QUARTERLY FINANCIAL INFORMATION

Foresight Energy, LLC, Subsidiaries, and Affiliates
Three and Nine Months Ended September 30, 2010 and 2009
Foresight Energy, LLC, Subsidiaries, and Affiliates

Quarterly Financial Information

Three and Nine Months Ended September 30, 2010 and 2009

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## Unaudited Condensed Consolidated Statements of Operations

(in thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Coal mining revenue</strong></td>
<td>$ 90,854</td>
<td>$ 57,124</td>
<td>$ 213,598</td>
<td>$ 163,950</td>
</tr>
<tr>
<td><strong>Transportation revenue</strong></td>
<td>18,941</td>
<td>14,262</td>
<td>32,489</td>
<td>37,742</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>109,795</td>
<td>71,386</td>
<td>246,087</td>
<td>201,692</td>
</tr>
<tr>
<td><strong>Cost of sales (exclusive of depreciation and amortization shown below)</strong></td>
<td>(39,351)</td>
<td>(24,460)</td>
<td>(82,077)</td>
<td>(72,062)</td>
</tr>
<tr>
<td>Transportation expense</td>
<td>(18,941)</td>
<td>(14,262)</td>
<td>(32,489)</td>
<td>(37,742)</td>
</tr>
<tr>
<td><strong>Total cost of sales</strong></td>
<td>(58,292)</td>
<td>(38,722)</td>
<td>(114,566)</td>
<td>(109,804)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>51,503</td>
<td>32,664</td>
<td>131,521</td>
<td>91,888</td>
</tr>
<tr>
<td><strong>Depreciation and amortization</strong></td>
<td>(15,456)</td>
<td>(10,408)</td>
<td>(41,255)</td>
<td>(29,780)</td>
</tr>
<tr>
<td>Selling, general, and administrative</td>
<td>(6,339)</td>
<td>(7,005)</td>
<td>(23,581)</td>
<td>(22,935)</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>29,708</td>
<td>15,251</td>
<td>66,685</td>
<td>39,173</td>
</tr>
<tr>
<td><strong>Other income and expense:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>(13,059)</td>
<td>(15,966)</td>
<td>(32,615)</td>
<td>(35,352)</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td>836</td>
<td>381</td>
<td>466</td>
<td>1,540</td>
</tr>
<tr>
<td><strong>Net income (loss) from continuing operations</strong></td>
<td>17,485</td>
<td>(334)</td>
<td>34,536</td>
<td>5,361</td>
</tr>
<tr>
<td><strong>Net loss from discontinued operations</strong></td>
<td>(14,800)</td>
<td>(8,026)</td>
<td>(40,893)</td>
<td>(44,331)</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>2,685</td>
<td>(8,360)</td>
<td>(3,357)</td>
<td>(38,970)</td>
</tr>
<tr>
<td><strong>Loss: Net income attributable to the noncontrolling interest</strong></td>
<td>846</td>
<td>62</td>
<td>867</td>
<td>102</td>
</tr>
<tr>
<td><strong>Net income (loss) from controlling interest</strong></td>
<td>$ 1,839</td>
<td>$ (8,422)</td>
<td>$ (7,224)</td>
<td>$ (39,072)</td>
</tr>
</tbody>
</table>

*See accompanying notes.*
Foresight Energy, LLC, Subsidiaries, and Affiliates

Unaudited Condensed Consolidated Balance Sheets

(in thousands)

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2010</th>
<th>December 31, 2009 (Restated - note 1 and 10)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$13,975</td>
<td>$14,757</td>
</tr>
<tr>
<td>Investments in available-for-sale securities</td>
<td>-</td>
<td>$42,274</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>26,746</td>
<td>19,569</td>
</tr>
<tr>
<td>Affiliates receivables</td>
<td>856</td>
<td>186</td>
</tr>
<tr>
<td>Inventories</td>
<td>45,791</td>
<td>19,508</td>
</tr>
<tr>
<td>Prepaid and other current assets</td>
<td>6,859</td>
<td>5,913</td>
</tr>
<tr>
<td>Assets of discontinued operations</td>
<td>-</td>
<td>63,054</td>
</tr>
<tr>
<td>Total current assets</td>
<td>94,227</td>
<td>165,261</td>
</tr>
<tr>
<td>Property, plant, equipment, and mine development, net of accumulated depletion and depreciation</td>
<td>841,497</td>
<td>634,250</td>
</tr>
<tr>
<td>Prepaid royalties</td>
<td>21,686</td>
<td>7,839</td>
</tr>
<tr>
<td>Reclamation pledged bond collateral</td>
<td>668</td>
<td>382</td>
</tr>
<tr>
<td>Debt issuance costs</td>
<td>35,824</td>
<td>2,085</td>
</tr>
<tr>
<td>Assets of discontinued operations</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total assets</td>
<td>$993,902</td>
<td>$1,036,160</td>
</tr>
</tbody>
</table>

| Liabilities and members’ equity|                    |                                               |
| Current liabilities:           |                    |                                               |
| Accounts payable – trade       | $31,734            | $48,990                                       |
| Current portion of asset retirement obligations | 706              | 1,044                                         |
| Affiliate payable              | 1,084              | 16,751                                        |
| Current portion of financing obligations | 6,092          | 7,282                                         |
| Other current liabilities and accrued expenses | 5,205         | 2,508                                         |
| Liabilities of discontinued operations | -               | 103,412                                       |
| Total current liabilities      | 44,821             | 179,987                                       |
| Long-term debt                 | 530,015            | 338,490                                       |
| Deferred gain arising from sale-leaseback transaction, long-term portion | 143,484          | 143,484                                       |
| Accrued interest payable, long-term portion | 11,507         | 8,742                                         |
| Asset retirement obligations   | 21,080             | 24,865                                        |
| Liabilities of discontinued operations | -              | 207,489                                       |
| Total liabilities              | 750,907            | 903,057                                       |

| Members’ equity:               |                    |                                               |
| Stock purchase warrant         | -                  | 5,000                                         |
| Controlling interests          | 242,971            | 127,862                                       |
| Non controlling interests      | 24                 | 241                                           |
| Total members’ equity          | 242,995            | 133,103                                       |
| Total liabilities and members’ equity | $993,902 | $1,036,160                                    |

See accompanying notes.
### Foresight Energy, LLC, Subsidiaries, and Affiliates

#### Unaudited Condensed Consolidated Statements of Members’ Equity

(As of December 31, 2008 and 2009)

<table>
<thead>
<tr>
<th></th>
<th>Controlling Interests</th>
<th>Noncontrolling Interests</th>
<th>Stock Purchase Warrant</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Members’ equity at December 31, 2008 (restated - note 1 and 10)</strong></td>
<td>$81,639</td>
<td>$63</td>
<td>$5,000</td>
<td>$86,702</td>
</tr>
<tr>
<td>Member contributions</td>
<td>125,962</td>
<td>-</td>
<td>-</td>
<td>125,962</td>
</tr>
<tr>
<td>Net loss</td>
<td>(39,072)</td>
<td>102</td>
<td>-</td>
<td>(38,970)</td>
</tr>
<tr>
<td>Other comprehensive income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized gains on available-for-sale securities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(158)</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td>86,834</td>
</tr>
<tr>
<td>Distributions to members</td>
<td>(47,644)</td>
<td>(49)</td>
<td>-</td>
<td>(47,693)</td>
</tr>
<tr>
<td><strong>Members’ equity at September 30, 2009</strong></td>
<td>$120,727</td>
<td>$116</td>
<td>$5,000</td>
<td>$125,843</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Controlling Interests</th>
<th>Noncontrolling Interests</th>
<th>Stock Purchase Warrant</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Members’ equity at December 31, 2009 (restated - note 1 and 10)</strong></td>
<td>$127,862</td>
<td>$241</td>
<td>$5,000</td>
<td>$133,103</td>
</tr>
<tr>
<td>Member contributions</td>
<td>372,327</td>
<td>-</td>
<td>-</td>
<td>372,327</td>
</tr>
<tr>
<td>Net income</td>
<td>(7,224)</td>
<td>867</td>
<td>-</td>
<td>(6,357)</td>
</tr>
<tr>
<td>Distribution of subsidiaries</td>
<td>(226,694)</td>
<td>(1,053)</td>
<td>(5,000)</td>
<td>(232,747)</td>
</tr>
<tr>
<td>Distributions to members</td>
<td>(23,300)</td>
<td>(31)</td>
<td>-</td>
<td>(23,331)</td>
</tr>
<tr>
<td><strong>Members’ equity at September 30, 2010</strong></td>
<td>$242,971</td>
<td>$24</td>
<td>$-</td>
<td>$242,995</td>
</tr>
</tbody>
</table>

See accompanying notes.
Foresight Energy, LLC, Subsidiaries, and Affiliates

Unaudited Condensed Consolidated Statements of Cash Flows

(in thousands)

<table>
<thead>
<tr>
<th>Nine Months Ended</th>
<th>September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Operating activities</td>
<td></td>
</tr>
<tr>
<td>Net (loss)</td>
<td>$(6,357)</td>
</tr>
<tr>
<td>Adjustments to reconcile net loss to net cash (used in) provided by operating activities:</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization, including discontinued operations</td>
<td>54,267</td>
</tr>
<tr>
<td>Accretion on asset retirement obligation, including discontinued operations</td>
<td>1,477</td>
</tr>
<tr>
<td>Interest on related party debt</td>
<td>14,689</td>
</tr>
<tr>
<td>Gain on sale of available-for-sale securities</td>
<td>(30)</td>
</tr>
<tr>
<td>Gain on interest rate swaps</td>
<td>(586)</td>
</tr>
<tr>
<td>Increase (decrease) in cash used in operating activities attributable to:</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(2,669)</td>
</tr>
<tr>
<td>Amount due from affiliates, net</td>
<td>(37,271)</td>
</tr>
<tr>
<td>Inventories</td>
<td>(24,914)</td>
</tr>
<tr>
<td>Prepaid and other current assets</td>
<td>(11)</td>
</tr>
<tr>
<td>Prepaid royalties</td>
<td>(34,862)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(32,350)</td>
</tr>
<tr>
<td>Accounts payable – trade</td>
<td>(24,328)</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>32,385</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>(1,861)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>(372)</td>
</tr>
<tr>
<td>Net cash (used in) provided by operating activities</td>
<td>(62,793)</td>
</tr>
<tr>
<td>Investing activities</td>
<td></td>
</tr>
<tr>
<td>Investment in mining rights, equipment, and development</td>
<td>(176,958)</td>
</tr>
<tr>
<td>Purchases of investments in available-for-sale securities</td>
<td>(14,948)</td>
</tr>
<tr>
<td>Proceeds from sale of available-for-sale securities</td>
<td>33,952</td>
</tr>
<tr>
<td>Deconsolidation of subsidiary</td>
<td>(13,710)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(171,664)</td>
</tr>
<tr>
<td>Financing activities</td>
<td></td>
</tr>
<tr>
<td>Member contributions</td>
<td>208,538</td>
</tr>
<tr>
<td>Proceeds from notes and equipment loans</td>
<td>500,956</td>
</tr>
<tr>
<td>Repayment of notes and equipment loans</td>
<td>(509,120)</td>
</tr>
<tr>
<td>Proceeds from financing arising from sale-leasebacks</td>
<td>-</td>
</tr>
<tr>
<td>Distributions to members</td>
<td>(31)</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>200,343</td>
</tr>
<tr>
<td>Net increase (decrease) in cash</td>
<td>(34,114)</td>
</tr>
<tr>
<td>Cash at beginning of period, continuing operations</td>
<td>14,757</td>
</tr>
<tr>
<td>Cash at beginning of period, discontinued operations</td>
<td>33,332</td>
</tr>
<tr>
<td>Cash at beginning of period, total</td>
<td>48,089</td>
</tr>
<tr>
<td>Cash at end of period</td>
<td>$13,975</td>
</tr>
<tr>
<td>Interest paid</td>
<td>$23,852</td>
</tr>
<tr>
<td>Non-cash financing and investing activities</td>
<td></td>
</tr>
<tr>
<td>Transfer out of marketable securities to member</td>
<td>$23,300</td>
</tr>
<tr>
<td>Purchases of equipment under finance agreement</td>
<td>$56,575</td>
</tr>
<tr>
<td>Member contributions</td>
<td>$163,789</td>
</tr>
</tbody>
</table>

See accompanying notes.
1. Description of Business and Entity Structure

Foresight Energy LLC (Foresight Energy), a perpetual term Delaware limited liability company was formed on September 5, 2006, for the purpose of holding an ownership interest in various affiliated (and sometimes preexisting) entities under common control. Foresight Energy is primarily engaged in developing, mining, preparation, transportation and the sale of coal mined in the Illinois basin primarily to electric utilities. Foresight Energy is a wholly-owned subsidiary of Foresight Reserves, LP (Foresight Reserves).

Reorganization and Refinancing

On August 12, 2010, Foresight Energy completed a reorganization of its entity structure and a refinancing of its debt (see note 5). Prior to the reorganization, Foresight Energy had mining operations in both the Appalachian and Illinois basin. As part of the reorganization, the Appalachian operations were transferred outside of the Foresight Energy group and therefore are classified as discontinued operations in the accompanying consolidated financial statements. Also as part of the reorganization, certain assets and liabilities of Foresight Reserves were transferred into the Foresight Energy group and certain management costs of Foresight Reserves were allocated to the Foresight Energy group. Transfers of operations, assets and liabilities between Foresight Reserves and Foresight Energy have been accounted for as transfers among entities under common control. Assets and liabilities transferred are accounted for at historical costs. The accompanying financial statements have been restated to reflect the above as if they had occurred at the beginning of the first period presented.

Reorganization - Continuing Operations

Effective with the reorganization, the following Foresight Energy subsidiaries were merged. Foresight Holding, LLC (Foresight Holding) was merged into Foresight Energy and dissolved. Foresight Holding subsidiaries’ Hillsboro Energy, LLC (Hillsboro Energy), Macoupin Energy, LLC (Macoupin Energy), and Sugar Camp Energy, LLC (Sugar Camp Energy) were contributed to Foresight Energy and are now 100% owned subsidiaries of Foresight Energy. Williamson Energy, LLC (Williamson Energy), a subsidiary of Lower Wilgat, LLC (Lower Wilgat) was contributed to Foresight Energy and is now a 100% owned subsidiary of Foresight Energy. Foresight Coal Sales, LLC (Foresight Coal Sales) a 100% owned subsidiary of Foresight Energy remained unchanged.

In addition, effective with the reorganization, Foresight Reserves contributed a 100% ownership interest in Savatran, LLC (Savatran), Williamson Track, LLC (Williamson Track), Sitran, LLC (Sitran), and Adena Resources, LLC (Adena Resources) to Foresight Energy. At the same time, Williamson Track was merged into Savatran and Williamson Track was effectively dissolved. As all entities involved in the restructuring were under common control, the transferred amounts were recorded at their historical values. Accordingly, the 2009 financial statements have been restated to present the merged entities as though they had always been combined.
1. Description of Business and Entity Structure (continued)

The following entities are perpetual term Delaware limited liability companies and are included in continuing operations of Foresight Energy:

<table>
<thead>
<tr>
<th>Entity</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Williamson Energy</td>
<td>Developing, mining, and selling of coal located in Williamson County, Illinois.</td>
</tr>
<tr>
<td>Hillsboro Energy</td>
<td>Developing, mining, and selling of coal located in Montgomery County, Illinois.</td>
</tr>
<tr>
<td>Macoupin Energy</td>
<td>Developing, mining, and selling of coal located in Macoupin County, Illinois.</td>
</tr>
<tr>
<td>Sugar Camp Energy</td>
<td>Developing, mining, and selling of coal located in Franklin County, Illinois.</td>
</tr>
<tr>
<td>Foresight Coal Sales</td>
<td>Brokers coal sales for the various coal organizations.</td>
</tr>
<tr>
<td>Savatran</td>
<td>Holds title to certain land, right away agreements, and other contracts and is constructing certain transportation systems in the Illinois region.</td>
</tr>
<tr>
<td>Sitran</td>
<td>Holds title to certain coal transportation facilities in the Indiana and Illinois regions.</td>
</tr>
<tr>
<td>Adena Resources</td>
<td>Holds certain interests in water agreements and contracts for the mining operations in the Illinois basin.</td>
</tr>
<tr>
<td>Foresight Energy Corporation</td>
<td>A Delaware c-corporation created to assist Foresight Energy with the selling of certain senior unsecured notes. As of September 30, 2010 there has been no financial activity in this entity.</td>
</tr>
</tbody>
</table>
Foresight Energy, LLC, Subsidiaries, and Affiliates

Notes to Unaudited Condensed Consolidated Financial Statements - (continued)  
(in thousands)

1. Description of Business and Entity Structure (continued)

Reorganization - Discontinued Operations

Simultaneous with financing transactions, Foresight Energy’s entity structure was reorganized resulting in certain entities of the consolidated group being deconsolidated. Foresight Energy contributed 100% of its investment in the following entities, subsidiaries and affiliates of Gatling, LLC (Gatling), Gatling Ohio, LLC (Gatling Ohio), Meigs Point Dock, LLC (Meigs Point), Lower Wilgat, Middle Wilgat, LLC (Middle Wilgat) and Upper Wilgat, LLC (Upper Wilgat) to Foresight Reserves. The effects of the deconsolidation are reflected as the discontinued operations in the 2010 and 2009 condensed consolidated financial statements.

As such, the following entities are included in discontinued operations of Foresight Energy:

<table>
<thead>
<tr>
<th>Entity</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Wilgat</td>
<td>Holding company for coal mining operations.</td>
</tr>
<tr>
<td>Middle Wilgat</td>
<td>Holding company for coal mining operations.</td>
</tr>
<tr>
<td>Lower Wilgat</td>
<td>Holding company for coal mining operations.</td>
</tr>
<tr>
<td>Gatling</td>
<td>Developing, mining, and selling of coal located in Mason County, West Virginia.</td>
</tr>
<tr>
<td>Gatling Ohio</td>
<td>Developing, mining, and selling of coal located in Meigs County, Ohio.</td>
</tr>
<tr>
<td>Meigs Point</td>
<td>Holds title to certain coal transportation facilities in Meigs County, Ohio.</td>
</tr>
</tbody>
</table>

Upper Wilgat, Middle Wilgat, Lower Wilgat, Gatling, Gatling Ohio, and Meigs Point, are all affiliated entities under common control and are collectively referred to as the discontinued operations.
Notes to Unaudited Condensed Consolidated Financial Statements - (continued)  
(in thousands)  

1. Description of Business and Entity Structure (continued)  

Variable Interest Entities  
In accordance with accounting principles generally accepted in the United States of America, these financial statements include certain other entities considered variable interest entities for which Foresight Energy is the primary beneficiary. These entities included in continuing operations are Mach Mining, LLC (Mach Mining), M-Class Mining, LLC (M-Class Mining), Coalfield Construction, LLC (Coalfield Construction), MaRyan Mining, LLC (MaRyan Mining), and Patton Mining, LLC (Patton Mining). Certain other entities whose primary beneficiary was transferred outside the Foresight Energy group as part of the reorganization are included in discontinued operations. Entities included as discontinued operations are Big River Mining, LLC (Big River Mining), Clearwater Processing, LLC (Clearwater Processing), Yellow Bush Mining, LLC (Yellow Bush Mining). These entities own no equipment, real property or other intangible assets and each hold a contract to provide contract mining, construction services, processing and/or loading services to a Foresight Energy subsidiary or a discontinued operations entity. 

The variable interest entities and Foresight Energy and its subsidiaries and affiliates are collectively referred to as the Companies. None of the Companies or its affiliates’ labor force is represented by a collective bargaining unit. The Companies are subject to federal, state, and local environmental laws and regulations. Foresight Energy does not rely on any single significant customer or vendor.  

Basis of Presentation  
The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles for interim financial information generally accepted in the United States of America (USGAAP). The condensed consolidated financial statements do not include footnotes and certain financial information normally presented annually under USGAAP and therefore, should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2009. Accounting measurements at interim dates inherently involve greater reliance on estimates than at year end. The results of operations for the three and nine months periods ended September 30, 2010 are not necessarily indicative of results that can be expected for the fiscal year ending December 31, 2010. 

The condensed consolidated financial statements included herein are unaudited; however, the financial statements contain all adjustments (consisting of normal recurring accruals), which, in the opinion of management, are necessary to present fairly our consolidated financial position at September 30, 2010, our consolidated results of operations for the three and nine months ended September 30, 2010 and 2009, and cash flows for the nine months ended September 30, 2010 and 2009, in conformity with USGAAP.  

2. Summary of Significant Accounting Policies  
Principles of Consolidation  
The condensed consolidated financial statements include the accounts of Foresight Energy and its subsidiaries, and affiliate entities classified as either continuing operations or discontinued operations. All significant intercompany transactions are eliminated.
2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

Transfers of Financial Assets

In September 2009, the FASB issued new guidance that will require more information about transfers of financial assets and potential continuing involvement related to the transferred assets by the transferor. In addition, the concept of qualifying special-purpose entities will no longer be relevant and any such entities must be evaluated for consolidation by the reporting entity. The guidance was adopted January 1, 2010 and did not have a material impact on our financial reporting.

Consolidating

In September 2009, the FASB issued new guidance that amends previously issued guidance related to the identification of whether the reporting entity’s variable interest in another entity gives the reporting entity a controlling financial interest in the variable interest entity (VIE), resulting in the requirement to consolidate the VIE. Under the new guidance, the reporting entity is responsible for assessing whether it is responsible for ensuring that the VIE operates as it was designed, as well as determining whether the reporting entity’s ability to direct the activities of the VIE that most significantly impact the other entity’s economic performance. The guidance was adopted January 1, 2010 and did not have a material impact on our financial reporting.

Recognition and Disclosure

In February 2010, the FASB amended certain recognition and disclosure requirements. For certain entities, the amendment requires that the evaluation of subsequent events should be made through the date the financial statements are issued, and that date is not required to be separately disclosed in the subsequent event disclosure. In addition, there were amendments to certain definitions and the scope of disclosure requirements related to reissued financial statement was refined to include revised financial statements only. The amendment is effective for interim or annual periods ending after June 15, 2010. The adoption of this guidance did not have a material impact on our consolidated financial position or the results of operations.

Technical Corrections

In February 2010, the FASB issued guidance related to certain technical corrections, primarily related to the elimination of inconsistencies and outdated provisions, as well as to provide needed clarifications. With certain exceptions, the amendment is effective for interim and annual periods beginning after February 2010. The adoption of this guidance did not have a material impact on our consolidated financial position or the results of operations.

In August 2010, the FASB issued guidance related to accounting for technical amendments to certain SEC rules, schedules and paragraphs. The adoption of this guidance did not have a material impact on our consolidated financial position or the results of operations.
2. Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing these financial statements, the Companies have evaluated events and transactions for potential recognition or disclosure through November 5, 2010, the date the financial statements were issued.

3. Inventories

Supplies and coal inventories are valued at the lower of cost or market. Supplies inventory consists of spare parts for various equipment and other mining supplies valued using the first-in, first-out method. Raw coal represents coal stockpiles that may be sold in current condition or may be further processed prior to shipment to a customer. Clean coal represents coal stockpiles that will be sold in current condition. Coal inventory costs include labor, supplies, equipment costs, and transportation costs prior to title transfer to customers as well as operating overhead. Inventories consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2010</th>
<th>December 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplies inventory</td>
<td>$8,326</td>
<td>$7,892</td>
</tr>
<tr>
<td>Raw coal</td>
<td>2,488</td>
<td>1,431</td>
</tr>
<tr>
<td>Clean coal</td>
<td>34,977</td>
<td>10,185</td>
</tr>
<tr>
<td></td>
<td><strong>$45,791</strong></td>
<td><strong>$19,508</strong></td>
</tr>
</tbody>
</table>

4. Property, Plant, Equipment, and Mine Development

Property, plant, equipment, and mine development consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2010</th>
<th>December 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$47,679</td>
<td>$23,420</td>
</tr>
<tr>
<td>Land options</td>
<td>780</td>
<td>1,214</td>
</tr>
<tr>
<td>Mineral rights</td>
<td>30,344</td>
<td>30,344</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>505,859</td>
<td>385,106</td>
</tr>
<tr>
<td>Buildings and structures</td>
<td>108,127</td>
<td>112,508</td>
</tr>
<tr>
<td>Mine development costs</td>
<td>258,879</td>
<td>179,122</td>
</tr>
<tr>
<td>Railroad spur/track</td>
<td>41,108</td>
<td>1,151</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>730</td>
<td>707</td>
</tr>
<tr>
<td>Vehicles</td>
<td>210</td>
<td>210</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(152,219)</td>
<td>(99,532)</td>
</tr>
<tr>
<td></td>
<td><strong>$841,497</strong></td>
<td><strong>$634,250</strong></td>
</tr>
</tbody>
</table>

At September 30, 2010, the Companies have committed approximately $6.1 million for construction contracts and approximately $25.5 million for equipment contracts to bring certain mining operations into production.
4. Property, Plant, Equipment, and Mine Development (continued)

In September 2009, Sugar Camp Energy and a third party entered into a purchase and sale agreement to purchase certain long-wall equipment to be utilized by the respective mining operation for a total purchase price of $98.1 million. As of September 30, 2010, the remaining commitment under the agreements totaled $56.0 million.

In March 2010, Hillsboro Energy and a third party entered into a purchase and sale agreement to purchase certain long-wall equipment to be utilized by the respective mining operation for a total purchase price of $91.0 million. As of September 30, 2010, the remaining commitment under the agreement totaled $65.6 million.

5. Debt and Financing Arrangements

Outstanding amounts due under the Companies’ debt and financing arrangements for continuing operations at September 30, 2010 and both continuing operations and discontinued operations at December 31, 2009 consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2010</th>
<th>December 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.625% Senior unsecured notes due 2017</td>
<td>$397,530</td>
<td>$ -</td>
</tr>
<tr>
<td>Revolving credit agreement due 2014</td>
<td>65,000</td>
<td>-</td>
</tr>
<tr>
<td>5.780% Long-wall financing agreement</td>
<td>42,094</td>
<td>-</td>
</tr>
<tr>
<td>5.555% Long-wall financing agreement</td>
<td>25,365</td>
<td>-</td>
</tr>
<tr>
<td>Williamson Royalty Ventures, LLC financing loan</td>
<td>-</td>
<td>203,750 *</td>
</tr>
<tr>
<td>Crédit Agricole Corporate and Investment Bank term loans</td>
<td>-</td>
<td>237,500 *</td>
</tr>
<tr>
<td>Huntington National Bank, interest at 2.75% plus three month LIBOR</td>
<td>-</td>
<td>20,091 *</td>
</tr>
<tr>
<td>Huntington National Bank, interest rate of 2.75% plus three month LIBOR</td>
<td>-</td>
<td>20,000 *</td>
</tr>
<tr>
<td>Sale-leaseback financing arrangement - Natural Resource Partners, LP (NRP, LP)</td>
<td>143,484</td>
<td>143,484</td>
</tr>
<tr>
<td>Other notes, payable monthly through 2011</td>
<td>102</td>
<td>338</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$673,575</strong></td>
<td><strong>$625,163</strong></td>
</tr>
</tbody>
</table>

* On August 12, 2010, these debt and financing arrangements were extinguished and repaid through the issuance of new debt facilities.
On August 12, 2010, Foresight Energy completed a $400.0 million unsecured senior notes financing transaction. After certain fees and expenses were paid, the net proceeds of the financing agreement totaled approximately $387.5 million. The financing agreement calls for interest payments at 9.625% to be made semi-annually each February 15 and August 15 beginning on February 15, 2011, with the entire principal balance due on August 15, 2017. In addition, Foresight Energy entered into a revolving credit commitment of up to $285.0 million, of which a maximum of $125.0 million is available to be used to secure letters-of-credit in lieu of drawing down cash. The revolving credit agreement bears interest at floating rates based on a Eurodollar rate or a bank base rate, at our election, plus applicable margins (6.00% at September 30, 2010) and is paid quarterly. The revolving credit commitment expires on August 12, 2014 and is collateralized by virtually all assets of the business. Upon execution of the agreement, approximately $65.0 million was drawn against the revolver and no amounts were set aside for letters of credit. As part of the bond issuance and refinancing, Foresight Reserves committed to make a $100.0 million equity contribution, with $50.0 million due by December 31, 2010, and the remaining $50.0 million due by March 31, 2011. Coincident with these transactions, Foresight Reserves contributed $15.0 million of the first $50.0 million contribution obligation and since the closing date has contributed an additional $35.0 million. In addition, the financing arrangements entered into contains certain standard debt covenants with which management believes Foresight Energy will be in compliance. The total proceeds of the senior notes and related transactions were $480.0 million.

The proceeds from the senior notes, revolving credit agreement and the equity contribution were used to repay existing debt and financing arrangements. The Williamson Royalty Ventures financing arrangements, totaled approximately $209.0 million, and the total debt repayment, including prepayment fees, to Crédit Agricole Corporate and Investment Bank (formerly Calyon New York Branch) totaled approximately $178.8 million. In addition, the repayment of the Huntington National Bank financing agreements totalled approximately $62.9, the bond discount amounts of $2.5 million and the five open interest rate swaps were terminated, resulting in total early termination fees of approximately $4.1 million. Total other fees related to the transaction were approximately $17.5 million. The remaining proceeds of approximately $5.2 million were retained by Foresight Energy for working capital needs. In addition, Foresight Energy has $220.0 million available that can be drawn on the revolver and $130.5 million that can be drawn on the long-wall financing arrangements.

On behalf of Foresight Energy, Foresight Reserves also assumed the $5.0 million warrant related to the Williamson Royalty Ventures financing arrangement which allowed for the purchase of 300 Class B Units of the Upper Wilgat’s ownership at a price of $50 thousand per Class B Unit. In addition to the $5.0 million original issuance amount, Foresight Reserves assumed the remaining liability, comprised primarily of accrued interest and any prepayment fees, due from Foresight Energy to Williamson Royalty Ventures then relieving Foresight Energy of any future liabilities to Williamson Royalty Ventures.
5. Debt and Financing Arrangements (continued)

5.780% Long-wall Financing Arrangement

On January 5, 2010, Sugar Camp Energy, as the borrower and guarantor, and Foresight Reserves, as a guarantor, entered into a credit agreement with financial institutions Calyon Deutschland Niederlassung Einer Französischen Societe Anonyme and Crédit Agricole Corporate and Investment Bank (formerly Calyon New York Branch), as administrative agent. The credit agreement provides financing for the long-wall miner and related parts and accessories of up to $83.4 million toward the $98.1 million estimated cost of the long-wall miner. In addition, the financing agreement provides for financing of 100% of the loan fees estimated at $4.9 million and for 100% of $9.4 million of eligible interest on the loan during the construction of the long-wall miner. The loan provides a total commitment of approximately $97.7 million. Interest accrues on the note at a fixed rate per annum of 5.78% and is due semi-annually beginning September 30, 2010, unless considered as eligible interest as noted above. Principal repayments are due semi-annually at the first semi-annual date occurring after the commercial operation date (estimated to be December 31, 2011). Principal is to be repaid in equal semi-annual payments over eight years starting on the first semi-annual date.

5.555% Long-wall Financing Arrangement

On May 14, 2010, Hillsboro Energy, as the borrower and guarantor, and Foresight Reserves, as a guarantor, entered into a credit agreement with financial institutions Calyon Deutschland Niederlassung Einer Französischen Societe Anonyme and Crédit Agricole Corporate and Investment Bank (formerly Calyon New York Branch), as administrative agent. The credit agreement provides financing for the long-wall miner and related parts and accessories of up to $77.3 million toward the $91.0 million estimated cost of the long-wall miner. In addition, the financing agreement provides for financing of 100% of the loan fees estimated at $4.5 million and for 100% of $7.5 million of eligible interest on the loan during the construction of the long-wall miner. The loan provides a total commitment of approximately $89.3 million. Interest accrues on the note at a fixed rate per annum of 5.555% and is due semi-annually beginning January 2011, unless considered as eligible interest as noted above. Principal repayments are due semi-annually at the first semi-annual date occurring after the commercial operation date (estimated to be June 30, 2012). Principal is to be repaid in equal semi-annual payments over eight years starting on the first semi-annual date.

Sale - Leaseback Financing Arrangement - NRP, LP

On January 27, 2009, Macoupin Energy entered into a sales agreement with WPP, LLC (WPP) and HOD, LLC (HOD) (entities held by NRP, LP) to sell certain mineral reserves and rail facility assets. Simultaneous with the closing, Macoupin Energy entered into a lease transaction with WPP for mining of the mineral reserves and with HOD for the rail facility. Macoupin Energy received a total of $143.7 million in cash in exchange for the assets. At September 30, 2010 and December 31, 2009, the amount outstanding under the sale leaseback financing was $143.5 million and is classified as noncurrent on the balance sheet. Payments of the principal amount of the liability are expected to commence in 2031 based upon the mining plan. The effective interest rate on the financing was 16.3% at September 30, 2010 and December 31, 2009. Macoupin Energy recorded interest expense of $16.8 million and $13.5 million for the nine months ended September 30, 2010 and 2009 related to the sale leaseback transaction.
5. Debt and Financing Arrangements (continued)

The following summarizes the maturities of long-term debt, sale leaseback financing arrangement, and accrued interest at September 30, 2010 for continuing operations:

<table>
<thead>
<tr>
<th></th>
<th>Long-term Debt</th>
<th>Sale Leaseback Arrangement</th>
<th>Accrued Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$ 76</td>
<td>$ –</td>
<td>$ 6,016</td>
</tr>
<tr>
<td>2012</td>
<td>3,687</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>2013</td>
<td>8,113</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>2014</td>
<td>73,081</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>2015</td>
<td>8,046</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Thereafter</td>
<td>437,088</td>
<td>143,484</td>
<td>11,507</td>
</tr>
<tr>
<td></td>
<td>$ 530,091</td>
<td>$ 143,484</td>
<td>$ 17,523</td>
</tr>
</tbody>
</table>

6. Related-Party Transactions and Lease Obligations

The Companies and other affiliated entities routinely engage in transactions in the normal course of business with other affiliated entities under common control, including obtaining contract mining labor, administrative services, and other services and supplies incidental to the production of coal and development of the mine locations. The Companies had affiliate accounts receivable and payable as follows:

<table>
<thead>
<tr>
<th>Affiliated Company</th>
<th>Description of Service</th>
<th>Receivable / (payable)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>September 30, 2010</td>
</tr>
<tr>
<td>Williamson Development, LLC</td>
<td>Affiliate advance</td>
<td>$ –</td>
</tr>
<tr>
<td>Foresight Reserves</td>
<td>Affiliate advance</td>
<td>–</td>
</tr>
<tr>
<td>New River Royalty, LLC</td>
<td>Affiliate advance</td>
<td>856</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 856</td>
</tr>
<tr>
<td>NRP, LP</td>
<td>Royalties and transportation fees</td>
<td>$ –</td>
</tr>
<tr>
<td>WPP</td>
<td>Royalties</td>
<td>–</td>
</tr>
<tr>
<td>Foresight Management, LLC</td>
<td>Labor and employee benefits</td>
<td>(1,003)</td>
</tr>
<tr>
<td>Foresight Reserves</td>
<td>Affiliate advance</td>
<td>–</td>
</tr>
<tr>
<td>Gatling</td>
<td>Affiliate advance</td>
<td>(74)</td>
</tr>
<tr>
<td>Gatling Ohio</td>
<td>Affiliate advance</td>
<td>(6)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ (1,083)</td>
</tr>
</tbody>
</table>
6. Related-Party Transactions and Lease Obligations (continued)

A summary of transactions with affiliated entities is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 20,948</td>
<td>$ 5,389</td>
<td>$ 38,675</td>
<td>$ 13,641</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees for transportation services paid to NRP, LP</td>
<td>3,392</td>
<td>2,338</td>
<td>9,036</td>
<td>7,072</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allocated management costs to Foresight Energy</td>
<td>1,612</td>
<td>2,331</td>
<td>5,649</td>
<td>6,613</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The following presents future minimum rental payments, by year, required under leases with related entities with initial terms greater than one year, as of September 30, 2010:

<table>
<thead>
<tr>
<th>Twelve months ended September 30,</th>
<th>Minimum Coal Royalties</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$ 22,167</td>
</tr>
<tr>
<td>2012</td>
<td>35,367</td>
</tr>
<tr>
<td>2013</td>
<td>39,767</td>
</tr>
<tr>
<td>2014</td>
<td>39,767</td>
</tr>
<tr>
<td>2015</td>
<td>39,767</td>
</tr>
<tr>
<td>Thereafter</td>
<td>544,641</td>
</tr>
<tr>
<td>Total minimum lease payments</td>
<td>$ 721,476</td>
</tr>
</tbody>
</table>

Land and Lease Agreements

Effective August 12, 2010, the Companies entered into several new land and lease transactions which resulted in the realignment of certain properties and the creation of various long-term mining lease agreements among Foresight Energy affiliates and Foresight Reserve affiliates. These transactions will provide access to additional coal reserves, in exchange for minimum royalty payments. The following summarizes the minimum royalties impact from these transactions.

For the remainder of calendar year 2010 | $ 588
For calendar year 2011               | 1,750
For calendar year 2012               | 2,250
For calendar year 2013 and thereafter| 9,000
7. Asset Retirement Obligations (ARO) and Reclamation

During the third quarter of 2010, management modified and updated the reclamation estimates of the Macoupin Energy mining operations. Changes included a location change of the soil borrow pit and haul roads, and other changes determined by the Companies’ engineering group based upon new reclamation plans. These changes resulted in a reduction in the overall net present value cash flow of the ARO asset and liability of approximately $5.2 million. The change in estimate is anticipated to reduce depreciation expense and accretion expense on annual basis of approximately $550 thousand. The following is a reconciliation of the Companies’ liability for ARO:

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2010</th>
<th>December 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset retirement obligation liability at beginning of period, December 1, 2009</td>
<td>$ 25,909</td>
<td>$ 2,441</td>
</tr>
<tr>
<td>Additions resulting from property acquisitions or construction</td>
<td>-</td>
<td>23,144</td>
</tr>
<tr>
<td>Accretion expense</td>
<td>1,420</td>
<td>1,655</td>
</tr>
<tr>
<td>Expenditures for reclamation</td>
<td>(372)</td>
<td>(306)</td>
</tr>
<tr>
<td>Changes in estimate</td>
<td>(5,171)</td>
<td>(1,025)</td>
</tr>
<tr>
<td>Asset retirement obligation liability at end of period</td>
<td>$ 21,786</td>
<td>$ 25,909</td>
</tr>
</tbody>
</table>

8. Fair Values of Financial Instruments

The Companies’ investments at December 31, 2009 consist of auction rate securities and money market funds and are carried at fair value. These investments are considered available-for-sale and are carried at fair value based on the quoted market price. Auction rate securities have long-term underlying maturities ranging from 20 to 40 years. Proceeds for the continuing operations from sales of securities were $42.3 million and $202.3 million during the nine months ended September 30, 2010 and for the year ended December 31, 2009, respectively. Net realized and unrealized gains and losses are not significant at September 30, 2010 or December 31, 2009.

The composition of investments in available-for-sale securities is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market funds</td>
<td>$ 18,463</td>
<td>$ 18,464</td>
</tr>
<tr>
<td>Municipal bonds over 10 years</td>
<td>23,800</td>
<td>23,810</td>
</tr>
<tr>
<td></td>
<td>$ 42,263</td>
<td>$ 42,274</td>
</tr>
</tbody>
</table>

During the quarter ended September 30, 2010, the Companies sold these investments. Under accounting principles generally accepted in the United States of America, a fair value hierarchy has been established that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy, as defined below, gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.
8. Fair Values of Financial Instruments (continued)

- Level 1 is defined as observable inputs such as quoted prices in active markets for identical assets. Level 1 assets include diesel fuel futures that are submitted for clearing on the New York Mercantile Exchange and other available for sale securities.

- Level 2 is defined as observable inputs other than Level 1 prices. These include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 is defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The table below sets forth, by level, the Companies’ financial assets and liabilities that are accounted for at fair value:

<table>
<thead>
<tr>
<th>Fair Value at December 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>Assets:</td>
</tr>
<tr>
<td>Available-for-sale investments</td>
</tr>
</tbody>
</table>

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31, 2009:

<table>
<thead>
<tr>
<th>Balance, January 1, 2010</th>
<th>$23,810</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases, issuances, and settlements</td>
<td>(23,810)</td>
</tr>
<tr>
<td>Balance, September 30, 2010</td>
<td>$-</td>
</tr>
</tbody>
</table>

9. Variable Interest Entities

As described in note 1, the Companies consolidate VIEs of which they are the primary beneficiary. The liabilities recognized as a result of consolidating these VIEs do not necessarily represent additional claims on the general assets; rather, they represent claims against the specific assets of the consolidated VIEs. Conversely, assets recognized as a result of consolidating these VIEs do not represent additional assets that could be used to satisfy claims against the Companies’ general assets.
9. Variable Interest Entities (continued)

The total consolidated VIE assets and liabilities reflected in the Companies’ condensed consolidated balance sheets for continuing operations are as follows:

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2010</th>
<th>December 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ 621</td>
<td>$ 1,418</td>
</tr>
<tr>
<td>Other assets</td>
<td>542</td>
<td>1,519</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 1,163</td>
<td>$ 2,937</td>
</tr>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>$ 3,002</td>
<td>$ 1,980</td>
</tr>
</tbody>
</table>

10. Discontinued Operations

As disclosed in note 1, the Foresight Energy Appalachian basin operations along with several of the holding companies have been accounted for as discontinued operations. On August 12, 2010 Foresight Energy distributed 100% of its investment in Gatling, Gatling Ohio, Meigs Point, Lower Wilgat, Middle Wilgat, Upper Wilgat, and all of their related subsidiaries and affiliates to Foresight Reserves, the parent of Foresight Energy.

The operating results of the discontinued operations are summarized below:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>Three Months Ended</th>
<th>Nine Months Ended</th>
<th>Nine Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenues</strong></td>
<td>$ 4,992</td>
<td>$ 5,573</td>
<td>$ 41,452</td>
<td>$ 15,641</td>
</tr>
<tr>
<td><strong>Total cost of sales</strong></td>
<td>5,511</td>
<td>6,713</td>
<td>34,322</td>
<td>26,131</td>
</tr>
<tr>
<td><strong>Gross (loss) income</strong></td>
<td>(519)</td>
<td>(1,140)</td>
<td>7,130</td>
<td>(10,490)</td>
</tr>
<tr>
<td><strong>Operating loss</strong></td>
<td>(3,058)</td>
<td>(6,693)</td>
<td>(12,237)</td>
<td>(28,404)</td>
</tr>
<tr>
<td><strong>Other expense</strong></td>
<td>(11,742)</td>
<td>(1,333)</td>
<td>(28,656)</td>
<td>(15,927)</td>
</tr>
<tr>
<td><strong>Loss from discontinued operations</strong></td>
<td>$ (14,800)</td>
<td>$ (8,026)</td>
<td>$ (40,893)</td>
<td>$ (44,331)</td>
</tr>
</tbody>
</table>
### 10. Discontinued Operations (continued)

Details of balance sheet items for discontinued operations are summarized below:

<table>
<thead>
<tr>
<th>December 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
</tr>
<tr>
<td>Cash $33,332</td>
</tr>
<tr>
<td>Accounts receivable $9,159</td>
</tr>
<tr>
<td>Affiliate receivable $16,870</td>
</tr>
<tr>
<td>Coal inventory $1,368</td>
</tr>
<tr>
<td>Other current assets $2,325</td>
</tr>
<tr>
<td><strong>Total assets</strong>  $289,397</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Liabilities:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total current liabilities $103,412</td>
</tr>
<tr>
<td>Asset retirement obligation $947</td>
</tr>
<tr>
<td>Other liabilities $206,542</td>
</tr>
<tr>
<td><strong>Total liabilities</strong> $310,901</td>
</tr>
</tbody>
</table>
Management’s Discussion And Analysis Of Financial Condition And Results Of Operations

You should read the following discussion and analysis together with unaudited condensed consolidated financial statements and related notes included elsewhere in this quarterly report, and our previously audited annual consolidated financial statements. This discussion contains forward-looking statements about our business, operations and industry that involve risks and uncertainties, such as statements regarding our plans, objectives, expectations and intentions. You can identify these forward looking statements by the use of forward looking words such as “outlook”, “intends”, “plans”, “estimates”, “believes”, “expects”, “potential”, “continues”, “may”, “will”, “should”, “seeks”, “approximately”, “predicts”, “anticipates”, “foresees”, or the negative version of these words or other comparable words and phrases. Any forward-looking statements contained in this report are based upon our historical performance and on current plans, estimates, and expectations. Our future results and financial condition may differ materially from those we currently anticipate as a result of the various factors. Among those factors that could cause actual results to differ materially are:

• We are currently dependent on our Williamson Energy and Macoupin Energy mines and suspension of production at those mines may materially adversely affect our business.

• Our future success depends upon our ability to develop our existing coal reserves. We may not be able to negotiate new leases from private parties or obtain contracts for properties containing surface, underground or subsidence rights necessary to develop all of our proven and probable coal reserves.

• Our Sugar Camp Energy, and Hillsboro Energy mines are still under development, may not achieve anticipated productive capacity, may experience unanticipated costs or may be delayed or not completed at all.

• Delays in the receipt of, or failure to receive, or revocation of necessary government permits may adversely affect our productivity and our financial condition.

• Severe accidents, like fire or explosion, may adversely affect our productivity and financial condition.

• As our existing coal supply agreements expire, our revenues and operating profits could be negatively impacted, if we are unable to place the coal at equivalent or better prices due to future conditions in the coal market.

• Failure to meet certain provisions in our coal supply agreements could result in economic penalties.

• The loss of, or significant reduction in, purchases by our largest customers could adversely affect our revenues.

• A substantial or extended decline in coal prices or increase in the costs of mining or transporting coal could adversely affect our operating results and the value of our coal reserves.

• Any change in consumption patterns by utilities away from the use of coal could affect our ability to sell the coal we produce.
• Competition both within the coal industry and outside of it, such as competition from alternative fuel providers, may adversely affect our ability to sell coal and excess production capacity in the industry could put downward pressure on coal prices.

• Our business requires substantial capital expenditures.

• Coal mining operations are subject to inherent risks and are dependent on many factors and conditions beyond our control, any of which may adversely affect our productivity and our financial condition.

• We operate our mines with a limited and efficient work force. Our ability to operate our Companies efficiently could be impaired if we lose key personnel or fail to continue to attract qualified personnel.

• We operate our mines with a work force that is contracted through our operators. While none of our contractors’ employees are members of unions, our work force may not remain union-free in the future.

• A shortage of skilled mining labor in the United States could decrease our labor productivity and increase our labor costs, which would adversely affect our profitability.

• Failures of contractor-operated sources to fulfill the delivery terms of their contracts with us could adversely affect our operations and reduce our profitability.

• All of our coal reserves are leased and are subject to minimum royalty payments that are due regardless of whether coal is actually mined.

• The duration or severity of the current or any future global economic downturn may have a material adverse impact on our business and financial condition.

• Certain of our customers may seek to defer contracted shipments of coal, which could affect our results of operations and liquidity.

• We may not be able to obtain equipment, parts and raw materials in sufficient quantities or at reasonable costs to support our coal mining and transportation operations.

• Defects in title or loss of any leasehold interests in our properties could limit our ability to conduct mining operations on these properties or result in significant unanticipated costs.

• The availability or reliability of current transportation facilities and our current dependence on a single rail carrier for transport from certain of our mining complexes could affect the demand for our coal or temporarily impair our ability to supply coal to our customers. In addition, our inability to expand our transportation capabilities and options could further impair our ability to deliver coal efficiently to our customers.

• Significant increases in transportation costs could make our coal less competitive when compared to alternative fuels or coals produced from other regions.

• We face numerous uncertainties in estimating the mineability of our economically recoverable coal reserves and inaccuracies in such estimates could result in decreased profitability from lower than expected revenues or higher than expected costs.
• We have future mine closure and reclamation obligations for which the timing and amount is uncertain. In addition, our failure to maintain required financial assurances could affect our ability to secure reclamation and coal lease obligations, which could adversely affect our ability to mine or lease the coal.

• Our operations are subject to risks, some of which are not insurable, and we cannot assure you that our existing insurance would be adequate in the event of a loss.

• Some of our customers blend our coal with coal from other sources, making our sales dependent upon our customers locating additional sources of coal.

• Our ability to collect payments from our customers could be impaired if their creditworthiness deteriorates.

• Terrorist attacks and threats, escalation of military activity in response to such attacks or acts of war may negatively affect our business, financial condition and results of operations.

• Our mining operations, including our transportation infrastructure, are extensively regulated, which imposes significant costs on us, and future regulations or violations of regulations could increase those costs or limit our ability to produce coal.

• Because we engage in long-wall mining subsidence issues are particularly important to our operations. Failure to timely secure subsidence rights or mitigation rights or agreements, or any related regulatory action, could materially affect our results by causing delays in our mining plan through stoppages or increased costs because of the necessity of obtaining such rights.

• Changes in the manner of enforcement of existing laws and regulations may adversely affect our productivity and financial condition.

• Changes in laws or regulations, including permitting requirements or the imposition of additional regulations, taxes or fees could adversely affect our productivity and financial condition.

• Recent increased focus by regulatory authorities on the effects of surface coal mining on the environment, the disposal of mining refuse and surface coal mining permitting may materially adversely affect our ability to dispose of mining refuse.

• Delays in the receipt of, or failure to receive, or revocation of necessary government permits may adversely affect our productivity and our financial condition. New developments in the regulation of greenhouse gas emissions and coal ash could materially adversely affect our customers’ demand for coal and our results of operations, cash flows and financial condition.

• Our operations may impact the environment or cause exposure to hazardous substances, and our properties may have environmental contamination, which could result in material liabilities to us.

• We are involved in legal proceedings that if determined adversely to us, could significantly impact our profitability, financial position or liquidity.

• We are not and will not be subject to the Sarbanes-Oxley Act of 2002.
• We have substantial amount of indebtedness, which may adversely affect our cash flow and our ability to operate our business.

• Despite our substantial indebtedness level, we and our subsidiaries will still be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.

• Our debt agreements contain restrictions that limit our flexibility in operating our business.

• Our ability to generate the significant amount of cash needed to pay interest and principal on the notes and service our other debt and financial obligations and our ability to refinance all or a portion of our indebtedness or obtain additional financing depends on many factors beyond our control.

Unless otherwise noted herein, all references to produced tons, sold tons, or cost per ton refer to clean tons of coal.

Overview

We believe we are the lowest cost and highest margin thermal coal producer in the United States, based on publicly available information. We currently have three operating mining complexes and one mining complex under construction, all in the Illinois Basin region of the United States. All of our mines are underground mining operations located in the State of Illinois. They consist of:

• Williamson Energy, an operating long-wall mine in southern Illinois;

• Macoupin Energy, an operating continuous miner operation in central Illinois;

• Sugar Camp Energy, a long-wall mine currently producing with only continuous miners in southern Illinois as we prepare for the long-wall mining equipment; and

• Hillsboro Energy, a long-wall mine in central Illinois currently in development.

With approximately 3.0 billion tons of assigned proven and probable coal reserves, we believe our coal reserves are among the largest of any coal company and that our coal reserves are sufficient to support over 120 years of production at our expected full productive capacity. All of our reserves are favorably located with transportation access to market via truck, rail and barge. We maintain long term rail contracts and throughput arrangements at various transloading facilities on the Ohio and Mississippi Rivers and in New Orleans. Since our inception through September 30, 2010, we have invested over $978.3 million in capital expenditures to develop what we believe are and will be industry leading, geologically similar, low cost and highly productive mines.
**Basis of Presentation**

Simultaneously with the closing of our refinancings on August 12, 2010, we effected a reorganization (the “Reorganization”) pursuant to which:

- Foresight Reserves contributed 100% ownership interest of Williamson Track, Savatran and Sitran (which are transportation subsidiaries) and Adena Resources (which provides water and other miscellaneous rights) to the Companies;

- Lower Wilgat distributed 100% of its ownership in Williamson Energy to Foresight Energy;

- Foresight Energy Corporation as co-issuer in the offering, was added to our corporate structure;

- the Companies distributed 100% of their investment in Gatling (a mine in West Virginia), Gatling Ohio (a mine in Ohio), Meigs Point Dock (a dock in Ohio), and Lower Wilgat, Middle Wilgat and Upper Wilgat (each, a holding company) and all of their subsidiaries and affiliates (other than Williamson Energy) to Foresight Reserves, our parent;

- certain mineral rights that are not in our current mine plans were distributed by Macoupin Energy, a subsidiary of Foresight Energy, to a related entity of Foresight Reserves;

- certain mineral rights that are adjacent to our existing coal leases and are owned by subsidiaries of Foresight Reserves were leased to us on a long-term basis; and

- Foresight Reserves assumed certain accrued interest with respect to debt owed to Williamson Royalty Venture by Upper Wilgat and we were relieved of any further obligation with respect thereto.
Results of Operations

The table below displays our unaudited condensed consolidated results of continuing operations. All information has been restated to reflect those operations transferred into the Foresight Energy group as if these operations were transferred at the beginning of the earliest period presented and those operations transferred out of the Foresight Energy group as discontinued operations:

<table>
<thead>
<tr>
<th></th>
<th>Three months ended September 30,</th>
<th>Nine months ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>Coal sales revenue</td>
<td>$ 90,854</td>
<td>$ 57,124</td>
</tr>
<tr>
<td>Transportation revenue</td>
<td>18,941</td>
<td>14,262</td>
</tr>
<tr>
<td>Total revenues</td>
<td>109,795</td>
<td>71,386</td>
</tr>
<tr>
<td>Cost of sales (exclusive of depreciation and amortization)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation expense</td>
<td>(18,941)</td>
<td>(14,262)</td>
</tr>
<tr>
<td>Total cost of sales</td>
<td>(58,292)</td>
<td>(38,722)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>51,503</td>
<td>32,664</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>(15,456)</td>
<td>(10,408)</td>
</tr>
<tr>
<td>Selling, general, and administrative</td>
<td>(6,339)</td>
<td>(7,005)</td>
</tr>
<tr>
<td>Operating income</td>
<td>29,708</td>
<td>15,251</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(13,059)</td>
<td>(15,966)</td>
</tr>
<tr>
<td>Other income</td>
<td>836</td>
<td>381</td>
</tr>
<tr>
<td>Net income (loss) from continuing operations</td>
<td>$ 17,485</td>
<td>$ (334)</td>
</tr>
<tr>
<td>EBITDA (thousands)*</td>
<td>$ 46,000</td>
<td>$ 26,040</td>
</tr>
</tbody>
</table>

* EBITDA is defined as income (loss) from continuing operations before interest and taxes before deducting depreciation, depletion, and amortization (“DD&A”). Although EBITDA is not a measure of performance calculated in accordance with USGAAP, we believe that it is useful to an investor in evaluating us because it is widely used in the coal industry as measures to evaluate a company’s operating performance before debt expense and as a measure of its cash flow.
Comparison of Three Months Ended September 30, 2010 to Three Months Ended September 30, 2009

**Coal Sales Revenue.** Total mining revenues for the three months ended September 30, 2010, increased by $33.8 million, to $90.9 million from $57.1 million for the three months ended September 30, 2009. This was due to an increase in average realization and an increase in the amount of coal sold during the 2010 period. Average realization was $45.45 per ton in the three months ended September 30, 2010, an increase of $4.66 per ton, or 11%, over our average realization in the three months ended September 30, 2009, of $40.79 per ton. The improvement was due to the roll off of some low priced contracts which were replaced by new sales at higher contract prices. We sold 2.0 million tons of coal in the three month period ended September 30, 2010, compared to 1.4 million tons of coal in the same period in 2009. The increased sales volumes were a result of increased sales, due to increased production and sales of inventories produced in the second quarter. Coal production increased to 2.0 million tons for the three month period ended September 30, 2010, compared to 1.5 million tons for the same period in 2009. The increase was due to continued strong production performance at Williamson Energy and initial production from the acquired Macoupin Energy operations in the 2010 period compared to no Macoupin Energy production in the same 2009 period. The strong third quarter production performance was due to more days worked compared to 2009 and from efficiency gained from the increased panel width of the long-wall miner.

<table>
<thead>
<tr>
<th>For the Three Months Ended September 30, (tons in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
</tr>
<tr>
<td>Production</td>
</tr>
<tr>
<td>Tons sold (sales)</td>
</tr>
<tr>
<td>Average Realization ($/ton)</td>
</tr>
</tbody>
</table>

**Cost of Sales (exclusive of depreciation and amortization).** Our cost of sales for the three months ended September 30, 2010, was $39.4 million, an increase of $14.9 million, from our cost of sales during the three months ended September 30, 2009, of $24.5 million, primarily as a result of increased sales volumes. Our average cost per ton sold in the three months ended September 30, 2010, was $19.70, an increase of $2.20 or 13%, over our average cost per ton of $17.50 in the three months ended September 30, 2009. The increase was primarily attributable to specific subsidence projects which were budgeted for the third quarter at the Williamson Energy mining operation, as well as higher unit costs incurred at the acquired Macoupin Energy operations as it began production with continuous miners in 2010.

<table>
<thead>
<tr>
<th>For the Three Months Ended September 30, (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
</tr>
<tr>
<td>Cost of sales (exclusive of depreciation and amortization)</td>
</tr>
<tr>
<td>Tons sold (in millions)</td>
</tr>
<tr>
<td>Average cost of sales per ton sold ($/ton)</td>
</tr>
</tbody>
</table>

**Transportation Expense.** Our costs of transportation in the three months ended September 30, 2010, were $18.9 million, an increase of $4.6 million or 32%, compared to our transportation expense of $14.3 million in the three months ended September 30, 2009. This increase in transportation expense relates primarily to a change in the mix of sales to our customers and changes in required transportation to get our coal to the point of sale at Williamson Energy as well as transportation costs at the acquired Macoupin Energy operations as it began to sell coal.
**Depreciation and Amortization Expenses.** Our depreciation and amortization expenses for the three months ended September 30, 2010, were $15.5 million, an increase of $5.1 million, or 49%, over our depreciation and amortization expenses for the three months ended September 30, 2009, of $10.4 million. The higher expense in the three months ended September 30, 2010, was principally due to the acquisition of Macoupin Energy and the recording of depreciation expense in the 2010 period as production began. Macoupin Energy had no depreciation expense in the comparable 2009 period as it was in development.

**Selling, General and Administrative Expenses.** Our selling, general and administrative expenses for the three months ended September 30, 2010, were $6.3 million, an decrease of $0.7 million, or 10%, over our selling, general and administrative expenses for the three months ended September 30, 2009, of $7.0 million. The lower expense in the three months ended September 30, 2010, was due to continued efforts of management to lower costs in such areas as professional fees, insurance, etc., compared to the three months ended September 30, 2009.

**Interest Expense.** Our interest expense in the three months ended September 30, 2010, was $13.1 million, a decrease of $2.9 million, or 18%, over our interest expense of $16.0 million for the three months ended September 30, 2009. The decrease in interest expense was due to a decline in the average interest rate on the Companies’ borrowings primarily due to the repayment of the Williamson Royalty Ventures note.

**Net Income or Loss from Continuing Operations.** We realized net income from continuing operations of $17.5 million in the three months ended September 30, 2010, a $17.8 million increase from our net loss from continuing operations in the same period in 2009 of $0.3 million due to the factors stated above.

**EBITDA.** We realized EBITDA from continuing operations of $46.0 million in the three months ended September 30, 2010, a $20.0 million increase from our net income from continuing operations in the same period in 2009 of $26.0 million, due to the factors stated above.

**Comparison of Nine Months Ended September 30, 2010 to Nine Months Ended September 30, 2009**

**Coal Sales Revenue.** Total mining revenues for the nine months ended September 30, 2010, increased by $49.6 million, or 30%, to $213.6 million from $164.0 million for the nine months ended September 30, 2009. This was due to an increase in average realization and an increase in the amount of coal sold during the 2010 period. Average realization was $46.43 per ton in the nine months ended September 30, 2010, an increase of $7.38 per ton, or 19%, over our average realization in the nine months ended September 30, 2009, which was $39.05. The improvement was due to the expiration of some low priced contracts at the end of 2009 and shipments on new contracts in 2010 with higher average realization. We sold 4.6 million tons of coal in the nine months ended September 30, 2010, compared to sales of 4.2 million tons for the same period in 2009. The increased sales volumes were due primarily to increased sales volume from our acquired Macoupin Energy operations which moved out of the development stage at the beginning of the year. We produced 5.3 million tons of coal in the nine months ended September 30, 2010, or 1.0 million tons more than the 4.3 million tons we produced in the nine months ended September 30, 2009, due to record production in the second quarter at Williamson Energy and the commencement of production at the acquired Macoupin Energy operation in 2010. The 2009 period did not have any production from Macoupin Energy.
For the Nine months
Ended September 30,
(tons in millions)  

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>5.3</td>
<td>4.3</td>
</tr>
<tr>
<td>Tons sold (sales)</td>
<td>4.6</td>
<td>4.2</td>
</tr>
<tr>
<td>Average realization ($/ton)</td>
<td>$46.43</td>
<td>$39.05</td>
</tr>
</tbody>
</table>

**Cost of Sales (exclusive of depreciation and amortization).** Our cost of sales for the nine months ended September 30, 2010, was $82.1 million, an increase of $10.0 million, or 14%, from our cost of sales during the nine months ended September 30, 2009, of $72.1 million, primarily as a result of increased sales volumes. Our average cost per ton sold in the first nine months of 2010 was $17.85, an increase of $0.68, or 4%, over our average cost per ton of $17.17 in the nine months ended September 30, 2009. The increase was primarily attributable to specific subsidence projects which were budgeted for the third quarter at the Williamson Energy mining operations as well as higher unit costs incurred at the acquired Macoupin Energy operations as it began production with continuous miners.

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales (exclusive of depreciation and amortization) (in millions)</td>
<td>$82.1</td>
<td>$72.1</td>
</tr>
<tr>
<td>Tons sold (in millions)</td>
<td>4.6</td>
<td>4.2</td>
</tr>
<tr>
<td>Average cost of sales per ton sold ($/ton)</td>
<td>$17.85</td>
<td>$17.17</td>
</tr>
</tbody>
</table>

**Transportation Expense.** Our costs of transportation in the nine months ended September 30, 2010, were $32.5 million, a decrease of $5.2 million or 14%, over our transportation expense of $37.7 million in the nine months ended September 30, 2009. This decrease in transportation expense relates primarily to the increased use of our new transportation assets which are assisting in the movement of coal to its destination points at a lower cost than previously paid to third party entities.

**Depreciation and Amortization Expenses.** Our depreciation and amortization expenses for the nine months ended September 30, 2010, were $41.3 million, an increase of $11.5 million, or 39%, over our depreciation and amortization expenses for the nine months ended September 30, 2009, of $29.8 million. The higher expense in the nine months ended September 30, 2010, was principally due to the acquisition of Macoupin Energy and the recording depreciation expense in the 2010 period as production began. Macoupin Energy had no depreciation expense in the comparable 2009 period as it was in development.

**Selling, General and Administrative Expenses.** Our selling, general and administrative expenses for the nine months ended September 30, 2010, were $23.6 million, an increase of $7.7 million, or 3%, over our selling, general and administrative expenses for the nine months ended September 30, 2009, of $22.9 million. The higher expense in the nine months ended September 30, 2010, was due to higher administrative costs associated with managing additional mining operations compared to the nine months ended September 30, 2009.

**Interest Expense.** Our interest expense in the nine months ended September 30, 2010, was $32.6 million, a decrease of $2.8 million, or 8%, over our interest expense of $35.4 million for the nine months ended September 30, 2009. The decrease in interest expense was largely due to a decline in the average interest rate on the Companies’ borrowings as a result of the August refinancing.
**Net Income or Loss from Continuing Operations.** We realized net income from continuing operations of $34.5 million in the nine months ended September 30, 2010, a $29.1 million increase from our net income from continuing operations in the same period in 2009 of $5.4 million, due to the factors stated above.

**EBITDA.** We realized EBITDA from continuing operations of $108.4 million in the nine months ended September 30, 2010, a $37.9 million increase from our net income from continuing operations in the same period in 2009 of $70.5 million, due to the factors stated above.

**Liquidity and Capital Resources**

Our primary sources of liquidity are committed capital contributions from our parent, borrowings under committed equipment financing arrangements, and sales of coal production to customers. We believe that these sources will provide sufficient liquidity for us to meet our working capital, capital expenditures and other cash requirements for the foreseeable future.

Net cash used in operating activities was $62.8 million for the nine months ended September 30, 2010, compared to net cash provided of $9.5 million in the same period of 2009. The increase in cash used reflected by operations were due to increases in inventory, receivables, prepaid royalties and a reduction of accounts payable. Net cash used in investing activities was $171.7 million for the nine months ended September 30, 2010, compared to $300.3 million in the same period of 2009. The decrease in cash used reflected fewer capital expenditures and purchases of available for-sale securities.

Net cash provided by financing activities was $200.3 million for the nine months ended September 30, 2010, compared to $289.4 million in the same period of 2009. The decrease in cash provided was primarily due to our debt offering, net of debt payoffs, member contributions from our reorganization netted against proceeds from the sale-leaseback transaction in 2009.

For the nine months ended September 30, 2010, we generated $108.4 million in Adjusted EBITDA. As of September 30, 2010, we had cash of $14.0 million and $332.7 million undrawn on our current credit facilities.

**Adjusted EBITDA for Nine Months Ended September 30, 2010**

<table>
<thead>
<tr>
<th></th>
<th>Nine Months Ended September 30, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$ 34.5</td>
</tr>
<tr>
<td>Plus: Interest expense</td>
<td>32.6</td>
</tr>
<tr>
<td>Plus: Depreciation and amortization</td>
<td>41.3</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>$ 108.4</td>
</tr>
</tbody>
</table>
Capital Expenditures

We continue to make significant capital expenditures at Sugar Camp and Hillsboro and in our transportation infrastructure as we complete the development of those projects. The following is a summary of our estimated remaining construction capital expenditures for these projects:

<table>
<thead>
<tr>
<th>Project</th>
<th>Capital to be Spent (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macoupin Energy</td>
<td>$4.5</td>
</tr>
<tr>
<td>Sugar Camp Energy</td>
<td>102.0</td>
</tr>
<tr>
<td>Hillsboro Energy</td>
<td>206.9</td>
</tr>
<tr>
<td>Transportation</td>
<td>72.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$385.5</strong></td>
</tr>
</tbody>
</table>

Member Capital Contributions

As part of our financing agreement on August 12, 2010, Foresight Reserve, our parent agreed to contribute $50.0 million of members’ equity before December 31, 2010 and an additional $50.0 million before March 31, 2011. As of September 30, 2010, Foresight Reserve had contributed $50.0 million of the 2010 required commitment and $21.0 toward the second $50.0 million contribution.

Financing Arrangements

New Unsecured Senior Notes

On August 12, 2010, Foresight Energy completed a $400.0 million senior unsecured notes financing transaction. The financing agreement calls for interest payments at 9.625% to be made semi-annually each February 15 and August 15 beginning on February 15, 2011, with the entire principal balance due on August 15, 2017. The financing transaction was used to payoff a large portion of our existing indebtedness.

New Secured Revolving Credit Facility

On August 12, 2010, we entered into a four-year revolving credit agreement providing for up to $285.0 million of borrowings with various financial institutions. Borrowings under the credit facility will bear interest at floating rates based on a Eurodollar rate or a bank base rate, at our election, plus applicable margins that are determined by reference to a pricing matrix based on our debt to EBITDA ratios as defined in the agreement. The credit facility is secured by a pledge of interests and assets of certain domestic subsidiaries and contains various covenants, including restrictions on dividends, liens, investments, and other indebtedness. The credit facility permits the issuance of letters of credit, which, if issued, would reduce the credit available for revolving credit borrowings. At September 30, 2010, $65.0 million had been drawn and $6.8 million reserved for letter of credits leaving additional available borrowings of $213.2 million.
### 5.780% Long-wall Financing Arrangement

On January 5, 2010, we entered into a credit agreement with financial institutions Calyon Deutschland Neiderlassung Einer Franzoosischen Societe Anonyme and Crédit Agricole Corporate and Investment Bank, as administrative agent. The credit agreement provides financing for the long-wall miner and related parts and accessories of up to $83.4 million toward the $98.1 million estimated cost of the long-wall miner. In addition, the financing agreement provides for financing of 100% of the loan fees estimated at $4.9 million and for financing 100% of $9.4 million of eligible interest on the loan during the construction of the long-wall miner. The loan provides a total commitment of approximately $97.7 million. Interest accrues on the note at a fixed rate per annum of 5.78% and is due semi-annually beginning September 30, 2010, unless considered as eligible interest as noted above. Principal repayments are due semi-annually at the first semi-annual date occurring after the commercial operation date (estimated to be December 31, 2011). Principal is to be repaid in equal semi-annual payments over eight years starting on the first semi-annual date. At September 30, 2010, $42.1 million had been drawn.

### 5.555% Long-wall Financing Arrangement

On May 14, 2010, we entered into a credit agreement with financial institutions Calyon Deutschland Neiderlassung Einer Franzoosischen Societe Anonyme and Crédit Agricole Corporate and Investment Bank, as administrative agent. The credit agreement provides financing for the long-wall miner and related parts and accessories of up to $77.3 million toward the $91.0 million estimated cost of the long-wall miner. In addition, the financing agreement provides for financing of 100% of the loan fees estimated at $4.5 million and for financing 100% of $7.5 million of eligible interest on the loan during the construction of the long-wall miner. The loan provides a total commitment of approximately $89.3 million. Interest accrues on the note at a fixed rate per annum of 5.555% and is due semi-annually beginning January 2011, unless considered as eligible interest as noted above. Principal repayments are due semi-annually at the first semi-annual date occurring after the commercial operation date. Principal is to be repaid in equal semi-annual payments over eight years starting on the first semi-annual date. At September 30, 2010, $25.4 million had been drawn.

### Deferred Gain

As of September 30, 2010, we carried a deferred gain of $143.5 million relating to the sale-leaseback financing of certain coal reserves at our Macoupin Energy mine complex. The proceeds of this transaction were used to fund our capital needs at the time.

### New Accounting Pronouncements

#### Transfers of Financial Assets

In September 2009, the FASB issued new guidance that will require more information about transfers of financial assets and potential continuing involvement related to the transferred assets by the transferor. In addition, the concept of qualifying special-purpose entities will no longer be relevant and any such entities must be evaluated for consolidation by the reporting entity. The guidance was adopted January 1, 2010 and did not have a material impact on our financial reporting.
Consolidating

In September 2009, the FASB issued new guidance that amends previously issued guidance related to the identification of whether the reporting entity’s variable interest in another entity gives the reporting entity a controlling financial interest in the variable interest entity (VIE), resulting in the requirement to consolidate the VIE. Under the new guidance, the reporting entity is responsible for assessing whether it is responsible for ensuring that the VIE operates as it was designed, as well as determining whether the reporting entity’s ability to direct the activities of the VIE that most significantly impact the other entity’s economic performance. The guidance was adopted January 1, 2010 and did not have a material impact on our financial reporting.

Recognition and Disclosure

In February 2010, the FASB amended certain recognition and disclosure requirements. For certain entities, the amendment requires that the evaluation of subsequent events should be made through the date the financial statements are issued, and that date is not required to be separately disclosed in the subsequent event disclosure. In addition, there were amendments to certain definitions and the scope of disclosure requirements related to reissued financial statement was refined to include revised financial statements only. The amendment is effective for interim or annual periods ending after June 15, 2010. The adoption of this guidance did not have a material impact on our consolidated financial position or the results of operations.

Technical Corrections

In February 2010, the FASB issued guidance related to certain technical corrections, primarily related to the elimination of inconsistencies and outdated provisions, as well as to provide needed clarifications. With certain exceptions, the amendment is effective for interim and annual periods beginning after February 2010. The adoption of this guidance did not have a material impact on our consolidated financial position or the results of operations.

In August 2010, the FASB issued guidance related to accounting for technical amendments to certain SEC rules, schedules and paragraphs. The adoption of this guidance did not have a material impact on our consolidated financial position or the results of operations.

Related Party Transactions

We are party to a number of additional related party transactions. See our related party disclosure in our audited and unaudited condensed consolidated financial statements for a detailed description.