

COAL ASSESSMENT CALCULATION FORMULA

2011

Mineable Acres X Coal Thickness (inches) X 145 (Density Factor, ton per acre inch) X Mine Recovery Rate X Royalty Rate (Greater of \$ or %) X Discount Factor (for Applicable Year of Mining) at 14.00% Cap Rate = Value

<u>Discount Factor</u>	<u>Mine Life</u>
.9386	1 year
.7695	2 year
.7222	3 year
.6788	4 year
.6390	5 year
.4556	6 year
.4276	7 year
.4019	8 year
.3783	9 year
.3566	10 year
.3366	11 year
.3182	12 year
.3012	13 year
.2854	14 year
.2709	15 year

Discount factors for coal reserves not attributed to active mines:

East Kentucky	.089
West Kentucky	.0079

Recovery Rate:

Surface	.90	
Augur	.30	
Deep	.50	
Unknown	.60	
Highwall	.50	
Y (Deep)	.50	
X (Deep)	.50	
Z	.50	(below drainage)