



**FOR IMMEDIATE RELEASE**

**PHOENIX COAL COMPLETES SALE OF SURFACE MINING ASSETS TO  
OXFORD MINING COMPANY**

**LOUISVILLE, KY, October 1, 2009** – Phoenix Coal Inc. (TSX: PHC) (“Phoenix” or “the Company”) announced today that the sale of its surface mining operations (the “Transaction”) to Oxford Mining Company, LLC (the “Acquirer” or “Oxford”), a major privately-owned coal producer based in Ohio, closed on September 30, 2009.

“Closing the transaction achieves critical objectives for both companies,” said David A. Wiley, President and CEO of Phoenix Coal Inc. “For Oxford, the Muhlenberg County surface mining business will bring diversification to an already strong foundation of assets and people in Ohio. Most importantly, Phoenix is now in an outstanding position to execute on its primary objective, which is to maximize the value of the Gryphon Mining Complex. We continue to advance the development of this project, respond to solicitations and inquiries from potential customers, and secure additional property control while we evaluate all of our strategic options, including alternatives to monetize or joint venture the asset. After eliminating our long-term debt and strengthening our cash position from the Oxford transaction, we can now capitalize on Gryphon and potential opportunities in the market.”

“We are very excited about the acquisition of Phoenix’ surface mining business,” said Charles C. Ungurean, President and CEO of Oxford Mining Company-Kentucky, LLC. “This transaction provides us an entry into Kentucky and the Illinois Basin and will significantly increase Oxford’s scale, both from a coal reserve life and volume capacity standpoint. The Illinois Basin has been a key regional expansion focus for us due to its proximity to our existing operations and its similar mining techniques and terrain. Following this acquisition, Oxford will have annual production of approximately 8 million tons of surface-mined, low-chlorine bituminous coal. Additionally, Oxford is focused on expanding its relationship with overlapping customers and developing long-term, mutually beneficial relationships with new customers.”

After the Transaction, as of September 30, 2009, Phoenix will have a cash balance of approximately \$22.4 million. An additional \$3.3 million that has been escrowed due to certain provisions in the Transaction agreement is scheduled to be released over the next 18 months.

### **About Phoenix Coal Inc.**

To address the increasing demand for energy in the Eastern United States, Phoenix Coal is focused on maximizing the value of its coal reserves in the Illinois Basin. The Company's Gryphon Mining Complex is one of the largest remaining contiguous coal reserves in Western Kentucky. 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](http://www.phxcoal.com).

### **About Oxford Mining Company, LLC**

Oxford Mining Company, LLC, is a privately-held master limited partnership and is the largest producer of surface mined coal in Ohio. Following this acquisition, Oxford will have approximately 8 million tons of annual production, 95 million tons of proven reserves and 800 employees spanning Ohio and Kentucky. Oxford's corporate headquarters are located in Coshocton, Ohio.

### **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, without limitations, which forward-looking statements included the production run rate Phoenix expects to achieve at full production. 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; changes in mineral reserve and mineral resource estimates; 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](mailto:jlongo@equicomgroup.com)

Stephen McLean

Director of Corporate Communications

Phoenix Coal Inc.

502 587 5900

[smmclean@phxcoal.com](mailto:smmclean@phxcoal.com)