

IBCS Mining, Inc., a Kentucky Division

Chapter 11 Reorganization
Summary of Stalking Horse Bid Principal Terms

October ~~2,28~~, 2014

Debtors:	IBCS Mining, Inc., a Kentucky Division, a Kentucky corporation (-the "Company").
Purchaser:	Southern Coal Corporation, or an affiliated entity designated by Southern Coal Corporation ("Purchaser").
Assets:	<p>Purchase "free and clear" the following assets: (i) all or substantially all of the real fee property and personal property of owned by the Company, assume through assignment the Company's licenses and and (ii) those permits related to its operations (to the extent permitted by applicable law), and assume through assignment such of the Company's contracts and leases as identified by Purchaser and pending permit applications associated with the impoundment and Alma coal seams (collectively, the "Assets"). In connection with its due diligence of the The Company, the Purchaser shall provide the retain the ownership rights to the Pond Creek Seam located on the fee property identified in (i) above as well as the Pond Creek Seam under lease from ECI. The Company with a list of all contracts and leases that it desires to assume upon shall be <u>granted access rights to operate on the fee property and transport the closing of Pond Creek Seam across the transactions contemplated herein</u> fee property without any additional charges or fees. The Company and Purchaser shall develop a mining plan that provides for the Company to mine the Pond Creek Seam on the fee property as expeditiously as possible to avoid future interference with Purchaser's operations.</p>
Purchase Price:	<p>The aggregate purchase price for the Assets shall be comprised of each of the following:</p> <ul style="list-style-type: none">• The amount of \$2.5 Million Dollars, with \$1.5 Million Dollars in cash paid at time of Closing and the balance of \$1 Million paid over a period of time not to exceed three years:• <u>Purchaser shall assume and/or replace the issued and outstanding bonds associated with the impoundment and Alma Seam permits. The Company and Purchaser shall</u>

negotiate in good faith to provide for either the transfer of the fee property Pond Creek Seam permit to the Purchaser upon completion of auger operations or provide for reclamation of the auger operations by the Purchaser in conjunction with the Purchaser's operations.

- The Company shall make every effort to expedite the sale process, including but not limited to the request for approval of this Stalking Horse Bid on an expedited basis.
- The Company will either have the Chesapeake pipeline relocated to an area approved by Purchaser or escrow \$325,000 for such relocation.
- ~~• The balance of the Purchase Price shall be paid in quarterly payments equal to the greater of (i) \$80,000 or (ii) on a per tonnage basis for the previous quarter of coal mined and sold from the Assets equal to \$1.50 per ton for all coal mined and sold from leased properties, 55.00 per ton for all pond creek seam coal mined and sold from the Company's fee property and \$1.00 per ton of any coal refuse located on the Company's property. Quarterly payments shall be paid on the 45th day following the end of the quarter, with the first payment being due May 15. Payments shall continue until the balance of the Purchase Price is paid in full.~~

Sale Process:

Following submittal of this term sheet to the Company, a motion will be filed with the Court to approve an expedited 363 sale. Anticipated closing on such sale will be on or before December 15, 2014. The sale/bid procedures motion will contemplate distribution of the stalking horse bid to all potential interested parties, access by potential bidders to a data room, an auction if qualified competing bids are received, and a 5% break-up fee to the Purchaser.

~~• Purchaser shall provide any cure amounts under any leases of the Company assumed by the Purchaser;~~

~~• Purchaser shall assume amounts attributable to equipment retained by the Purchaser. In connection with its due diligence of the Company, the Purchaser shall provide the Company with a list of all equipment that the Purchaser desires to retain following closing of the transactions contemplated herein and acknowledges that the equipment has a first lien with certain lenders that must be satisfied; and~~

~~• Purchaser shall assume and/or replace the issued and outstanding bonds necessary for the Company's operations.~~

~~• The Company shall make every effort to expedite the sale process, including but not limited to the request for approval of~~

~~this Stalking Horse Bid on an expedited basis.~~

~~• The Purchaser, within seven (7) days after entry of the Court Order approving the Stalking Horse Bid shall deposit \$75,000.00 (the "Deposit") with the Company, which Deposit shall be refunded to the Purchaser in the event a qualified competing bid is selected. In the event the Purchaser fails to close on the transaction after being the successful bidder for the Assets, the Deposit shall be retained by the Company.~~

~~• The Company will either have the Chesapeake pipeline relocated to an area approved by Purchaser or escrow \$225,000 for such relocation.~~

Definitive Documents and
Court Approval

~~Following submittal of this term sheet to the Company, a motion will be filed with the Court to approve an expedited 363 sale. Anticipated closing on such sale will be on or before December 15, 2014. The sale/bid procedures motion will contemplate distribution of the stalking horse bid to all potential interested parties, access by potential bidders to a data room, an auction if qualified competing bids are received, and a 5% break-up fee to the Purchaser. The Purchaser, within seven (7) days after entry of the Court Order approving the Stalking Horse Bid shall deposit \$125,000.00 (the "Deposit") with the Company, which Deposit shall be refunded to the Purchaser in the event a qualified competing bid is selected. In the event the Purchaser fails to close on the transaction after being the successful bidder for the Assets, the Deposit shall be retained by the Company.~~

This Stalking Horse Bid does not contain all matters upon which agreement must be reached for the contemplated transaction to be consummated. Rather, this Stalking Horse Bid is presented only as a summary of principal terms and the parties shall expeditiously negotiate and complete a definitive written asset purchase agreement containing such representations, warranties and covenants as are customary for agreements of this sort under similar circumstances. Each party shall pay its own fees and expenses for any attorneys, accountants or other advisors it engages in connection with the transactions contemplated hereby. The contemplated transaction and documents related thereto will be subject to all applicable notice requirements, procedures and final approval by the Court.

The Purchaser hereby executes this Stalking Horse Bid to evidence its desire to move forward with the acquisition of the Assets of the Company and preparation of a definitive written agreement as outlined herein.

SOUTHERN COAL CORPORATION

By: _____

Name: _____

Its: _____