



# National Coal Corp.

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# 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.



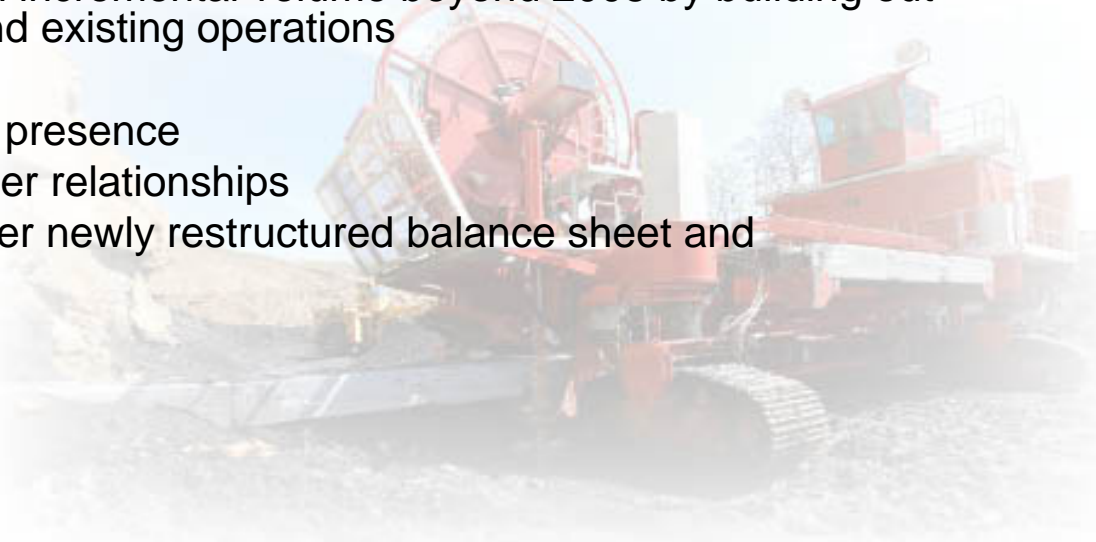
# National Coal: Corporate Summary

- 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
- At present, NCOC has approximately 31MT of recoverable reserves; owns the mineral rights to 65,000 acres of land; and leases the rights to approx 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
- We have 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



# National Coal: Business Strategy

- Focus on safety and environmental stewardship
- Growth – goal: total production 25MT in 3-5 years
  - Organic – 3 to 5 MT
  - Acquired – 20MT
- Improve profitability & cash flow: Leverage past Capital Investment and Build Scale
  - Improve production efficiencies
    - Stabilize cost of production 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 increasing volumes, which should result in lower per unit 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
- Leveraging past investment under newly restructured balance sheet and management



# National Coal: Growth Strategy – Organic

- 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
- At present, National Coal has total committed tonnage of approx. 4.3MT through 2009 at an average price of \$64.11 per ton. 2.3MT are committed for 2008 at \$62.25/ton 2.0MT are committed for 2009 at \$65.98/ton
- National Coal has two exploration rigs which are focused on exploration (proving up reserves), mine development, and permitting
- Estimated uncommitted tonnage for 2009 is approximately 700,000 tons
- Reopening of captive 41 mile railroad should reduce transportation costs from load-outs to main line
- Reopening of the refurbished Baldwin preparation plant should reduce production costs
- Planned new mines feed into our existing Hub and Spoke model centered around existing facilities
- The Company's goal is to organically grow its current asset base to produce 5.0MT per year by 2011

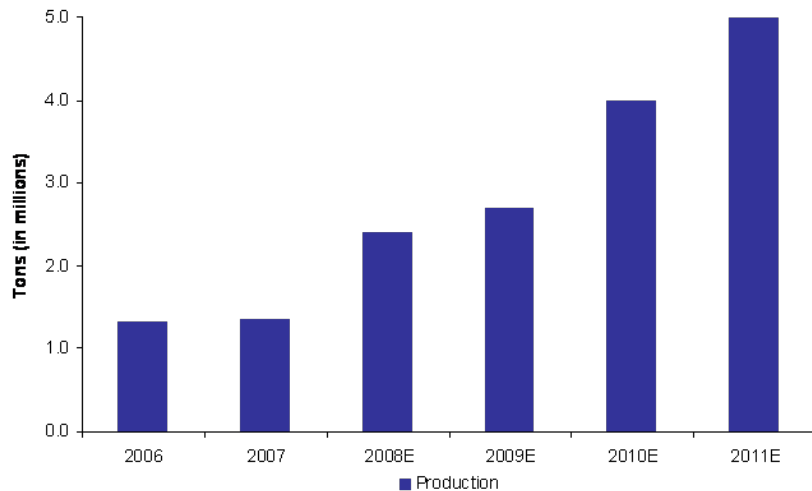


# National Coal: Growth Strategy – Acquired

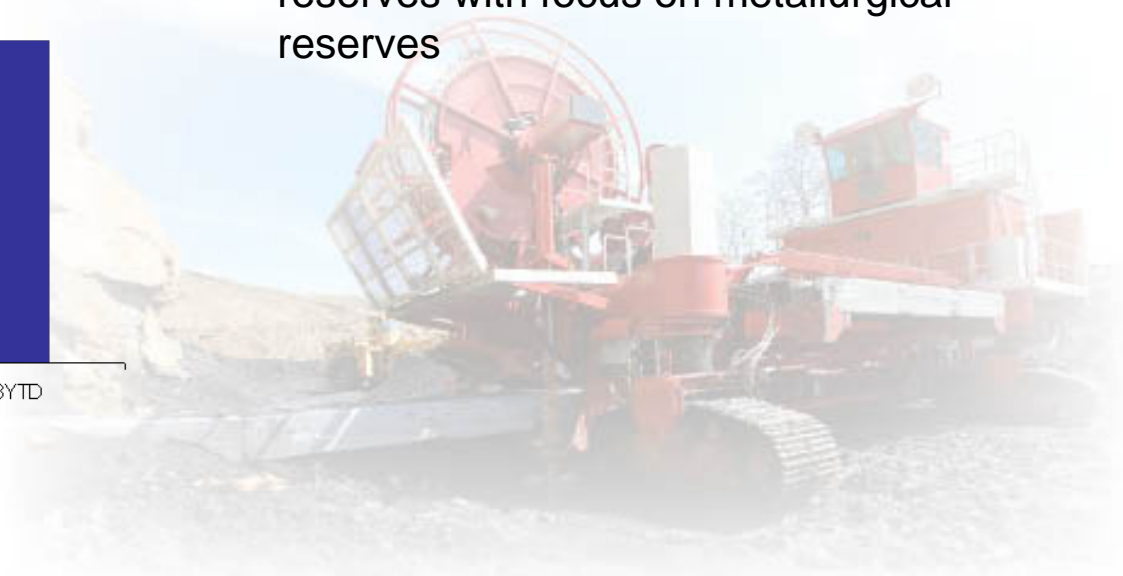
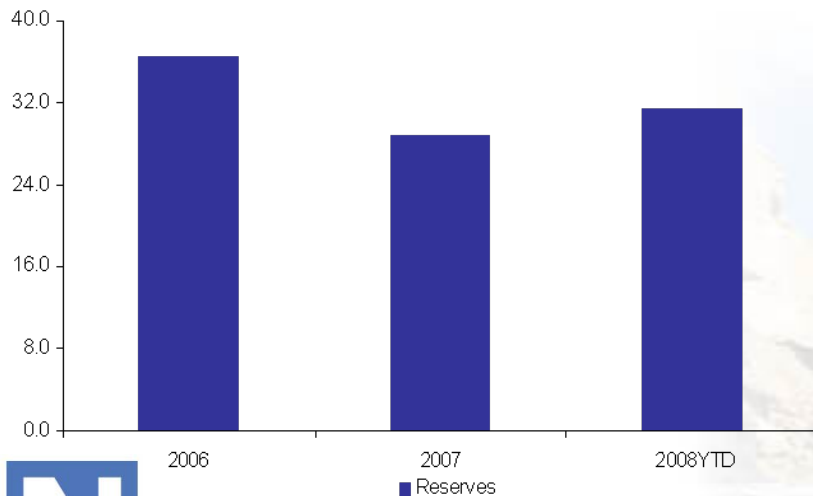
- Continuously exploring acquisition opportunities; focus on accretive opportunities
- Focus on strategic properties contiguous to existing operations
- As part of its ongoing growth strategy, National Coal has plans to opportunistically acquire nearby facilities (mines, preparation plants, and coal 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



# Growth Profile

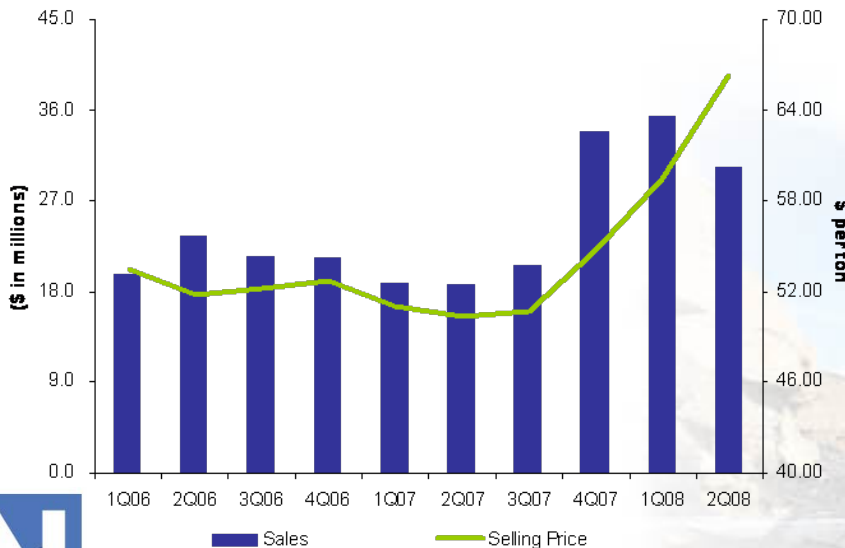


- The Company intends to pursue accretive acquisitions, leveraging the accumulated capital investments made thus far
- Long term objective is to grow the Company to at least 25MT of profitable coal production
- Geographical focus on Central and South Appalachia, with focus on large Southeast United States Coal Market
- Increase explorations on existing reserves with focus on metallurgical reserves



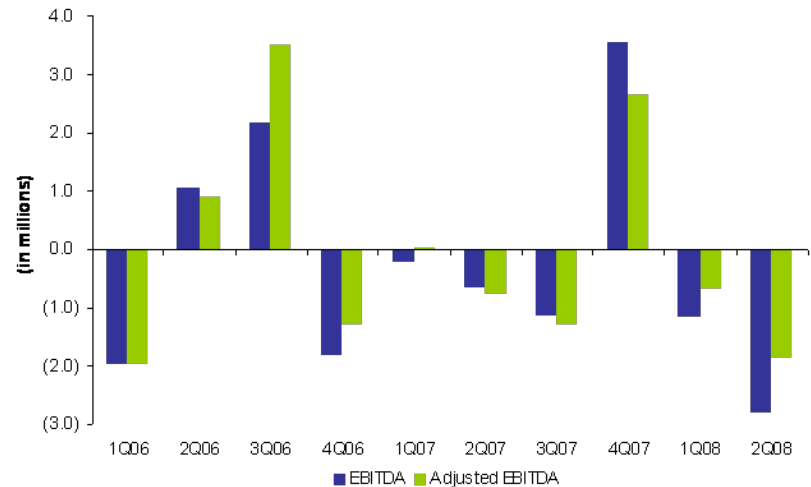
# Per Ton Analysis

- As the coal industry fundamentals continue to point towards a deficit situation and increased contract pricing, the Company should continue to experience increased coal revenues and selling price per ton
- As the Company's plans to increase production and efficiencies continue to progress, Cost of Sales and SG&A should decrease, on a per ton basis



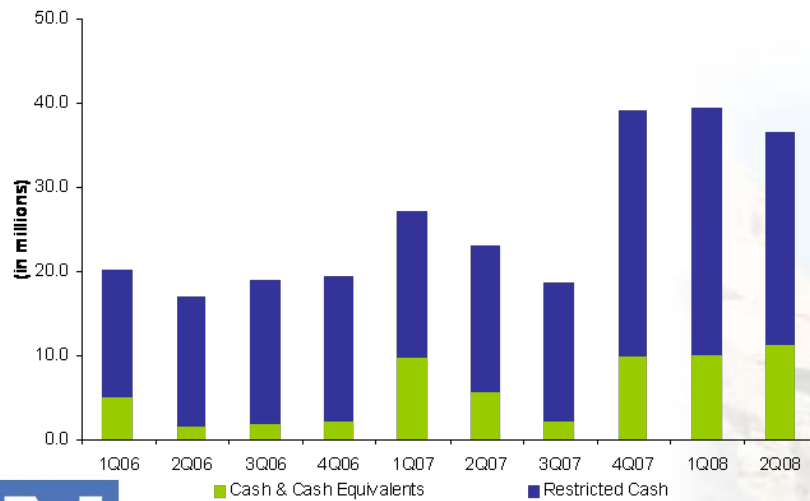
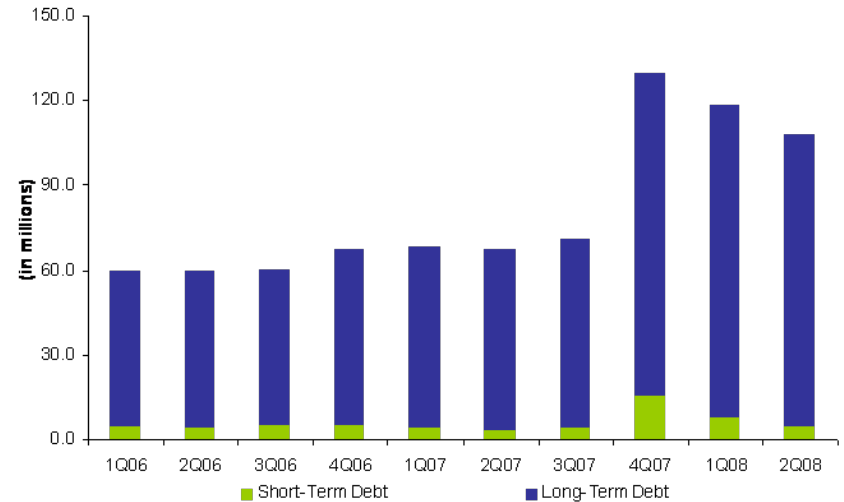
# EBITDA Improvement

- The Company intends to reopen previously idled facilities, improving capacity utilization
- Increasing volumes spread across basically fixed costs should reduce per unit production costs
- Increased sales at higher average selling prices driving greater revenue
- Thus, increased production is contributing to higher utilization rates, which should drive down per unit production costs, which then coupled with greater sales volume at higher prices should lead to improved EBITDA margins



# Improved Balance Sheet

- Since the change in leadership, NCOC has seen an improvement to its balance sheet
- The Company is continuing to reduce its debt levels through a combination of asset sales and debt-for-equity swaps
- In addition, management has added equity to the balance sheet through private placements



# The U.S. Coal Market

- 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 last for some time
- 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 there are more coal-fired plants under construction than at any time in the past seven years
- Globally, a significant number of coal fired plants are being constructed
- 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



# The U.S. Coal Market (Continued)

- 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 U.S. Coal Market (Continued)

- 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	Domestic Production				PRB	Net Exports			Coal Available For Domestic Consumption	Electricity Generation	Coking	Misc. Mfg. (1)	Total Domestic Consumption	Net Available Coal
	Appalachia	Interior	Western	Total		Imports	Exports	Net Exports						
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	391	146	644	1,181	500	34	83	49	1,131	1,054	23	61	1,142	-10
2009E	389	146	640	1,175	510	35	87	52	1,124	1,050	24	64	1,141	-17
2010E	400	160	655	1,215	515	36	85	49	1,166	1,080	24	60	1,169	-3

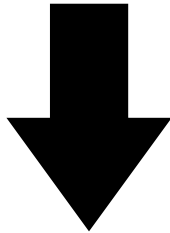
(In Millions of Tons)



Source: EIA

# 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:



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

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



# Coal: The Lowest Cost Fuel

Fuel Type	Fuel Unit	Fuel Price Per Unit (dollars)	Fuel Heat Content Per Unit (Btu)	Fuel Price Per Million Btu (dollars)	Heating Appliance Type	Type of Efficiency Rating <sup>4</sup>	Efficiency Rating or Estimate	Approx. Efficiency (%)	Fuel Cost Per Million Btu (dollars)
Fuel Oil (#2)	Gallon	\$3.68	138,690	\$26.53	Furnace or Boiler	AFUE	78.0	78%	\$34.02
Electricity	KiloWatt-hour	\$0.104	3,412	\$30.60	Furnace or Boiler	Estimate	95.0	95%	\$32.21
					Air-Source Heat Pump <sup>5</sup>	HSPF <sup>5</sup>	7.7	226%	\$13.56
					Geothermal Heat Pump	COP	3.3	330%	\$9.27
					Baseboard/Room Heater	Estimate	100.0	100%	\$30.60
Natural Gas <sup>1</sup>	Therm <sup>2</sup>	\$1.39	100,000	\$13.90	Furnace or Boiler	AFUE	78.0	78%	\$17.82
					Room Heater (Vented)	AFUE	65.0	65%	\$21.38
					Room Heater (Unvented)	Estimate	100.0	100%	\$13.90
Propane	Gallon	\$2.45	91,333	\$26.82	Furnace or Boiler	AFUE	78.0	78%	\$34.39
					Room Heater (Vented)	AFUE	65.0	65%	\$41.27
Wood <sup>3</sup>	Cord	\$200.00	22,000,000	\$9.09	Room Heater (Vented)	Estimate	60.0	60%	\$15.15
Pellets	Ton	\$250.00	16,500,000	\$15.15	Room Heater (Vented)	Estimate	80.0	80%	\$18.94
Corn (kernels)	Ton	\$250.00	16,500,000	\$15.15	Room Heater (Vented)	Estimate	80.0	80%	\$18.94
Kerosene	Gallon	\$4.26	135,000	\$31.56	Room Heater (Vented)	Estimate	80.0	80%	\$39.44
Coal	Ton	\$200.00	24,916,000	\$8.03	Furnace/Boiler/Stove	Estimate	75.0	75%	\$10.70

1 Natural gas is typically sold to residential customers in units of "therms," but may be sold in units of hundreds of cubic feet (ccf).

2 One therm = 100,000 Btu, and is equivalent to about 0.971 hundred cubic feet (ccf), when there are 1,030 Btu/ccf.

To convert prices in \$/Mcf (1,000 cubic feet) to \$/therm, divide the \$/Mcf price price by 10.3 .

3 The heat content value for a cord of wood varies by tree species and is greatly affected by moisture content; 20 million Btu per cord is a rough approximation.

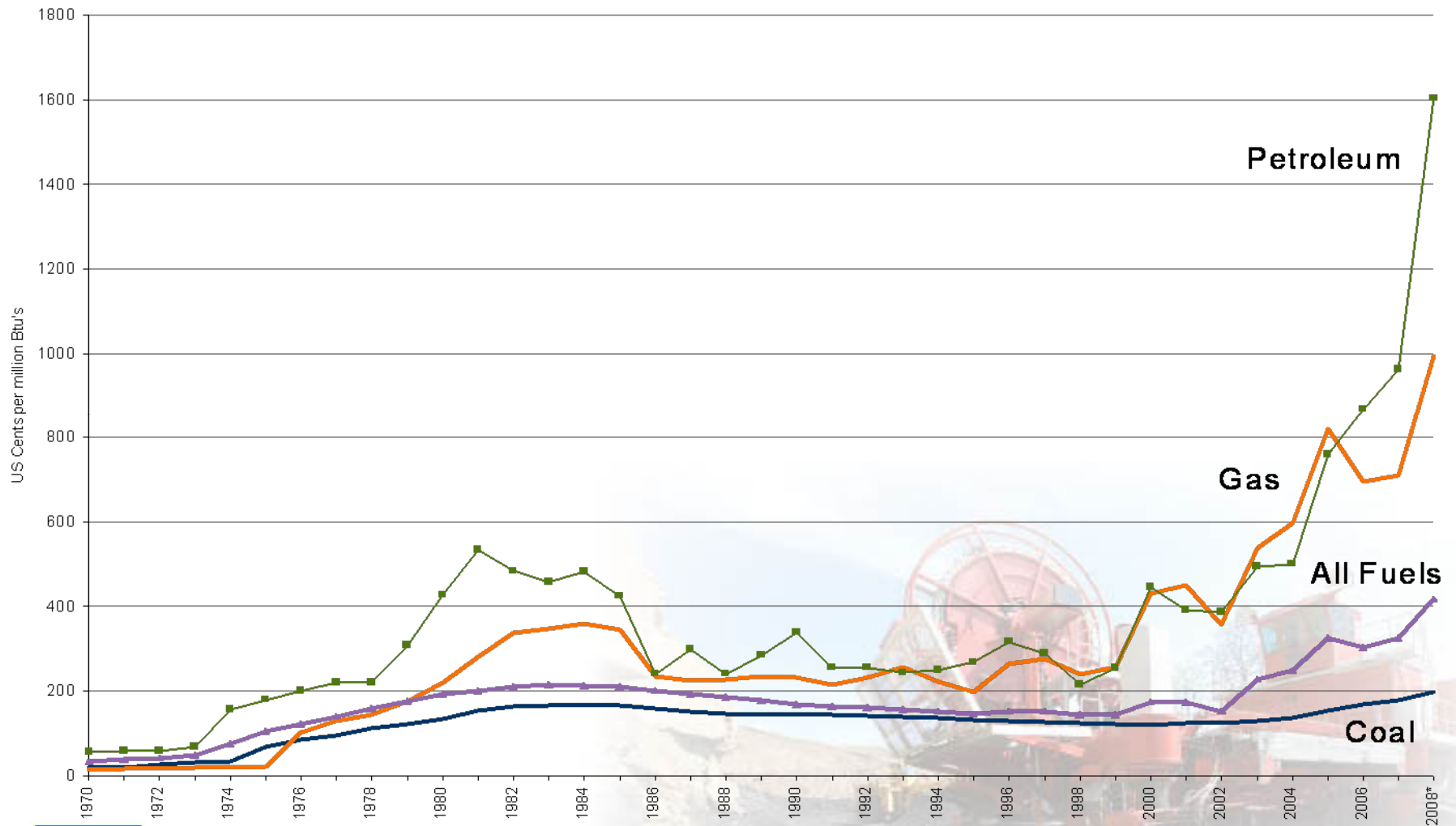
4 Some types of heaters do not have efficiency ratings.

5 Air-Source Heat Pump Ratings: The actual heating efficiency and seasonal performance of an air-source heat pump may vary significantly from its rated heating season performing factor (HSPF).



Source: EIA

# Coal: The Low Cost Source



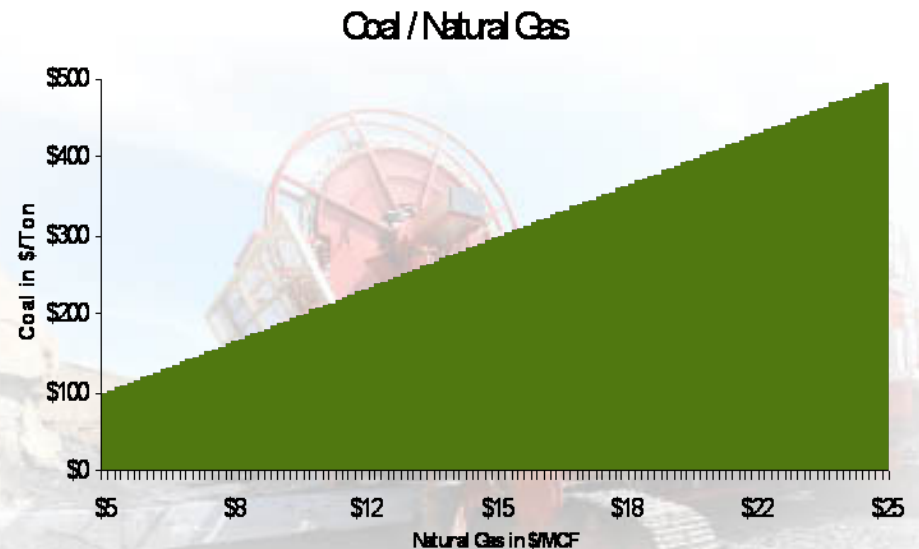
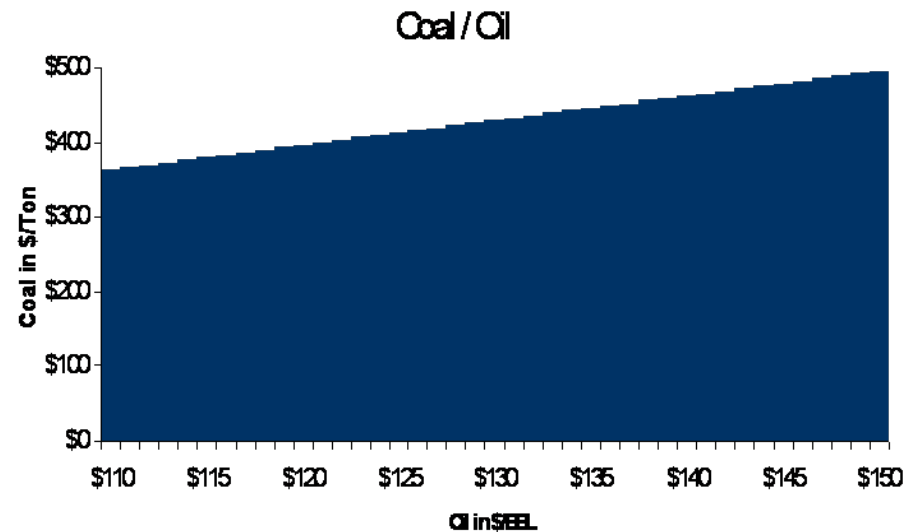
Source: EIA

# 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



# Thank You

For more information please visit our website at [www.nationalcoal.com/investors.php](http://www.nationalcoal.com/investors.php)

## About National Coal Corp.

Headquartered in Knoxville, Tenn., National Coal Corp., through its wholly-owned subsidiary, National Coal Corporation, is engaged in coal mining in East Tennessee, and through its wholly-owned subsidiary, National Coal of Alabama, is engaged in coal mining in Alabama. Currently, National Coal employs about 350 people. National Coal sells steam coal to electric utilities and industrial companies in the Southeastern United States. For more information and to sign-up for instant news alerts visit [www.nationalcoal.com](http://www.nationalcoal.com).

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