



FOR IMMEDIATE RELEASE

PHOENIX COAL INC. REPORTS FISCAL 2009 THIRD QUARTER RESULTS

LOUISVILLE, KY, November 10, 2009 – Phoenix Coal Inc. (TSX: PHC) (“Phoenix” or the “Company”), announced today its financial results for the three- and nine-month periods ended September 30, 2009. Unless otherwise noted, all reserves and resources are expressed in imperial tons, and all financial information is expressed in U.S. dollars. U.S. dollar to Canadian dollar conversions are based on the exchange rate of US\$1.0000 = C\$1.0728 as at September 30, 2009. The consolidated financial statements and related management’s discussion and analysis can be found on SEDAR (www.sedar.com) or www.phxcoal.com.

Highlights for Q3 2009:

- On September 30, 2009, the Company sold substantially all of its surface coal mining assets to a privately-owned Ohio-based coal producer, Oxford Mining Company, LLC (“Oxford”) for total consideration of approximately \$32.2 million.
- For the three and nine months ended September 30, 2009, the Company’s net loss was approximately \$1.3 million and \$53.0 million, respectively. The loss on the sale of the surface mining operations contributed approximately \$36.2 million to the total year-to-date loss.
- At September 30, 2009, the Company had approximately \$17.4 million (C\$18.7 million) in cash, cash equivalents and short-term investments. The Company also had restricted cash, cash equivalents and certificates of deposit as collateral for letters of credit for reclamation bonding and escrowed funds from the sale of its surface mining operations in the amount of \$14.4 million (C\$15.5 million). Of the \$14.4 million, the Company expects approximately \$10.4 million (C\$11.2 million), or \$0.070 per share (C\$0.075 per share) to be released from restriction by the end of the first quarter 2010. On per share basis, at September 30, 2009, Phoenix had \$0.116 per share (C\$0.125 per share) in cash, cash equivalents and short-term investments, and an additional \$0.096 per share (C\$0.103 per share) in restricted cash, cash equivalents and certificates of deposit and escrowed funds.

Closing sale of Surface Mining Assets

On September 30, 2009, the Company announced the closing of the sale of all of its operating assets and surface mining operations in Western Kentucky to Oxford. The transaction, valued at approximately \$32.2 million, consisted of four operating surface mines, surface mining equipment, a preparation plant facility, the Island Dock barge loading facility, coal properties containing the coal reserves of the surface mining business, and contracts related to the purchase and sale of coal.

Under the terms of the agreement (“Acquisition Agreement”) Phoenix received for the surface mining

operations cash, assumption by Oxford of all debt associated with the equipment being sold and the assumption of certain asset retirement obligations. Reclamation liabilities related to surface mining operations whose reserves had been depleted as at September 30, 2009 were not included in the sale. Phoenix can potentially receive an additional \$500,000 of cash consideration if, by June 30, 2010, it satisfies certain post-closing obligations (“2010 Fee”). Phoenix will recognize the 2010 Fee when it is received. In addition, upon completion of the regulatory transfer of the acquired mining permits, the purchaser will replace the Company’s letters of credit for assumed reclamation obligations, which will release the restrictions on approximately \$5.6 million of restricted cash and certificates of deposit.

With respect to the cash consideration, Phoenix received \$4.6 million at closing, and \$2.3 million was placed in escrow. The Company will receive from Oxford an additional \$1.5 million during the 2009 fourth quarter (“2009 Fee”) as a result of satisfying certain post-closing obligations, and thus has recorded the 2009 Fee in the consolidated financial statements as at September 30, 2009. Of the \$1.5 million, \$500,000 will be placed in escrow when received. The 2009 Fee will be offset by approximately \$207,000 for the amount of the working capital adjustment that is due the purchaser pursuant to the Acquisition Agreement. Additionally, if earned by Phoenix, the 2010 Fee will also be placed in escrow. Subject to the indemnification provisions of the Acquisition Agreement, the escrowed funds will be released to the Company with one third of the escrowed balance released March 31, 2010, one half of the remaining escrowed balance released September 30, 2010, and the balance of the escrowed funds released March 31, 2011.

For the nine months ended September 30, 2009, the Company realized a loss on the sale of its surface mining operations of \$36.2 million. For the quarter ended September 30, 2009, the Company recorded an adjustment of \$2.7 million to the previously estimated loss of \$38.9 million which was reported in the quarter ended June 30, 2009. The reported loss is a preliminary estimate and may differ from the final loss calculation upon finalization of working capital and other post-closing adjustments that will occur after September 30, 2009.

“The sale of our surface mining business has significantly improved the Company’s balance sheet; and we are currently in the process of evaluating strategic alternatives for the Gryphon Mining Complex,” said David A. Wiley, President and CEO of Phoenix Coal Inc. “Over the coming weeks, as we advance strategic discussions with interested parties, we will work with the Board of Directors to evaluate the optimal direction for Phoenix and its shareholders.”

Financial and Operational Review

As at September 30, 2009, Phoenix Coal had \$17.4 million in cash, cash equivalents and short-term investments, compared to \$40.6 million as at December 31, 2008. In addition, the Company had restricted cash, cash equivalents and certificates of deposit as collateral for letters of credit for reclamation bonding and escrowed funds from the sale of its surface mining operations in the amount of \$14.4 million as at September 30, 2009 versus \$11.6 million as at December 31, 2008.

For the three and nine months ended September 30, 2009, the Company’s net loss was approximately \$1.3 million and \$53.0 million, respectively. The loss on the sale of the surface mining operations contributed approximately \$36.2 million to the total year-to-date loss.

All of the Company’s revenues were derived from its surface mining operations that were sold to Oxford during the third quarter. For the third quarter 2009, the Company’s revenue increased by 28% to \$23.2 million from \$18.1 million in the prior year comparative three month period. For the nine months ended

September 30, 2009, Phoenix's revenue increased to \$58.5 million from \$57.9 million in the prior year nine month period.

The Company's cost of sales increased by 27% to \$22.8 million in Q3 2009 from \$17.9 million in the third quarter 2008. Comparing the same periods on a cost per ton sold basis, cost of sales was \$33.46 versus \$33.87. For the nine months ended September 30th, cost of sales decreased from \$56.6 million in 2008 to \$54.5 million in 2009. Cost per ton for the nine months ended September 30, 2009 was \$31.34 compared to \$32.62 in 2008 for a decrease of 4%.

Outlook

As at September 30, 2009, the Company's remaining assets and liabilities were primarily cash, assets related to the Gryphon Mining Complex and asset retirement obligations related to depleted surface mining properties that were not part of the sale of the surface mining operations. As previously disclosed, the Company is in the process of evaluating strategic alternatives for the Gryphon Mining Complex, including the possible sale of the asset to a third party. As it evaluates its alternatives, the Company continues to prudently advance the development of the project, respond to solicitations and inquiries from potential customers and obtain the necessary permits for the new portal location at Smith Station Farm. Unless there is a sale of the asset, the measured advancement of the project will require approximately \$3.3 million through the end of the first quarter 2010, which includes the payment of \$3.0 million in vendor financing as reported on the Company's consolidated balance sheet.

As mentioned above, Phoenix retained several previously mined surface properties that require reclamation. As at September 30, 2009, the asset retirement obligations and other long-term liabilities on the balance sheet related to these reclamation obligations totaled approximately \$2.2 million. During the fourth quarter 2009 and the first six months of 2010, the Company expects to spend approximately \$1.7 million on the necessary reclamation work to enable it to apply for phase I bond release on all but one of the properties, which would return 60% of the outstanding bonding (and thus release the corresponding restricted cash held as collateral) associated with the reclaimed properties. The Company estimates that the phase I bond release would free up approximately \$2.0 million from its restricted cash account.

About Phoenix Coal Inc.

Phoenix controls one of the largest remaining contiguous coal reserves in Western Kentucky, the Gryphon Mining Complex. The reserve contains high sulphur, low chlorine bituminous coal, which is in high demand by electric utilities. Gryphon contains proven and probable underground coal reserves totaling 68.4 million tons and measured and indicated surface and underground coal resources totaling 46.4 million tons. The Company's executive offices are located in Louisville, KY and its operational headquarters are stationed in Madisonville, KY. For additional information, visit www.phxcoal.com.

FORWARD-LOOKING STATEMENTS

Certain information set forth in this press release contains "forward-looking statements", and "forward-looking information" under applicable securities laws. Except for statements of historical fact, certain information contained herein constitutes forward-looking statements which include management's assessment of Phoenix's future plans and operations and are based on Phoenix's current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as "expects", "anticipates", "believes", "projects", "plans", and similar expressions. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause Phoenix's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to: liabilities inherent in coal mine development and production; geological, mining and processing technical problems; Phoenix's inability to obtain required mine licenses, mine permits and regulatory approvals required in connection

with mining and coal processing operations; dependence on third party coal transportation systems; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; changes in commodity prices and exchange rates; changes in the regulations in respect to the use of coal; the effects of competition and pricing pressures in the coal market; the oversupply of, or lack of demand for, coal; currency and interest rate fluctuations; various events which could disrupt operations and/or the transportation of coal products, including labor stoppages and severe weather conditions; the demand for and availability of rail, port and other transportation services; and management's ability to anticipate and manage the foregoing factors and risks. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Phoenix undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.

The TSX has neither approved nor disapproved of the contents of this press release.

For further information, please contact:

Joanna Longo
The Equicom Group, Investor Relations
416 815 0700 ext. 233
jlongo@equicomgroup.com

Stephen McLean
Director of Corporate Communications
Phoenix Coal Inc.
502 587 5900
info@phxcoal.com