0%	0%
Peabody Energy	100%	97%	85%	100%	28%	0%	100%	94%	82%	0%	0%	0%	58%	10%	21%
Walter Energy	94%	47%	28%	82%	2%	0%	94%	10%	4%	0%	0%	0%	0%	0%	100%
AVERAGE	99%	80%	49%	78%	91%	9%	98%	72%	98%						

MARGINS, RETURNS, OTHER

Company	EBITDA MARGINS			ROE			ROCE			FCF YIELDS			% MINERS	% SHIPMENTS - 2009	
	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	UNION	DOMESTIC	INTL
Alpha Natural Resources	21%	20%	21%	7%	10%	13%	9%	9%	12%	9%	8%	8%	21%	86%	14%
Arch Coal	28%	21%	22%	9%	7%	15%	9%	7%	15%	8%	8%	9%	9%	92%	8%
Cloud Peak Energy	24%	25%	25%	40%	19%	19%	18%	15%	14%	14%	8%	5%	0%	95%	5%
CONSOL Energy	21%	21%	23%	20%	14%	18%	19%	5%	8%	-1%	-9%	0%	35%	88%	12%
International Coal Group	15%	23%	20%	2%	8%	18%	8%	8%	17%	9%	4%	5%	0%	100%	0%
James River Coal	24%	22%	11%	20%	25%	14%	12%	13%	11%	11%	1%	-9%	0%	100%	0%
Massey Energy	14%	22%	24%	5%	-9%	11%	11%	-9%	15%	-2%	4%	5%	1%	84%	16%
Patriot Coal	7%	18%	20%	-14%	-20%	5%	5%	0%	8%	-6%	4%	5%	52%	93%	7%
Peabody Energy	20%	25%	28%	12%	11%	21%	10%	14%	17%	9%	5%	8%	21%	89%	11%
Walter Energy	75%	75%	43%	55%	83%	56%	18%	43%	52%	8%	10%	3%	100%	9%	91%
AVERAGE	28%	22%	23%	11%	14%	20%	11%	10%	18%	5%	4%	4%	23%	32%	18%

*Average excludes Walter Energy.

Source: BB&TCM estimates

BB&T vs. Consensus Estimates

EPS ESTIMATES

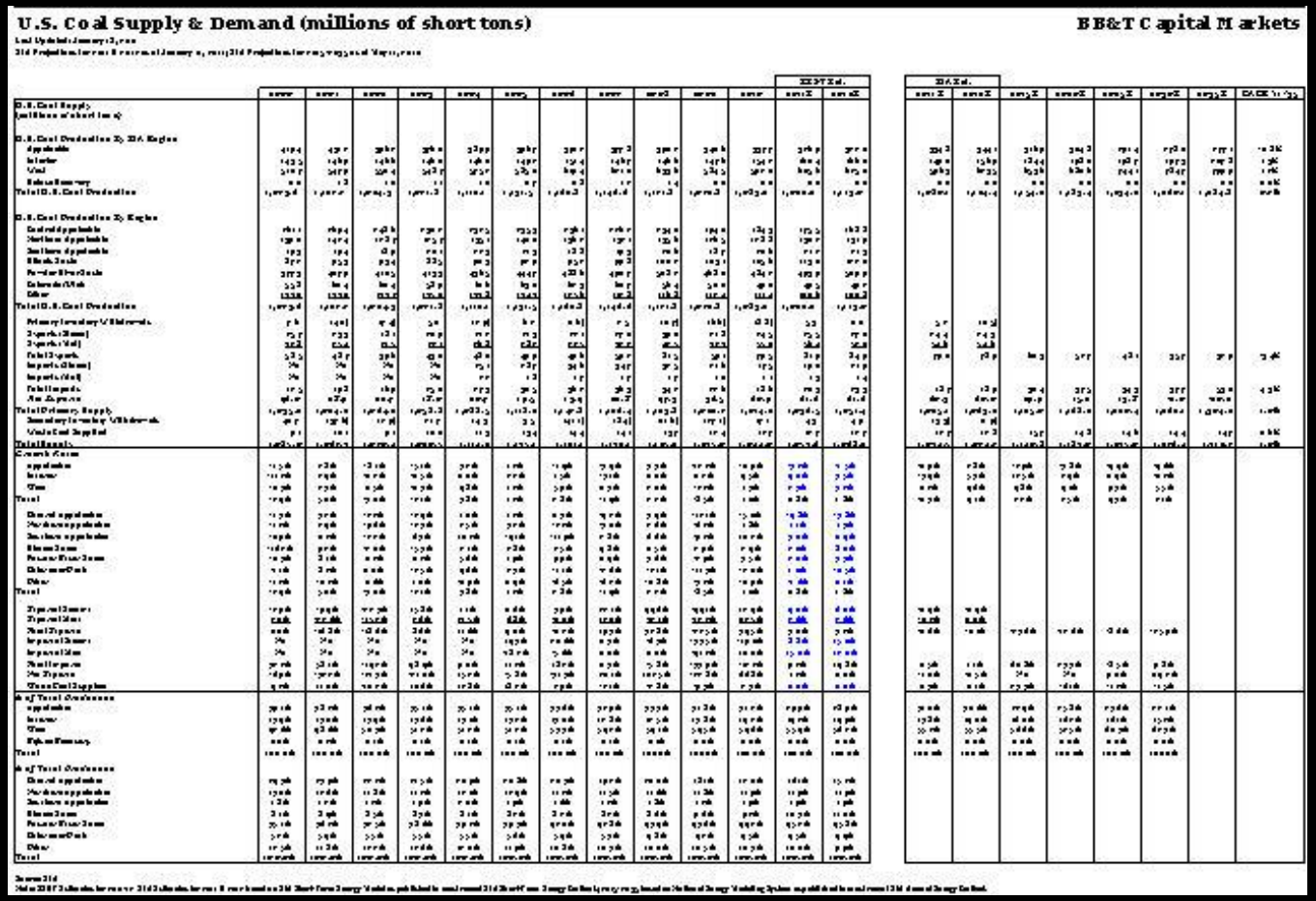
Company	Q4-2010 BB&T	Q4-2010 CONSENSUS	Q4-2010 Δ	FY2011 BB&T	FY2011 CONSENSUS	FY2011 Δ	FY2012 BB&T	FY2012 CONSENSUS	FY2012 Δ	FY2013 BB&T	FY2013 CONSENSUS	FY2013 Δ
Alpha Natural Resources	$0.15	$0.28	($0.13)	$4.60	$4.60	($0.00)	$5.10	$5.01	($0.91)	NA	$5.01	NA
Arch Coal	$0.33 (A)	–	–	$2.40	$2.80	($0.40)	$3.45	$3.91	($0.46)	$3.30	$3.91	($0.61)
Cloud Peak Energy	$0.50	$0.48	$0.02	$2.20	$2.14	$0.06	$2.35	$2.74	($0.39)	NA	$2.74	NA
CONSOL Energy	$0.54 (A)	–	–	$2.30	$2.97	($0.67)	$3.85	$4.57	($0.72)	$4.35	$4.57	($0.22)
International Coal Group	$0.08	$0.07	$0.01	$0.70	$0.72	($0.02)	$0.90	$1.20	($0.30)	NA	$1.20	NA
James River Coal	$0.32	$0.29	$0.03	$1.40	$2.19	($0.79)	($0.80)	$1.56	($2.36)	NA	$1.56	NA
Massey Energy	($0.45)	($0.33)	($0.12)	$3.65	$3.73	($0.08)	$3.90	$5.07	($1.17)	NA	$5.07	NA
Patriot Coal	($0.37)	($0.35)	($0.02)	$0.55	$0.50	$0.05	$1.15	$2.24	($1.09)	NA	$2.24	NA
Peabody Energy	$0.85 (A)	–	–	$4.50	$4.77	($0.27)	$5.75	$5.06	($0.31)	$5.65	$5.08	$0.57
Walter Energy	$2.25	$2.01	$0.24	$14.00	$13.07	$0.93	$12.05	$13.27	($1.22)	NA	$13.27	NA

EBITDA ESTIMATES ($M)

Company	Q4-2010 BB&T	Q4-2010 CONSENSUS	Q4-2010 Δ	FY2011 BB&T	FY2011 CONSENSUS	FY2011 Δ	FY2012 BB&T	FY2012 CONSENSUS	FY2012 Δ	FY2013 BB&T	FY2013 CONSENSUS	FY2013 Δ
Alpha Natural Resources	$134.0	$149.8	($15.8)	$1,176.4	$1,198.1	($21.7)	$1,263.5	$1,443.6	($180.1)	NA	$1,405.4	NA
Arch Coal	$192.3 (A)	–	–	$994.6	$1,085.4	($90.8)	$1,208.4	$1,365.9	($157.5)	$1,194.1	$1,381.3	($187.2)
Cloud Peak Energy	$79.2	$83.8	($4.6)	$342.8	$360.6	($17.8)	$358.6	$412.2	($53.6)	NA	$425.8	NA
CONSOL Energy	$387.7 (A)	–	–	$1,607.4	$1,801.5	($194.1)	$2,107.3	$2,404.9	($297.6)	$2,325.4	$2,666.3	($340.9)
International Coal Group	$55.7	$51.0	$4.7	$349.4	$340.7	$8.7	$410.0	$479.8	($69.7)	NA	$475.6	NA
James River Coal	$33.9	$32.6	$1.3	$154.1	$172.0	($17.9)	$83.5	$153.4	($69.9)	NA	$159.9	NA
Massey Energy	$63.8	$74.1	($10.3)	$978.9	$983.3	($4.4)	$1,021.3	$1,183.0	($161.7)	NA	$1,064.0	NA
Patriot Coal	$37.5	$36.1	$1.4	$367.4	$370.9	($3.5)	$480.4	$556.3	($75.9)	NA	$544.6	NA
Peabody Energy	$446.2 (A)	–	–	$2,378.0	$2,468.9	($90.9)	$2,908.0	$3,027.0	($119.0)	$3,307.7	$3,048.6	$259.1
Walter Energy	$202.2	$187.5	$14.7	$1,208.7	$1,212.0	($3.3)	$1,208.7	$1,238.2	($29.5)	NA	$1,848.6	NA

Source: BB&TCM, consensus estimates

U.S. Supply & Demand Model



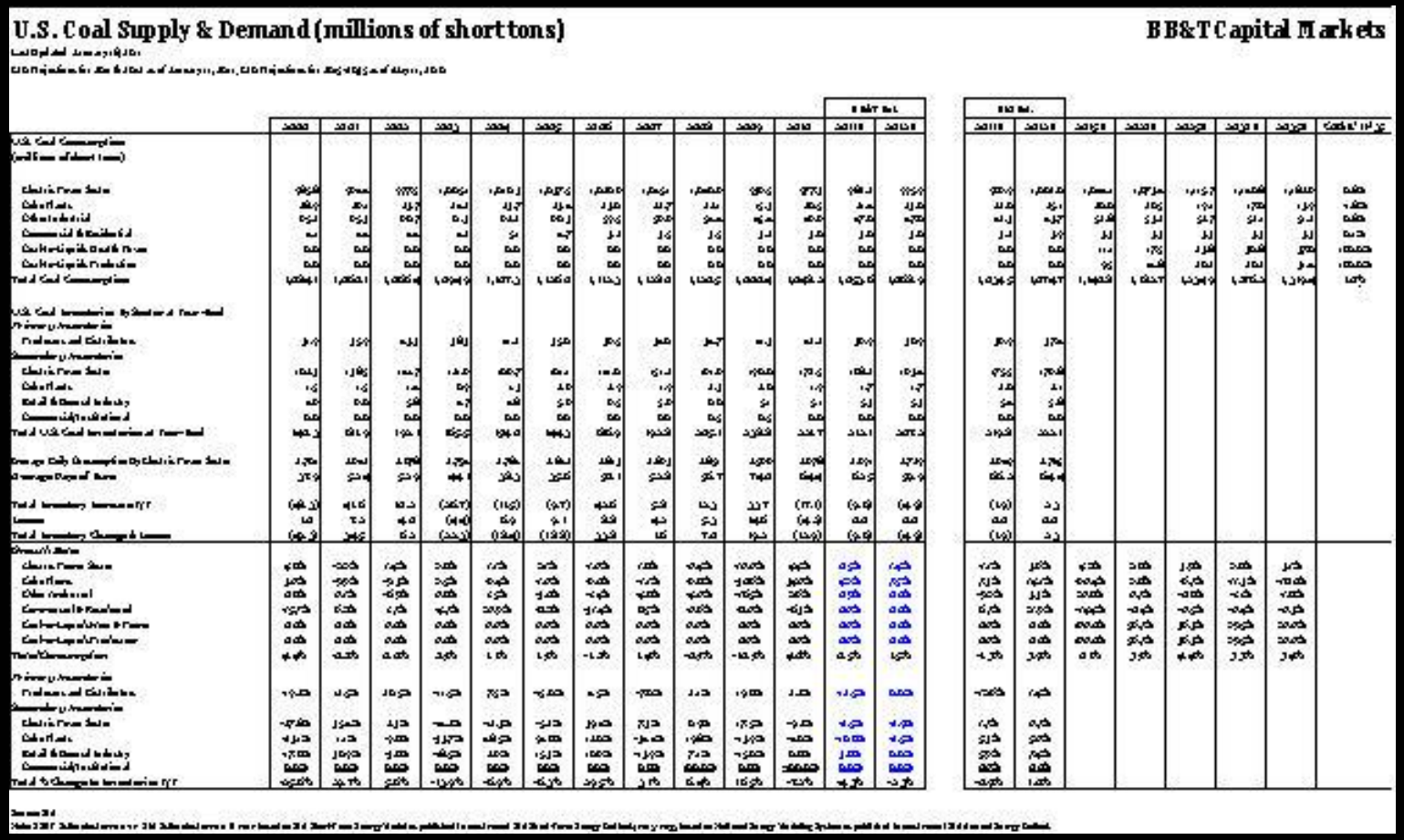
U.S. Coal Supply & Demand (millions of short tons)

BB&T Capital Markets

BLACKACRELLC

W. Douglas Blackburn, Jr

U.S. Supply & Demand Model



U.S. Coal Supply & Demand (millions of short tons)

BB&T Capital Markets

Share Price Performance

HISTORIC SHARE PRICE PERFORMANCE

Company	MTD	QTD	YTD	2002	2003	2004	2005	2006	2007	2008	2009	2010
Alpha Natural Resources	-3.6%	-3.6%	-3.6%	-	-	-	-	-25.9%	128.3%	-50.2%	167.9%	38.4%
Arch Coal	-5.2%	-5.2%	-5.2%	-3.8%	45.9%	15.0%	125.0%	-24.0%	50.8%	-63.4%	39.5%	57.6%
Cloud Peak Energy	-3.1%	-3.1%	-3.1%	-	-	-	-	-	-	-	-	59.5%
CONSOL Energy	-1.7%	-1.7%	-1.7%	-27.1%	54.6%	61.5%	60.5%	-0.7%	124.2%	-59.8%	76.2%	-2.1%
International Coal Group	14.5%	14.5%	14.5%	-	-	-	-13.6%	-42.6%	-1.7%	-57.1%	67.8%	100.5%
James River Coal	-12.2%	-12.2%	-12.2%	-	-	-	-10.2%	-75.7%	20.5%	37.1%	20.6%	37.0%
Massey Energy	6.7%	6.7%	6.7%	-52.4%	116.6%	69.0%	8.8%	-38.3%	54.9%	-61.1%	208.2%	27.7%
Patriot Coal	31.4%	31.4%	31.4%	-	-	-	-	-	-	-70.1%	147.4%	25.3%
Peabody Energy	-4.5%	-4.5%	-4.5%	5.4%	44.9%	96.0%	105.0%	-1.5%	63.8%	-62.9%	100.3%	41.5%
Walter Energy	-0.7%	-0.7%	-0.7%	-3.3%	24.6%	155.0%	48.0%	8.2%	33.8%	-51.0%	377.7%	69.8%
AVERAGE	2.2%	2.2%	2.2%	-16.2%	57.3%	79.3%	46.2%	-25.1%	59.3%	-48.7%	134.0%	45.5%

Source: FactSet

Disclosures

IMPORTANT DISCLOSURES
Price Chart

To receive price charts on the companies mentioned in this report, please contact BB&T Capital Markets Research at 800-552-7757 x8785.

BB&T Capital Markets' rating distribution by percentage (as of December 31, 2010):

All companies under coverage:		All companies under coverage to which it has provided investment banking services in the previous 12 months:	
Buy (1)	53.8%	Buy (1)	13.7%
Hold (2)	45.5%	Hold (2)	6.6%
Underweight/Sell (3)	0.7%	Underweight/Sell (3)	0.0%
Not Rated (NR)	0.0%	Not Rated (NR)	0.0%
Suspended (SP)	0.0%	Suspended (SP)	0.0%

BB&T Capital Markets Ratings System:
The BB&T Capital Markets Equity Research Department Stock Rating System consists of three separate ratings. The appropriate rating is determined by a stock's estimated 12-month total return potential, which consists of the percentage price change to the 12-month price target and the current yield on anticipated dividends. A 12-month price target is the analyst's best estimate of the market price of the stock in 12 months. A 12-month price target is highly subjective and the result of numerous assumptions, including company, industry, and market fundamentals, both on an absolute and relative basis, as well as investor sentiment, which can be highly volatile.

The definition of each rating is as follows:

Buy (1): estimated total return potential greater than or equal to 10%
Hold (2): estimated total return potential greater than or equal to 0% and less than 10%
Underweight (3): estimated total return potential less than 0%

NR: Not Rated
NA: Not Applicable
NM: Not Meaningful
SP: Suspended

Stocks rated Buy (1) are required to have a published 12-month price target, while it is not required on stocks rated Hold (2) and Underweight (3).

BB&T Capital Markets Equity Research Disclosures as of March 10, 2011

Company	Disclosure
Alliance Resource Partners, L.P. (ARLP)	1, 6
Alpha Natural Resources, Inc. (ANR)	1, 6, 9
Arch Coal, Inc. (ACI)	1, 6, 9
CONSOL Energy Inc. (CNX)	1, 6, 9
Cloud Peak Energy Inc. (CLD)	1, 6
International Coal Group, Inc. (ICO)	1, 6
James River Coal Company (JRCC)	1, 6
Massey Energy Company (MEE)	1, 6, 9
Natural Resource Partners L.P. (NRP)	6, 9

Disclosures

Oxford Resource Partners LP (OXF)	6, 9
Patriot Coal Corporation (PCX)	1, 6
Peabody Energy Corporation (BTU)	1, 6, 9
Penn Virginia Resource Partners, L.P. (PVR)	6, 9
Walter Energy, Inc. (WLT)	1, 6, 9

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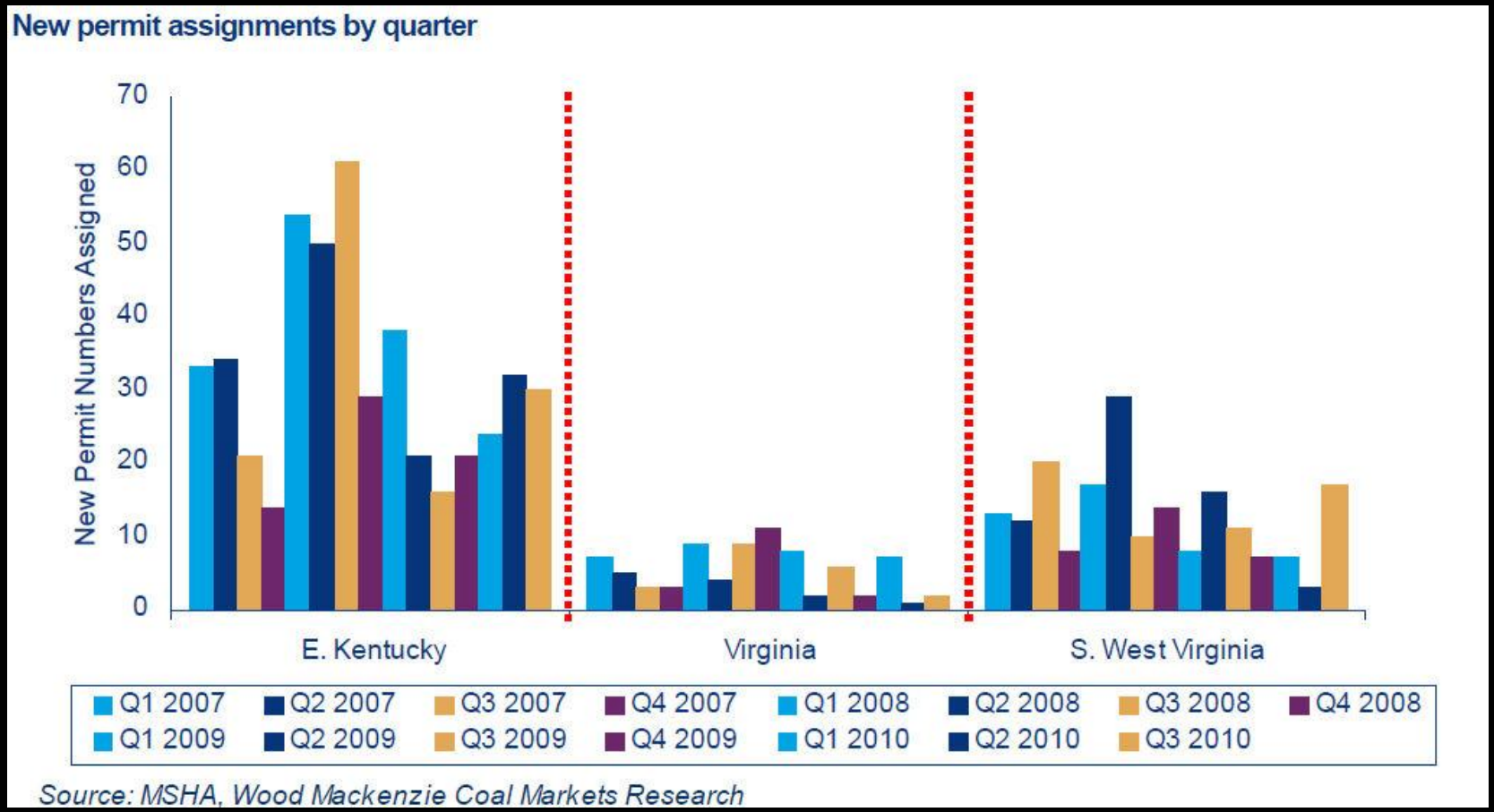
CAPP Production

CAPP Supply Demand Balance (million short tons)

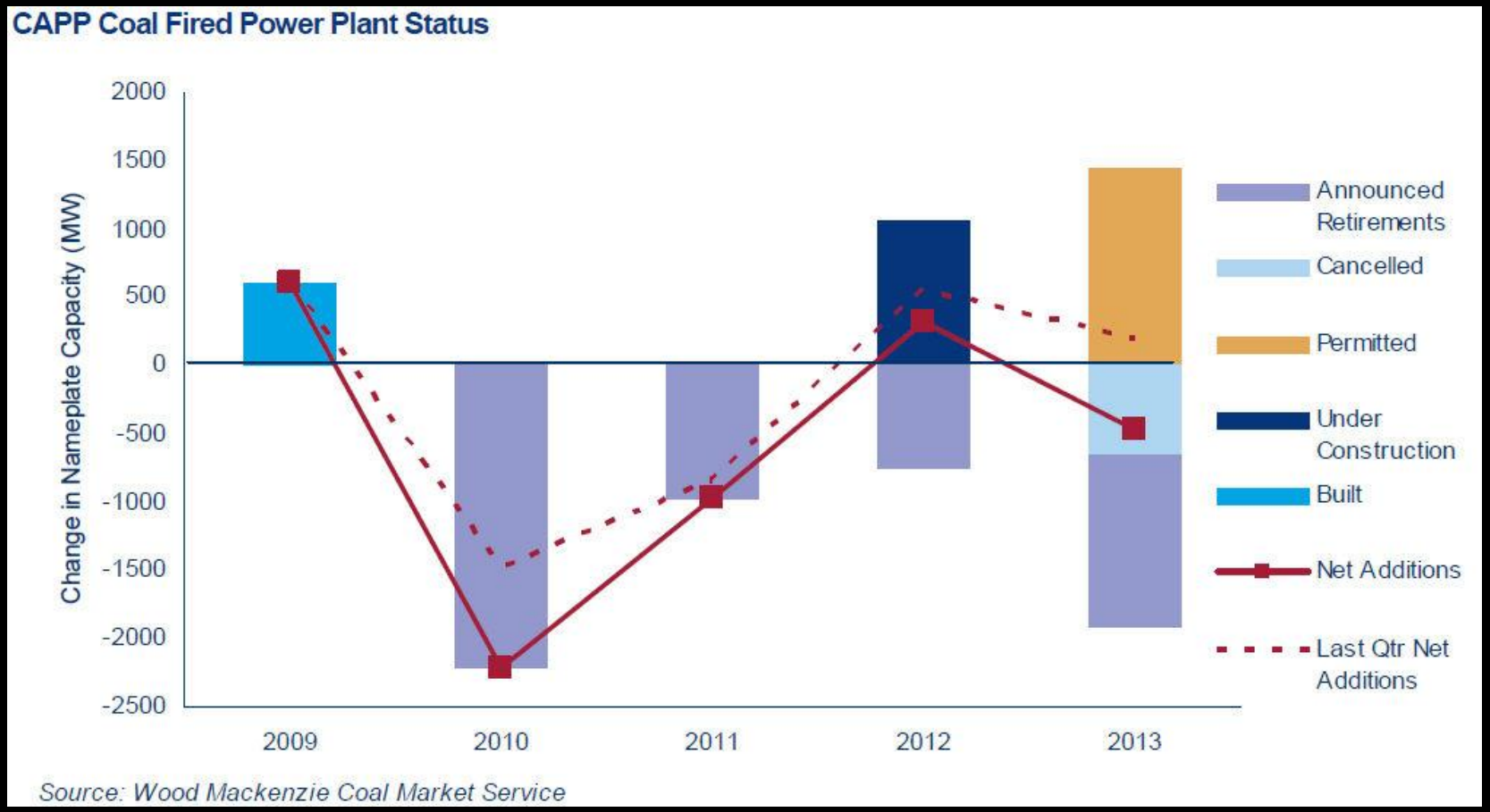
	2008	2009	2010 Est.	2011 F	2012 F
CAPP Production	235	196	184	178	173
CAPP Demand	228	198	192	178	182
*Total Stockpile Level at end of calendar year**	*22*	*31*	*25*	*25*	*13*
Corresponding days supply	50	71	58	58	40

Source: EIA, MSHA, Wood Mackenzie Coal Market Service
**Historical stockpiles approximate due to reporting issues*

New Permits


New permit assignments by quarter
New Permit Numbers Assigned
70
60
50
40
30
20
10
0
E. Kentucky
Virginia
S. West Virginia
Q1 2007
Q2 2007
Q3 2007
Q4 2007
Q1 2008
Q2 2008
Q3 2008
Q4 2008
Q1 2009
Q2 2009
Q3 2009
Q4 2009
Q1 2010
Q2 2010
Q3 2010
Source: MSHA, Wood Mackenzie Coal Markets Research

CAPP Plant Status



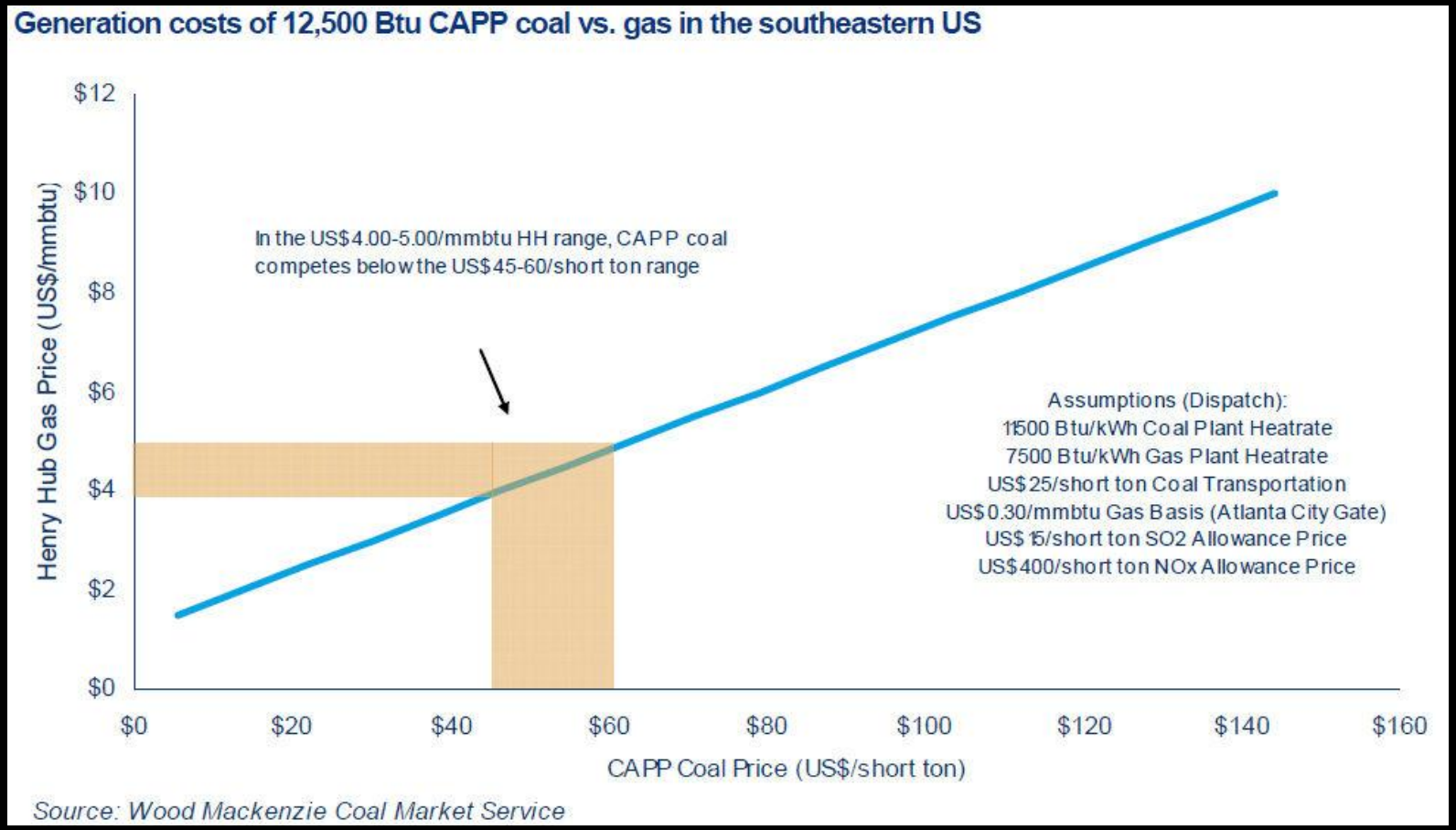
New Scrubbers

Projected affected tons due to announced scrubbing

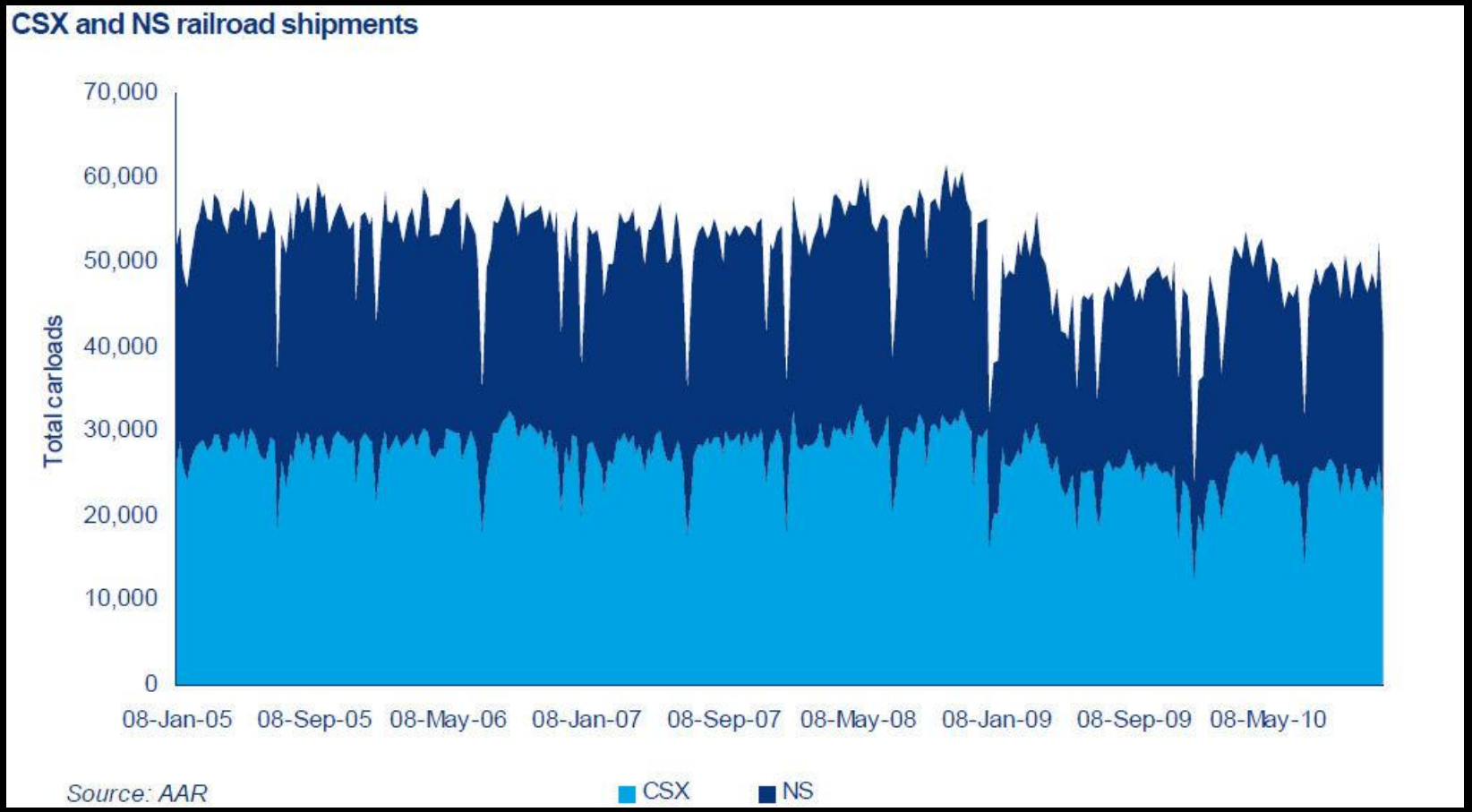
	Projected Affected Tons Due To Announced Scrubbing (Includes New Plants)				
	2009	***2010 F***	***2011 F***	***2012 F***	***2013 F***
New Scrubbed MW (US Total)	25,206	32,197	12,187	11,701	9,266
Coal Tons Affected (million short tons)	81	103	39	37	30

Source: Wood Mackenzie Coal Market Service
**Assumes 11,500 Btu Coal, 80% Capacity Factor, 10,500 btu/kWh heat rates*

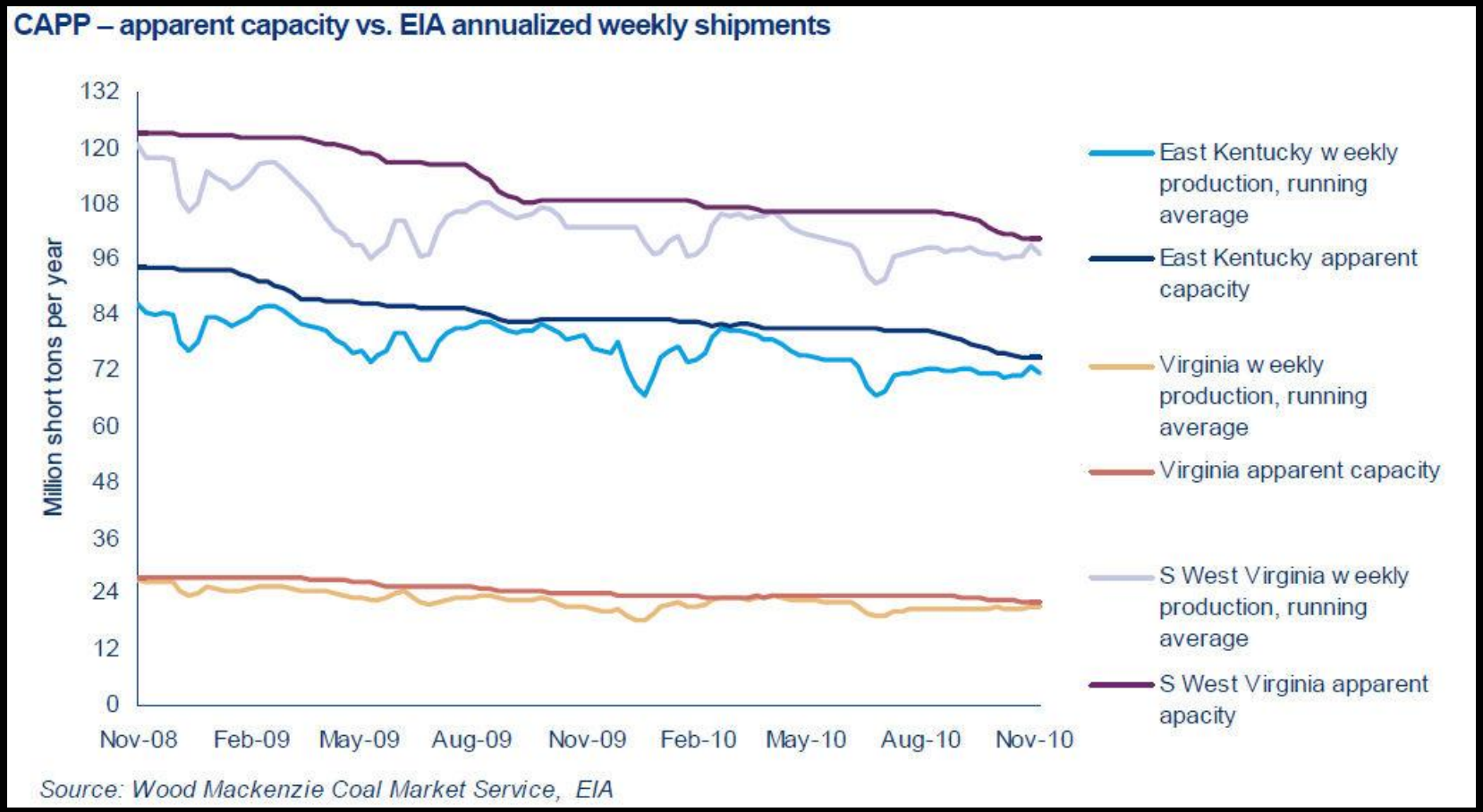
CAPP Coal vs. Natgas



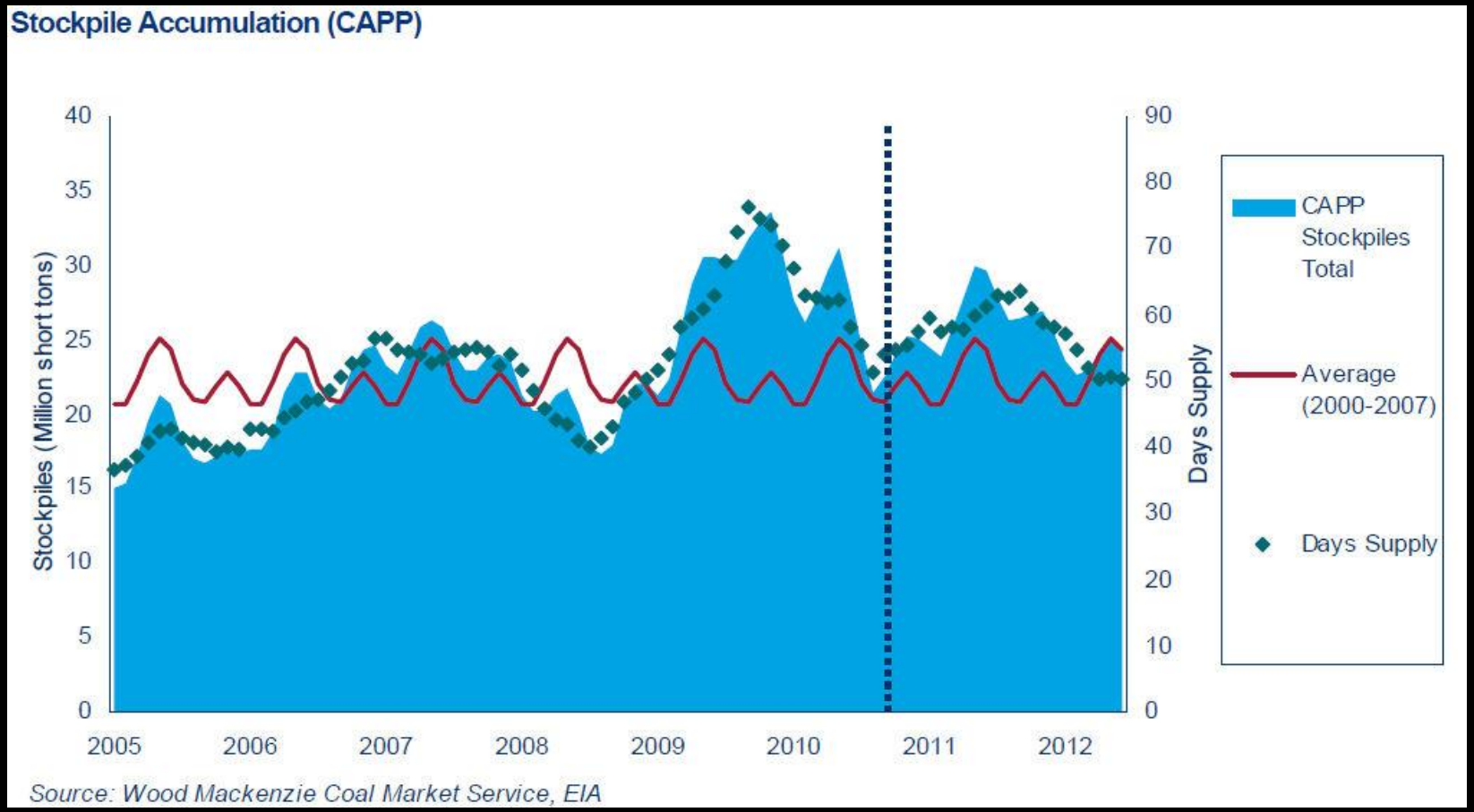
Railroad Shipments



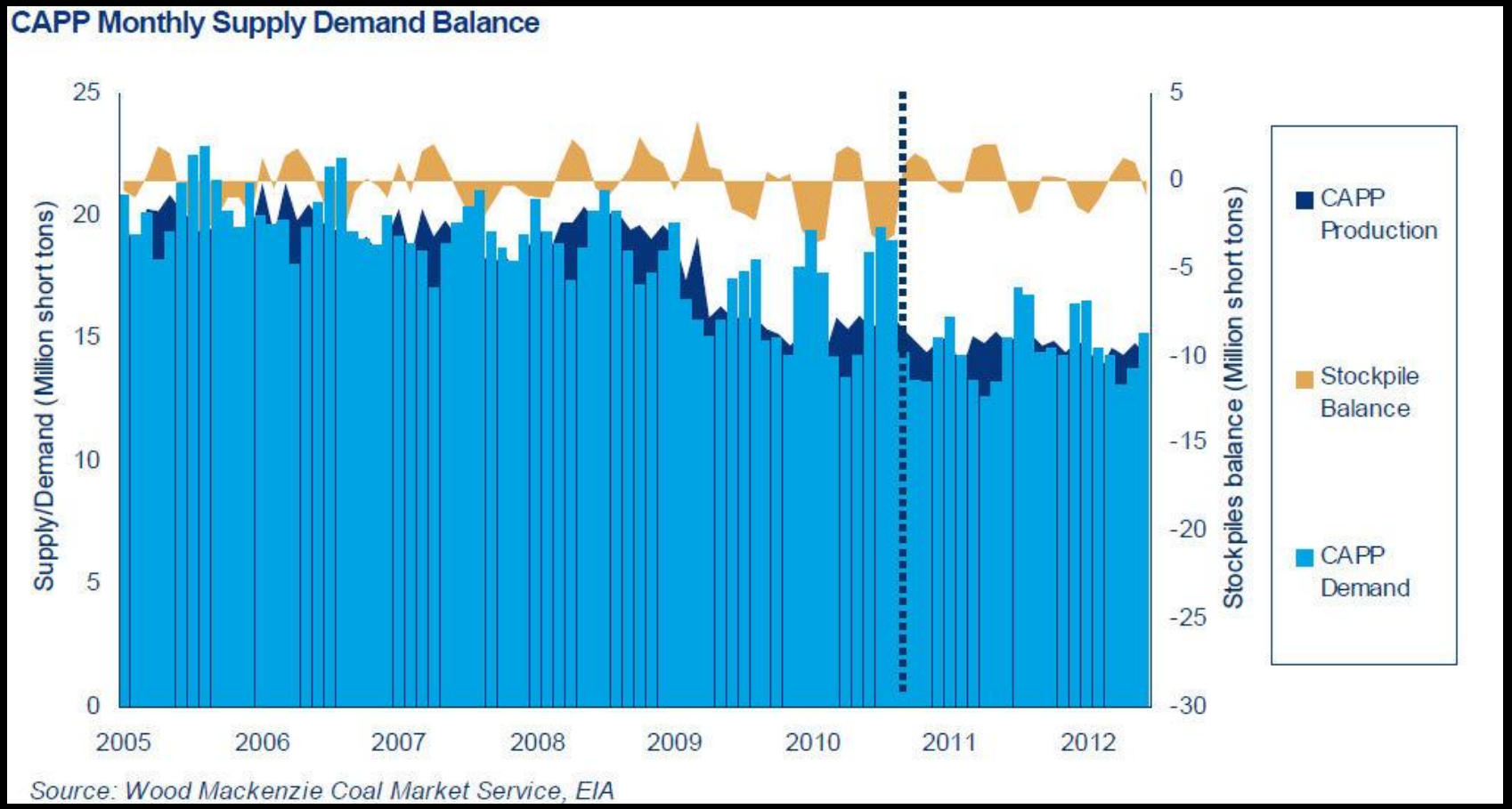
CAPP Capacity vs. Shipments



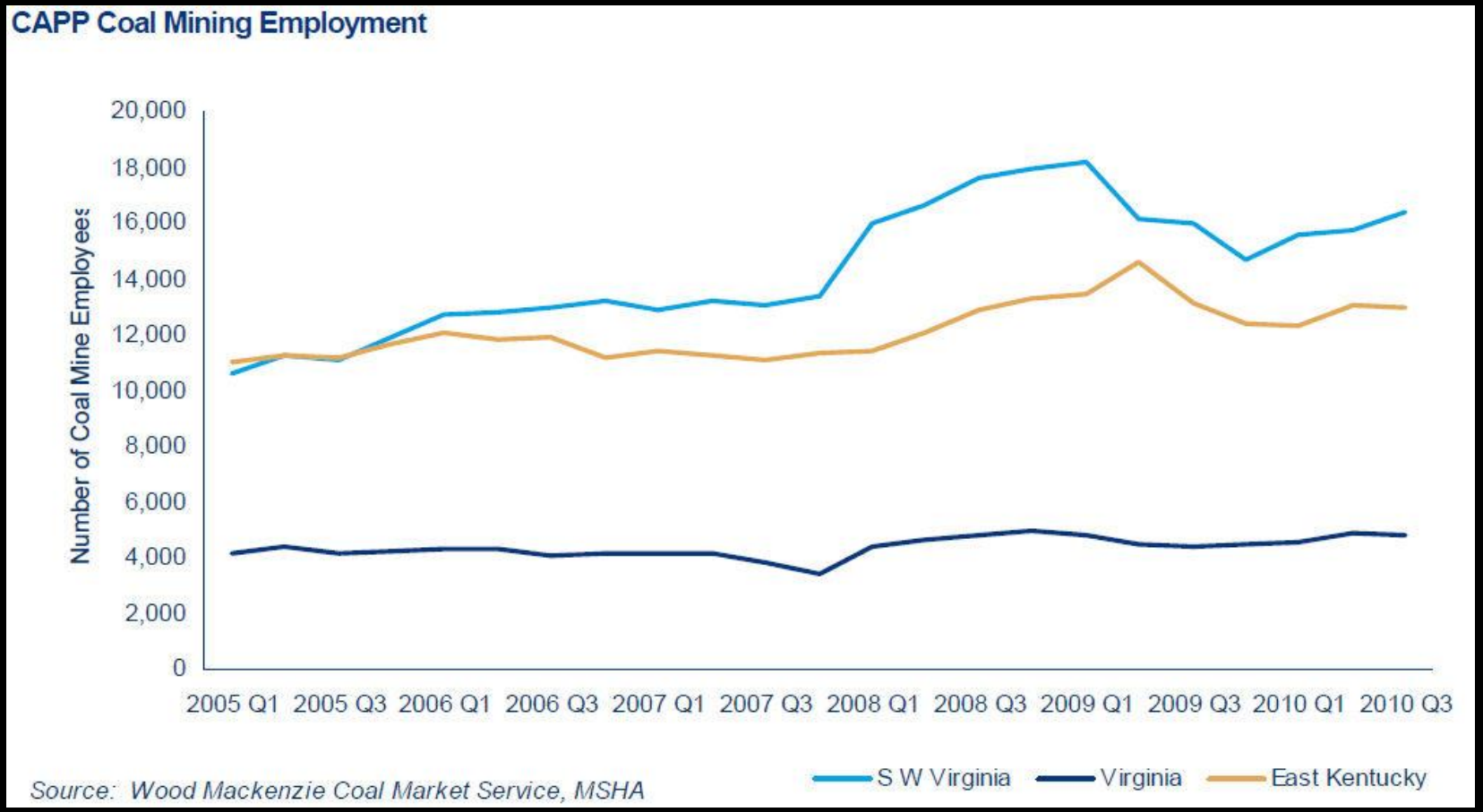
CAPP Stockpiles



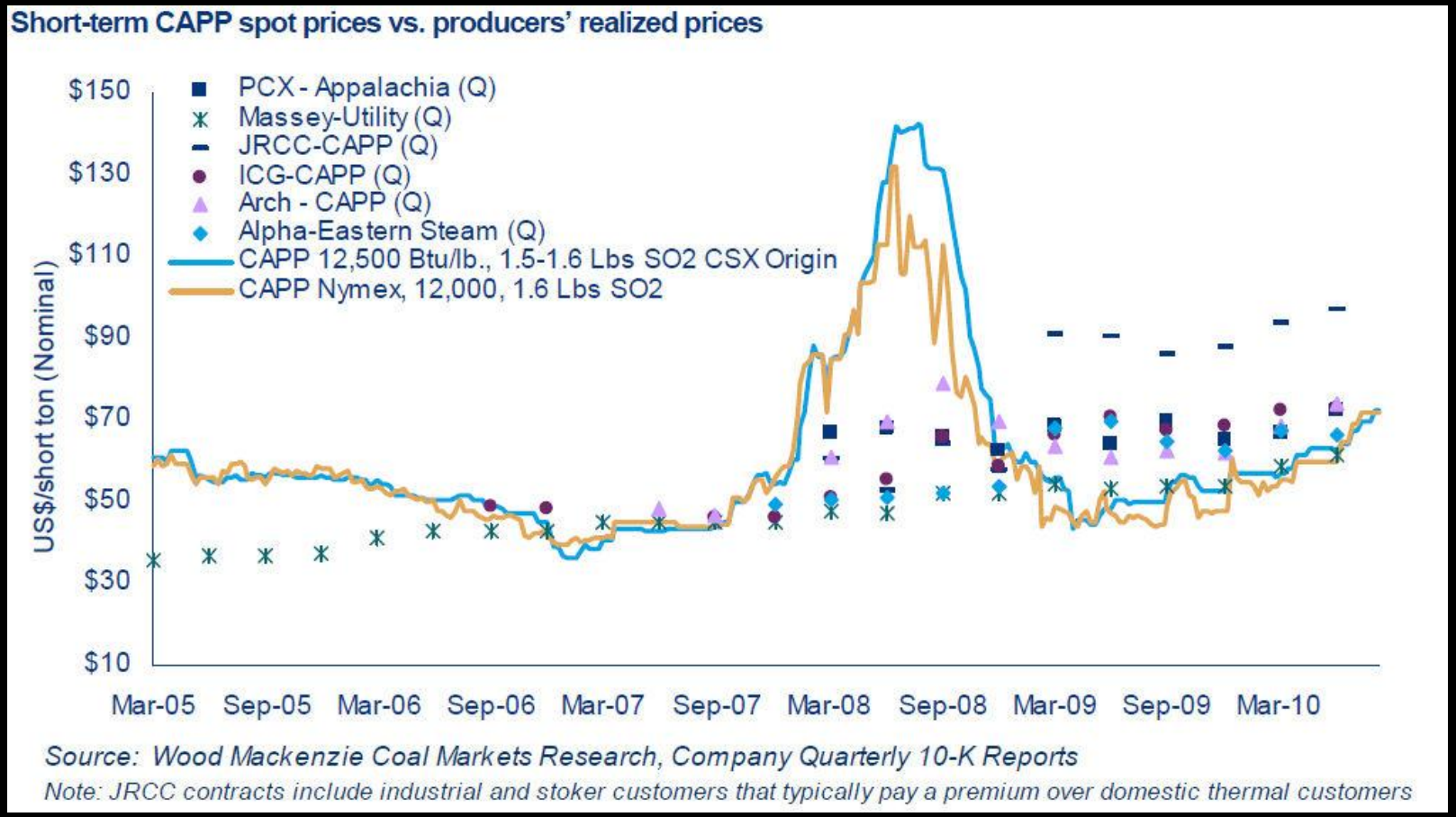
CAPP Supply/Demand Balance



CAPP Employment



CAPP Prices


Short-term CAPP spot prices vs. producers' realized prices
$150
$130
$110
$90
$70
$50
$30
$10
US$/short ton (Nominal)
PCX - Appalachia (Q)
Massey-Utility (Q)
JRCC-CAPP (Q)
ICG-CAPP (Q)
Arch - CAPP (Q)
Alpha-Eastern Steam (Q)
CAPP 12,500 Btu/lb., 1.5-1.6 Lbs SO2 CSX Origin
CAPP Nymex, 12,000, 1.6 Lbs SO2
Mar-05
Sep-05
Mar-06
Sep-06
Mar-07
Sep-07
Mar-08
Sep-08
Mar-09
Sep-09
Mar-10
Source: Wood Mackenzie Coal Markets Research, Company Quarterly 10-K Reports
Note: JRCC contracts include industrial and stoker customers that typically pay a premium over domestic thermal customers

CAPP Price Outlook