

PHOENIX COAL INC.
POSITION DESCRIPTION FOR THE CHAIRMAN OF
THE AUDIT COMMITTEE

I. Purpose

The Chairman of the Audit Committee of the Board of Directors shall be an independent director who is elected by the Board of Directors to act as the leader of the Committee in assisting the Board in fulfilling its financial reporting and control responsibilities to the shareholders of the Company.

II. Who may be Chairman

The Chairman will be selected amongst the independent directors of the Company who have a sufficient level of financial sophistication and experience in dealing with financial issues to ensure the leadership and effectiveness of the Committee.

The Chairman will be selected annually at the organizational meeting of the Board of Directors, and serve for a one-year term.

III. Responsibilities

The following are the primary responsibilities of the Chairman:

- ◆ Chairing all meetings of the Committee in a manner that promotes meaningful discussion.
- ◆ Ensuring adherence to the Committee's Charter and that the adequacy of the Committee's Charter is reviewed annually.
- ◆ Providing leadership to the Committee to enhance the Committee's effectiveness, including:
 - Providing the information to the Board relative to the Committee's issues and initiatives and reviewing and submitting to the Board an appraisal of the Company's independent auditors and internal auditing functions;
 - Ensuring that the Committee works as a cohesive team with open communication, as well as ensuring open lines of communication among the independent auditors, financial and senior management and the Board of Directors for financial and control matters;
 - Ensuring that the resources available to the Committee are adequate to support its work and to resolve issues in a timely manner;
 - Ensuring that the Committee serves as an independent and objective party to monitor the Company's financial reporting process and internal control

systems, as well as to monitor the relationship between the Company and the independent auditors to ensure independence;

- Ensuring that procedures are in place to assess the audit activities of the independent auditors and the internal audit functions;
 - Ensuring that procedures are in place to review the Company's public disclosure of financial information and assess the adequacy of such procedures periodically, in consultation with the Disclosure Committee;
 - Ensuring clear hiring policies are put in place for partners and employees of the auditors; and
 - Ensuring procedures are in place for dealing with complaints received by the Company regarding accounting, internal controls and auditing matters, and for employees to submit confidential anonymous concerns regarding questionable accounting or auditing matters.
- ◆ Managing the Committee, including:
- Adopting procedures to ensure that the Committee can conduct its work effectively and efficiently, including committee structure and composition, scheduling, and management of meetings;
 - Preparing the agenda of the Committee meetings and ensuring pre-meeting material is distributed in a timely manner and is appropriate in terms of relevance, efficient format and detail;
 - Ensuring meetings are appropriate in terms of frequency, length and content;
 - Obtaining and reviewing with the Committee an annual report from the independent auditors, and arranging meetings with the auditors and financial management to review the scope of the proposed audit for the current year, its staffing and the audit procedures to be used;
 - Overseeing the Committee's participation in the Company's accounting and financial reporting process and the audits of its financial statements;
 - Ensuring that the auditors report directly to the Committee, as representatives of the Company's shareholders;
 - Annually reviewing with the Committee its own performance;
 - Ensuring that a budgeting process is established, which process shall include the setting of spending limits and authorizations and periodical reports from the Chief Financial Officer of actual spending as compared to the budget.