Company and Industry Overview

James F. Roberts
Chairman, President & Chief Executive Officer

Foundation Coal Investor Day 2007

May 30, 2007
Presentation Overview

- Introduction
- Industry Trends
- Foundation Coal Investment Highlights
  - Diverse asset base
  - Proven market strategy
  - Experienced management team
  - Track record of performance
  - Positive outlook for growth
  - Summary score card
- Strong Value
Industry Trends
Sustained economic growth is expected to drive a 57% increase in world total energy consumption between 2004 and 2030.

Coal consumption is expected to increase from 5.4 billion short tons in 2003 to 10.6 billion short tons in 2030.

Two thirds of the increase in coal use is expected to come from the developing world.

China and India Expected to Drive Asian Energy Demand

World Petroleum Consumption Expected to Increase Dramatically

World Oil Consumption by Region

U.S. Will Increasingly Rely on Oil & Gas Imports

Petroleum Supply*

Natural Gas Supply

* Includes natural gas liquids, refinery process gain, and production from unconventional sources

Source: Energy Information Administration, Annual Energy Outlook 2007, Reference Case
# U.S. Petroleum Imports by Origin

![Pie chart showing OPEC and Non-OPEC contributions.]

### OPEC and Non-OPEC Contributions

<table>
<thead>
<tr>
<th>Origin</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPEC</td>
<td>41%</td>
</tr>
<tr>
<td>Non-OPEC</td>
<td>59%</td>
</tr>
</tbody>
</table>

### Top 10 Countries by Barrels/Day

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Barrels/Day (000s)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Canada</td>
<td>2,181</td>
<td>16%</td>
</tr>
<tr>
<td>2</td>
<td>Mexico</td>
<td>1,662</td>
<td>12%</td>
</tr>
<tr>
<td>3</td>
<td>Saudi Arabia</td>
<td>1,537</td>
<td>11%</td>
</tr>
<tr>
<td>4</td>
<td>Venezuela</td>
<td>1,529</td>
<td>11%</td>
</tr>
<tr>
<td>5</td>
<td>Nigeria</td>
<td>1,166</td>
<td>9%</td>
</tr>
<tr>
<td>6</td>
<td>Iraq</td>
<td>531</td>
<td>4%</td>
</tr>
<tr>
<td>7</td>
<td>Algeria</td>
<td>478</td>
<td>3%</td>
</tr>
<tr>
<td>8</td>
<td>Angola</td>
<td>473</td>
<td>3%</td>
</tr>
<tr>
<td>9</td>
<td>Russia</td>
<td>410</td>
<td>3%</td>
</tr>
<tr>
<td>10</td>
<td>United Kingdom</td>
<td>396</td>
<td>3%</td>
</tr>
</tbody>
</table>

**Total Top 10:** 10,363 barrels/day (75%)

**Total:** 13,714 barrels/day

*Source: Energy Information Administration, Annual Energy Outlook 2007, Reference Case*
Energy and Economic Growth Inextricably Linked

More People Living Longer and Better Lives

- GDP +149%
- Electricity Use +111%
- Per Capita Income +80%
- Coal Use +77%

Source: FutureGenAlliance
Key U.S. Macroeconomic Indicators

### U.S. Population Growth

- **Total Growth:** 23%
- **CAGR (Compound Annual Growth Rate):** 0.8%

### Real GDP Growth

- **Total Growth:** 104%
- **CAGR (Compound Annual Growth Rate):** 2.9%

Source: Energy Information Administration, Annual Energy Outlook 2007, Reference Case
Coal’s Use for Electricity Generation Will Increase in the U.S.

Electricity Generation by Fuel Type

Source: Energy Information Administration, Annual Energy Outlook 2007, Reference Case
Growing Recognition that Coal Must be Part of the Solution

“The U.S. needs a ‘Manhattan Project’ for clean coal technology.”
- Sen. Barbara Boxer (D-CA); Head of the Environment and Public Works Committee, May 10, 2007

“I hope to move as aggressively as we can to persuade Congress to [promote carbon capture and storage technology].”
- Sen. Jeff Bingaman (D-NM)

“The continued use of the Nation’s abundant coal reserves must be a part of our climate change strategy.”
- Reps. John Dingell (D-MI) and Rick Boucher (D-VA), March 30, 2007

“Our common goals for clean energy development and commercialization in the near and medium-term include, but are not limited to the following sectors:
• Promoting advanced coal technologies, including near-zero emissions;
• Developing, deploying and commercializing renewable, and alternative energies;
• Promoting energy efficiency”.
- 2007 EU-US Summit on Energy Security, Efficiency, and Climate Change
Key Findings of MIT Study—March 2007

- Coal is an Energy Mainstay in the Developed and Developing World
  - Low cost
  - Use is projected to increase
- Carbon Capture and Storage (CCS) is the Critical Enabling Technology
  - Allows significant reduction in CO$_2$ emissions
  - Allows coal to meet future energy needs
- The U.S. Government Should Provide Assistance only to Coal Projects with CO$_2$ Capture to Demonstrate:
  - Technical performance
  - Economic performance
  - Environmental performance

Note: For the complete study, see http://web.mit.edu/coal
Coal’s Role is Crucial to a Thriving Economy

- Key Elements:
  - Growth
  - Dependence
  - Security

Your choice....
Foundation Coal Overview
A Commitment to Safety

- Safety Performance Better Than Industry Average
- Significant Industry Recognition
- Contributes to Low Employee Turnover
A Commitment to Environmental Compliance

- Our focus on best practices and environmental stewardship has resulted in strong relationships with federal and state regulators.

- We have a cross-functional internal audit program with board reporting.

- Our environmental record has helped FCL consistently deliver above industry-average margins.

- We have earned numerous environmental awards as a result of this commitment.

**Major Environmental Awards**

- Reclamation Award
- Kenes C Bowling Coal National Mine Reclamation Award
- Earth Day Award
- Excellence in Surface Coal Mining and Reclamation Award
- Chairman’s Award for Excellence in Mining Education
- Excellence in Surface Coal Mining Award
## Diverse Asset Base

### Regions
- **Powder River Basin ("PRB")**
- **Northern Appalachia ("NAPP")**
- **Central Appalachia ("CAPP")**

### Table: Reserves and Production Details

<table>
<thead>
<tr>
<th>Region</th>
<th>2006 Production (MM Tons)</th>
<th>Reserves as of 12/31/06 (MM Tons)</th>
<th>Reserve Life (Years)</th>
<th>Avg. Btu/Lb.</th>
<th>Avg. Lb. SO₂/MM Btu</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRB</td>
<td>50.0</td>
<td>626.8 (1)</td>
<td>12.5</td>
<td>8,400</td>
<td>0.8</td>
</tr>
<tr>
<td>NAPP</td>
<td>13.4</td>
<td>747.3</td>
<td>55.8</td>
<td>13,000</td>
<td>3.5</td>
</tr>
<tr>
<td>CAPP</td>
<td>7.0</td>
<td>197.2</td>
<td>28.1</td>
<td>&gt;12,500</td>
<td>&lt;1.5</td>
</tr>
<tr>
<td>Total</td>
<td><strong>71.6</strong> (2)</td>
<td><strong>1,635.3</strong> (2)</td>
<td><strong>22.8</strong> (2)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
1. 2007 LBA adds 230 million tons
2. Includes Illinois Basin

### Headquarters
- **Baltimore, MD**
Diverse Qualities

- Steam
- Metallurgical
- Steam/Metallurgical

- Eagle Butte
- Belle Ayr
- Cumberland
- Emerald
- Rockspring
- Pioneer/Pax
- Laurel Creek
- Kingston
Diverse Mining Methods

- Truck/Shovel and Excavator/Loader (74%)
  - Safe, predictable
  - Flexible
- Pittsburgh Seam Longwall (19%)
  - Safe, efficient
  - High margin
- CAPP CM (7%)
  - Safe, flexible
  - High quality production

Foundation Coal is a Technology Leader in all Mining Methods
Diverse Transportation Methods & Providers

- Railroads
  - 86% of shipments
  - All major U.S. carriers
    - Norfolk Southern
    - CSX
    - BNSF
    - Union Pacific

- Barge and Truck
  - 14% of shipments
  - Access to major inland waterways via loadout points on the Monongahela and Big Sandy rivers
Sustainability

Capacity (MM tons)
89 (2012)
77 (2008)
72 (2007)

Million Tons


- Existing PRB
- Existing NAPP
- Rockspring

94% of Capacity
93% of Capacity
92% of Capacity
Drivers

- Size and type of operation
- Cost profile of mines
- Lack of market transparency

Over the past three years, returns were enhanced by limiting exposure to spot market
# Experienced Management Team

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Yrs. in Industry</th>
<th>Presenting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jim Roberts</td>
<td>Chairman, President &amp; CEO</td>
<td>34</td>
<td>✓</td>
</tr>
<tr>
<td>Jim Briya</td>
<td>Senior Vice President, Eastern Operations</td>
<td>27</td>
<td>✓</td>
</tr>
<tr>
<td>Kurt Kost</td>
<td>Senior Vice President, Western Operations &amp; Process Management</td>
<td>27</td>
<td>✓</td>
</tr>
<tr>
<td>Jim Olsen</td>
<td>Senior Vice President, Development &amp; Information Technology</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>Scott Pack</td>
<td>Senior Vice President, Sales &amp; Marketing</td>
<td>23</td>
<td>✓</td>
</tr>
<tr>
<td>Michael Peelish</td>
<td>Senior Vice President, Safety &amp; Human Resources</td>
<td>21</td>
<td>✓</td>
</tr>
<tr>
<td>Greg Walker</td>
<td>Senior Vice President, General Counsel &amp; Secretary</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>Frank Wood</td>
<td>Senior Vice President &amp; CFO</td>
<td>25</td>
<td>✓</td>
</tr>
</tbody>
</table>
The Result: Industry-Leading Margins

Adjusted EBITDA to Revenue Margin—FCL vs. Peers

Three-Year Average (2004-6)

Q1 2007

Note: * Excludes margin from non-coal related core assets
Source: Public company filings and press releases; EBITDA adjusted for unusual and one-time items
Positive Outlook for Organic Growth

Foundation Coal Production and Expected Capacity Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Projected 2007</th>
<th>Capacity ≥ 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>61.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>66.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>71.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>72</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008-11</td>
<td></td>
<td>77</td>
<td></td>
</tr>
<tr>
<td>≥2012</td>
<td></td>
<td>89</td>
<td></td>
</tr>
</tbody>
</table>
Opportunities for External Growth

- We may be entering a period of consolidation in the industry
  - Valuations becoming more realistic
  - Coal companies need critical mass to even the playing field with customers and railroads
- Foundation has an active business development group
  - Seeking opportunities that would add $100-300 million to EBITDA
  - More options and more players in CAPP and ILB, but would consider opportunities elsewhere
# Foundation’s Scorecard

<table>
<thead>
<tr>
<th>Category</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>F</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product/Market Diversity</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Wide variety of coal qualities; domestic steam, metallurgical &amp; industrial, export metallurgical markets</td>
</tr>
<tr>
<td>Regional Diversity</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3 major coal supply regions – PRB, NAPP &amp; CAPP</td>
</tr>
<tr>
<td>Mining Method Diversity</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Surface (truck/shovel), longwall &amp; continuous miner</td>
</tr>
<tr>
<td>Transportation Diversity</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>High degree of optionality; all major railroads (BNSF, UP, NS &amp; CSX) &amp; barge</td>
</tr>
<tr>
<td>Production Volume</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2007 guidance range: 70-75 MM tons; 4th largest in U.S.</td>
</tr>
<tr>
<td>Safety</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Improved safety performance in 2006 by 21% compared to 2005</td>
</tr>
<tr>
<td>Environmental Compliance</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Good corporate citizen, operate proactively and monitor our performance via internal audits</td>
</tr>
<tr>
<td>Growth Prospects</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Significant organic growth potential—up to 15 MM tons additional capacity possible by 2012</td>
</tr>
<tr>
<td>Management</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Senior staff with +25 years of industry experience</td>
</tr>
<tr>
<td>Performance</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Since 2004, shipments +16%, revenues +54%, adjusted EBITDA +113% &amp; cash flow from operations +316%</td>
</tr>
<tr>
<td>Margins</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Industry-leading EBITDA to revenue margins—25.1% in Q1 2007</td>
</tr>
</tbody>
</table>
Attractive Valuation vs. Peers

Valuation Comparison

Enterprise Value/2007 EBITDA

Notes: 2007 EBITDA per 5/14/07 First Call Mean
Mining the Past...Powering the Future