



# National Coal Corp.

Davenport Metals & Mining Conference

September 16, 2008



# Forward-Looking Information

- This presentation contains “forward-looking statements” that include information relating to future events and future financial and operating performance. Examples of forward looking statements include the projected production, revenues, profitability and cash flows from new mines opened on the New River Tract. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by which, that performance or those results will be achieved. Forward looking statements are based on information available at the time they are made and/or management’s good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause these differences include, but are not limited to:
  - the worldwide demand for coal;
  - the price of coal;
  - the price of alternative fuel sources;
  - the supply of coal and other competitive factors;
  - the costs to mine and transport coal;
  - the ability to obtain new mining permits;
  - the costs of reclamation of previously mined properties;
  - the risks of expanding coal production;
  - the ability to bring new mining properties on-line on schedule;
  - industry competition;
  - our ability to continue to execute our growth strategies; and
  - general economic conditions.
- These and other risks are more fully described in the Company’s filings with the Securities and Exchange Commission including the Company’s most recently filed Annual report on Form 10-K and Quarterly Reports on Form 10-Q, which should be read in conjunction herewith for a further discussion of important factors that could cause actual results to differ materially from those in the forward-looking statements. Forward-looking statements speak only as of the date they are made. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.



## National Coal: Corporate Summary

- National Coal Corp. (Nasdaq: NCOC), founded in 2003, is one of the smallest public coal mining companies in the U.S. with operations in Tennessee and Alabama.
- Since 2003, the company has invested approximately \$90M in Capital Expenditures and produced 5.0 million tons (MT) of coal from its reserve base.
- As present, NCOC has approximately 31MT of recoverable reserves where we own the mineral rights to 65,000 acres of land and leases the rights to approximately 15,000 acres.
- In addition, we believe that we have substantial unproven coal deposits on both leased and owned property; a key goal of ours is to add to our reserve base in 2008 and 2009.
- As of September 1, 2008, the company operates three underground mines, six surface mines, and one highwall mine, in addition it operates two preparation plants, one unit train loading facility, one twenty-four hour coal load-out facility, and one (JV) barge load-out facility. Also, the short line railroad has begun operating.
- Permits in place to meet production targets.
- On October 19, 2007, the Company acquired Mann Steel Products, Inc. and renamed the company National Coal of Alabama, Inc., which operates three surface mines.
- During 2007, the company produced 1.35 MT of coal and achieved revenues of \$92.8M on sales of 1.76MT of coal.



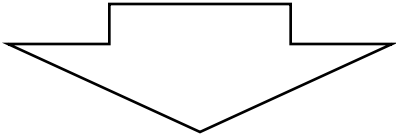
## A Few Comments on the Coal Industry

- Years of underinvestment and lack of permitting make the current industry supply situation expensive and time consuming to correct.
- A weaker dollar, relative to the last 5-10 years, has led to sustainable increases in exports; a trend that may require time to reverse.
- The U.S. has hundreds of years of coal in accessible, domestic locations
- Safety has dramatically improved over the last decade
- In the United States construction of coal-fired plants are growing faster than at any time in the past seven years
- Globally, coal fired plants are growing rapidly
- Over the last 35 years, year-over-year electricity demand in the U.S. has declined only three times – 1982, 2001 and 2006. Two due to the economy and once due to weather.
- Coal remains the cheapest fuel option for electricity generation, resulting in increased utilization rates and needed construction of new plants



## Coal: The Low Cost Supplier of Electricity

- Coal is the undisputed lowest cost source of electricity generation in the world, and should be compared to other low cost suppliers in other industries
- The costs of constructing and operating a coal fired plant are well known, and the cost of coal is less volatile than natural gas or oil
- As the cost of capital rises, will projects remain feasible? i.e. high construction costs of Nuclear, uncertain payback on wind/solar, volatility of natural gas and oil prices?
- A Comparison of electricity prices amongst states dependent upon natural gas and coal as the primary base load for their electricity:



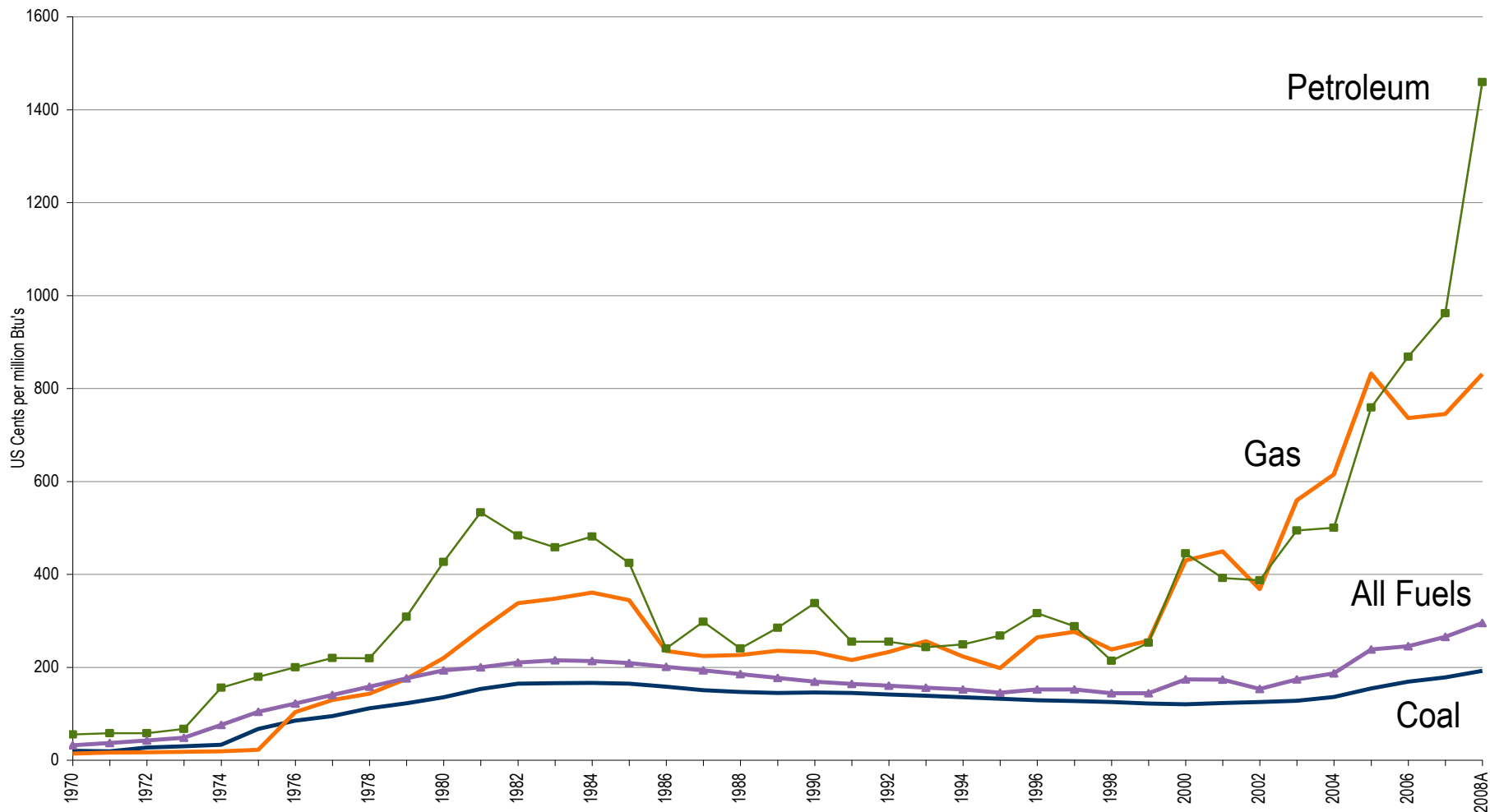
<b><u>Coal Users:</u></b>	
West Virginia	\$0.0635/KWHR
Tennessee	\$0.0775/KWHR
Indiana	\$0.0822/KWHR

<b><u>Natural Gas Users:</u></b>	
New York	\$0.1691/KWHR
California	\$0.1432/KWHR
Vermont	\$0.1339/KWHR
Maine	\$0.1336/KWHR



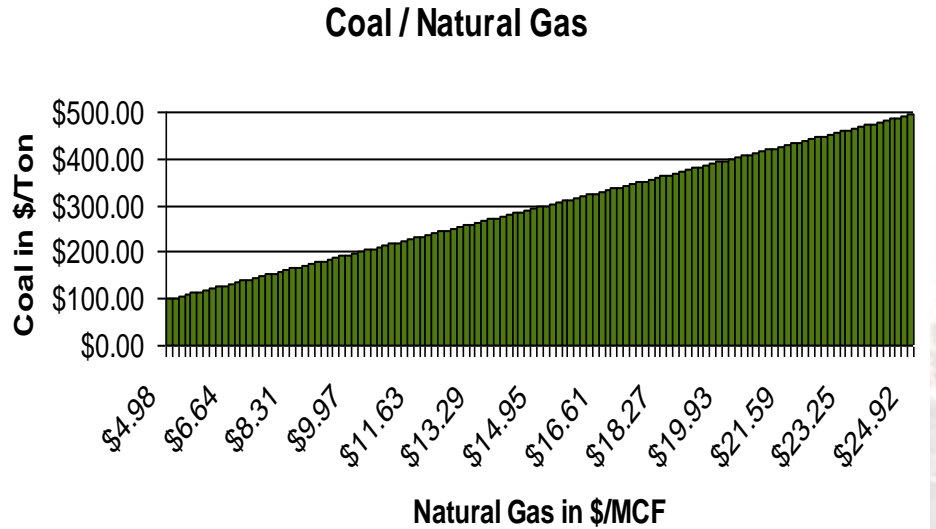
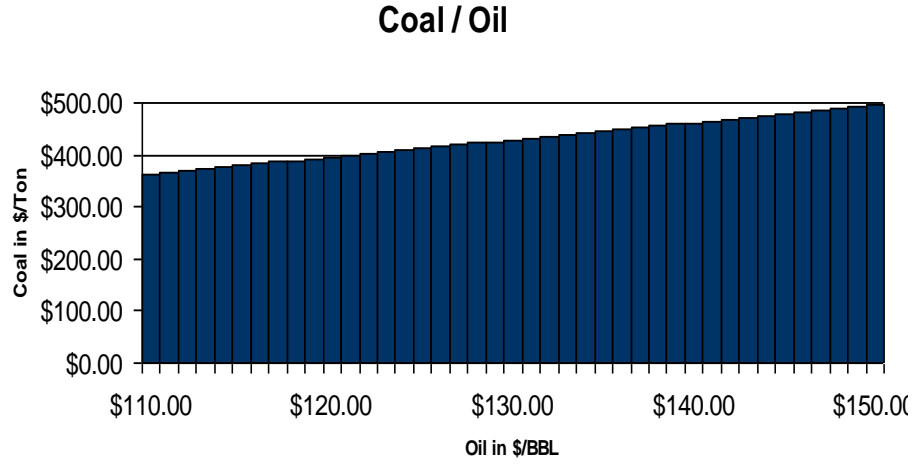
Source:DOE State Historical Tables for 2006

# Cost of Fuels: Coal's Secure Position as the Low Cost Source



# BTU Price Equivalent Data

BTU Price Equivalent Table		
Oil/barrel	Natural Gas	Coal
\$/Barrel	\$/MCF	\$/Ton
10	\$1.66	\$32.99
20	\$3.32	\$65.99
30	\$4.98	\$98.98
40	\$6.64	\$131.97
50	\$8.31	\$164.97
60	\$9.97	\$197.96
70	\$11.63	\$230.95
80	\$13.29	\$263.95
90	\$14.95	\$296.94
100	\$16.61	\$329.93
110	\$18.27	\$362.93
120	\$19.93	\$395.92
130	\$21.59	\$428.91
140	\$23.25	\$461.91
150	\$24.92	\$494.90



**BTU per Unit:**

Coal 20.479 Million Btu/Short Ton  
 Crude Oil 6.207 Million Btu/Barrel  
 Natural Gas 1.031 Million Btu/MCF

## Why National Coal Corporation?

- National Coal has significant potential growth ahead
  - Organic growth accelerating
  - Acquisition driven growth potential
- Reserve Growth
- Almost four million tons of organic growth over the next four years
- Goal of 20 million tons of acquired growth over the next five years
- Current infrastructure to support most of the planned organic growth
  - Preparation Plants
  - Short Line Railroad
  - Undeveloped reserves
- Leveraging past investment under newly restructured balance sheet and management
- Commitment to safety and environmental stewardship



## National Coal: Current Financial Position

- At June 30, 2008 the company had net debt of \$91M, consisting of \$102M in debt and \$11M in cash, down from net debt of \$108M at March 31, 2008.
- At December 31, 2007 the company had 2.3M tons of coal under contract at an average price of \$62.25 for 2008 and 2.0M tons at \$65.98 for 2009.
- For 2007, the company's average cash cost/ton of producing coal was \$49.10/ton.
- Since joining the company as CEO in 2006, Dan Roling has purchased 559,000 shares of stock in the company at an average price of \$4.80 per share, including 100,000 shares at \$8.88/sh.
- On March 31, 2008 we completed the sale of our Kentucky coal assets for total consideration of \$24.2M, including \$11.0 million in cash plus the release of \$7.0M in restricted cash, \$3.6M in the transfer of certain reclamation liabilities, and \$2.6M in the transfer of equipment related financing liabilities.
- In two separate transactions, one in May for \$0.5M cash and one in August for \$7M, the Company acquired ~3.7M tons of recoverable high-quality reserves in adjacent tracts (\$2.03/ton).
- The company anticipates that its current capital resources will be sufficient for honoring its contractual obligations while pursuing organic growth.
- The next maturity of the company's long term debt is at year-end 2010.
- As of June 10, 2008 the company has swapped \$13.0 million of its 10.5% high yield bond for approximately 1,828,802 shares of common stock.



## Strong Growth Potential at National Coal

- Strong growth potential
  - In 2006 we produced 1.33 million tons and sold 1.64 million tons.
  - In 2007 we produced 1.35 million tons and sold 1.76 million tons.
  - In 2008 we expect to produce 2.4 million tons and sell 2.3 million tons.
  - In 2009 we expect to produce 2.7 million tons.
  - In 2010 we expect to produce 4.0 million tons.
  - In 2011 we expect to produce 5.0 million tons.
- Strong exploration potential
  - Own 65,000 acres at New River Tract
  - Lease 7,000 acres at Ketchen Tract
  - Lease 4,400 acres at TVA tract
  - 2,900 acres at other destinations, including ~ 1,500 acquired in 2008
- Current recoverable Tennessee reserves of 26 million tons
  - 17.8M Tons at New River Tract
  - 3.7M Tons at recently purchased Eastern Tennessee tracts
  - 3.5M Tons at Ketchen Tract
  - 0.7M Tons at TVA Tract
  - 0.8M Tons at Other



## Second Quarter Highlights & Recent Developments

- Revenue +67% to \$31.6M, 63% CAGR since the company was founded
- Tonnage sold +23% to 458,245 tons
- New production and facilities brought online during Q2 and subsequent to quarter end
- Additional permits secured
- Equipment down since Q1 put back into service in late July; fully operational now
- Purchased 1,500 acres and 3.7M tons of recoverable reserves for \$7.5M
- Redeemed \$10.0M in principal amount of 10.5% senior secured notes due Dec 2010 for common stock in an accretive conversion
- Secured, purchased, and put into service new surface mining equipment
- Brought railroad into service in August 2008
- Anticipate higher level of capacity utilization in Q3, which will offset cost pressures
- Ability to open new production facilities and reopen previously idled facilities
- **Uncommitted tonnage:**
  - **2009: 500,000 – 600,000 tons (2.7M ton production target)**
  - **2010: 3.1 – 3.2M tons (4M ton production target)**
  - **2011: 4.5M tons (5M ton production target)**



# National Coal: Business Strategy

- Growth – goal: total production 25MT in 3-5 years
  - Organic – 5 MT of production during 2011
    - Focus on developing incremental production from existing reserve base, with an emphasis on metallurgical coals
    - Add to reserve base through a highly focused drilling program on existing properties
    - Capital Expenditures budgeted for 2008 of \$16M
  - Acquired – 20MT
    - Continuously exploring acquisition opportunities; focus on accretive opportunities
    - Focus on strategic properties contiguous to existing operations
- Improve profitability & cash flow: Leverage past Capital Investment and Build Scale
  - Improve production efficiencies
    - Control cash costs by offsetting rising inputs with production efficiencies
    - Reduce SG&A/ton from about \$4/ton in 2007 by increasing sales volumes
    - Reopened railroad and preparation plant on New River tract with increased volumes, resulting in lower production and transportation costs
    - Reduce cash costs with incremental volume beyond 2008 by building out hub/spoke model around existing operations
- Focus on Sales
  - Develop a strong sales presence
  - Maintain strong customer relationships



# National Coal: Growth Strategy – Organic + Acquired

## Organic Growth Opportunities

- Committed vs uncommitted tonnage leaves room for ample growth at higher prices
- Three rigs working on exploration (proving up reserves), mine development, and permitting
- Reopening of captive 41 mile railroad should reduce transportation costs from load-outs to main line (Aug 2008)
- Reopening of the refurbished Baldwin preparation plant should reduce production costs (May 2008)
- Start-up/Expansion of 5 new mines between June 2008 and October 2008
- New mines feed into existing Hub and Spoke model centered around existing facilities
- Goal is to organically grow its current asset base to produce 5.0MT per year during 2011
- Strict focus on scale and costs to leverage growth from a low volume production base
  - SG&A/ton from >\$4.50 to <\$2.50/ton b/w 2007 and 2010

## Acquisition Opportunities

- As part of its ongoing growth strategy, National Coal has plans to opportunistically acquire nearby facilities (mines, preparation plants, and coal reserves) to leverage its investments in its existing infrastructure
- It is the natural acquirer of contiguous reserves and of existing, synergistic operations that have proximity to its current operations.
- Therefore, the Company's ongoing plans to acquire available Central and Southern Appalachian properties through a combination of financing strategies and operational initiatives, is anticipated to contribute positively to future company growth and the current trend toward industry consolidation
- Accretive acquisitions are key



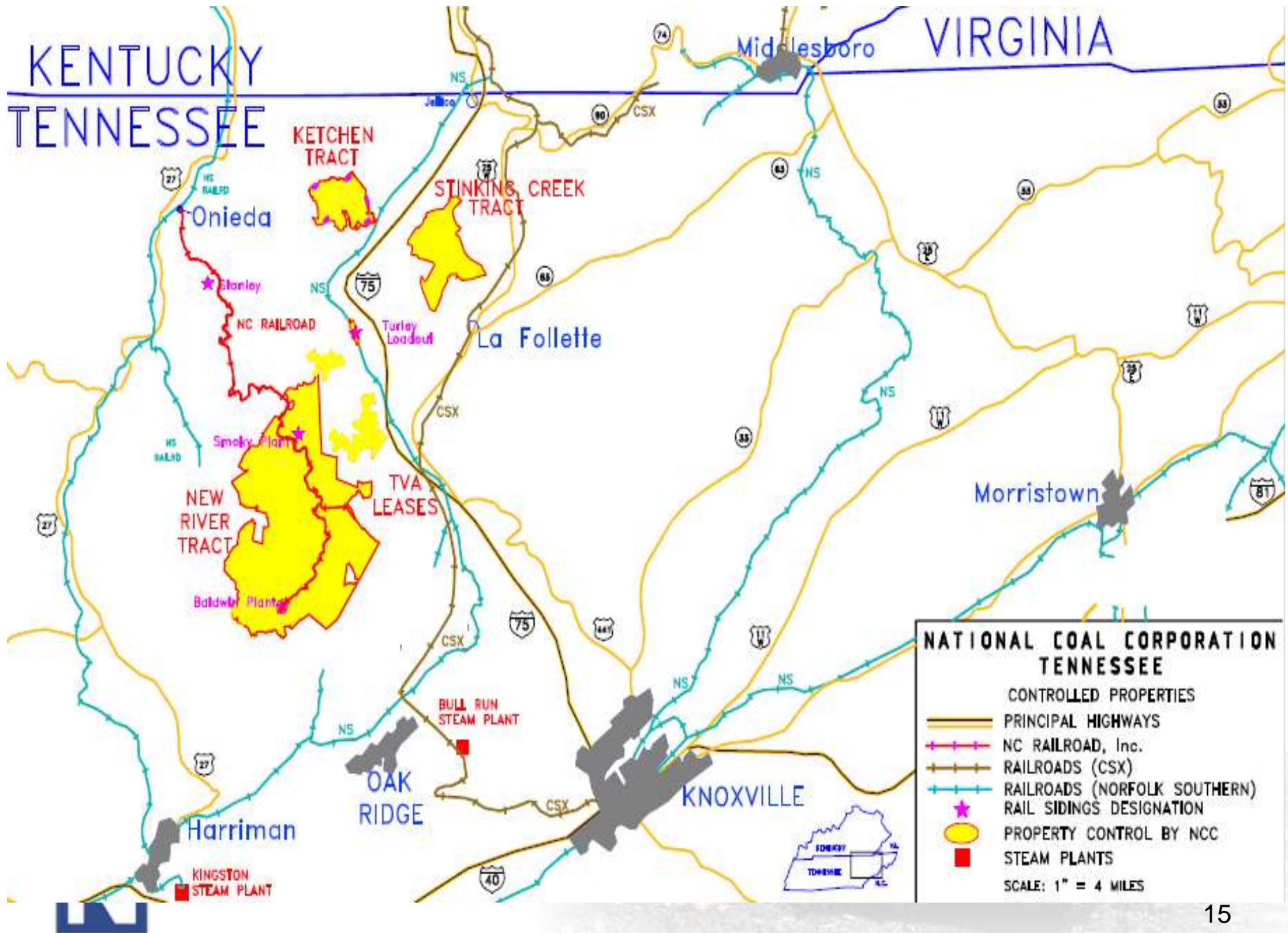
# National Coal- Future Growth & Goals

- Looking forward the Company anticipates producing 2.4M tons in 2008 and our goal is to achieve a 5.0MT per year run rate by year-end 2010.
  - Our Organic Growth Goals:
    - 2008 - 2.4 million tons
    - 2009 - 2.7 million tons
    - 2010 - 4.0 million tons
    - 2011 - 5.0 million tons
  
- The company intends to pursue accretive acquisitions, leveraging the accumulated capital investments made thus far
- Long term objective is to grow the company to at least 25 million tons of profitable coal production
- Geographical focus on Central and South Appalachia, with focus on large Southeast United States Coal Market
- Increase explorations on existing reserves with focus on metallurgical reserves
- Our Acquired Growth Goals:
  - One major acquisition per year



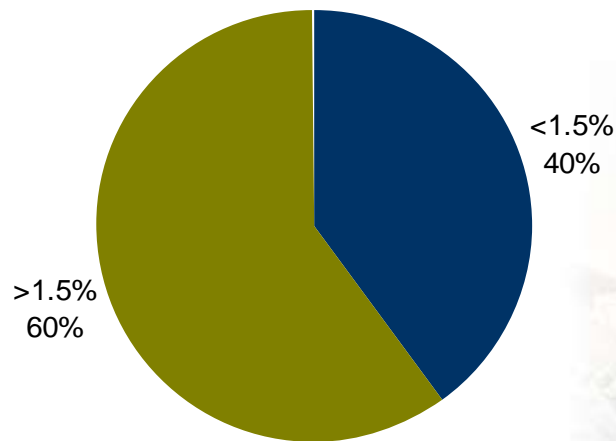
KENTUCKY  
TENNESSEE

VIRGINIA

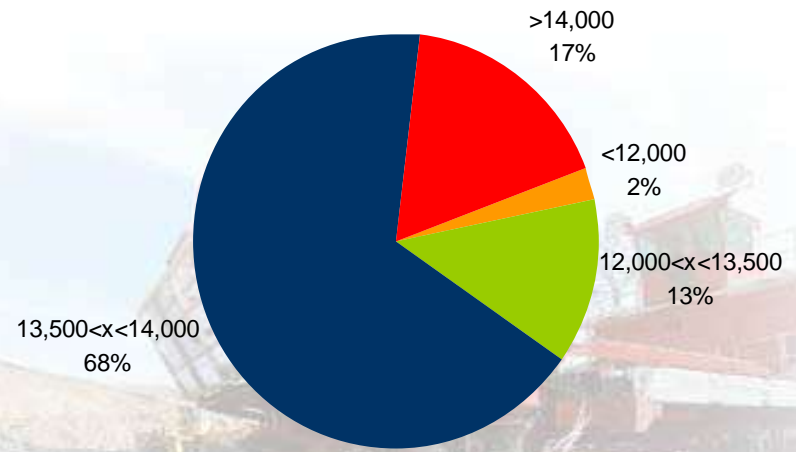


- **National Coal – Enduring Supplier**
- High Quality and Well Positioned Reserves in Alabama and Tennessee
- Close Proximity to Blue Chip Customers
- Diversified Asset Base
- Commitment to Safety and Environment
- Strong Leadership

**Coal Reserves by Sulfur Content**



**Coal Reserves by Btu Content**



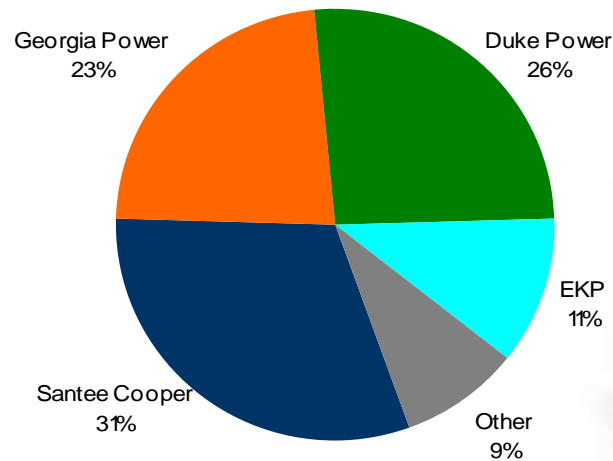
\* On a dry basis



## ■ National Coal - Supplies the Southeast

- At present, National Coal has contracts in place with these neighboring utilities.
- We are actively pursuing new contracts in the market at present.

2007 Revenue by Customer



2008 Major Customers



## National Coal Corporation – Becoming A Leader

- National Coal remains a new, innovative and growing company with a bright future ahead. Our youth provides us with the opportunity to carry out a fresh approach to coal production.
- Energy demand is anticipated to remain strong in the developed world and increase in emerging markets. The infrastructure we have built over the last four years will support us as we capitalize on the opportunity available in the Southeastern U.S.
- Consolidation in the coal industry is forecast to continue and may even accelerate given the recent strength in prices. We are in an advantageous position to acquire assets and take to advantage of this market phenomenon.
- Strong reserve position and potential will serve the company well going forward.
- Coal is the economic fuel for electricity generation today, tomorrow and well into the future. Companies like National Coal that are prepared to supply coal at competitive prices will lead the industry into the next decade.



# The U.S. Coal Market



# Facts about the US Coal Industry

- Coal Mining employment increased 4.6% during 2006 to 82,959 from 79,283 in 2005.
- 93% of coal produced in the U.S. is used to generate electricity.
- Produces about 1.15 billion short tons of coal a year.
- Provides about 50% of the nations electrical energy.
- Has about 250 to 350 years of coal reserves left, making it the largest fuel reserve.
- Coal alone generated 2,020,572 Gigawatts hours in 2007, more than the total coal electricity produced in China – 1,972,267.



Source: EIA / IEA for international

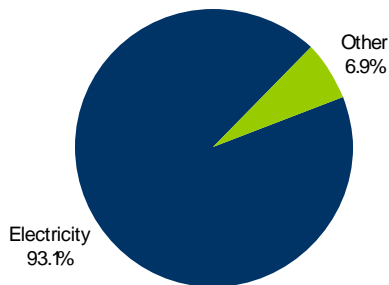
# The US Coal Market

- Electricity generation is coal's primary use, accounting for 93.1% of all coal consumption.
- Approximately 31.6% of all natural gas consumption goes to electricity generation.
- Only 1.7% of all petroleum consumption goes to electricity generation.
- Oil and Natural Gas have higher value add and social uses than generating electricity.

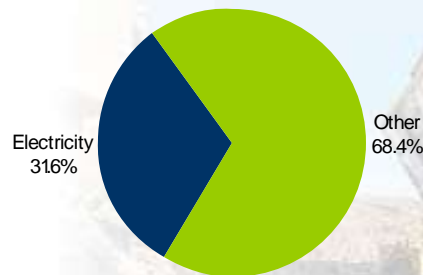
## Consumed for Electricity Generation

	<b>Coal (k tons)</b>	<b>Natural Gas (k Mcf)</b>	<b>Petroleum (k barrels)</b>
Electricity	1,035,346	6,869,624	115,370
Total	1,112,292	21,718,914	6,759,254
% of Total	93.1%	31.6%	1.7%

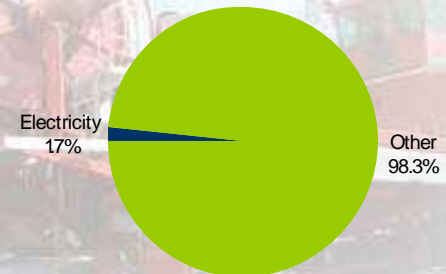
Coal Consumption



Natural Gas Consumption



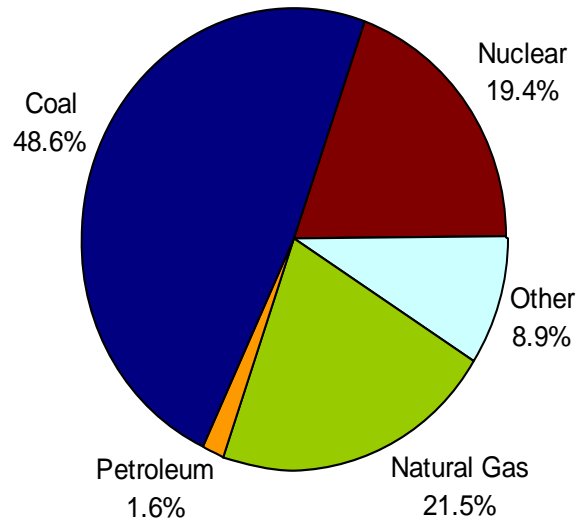
Petroleum Consumption



Consumption data from 2006  
Source: EIA

# The US Coal Market

2007 Electricity Generation



Through December 2007, coal remains the fuel of choice, accounting for 48.6% of electricity generation in the United States<sup>1</sup>.

Coal remains the most abundant fuel resource in the United States as of 2006:

- Coal Reserves: 18,880 million tons (249 – 349 years).
- Gas Reserves<sup>2</sup>: 211,085 billion cubic feet (7 – 9 years).
- Petroleum Reserves: 20,972 million barrels (5 – 10 years).

Other 2006 Electricity Generation:

- Wind: 0.65%
- Hydro: 7.1%
- Other: 1%

<sup>1</sup> Excluding Alaska & Hawaii  
<sup>2</sup> Dry Natural Gas



Source: EIA

# The US Coal Market

- Coal fundamentals are tight in a market where global demand is exceeding supply.
- Supply constraints are exacerbated by infrastructure constraints.
- The EIA estimates that U.S. demand for coal will grow at 2.2% a year until 2030.
- In the United States construction of coal-fired plants are growing faster than at any time in the past seven years
  - Coal remains the cheapest fuel option for electricity generation, resulting in increased utilization rates and needed construction of new plants.
- It is estimated that coal will account for 57% of electricity generation in the United States by 2030.
- Demand exceeded supply during 2007 as electricity generation and exports increased, while production declined
- Demand is expected to exceed supply during 2008, and remain tight for the foreseeable future
- Producer consolidation continues while reinvestment wanes
  - During 2007 the top 10 producers represented 67% of total coal production versus only 33% during 1980



# The US Coal Market

- Estimated 2008 demand will exceed estimated supply as a result of:
  - Mine closures and increase in regulations oversight
  - Increased electricity generation
  - A weak US Dollar – contributing to increased exports and leveling off of imports
  - Strong International demand for coal from China and India
  - Inventory drawdown has run its course

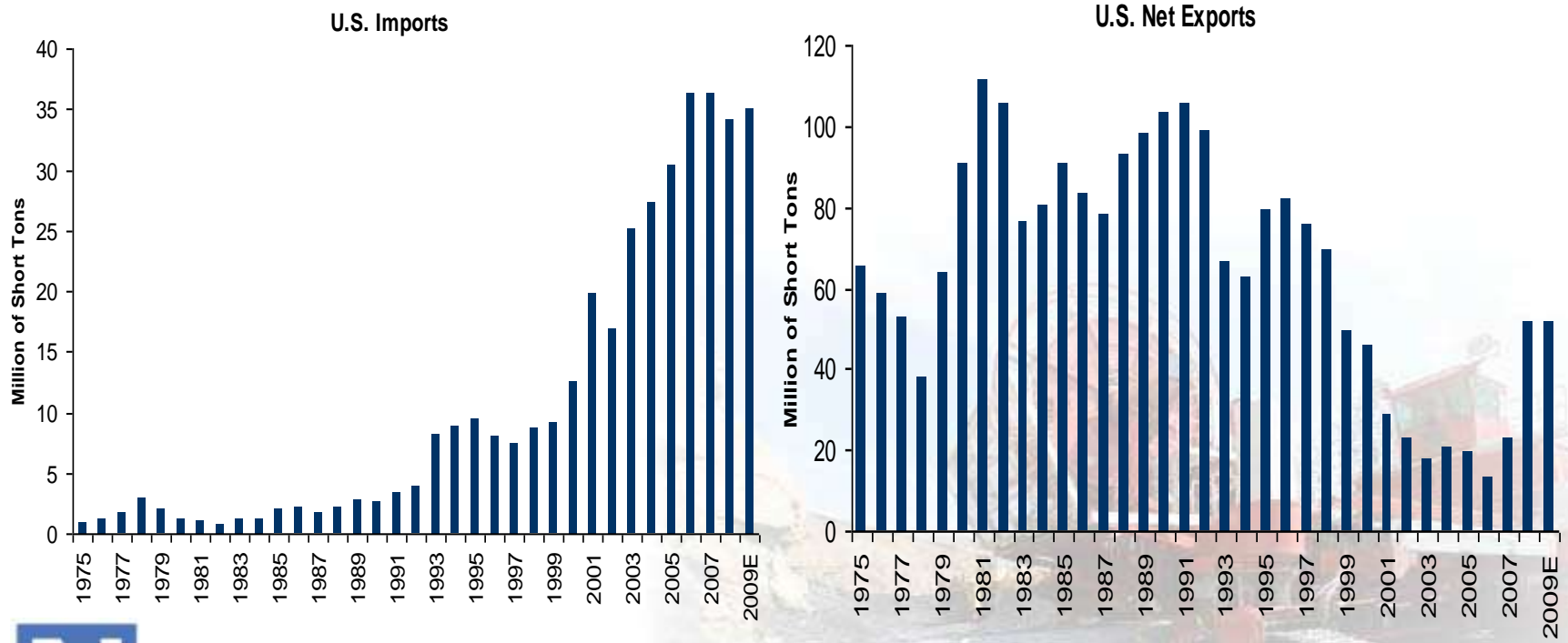
Year	<u>Domestic Production</u>				PRB	<u>Net Exports</u>			Coal Available For Domestic Consumption	<u>End Use Consumption</u>			Total Domestic Consumption	Net Available Coal
	Appalachia	Interior	Western	Total		Imports	Exports	Net Exports		Electricity Generation	Coking	Other		
2000	419	144	511	1,074	377	13	59	46	1,028	986	29	65	1,084	-56
2001	433	147	548	1,128	408	20	49	29	1,099	964	26	65	1,060	39
2002	397	147	550	1,094	411	17	40	23	1,072	978	24	61	1,066	5
2003	377	146	549	1,072	413	25	43	18	1,054	1,005	24	61	1,095	-41
2004	391	146	575	1,112	436	27	48	21	1,091	1,016	24	62	1,107	-16
2005	397	149	585	1,131	445	30	50	20	1,112	1,038	23	60	1,126	-14
2006	392	151	620	1,163	489	36	50	13	1,149	1,027	23	60	1,112	37
2007	378	147	611	1,136	496	36	59	23	1,113	1,046	23	56	1,129	-16
2008E	386	150	634	1,170	500	34	86	52	1,118	1,049	23	61	1,137	-19
2009E	382	146	637	1,165	510	35	77	42	1,123	1,049	24	64	1,140	-17
2010E	400	160	655	1,215	515	36	85	49	1,166	1,080	24	60	1,169	-3



In Millions of Tons  
Source: EIA

# U.S. Imports and Exports

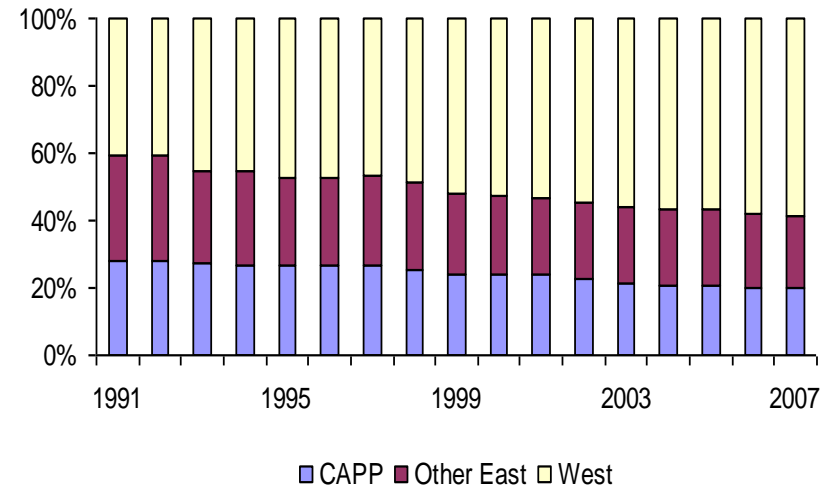
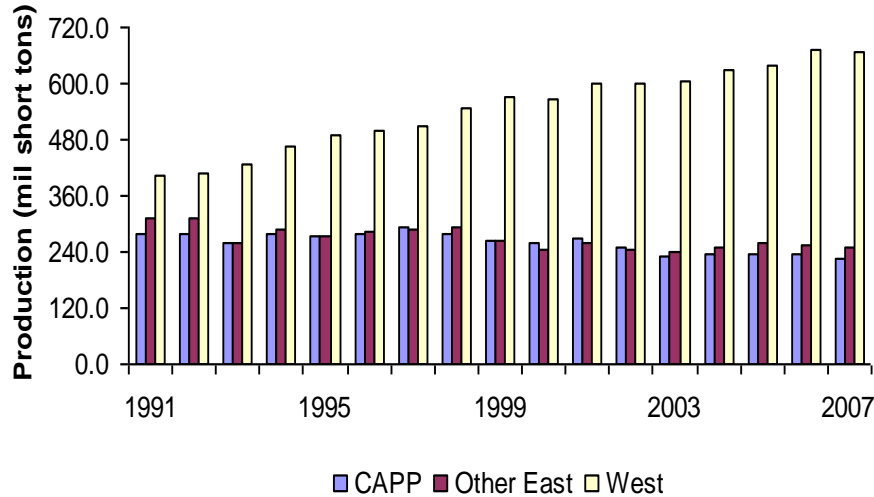
- Due to the supply constraints around the world, the U.S. has increased its exports, while its imports has remained relatively flat.
- We believe that the U.S. will continue to increase its exports during 2008.
- With increased exports from the U.S. and increased energy demand, the U.S. market is put further into a deficit situation, thus putting additional pressure on prices.



Source: EIA

# U.S. Coal Production

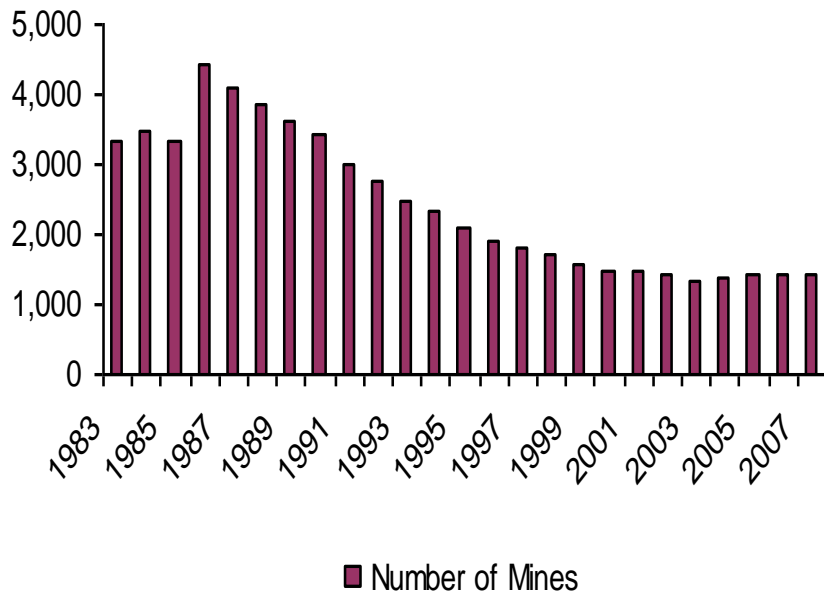
- Since 1999, the majority of U.S. Coal production has come from the West.
- We estimate that coal production for 2008 will be flat to slightly up, with most of the increase in production coming from the West.
- Central Appalachian (CAPP) Coal Production peaked during 1997 at 287M Tons, but declined to 226M Tons during 2007.
- However, we believe that although there will be increased production from the West, total production may not be able to keep up with the energy demand.



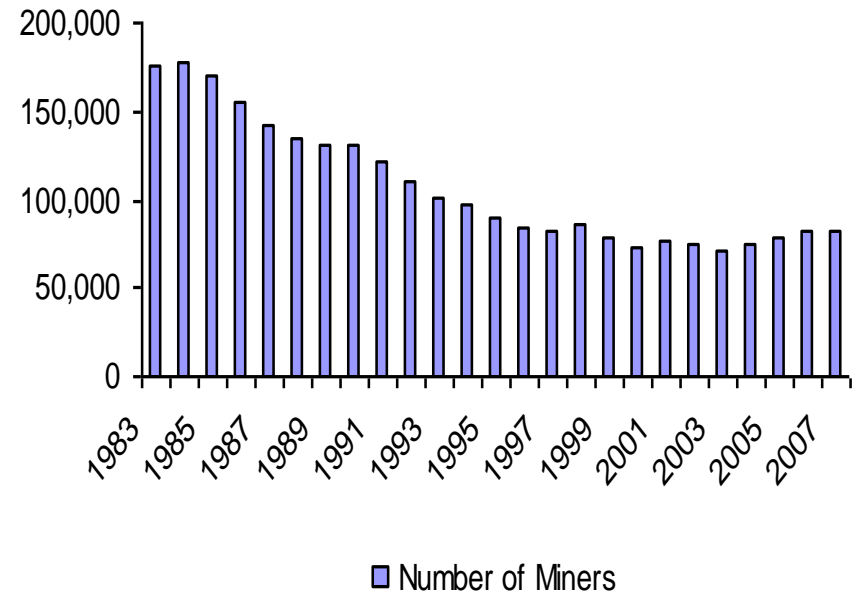
Source: 1989-1999 CAPP Data – Energy Publishing, All other EIA

# Number of Coal Mines and Coal Miners

## Number of Coal Mines



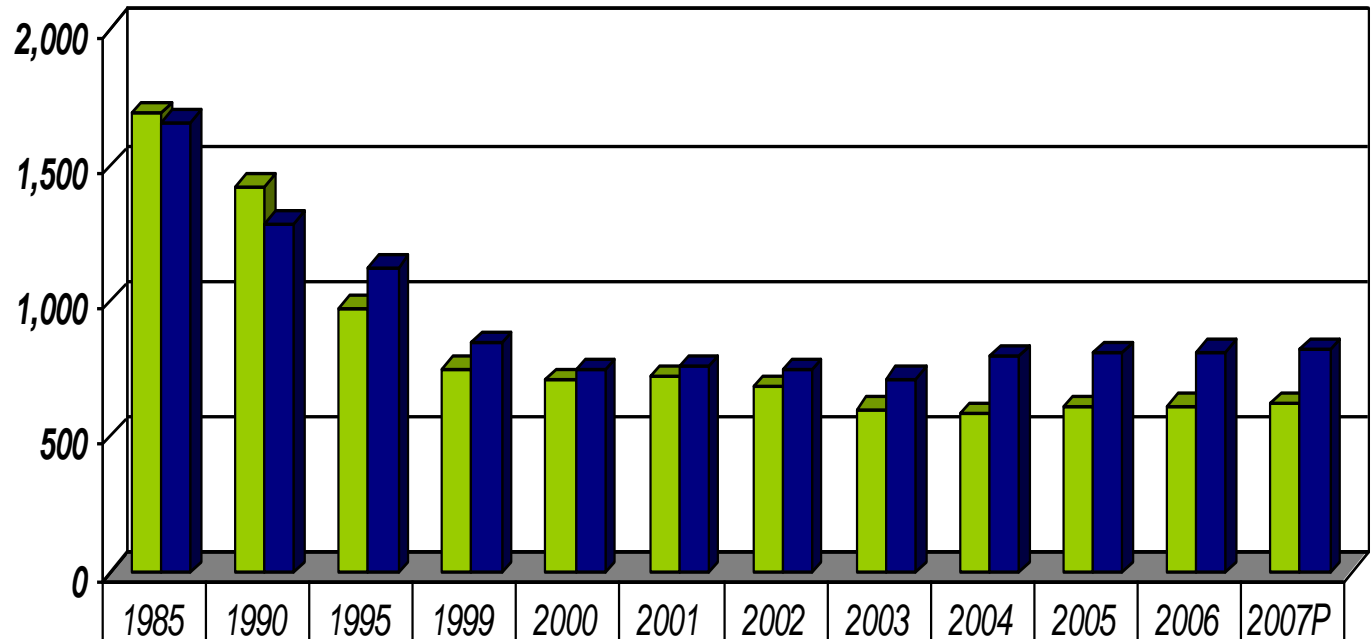
## Number of Coal Miners



Source: NMA



# Number of Active Surface and Underground Mines



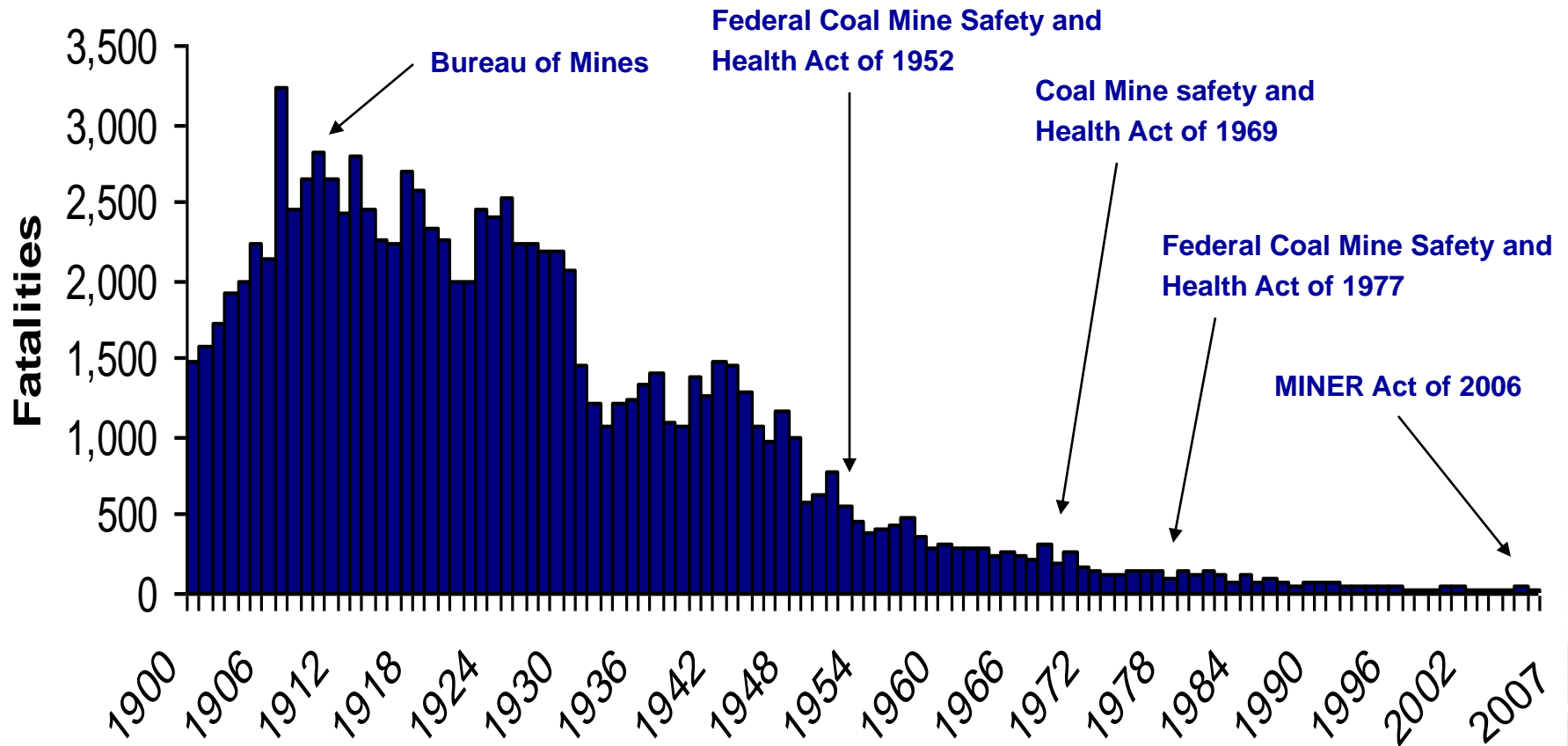
■ Total Number of UG Mines	1,695	1,422	977	749	707	719	682	602	586	606	612	620
■ Total Number of Surface Mines	1,660	1,285	1,127	842	746	759	745	714	793	809	812	820



Source: NMA

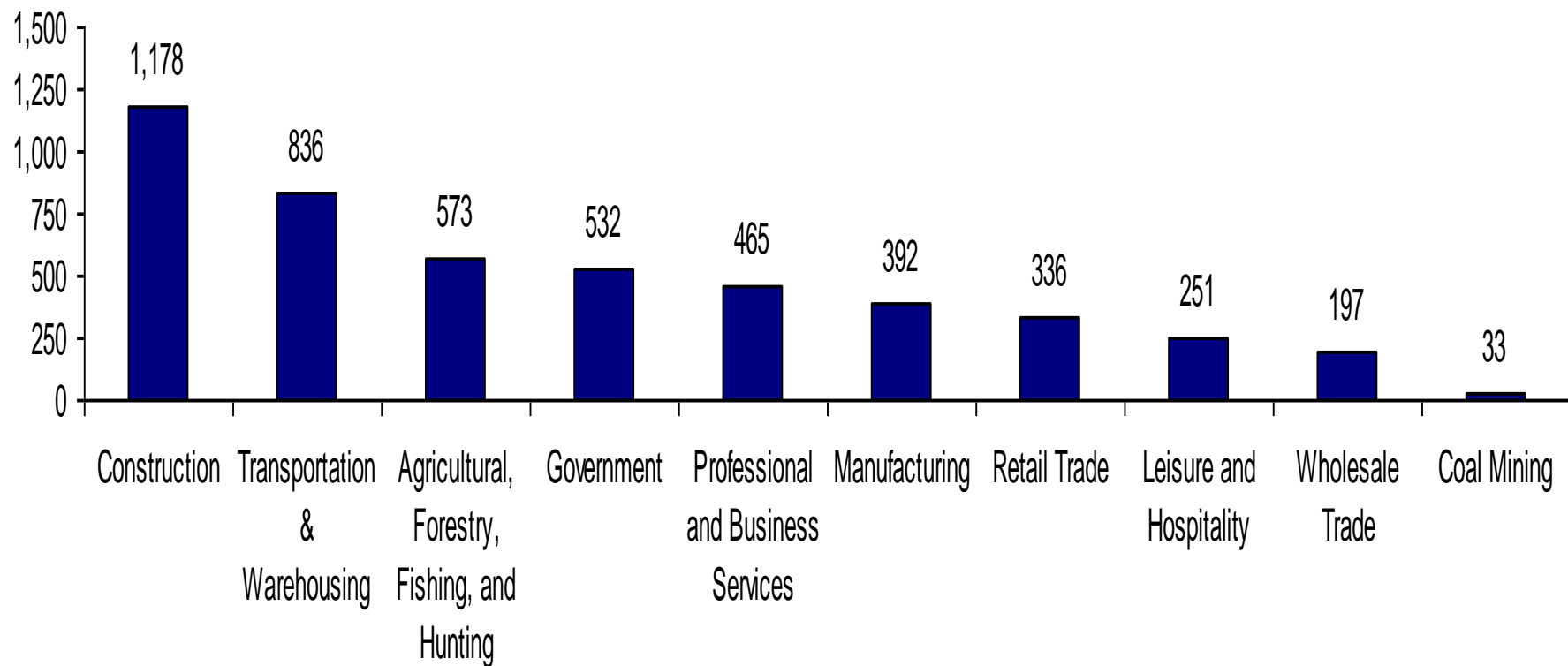


# Coal Fatalities 1900-2007



Source: Department of Labor Mine Safety and Health Administration

## Number of Fatal Occupational Injures in 2007



Source: Bureau of Labor Statistics



# Changing Regulatory Environment

- **Judge Haden-**
  - **Ruling I, October 1999**
    - Federal judge Haden ruled that the state government had in fact issued valley fill permits to bury perennial and intermittent streams, in violation of the Clean Water Act and the Surface Mine Control and Reclamation Act. (WVRC Mountaintop Removal)
      - Overturned due to the Memorandum of Understanding, 1999. (American Bar Association)
  - **Ruling II, April 2000**
    - The EPA and US Army Corps of Engineers jointly proposed a new definition of the term "fill material". The USACE use to assume jurisdiction to issue § 404 permits for such material regardless of the purpose of the filling activity. While the EPA defined fill material broadly to include any pollutant which replaces portions of waters of the United States. (American Bar Association)
      - Overturned on appeal by Fourth Circuit Court of Appeals, 2001. (American Bar Association)
  - **Ruling III, May 2002**
    - Haden stated that the CWA itself, not just the Corps' prior regulation, prohibited the discharge of excess overburden from coal mining into waters of the United States, without a primary purpose. Also that the EPA and USACE new joint fill materials definition was very flawed. (American Bar Association)
      - Overturned on appeal by Fourth Circuit Court of Appeals, Jan 2003. (American Bar Association)
- **Selenium Ruling-**
  - On May 2008, U.S. District Judge Robert C. Chambers ruled that Magnum Coal's mine Apogee must submit a plan to lower the selenium concentration from the rivers in West Virginia by 30 days after the hearing and start treatment within 90 days. This federal lawsuit was filed by environmentalist from Logan County, WV. Even though selenium is an essential mineral for animals and humans, too much of it can be harmful, that's why the court ruled against Apogee. Arch Coal also has selenium cases pending before the states environmental quality board. (WV Public Broadcasting)
- **TECO Coal Corp. Lawsuit-**
  - On June 20, 2008 the Kentuckians for the Commonwealth and the Sierra Club filed a lawsuit against TECO Coal Corporation for disposing of fill material into two valley fills and ponds that were not under any type of permit. When the USACE was asked why they did not file any charges against the company they claimed that the president of the company already filed that claim with the USACE. Therefore the USACE asserted handling the situation. Inexorably the environmentalist decided to file a lawsuit anyway. (Appalachian News Express)
- **Section 404-**
  - Regulates the discharge of fill materials into U.S. waters. There are two types of permits Individual and General. Individual permits deal with large environmental potential impacts. While the General permits consist of nationwide, regional, and statewide subcategories. General permits are for less environmental potential impacts. Surface mining mainly consists of General permits. ( 404 of the Clean Water Act)
- **Time required for permits-**
  - A study concluded that 76 project under the National Environmental Protection Act took about 4.4 years to complete. Out of the 76 projects, 32 of those needed not only a NEPA permit, but a Section 404 permit as well which took a total of about 5.6 years to complete. (U.S. Department of transportation)



## United States Senate

- **Lamar Alexander** (R – TN, U.S. Senator Ranking Member Subcommittee on Public Sector Solutions to Global Warming, Oversight, and Children’s Health Protection) and **Jeff Bingaman** (D – New Mexico, U.S. Senator, Chairman U.S. Senate Committee on Energy and Natural Resources) sent a letter to U.S. Government Accountability Office on June 20, 2008 requesting the GAO undertake a review and provide a report relating to proposed revisions to the stream buffer zone rule.
  - The Surface Mining Control and Reclamation Act of 1977 and the Office of Surface Mining Reclamation and Enforcement at first stated that there was no alternative to restricting fills.
  - The Draft Environmental Impact Statement claimed that as of 2007 none of the alternatives considered for the rulemaking modifies the buffer zone that would restrict valley fill size or type of stream.
    - Therefore the end result of the draft EIS was to make a proposal for the outright exemption of valley fills from stream buffer zone rules.
  - This brings the OSM into question if they are complying with the National Environmental Policy Act.
    - The agency is not doing any *decision-making process to minimize, to the maximum extent practicable, the adverse environmental effects to waters of the United States and to fish and wildlife resources affected by mountaintop mining operations, and to environmental resources that could be affected by the size and location of excess spoil disposal sites in valley fills. [Settlement agreement at 5]*
  - The GAO should provide:
    - How has the OSM, EPA, PEIS, DEIS, FWS, EPA, EIS, CEQ, and White House have dealt with the rulemaking procedures, financial assurance, long term impacts, analyzing, modifications, quality control, decision making, liability, monitoring, bond release, as well as adequate protection from any long term or latent problems that may arise from the use of valley fills





# National Coal Corp.

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