

**JAMES RIVER COAL COMPANY
901 E. BYRD STREET
SUITE 1600
RICHMOND, VIRGINIA 23219**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD JULY 26, 2005**

To the Shareholders of James River Coal Company:

Notice is hereby given that the Annual Meeting of Shareholders of James River Coal Company will be held at 12:00 p.m., local time, on Tuesday, July 26, 2005, at Kingsmill Resort & Spa, located at 1010 Kingsmill Road in Williamsburg, Virginia, for the following purposes:

1. To elect two directors whose terms, if elected, will expire in 2006 and 2008, respectively; and
2. To consider such other matters as may properly come before the meeting and any adjournment or postponement thereof.

A Proxy Statement and a Proxy Card solicited by the Board of Directors are enclosed herewith. Please sign, date and return the Proxy Card promptly in the enclosed business reply envelope, or vote using any other method that may be described on your Proxy Card. If you attend the meeting, you may, if you wish, withdraw your Proxy and vote in person.

BY ORDER OF THE BOARD OF DIRECTORS ,

JAMES T. KETRON
Secretary

July 1, 2005

Whether or not you expect to be present at the Annual Meeting, we urge you to fill in, date, sign, and promptly return the enclosed Proxy Card in the enclosed business reply envelope, or vote using any other method that may be described on your Proxy Card. The proxy may be revoked at any time prior to exercise, and if you are present at the Annual Meeting, you may, if you wish, revoke your proxy at that time and exercise the right to vote your shares personally.

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SUITE 1600
RICHMOND, VIRGINIA 23219**

**PROXY STATEMENT FOR ANNUAL MEETING OF
SHAREHOLDERS TO BE HELD JULY 26, 2005**

INTRODUCTION

This Proxy Statement is furnished to shareholders in connection with the solicitation of proxies by the Board of Directors of James River Coal Company ("James River" or the "Company") for use at James River's 2005 Annual Meeting of Shareholders (the "Annual Meeting") to be held on Tuesday, July 26, 2005, including any postponement, adjournment or adjournments thereof, for the purposes set forth in the accompanying Notice of Annual Meeting. Management intends to mail this Proxy Statement and the accompanying form of proxy to shareholders on or about July 1, 2005.

Only shareholders of record at the close of business on June 24, 2005 (the "Record Date") are entitled to notice of and to vote in person or by proxy at the Annual Meeting. As of the Record Date, there were 16,240,694 shares of common stock, \$0.01 par value per share (the "Common Stock"), of James River outstanding and entitled to vote at the Annual Meeting.

Proxies in the accompanying form duly executed and returned to the management of James River, and not revoked, will be voted at the Annual Meeting. Any proxy given pursuant to this solicitation may be revoked by the shareholder at any time prior to the voting of the proxy by delivery of a subsequently dated proxy, by written notification to the Secretary of James River or by personally withdrawing the proxy at the Annual Meeting and voting in person.

Proxies that are executed, but that do not contain any specific instructions, will be voted for the election of the nominees for director specified herein. The persons appointed as proxies will vote in their discretion on any other matter that may properly come before the Annual Meeting or any postponement, adjournment or adjournments thereof, including any vote to postpone or adjourn the Annual Meeting.

A copy of James River's Annual Report to Shareholders, which includes a copy of the Annual Report on Form 10-K for the year ended December 31, 2004, is being furnished herewith. Any record or beneficial shareholder as of the Record Date may request a copy of any exhibits to the Annual Report on Form 10-K, upon payment of James River's reasonable expenses in furnishing the exhibits, by submitting a written request to:

**James River Coal Company
901 E. Byrd Street, Suite 1600
Richmond, Virginia 23219
Attn.: Secretary**

If the person requesting exhibits was not a shareholder of record on the Record Date, the request must include a representation that the person was a beneficial owner of Common Stock on that date.

VOTING PROCEDURES

The Board of Directors has designated Peter T. Socha and Samuel M. Hopkins, II, and each or either of them, as proxies to vote the shares of Common Stock solicited on its behalf. If the enclosed form of proxy is executed and returned, it may nevertheless be revoked at any time before it has been exercised by: (i) giving written notice to the secretary of the Company; (ii) delivery of a later dated proxy; or (iii) attending the Annual Meeting, notifying the secretary of the Company or his delegate and voting in person. The shares represented by the proxy will be voted in accordance with the directions given unless the proxy is mutilated or otherwise received in such form as to render it illegible. If sufficient votes in favor of the election of directors are not received by the date of the Annual Meeting, the persons named as proxies may propose one or more adjournments of the Annual Meeting to permit further solicitation of proxies.

Each outstanding share of Common Stock is entitled to one vote. A majority of shares entitled to vote and represented in person or by proxy at a meeting of the shareholders constitutes a quorum for the purpose of transacting business at the Annual Meeting. Abstentions and “broker non-votes” will be included in determining whether a quorum is present at the Annual Meeting. Broker non-votes are proxies received from brokers or other nominees holding shares on behalf of their clients who have not received specific voting instructions from their clients with respect to certain non-routine matters. The required vote for each item of business at the Annual Meeting, in each case assuming the presence of a quorum, is as follows:

- For Proposal One, the election of two directors, whose terms will end in 2006 and 2008, respectively, the nominee for each vacancy receiving the greatest number of votes at the Annual Meeting shall be deemed elected to serve such term, even though such nominee may not receive a majority of the votes cast. Because directors are elected by plurality vote, abstentions and broker non-votes will have no effect on voting for this item.
- For any other business at the Annual Meeting, if more shares are voted in favor of the matter than against it, the matter shall be approved, unless the vote of a greater number is required by law.

Shareholders should specify their choices on the enclosed form of proxy. If no specific instructions are given with respect to the matters to be acted upon, the shares represented by a signed proxy will be voted “FOR” the election of all nominees and “FOR” approval of each of the other proposals.

If your shares of Common Stock are held by a broker, bank or other nominee (*i.e.*, in “street name”), you will receive instructions from your nominee, which you must follow in order to have your shares voted—the instructions may appear on the special proxy card provided to you by your nominee (also called a “voting instruction form”). Your nominee may offer you different methods of voting, such as by telephone or Internet. If you do hold your shares in “street name” and plan on attending the Annual Meeting, you should request a proxy from your broker or other nominee holding your shares in record name on your behalf in order to attend the Annual Meeting and vote at that time (your broker may refer to it as a “legal” proxy).

PROPOSAL ONE:

ELECTION OF DIRECTORS

The Board is divided into three classes of directors serving staggered three-year terms. Due to the vacancy created by a director's resignation in May 2005, the Board selected Joseph H. Vipperman as a director on June 6, 2005. Pursuant to the Company's Bylaws, Mr. Vipperman will serve until the Company's annual meeting on July 26, 2005, when the Company's shareholders will elect a director to complete the vacated term to which Mr. Vipperman was selected by the Board. The Board has nominated Mr. Vipperman to complete the term, which will expire in 2006. One additional director is to be elected at the Annual Meeting for a three-year term expiring in 2008. The Board has nominated Alan F. Crown, a current Company director, for this position. Messrs. Vipperman and Crown have indicated that they will serve if elected, but if the situation should arise that either nominee is no longer able or willing to serve, the proxy may be voted for the election of such other person as may be designated by the Board of Directors.

The following information as of July 1, 2005 has been furnished by the nominees for director and the continuing directors. Except as otherwise indicated, the nominees and the continuing directors have been or were engaged in their present or last principal employment, in the same or a similar position, for more than five years.

Nominee for Director at the Annual Meeting and Whose Term Will Expire in 2006 if Elected

Name (Age)

Information About the Nominee

Joseph H. Vipperman (64)

Mr. Vipperman has been a Director since June 2005. He retired in 2002 after more than 40 years with American Electric Power (AEP) and its subsidiary companies. When he retired, Mr. Vipperman was serving as Executive Vice President-Shared Services for American Electric Power Services Corporation. Mr. Vipperman currently serves on the Board of Directors of Roanoke Electric Steel Corporation. Mr. Vipperman has a B.S. in Electrical Engineering from Virginia Polytechnic Institute and State University and a M.S. in Industrial Management from the Massachusetts Institute of Technology.

Nominee for Director at the Annual Meeting and Whose Term Will Expire in 2008 if Elected

Name (Age)

Information About the Nominee

Alan F. Crown (57)

Mr. Crown has been a Director since May 2004. He previously served for 37 years with CSX Transportation. Mr. Crown joined CSX in 1966 and advanced through a series of field and headquarters positions until he retired in 2003. At the time that he retired, Mr. Crown was serving as Chief Operating Officer for CSX Transportation. Mr. Crown currently serves as President and Chief Operating Officer of Transload America. Mr. Crown is a Vietnam War veteran having served for four years in the United States Air Force. Mr. Crown attended the University of Baltimore.

Directors Whose Terms Expire in 2006

Name (Age)

Information About the Continuing Directors

James F. Wilson (47)

Mr. Wilson has been a Director since May 2004. He has served since January 2001 as a General Partner of Carl Marks Management Company, L.P. (“CMMC”). CMMC manages funds that invest in distressed securities. From 1992 through December 2000, Mr. Wilson served as a Partner at Jacobson Partners, a firm specializing in private equity investing. Mr. Wilson has a B.A. in Economics from Dartmouth College and a M.B.A. from the Harvard Graduate School of Business Administration.

Directors Whose Terms Expire in 2007

Name (Age)

Information About the Continuing Directors

Leonard J. Kujawa (72)

Mr. Kujawa has been a Director since May 2004. Mr. Kujawa previously served as a partner at Arthur Andersen & Co. from 1965 to 1995. When he retired in 1995, he had worldwide management responsibility for services to audit clients in the utility, energy and telecommunications fields. Over the past ten years, Mr. Kujawa has participated extensively in the restructuring and privatization of energy companies around the world. Mr. Kujawa is a Senior Advisor to Cambridge Energy Research Associates, leading their program for Chief Financial Officers and Chief Risk Officers. Mr. Kujawa currently serves on the Board of Directors of American Electric Power Company, Inc. (AEP) and Schweitzer-Mauduit International, Inc. Mr. Kujawa has a B.B.A. (with distinction) and a M.B.A. from the University of Michigan. Mr. Kujawa is a Certified Public Accountant.

Peter T. Socha (46)

Mr. Socha is our President and Chief Executive Officer. He joined the Company in March 2003. In May 2004, he was named Chairman of our Board of Directors. From 1999 through June 2001, he served as a Senior Vice President of National Vision, Inc. (“NVI”), a retailer of optical products. NVI filed for protection under Chapter 11 of the United States Bankruptcy Code on April 5, 2000 and emerged from bankruptcy on May 31, 2001. Mr. Socha has served as a director of NVI since 1999 and as Chairman of the Board of Directors of NVI since May 2002. From June 2001 until March 2003, he was an independent consultant to distressed businesses. Mr. Socha has a B.S. in Mineral Engineering and a M.A. in Corporate Finance, both from the University of Alabama.

At the Annual Meeting, one individual will be elected to serve as a director of the Company for a term scheduled to end in conjunction with the 2006 annual meeting of shareholders or until his or her successor is duly elected and qualified, and one individual will be elected to serve as a director of the Company for a term scheduled to end in conjunction with the 2008 annual meeting of shareholders or until his or her successor is duly elected and qualified. The nominees have consented to be named herein and to serve as directors, if elected. However, if either nominee becomes unavailable for election, it is the intention of the persons named in the accompanying form of proxy to nominate such other person as they may in their discretion determine, in which event the shares will be voted for such other person.

Proxies cannot be voted for a greater number of persons than the number of nominees named above. It is the intention of the persons named in the accompanying form of proxy, absent contrary instructions thereon, to vote such proxy for the election to the Board of Directors of the individuals nominated.

THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS A VOTE “FOR” THE ELECTION OF THE ABOVE NOMINEES. PROXIES SOLICITED BY THE BOARD WILL BE SO VOTED UNLESS SHAREHOLDERS SPECIFY A CONTRARY CHOICE IN THEIR PROXIES.

BOARD MATTERS

Board Independence

The Company's Articles of Incorporation provide that the Board of Directors shall consist of not less than three nor more than 15 directors, with the exact number being set from time to time by the Company's Bylaws. In fiscal 2004, the Board consisted of five directors, one of whom was an employee of the Company. Effective May 31, 2005, Paul H. Vining resigned from the Board, and on June 6, 2005, the remaining directors selected Joseph H. Vipperman to fill the vacant directorship.

The Board determined that a majority of the members of the Board of Directors are independent, as "independent" is defined under applicable federal securities laws and the Nasdaq Marketplace Rules. The independent directors are or were directors Crown, Kujawa, Vipperman, Vining and Wilson.

Meetings and Committees of the Board

The Board of Directors meets on a regular basis to supervise, review and direct James River's business and affairs. During fiscal 2004, the Board of Directors had three committees to which it assigned certain responsibilities in connection with the governance and management of its affairs: an Audit Committee, a Compensation Committee and a Governance Committee. Each committee operates under a written charter adopted by the Board. During the 2004 fiscal year, the Board held five meetings. Each of the directors attended at least 75% of the Board meetings and meetings of committees on which they served during the 2004 fiscal year.

The composition of these committees for fiscal 2004 was as follows:

Name of Director	Audit	Compensation	Governance Committee
<i>Non-Employee Directors</i>			
Alan F. Crown	X	X	X*
Leonard J. Kujawa	X*		X
Paul H. Vining (1)	X	X*	X
James F. Wilson		X	X
<i>Employee Director</i>			
Peter T. Socha			

* Denotes Chairman.

(1) Mr. Vipperman has been appointed to each of the committees on which Mr. Vining served before his resignation, and he currently serves as the Chairman of the Compensation Committee.

Audit Committee. The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its financial and other oversight responsibilities. A copy of the Audit Committee Charter is available at the Company's internet site (<http://ir.jamesrivercoal.com/governance/charters.cfm#audit>) and is attached as Appendix A to this Proxy Statement. The Audit Committee's duties, responsibilities and activities include reviewing James River's financial statements, reports and other financial information, overseeing the annual audit and the independent auditors, and reviewing the integrity of James River's financial reporting process and the quality and appropriateness of its accounting principles. The Audit Committee held one meeting during fiscal 2004. The Report of the Audit Committee is included herein beginning at page 18.

The Board has determined that Mr. Kujawa satisfies the "audit committee financial expert" criteria adopted by the SEC under Section 407 of the Sarbanes-Oxley Act of 2002 and serves as the Audit Committee Chairman. The members of the Audit Committee are all independent and meet the financial literacy requirements of the Nasdaq listing standards.

Compensation Committee. The Compensation Committee assists the Board of Directors in fulfilling its oversight responsibilities with respect to executive compensation, and also administers the James River Coal Company 2004 Equity Incentive Plan. A copy of the Compensation Committee Charter is available at the Company's internet site (<http://ir.jamesrivercoal.com/governance/charters.cfm#compensation>). The Compensation

Committee held one meeting during fiscal 2004. The Board has determined that a majority of the members of the Compensation Committee are “independent” under the Nasdaq listing standards. The Compensation Committee Report on Executive Compensation is included herein beginning at page 16.

Governance Committee. The Governance Committee assists the Board of Directors in fulfilling its responsibilities with respect to: (1) Board and committee membership, organization and function; (2) director qualifications and performance; and (3) corporate governance. A copy of the Governance Committee Charter is available at the Company’s internet site (<http://ir.jamesrivercoal.com/governance/charters.cfm#governance>). The Board has determined that all of the members of the Governance Committee are independent under the Nasdaq listing standards. The Governance Committee did not meet during fiscal 2004.

Board members are encouraged to attend the Company’s Annual Meeting of Shareholders.

In the opinion of the Board, the Board and its committees perform their duties in accordance with the current regulations of the SEC and the Nasdaq Stock Market.

Director Nominations

Nominations Process. The Governance Committee is responsible for considering and making recommendations to the Board concerning nominees to recommend to the shareholders in connection with the Company’s annual meeting of shareholders, and nominees for appointments to fill any vacancy on the Board. To fulfill these responsibilities, the Governance Committee periodically considers and makes recommendations to the Board regarding what experience, talents, skills and other characteristics the Board as a whole should possess in order to maintain its effectiveness. In determining whether to nominate an incumbent director for re-election, the Board and the Governance Committee evaluate each incumbent’s continued service in light of the Board’s collective requirements at the time such director’s Class comes up for re-election.

When the need for a new director arises (whether because of a newly created Board seat or vacancy), the Governance Committee proceeds by whatever means it deems appropriate to identify a qualified candidate or candidates, including by engaging director search firms. The Governance Committee reviews the qualifications of each candidate. Final candidates are generally interviewed by one or more Board members. The Governance Committee then makes a recommendation to the Board based on its review, the results of interviews with the candidate and all other available information. The Board makes the final decision on whether to invite the candidate to join the Board.

Director Qualifications. The Governance Committee is responsible for considering and making recommendations to the Board concerning criteria for the selection of qualified directors. At a minimum, directors should have high moral character and personal integrity, demonstrated accomplishment in his or her field, the ability to devote sufficient time to carry out the duties of a director, and be at least 21 years of age. In addition to these minimum qualifications for candidates, in evaluating candidates the Board and the Committee may consider all information relevant in their business judgment to the decision of whether to nominate a particular candidate for a particular Board seat, taking into account the then-current composition of the Board. These factors may include: a candidate’s professional and educational background, reputation, industry knowledge and business experience, and the relevance of those characteristics to the Company and the Board; whether the candidate will complement or contribute to the mix of talents, skills and other characteristics needed to maintain the Board’s effectiveness; the candidate’s ability to fulfill the responsibilities of a director and of a member of one or more of the Board’s standing committees; whether the candidate is independent; and whether the candidate is financially literate or a financial expert.

Shareholder Nominations. Nominations of individuals for election to the Board at any meeting of shareholders at which directors are to be elected may be made by any James River shareholder entitled to vote for the election of directors at that meeting by complying with the procedures set forth in Section 2.3 of the Company’s Bylaws. Section 2.3 generally requires that shareholders submit nominations by written notice to the Corporate Secretary of the Company setting forth certain prescribed information about the nominee and nominating shareholder. That section also requires that the nomination be submitted at a prescribed time in advance of the meeting, as described below in “Shareholder Proposals.”

The Governance Committee may consider recommending to the Board that it include in the Board's slate of director nominees for a shareholders' meeting a nominee submitted to the Company by a shareholder who has beneficially owned more than 5% of the Company's outstanding Common Stock for more than two years at the time of the shareholder's submission of a nominee. In order for the Committee to consider such nominees, the nominating shareholder should submit the information about the nominee and nominating shareholder described in Section 2.3 of the Bylaws to the Corporate Secretary at the Company's principal executive offices at least 120 days before the annual meeting of shareholders. The nominating shareholder should expressly indicate that such shareholder desires that the Board and the Committee consider such shareholder's nominee for inclusion with the Board's slate of nominees for the meeting. The nominating shareholder should submit information demonstrating that the shareholder has beneficially owned over 5% of the Company's outstanding Common Stock for over two years. The nominating shareholder and shareholder's nominee should undertake to provide, or consent to the Company obtaining, all other information the Board and the Governance Committee request in connection with their evaluation of the nominee.

The shareholder's nominee must satisfy the minimum qualifications for director described above. In addition, in evaluating shareholder nominees for inclusion with the Board's slate of nominees, the Board and Committee may consider all relevant information, including: the factors described above; whether there are or will be any vacancies on the Board; the size of the nominating shareholder's holdings in the Company and the length of time such shareholder has owned such holdings; whether the nominee is independent of the nominating shareholder and able to represent the interests of the Company and its shareholders as a whole; and the interests and/or intentions of the nominating shareholder.

Directors' Compensation

Directors who are employees of the Company or any of its subsidiaries are not compensated for service on the Board of Directors or on any of its committees. Directors who are not employees of the Company or any of its subsidiaries receive an annual Board of Directors membership fee of \$35,000, which is paid in four equal quarterly installments. The chairperson of our audit committee receives additional annual compensation of \$10,000, also paid in four equal quarterly installments. We do not pay separate meeting fees.

All directors are reimbursed for their reasonable out-of-pocket expenses incurred in attending meetings of the Board of Directors and committees.

Directors also are eligible to receive and have received equity awards under our 2004 Equity Incentive Plan. On May 7, 2004, subject to obtaining shareholder approval of the 2004 Equity Incentive Plan, which we secured on May 25, 2004, we granted 1,000 restricted shares of our common stock and options to acquire 10,000 shares of our common stock for \$15.00 per share to each of our non-employee directors. On February 17, 2005, we again approved grants, to be made as of May 7, 2005, of 1,000 shares of restricted stock and options to acquire 10,000 shares of our common stock to each of the non-employee directors. Because his resignation became effective on May 31, 2005, none of Mr. Vining's awards from the 2005 grant will vest. We also approved, on June 6, 2005, grants of 1,000 shares of restricted stock and options to acquire 10,000 shares of our common stock to Mr. Viperman upon his selection to fill the vacancy created by Mr. Vining's resignation. The options granted to Messrs. Crown, Kujawa and Wilson have an exercise price of \$33.57, and Mr. Viperman's options have an exercise price of \$33.75. All of the restricted shares and options will vest in three equal annual installments, beginning on May 25 of the year following the grant. Upon a change of control of the Company, all of the restricted shares and options will immediately vest and the options will become exercisable.

Communicating with the Board

The Board has established a procedure by which shareholders may send communications to the Board. Shareholders desiring to communicate directly with the Board can leave a confidential voice mail message at (866) 276-3753, which is a dedicated telephone number for the Board, or can send communications to the Board by e-mail at jrcc@openboard.info or by regular mail sent to the Company's headquarters listed on the first page of this Proxy Statement directed to the attention of the Chairman of the Board. An independent director will review the communication and respond accordingly.

**PRINCIPAL SHAREHOLDERS AND SECURITIES
OWNERSHIP OF MANAGEMENT**

The following table shows the beneficial ownership as of June 15, 2005 of: (i) each director and nominee for director, (ii) the Named Executive Officers, as defined below in the section of this proxy statement entitled “Executive Compensation”, (iii) those persons known to the Company to be beneficial owners of more than 5% of its outstanding Common Stock, and (iv) all directors and executive officers as a group. Unless otherwise indicated, each of the shareholders listed below exercises sole voting and dispositive power over the shares.

<u>Name</u>	<u>Number(1)</u>	<u>%(2)</u>
Glencore Finance AG (3).....	2,433,948	14.99%
Harbert Group (4).....	2,393,005	14.73%
Merrill Lynch PCG, Inc. (5).....	985,000	6.07%
Triage Group (6).....	813,426	5.01%
Peter T. Socha (7).....	71,250	*
Alan F. Crown (8).....	3,666	*
Leonard J. Kujawa (9).....	3,666	*
Paul H. Vining (10).....	3,666	*
Joseph H. Vipperman (11).....	0	*
James F. Wilson (12).....	755,318	4.65%
Coy K. Lane, Jr. (13).....	0	*
Samuel M. Hopkins, II (14).....	13,750	*
James B. Crawford (15).....	0	*
William T. Sullivan (16).....	0	*
Executive Officers and Directors as a Group (10 persons).....	851,316	5.23%

* Less than 1%

(1) This column lists all shares of common stock beneficially owned, including all restricted shares of common stock that vest within 60 days of June 15, 2005, and all shares of common stock that can be acquired through option exercises within 60 days of June 15, 2005.

(2) In calculating the percentage owned, we assumed that any options for the purchase of common stock that are exercisable by that shareholder within 60 days of June 15, 2005 are exercised by that shareholder (and the underlying shares of common stock issued).

The total number of shares outstanding used in calculating the percentage owned assumes a base of 16,240,694 shares of common stock outstanding as of June 15, 2005 and no exercise of options held by other shareholders.

(3) The business address of Glencore Finance AG is Baarermattstrasse 3, CH-6341 Baar, Switzerland.

(4) The Harbert Group consists of Harbert Distressed Investment Master Fund, Ltd. (“Master Fund”) and Alpha US Sub Fund VI, LLC (“Alpha”). Ownership information is as of June 3, 2005, based upon the Form 4 filed by the Master Fund, HMC Distressed Investment Offshore Manager, L.L.C. (“Offshore Manager”) and HMC Investors, L.L.C. (“HMC Investors”) with the SEC on June 7, 2005. The Offshore Manager and the Master Fund share voting and dispositive power over 2,321,210 shares of our common stock (the “HMC Shares”). In addition to the HMC Shares, HMC Investors, Raymond J. Harbert, Michael D. Luce and Philip A. Falcone may also be deemed to have shared voting and dispositive power over an additional 71,795 shares of our common stock owned by Alpha (the “Alpha Shares”). We have been informed by the Master Fund and Alpha that each disclaims beneficial ownership of the HMC Shares and the Alpha Shares except to the extent of their actual pecuniary interest. Each of Master Fund and Alpha is or may be deemed to be an affiliate of a registered broker-dealer. Master Fund is an entity organized in the Cayman Islands. Offshore Manager is the sole investment manager of the Master Fund. HMC Investors is the managing member of the Offshore

- Manager. Philip A. Falcone is a member of Offshore Manager and acts as portfolio manager for the Master Fund. Alpha is a separate managed account also managed by Philip A. Falcone. Raymond J. Harbert and Michael D. Luce are members of HMC Investors. The business address of the Master Fund is c/o International Fund Services (Ireland) Limited, 3rd Floor, Bishop's Square, Redmond's Hill, Dublin 2, Ireland. The business address of Alpha is c/o 555 Madison Avenue, 16th Floor, New York, New York 10022.
- (5) The business address of Merrill Lynch PCG, Inc. is 4 World Financial Center, New York, New York 10080.
 - (6) The Triage Group consists of Triage Capital LF Group LLC, Delaware limited liability company ("Triage Capital") that acts as a general partner to (i) a general partner of different funds and an investment manager of a managed account and (ii) an investment manager of a Cayman Islands company, and Leonid Frenkel, who is (i) the managing member of Triage Capital and controls its business activities and (ii) the manager of another limited liability company. The business address of the Triage Group is 401 City Avenue, Suite 800, Bala Cynwyd, Pennsylvania 19004.
 - (7) Includes 30,000 shares subject to presently exercisable stock options. Mr. Socha's business address is c/o James River Coal Company, 901 E. Byrd Street, Suite 1600, Richmond, Virginia 23219.
 - (8) Includes 3,333 shares subject to presently exercisable stock options. Mr. Crown's business address is c/o James River Coal Company, 901 E. Byrd Street, Suite 1600, Richmond, Virginia 23219.
 - (9) Includes 3,333 shares subject to presently exercisable stock options. Mr. Kujawa's business address is c/o James River Coal Company, 901 E. Byrd Street, Suite 1600, Richmond, Virginia 23219.
 - (10) Includes 3,333 shares subject to presently exercisable stock options. Mr. Vining's business address is c/o James River Coal Company, 901 E. Byrd Street, Suite 1600, Richmond, Virginia 23219.
 - (11) Mr. Viperman's business address is c/o James River Coal Company, 901 E. Byrd Street, Suite 1600, Richmond, Virginia 23219.
 - (12) Includes 3,333 shares subject to presently exercisable stock options. Includes shares owned by Carl Marks Strategic Investments, L.P. (710,471 shares) and Carl Marks Strategic Investments III, L.P. (41,181 shares). Mr. Wilson is one of three individual general partners of Carl Marks Management Company, L.P., a Delaware limited partnership and registered investment advisor, which is the sole general partner of (i) Carl Marks Strategic Investments, L.P., a Delaware limited partnership and private investment partnership, and (ii) Carl Marks Strategic Investments III, L.P., a Delaware limited partnership and private investment partnership. The shares of common stock which are owned by Carl Marks Strategic Investments, L.P. and Carl Marks Strategic Investments III, L.P. may be deemed to be beneficially owned indirectly, on a shared basis, by Mr. Wilson and the other individual general partners of Carl Marks Management Company, L.P., who share the power to direct the vote or dispose of such securities. The business address of Carl Marks Strategic Investments, L.P., Carl Marks Strategic Investments III, L.P. and Mr. Wilson is 900 Third Avenue, 33rd Floor, New York, New York 10022.
 - (13) Mr. Lane's business address is c/o James River Coal Company, 901 E. Byrd Street, Suite 1600, Richmond, Virginia 23219.
 - (14) Mr. Hopkins' business address is c/o James River Coal Company, 901 E. Byrd Street, Suite 1600, Richmond, Virginia 23219.
 - (15) Mr. Crawford's business address is c/o James River Coal Company, 901 E. Byrd Street, Suite 1600, Richmond, Virginia 23219.
 - (16) Mr. Sullivan's business address is c/o James River Coal Company, 901 E. Byrd Street, Suite 1600, Richmond, Virginia 23219.

MANAGEMENT

Executive Officers

The following table sets forth the names, ages and positions of our executive officers as of the date of this filing:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Peter T. Socha	46	Chairman, President and Chief Executive Officer
Coy K. Lane, Jr.	44	Senior Vice President and Chief Operating Officer
Samuel M. Hopkins, II	48	Vice President and Chief Accounting Officer

Biographical information relating to the executive officers is set forth below:

Peter T. Socha. Mr. Socha is our President and Chief Executive Officer. He joined the Company in March 2003. In May 2004, he was named Chairman of our Board of Directors. From 1999 through June 2001, he served as a Senior Vice President of National Vision, Inc. (“NVI”), a retailer of optical products. NVI filed for protection under Chapter 11 of the United States Bankruptcy Code on April 5, 2000 and emerged from bankruptcy on May 31, 2001. Mr. Socha has served as a director of NVI since 1999 and as Chairman of the Board of Directors of NVI since May 2002. From June 2001 until March 2003, he was an independent consultant to distressed businesses. Mr. Socha has a B.S. in Mineral Engineering and a M.A. in Corporate Finance, both from the University of Alabama.

Coy K. Lane, Jr. Mr. Lane is our Senior Vice President and Chief Operating Officer. He joined the Company in January 2005. Before joining the Company, Mr. Lane served as Senior Vice President of Operations for International Coal Group, Inc., following that company’s acquisition in September 2004 of the core assets of Horizon Natural Resources Company. Mr. Lane had served in various positions for Horizon and its predecessor companies since 1993. Mr. Lane holds a B.S. degree in Mining Engineering from Virginia Polytechnic Institute.

Samuel M. Hopkins, II. Mr. Hopkins is our Vice President and Chief Accounting Officer. He joined the Company in September 2003. Mr. Hopkins served as Vice President, Treasurer and Controller from 1997 to 2001 and as Vice President and Controller from 2001 to June 2002 for Progress Fuels Corporation, a coal-mining, natural gas producer, rail reconditioning/manufacturing subsidiary of Progress Energy. He served as an independent financial consultant from July 2002 through September 2003. Mr. Hopkins holds a B.A. degree in Accounting from the University of Alabama and is a Certified Public Accountant.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information for the fiscal years ended December 31, 2004, 2003 and 2002 concerning compensation paid by us and our subsidiaries to our Chief Executive Officer and to each of our other most highly compensated executive officers as of December 31, 2004 who earned in excess of \$100,000 in salary and bonus during 2004 or any of the two previous fiscal years who are no longer executive officers (collectively, the "Named Executive Officers"). As of December 31, 2004, we did not have any executive officers other than those listed below.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Annual Compensation (1)</u>		<u>Long-Term Compensation Awards</u>		<u>All Other Compensation(\$)</u>
		<u>Salary(\$)</u>	<u>Bonus(\$)</u>	<u>Restricted Stock Award(s) (\$)(2)</u>	<u>Securities Underlying Options/SARs</u>	
Peter T. Socha (3) President and Chief Executive Officer	2004	409,798	601,000	1,377,000	150,000	-
	2003	312,559	-	-	-	-
Samuel M. Hopkins, II (4) Vice President and Chief Accounting Officer	2004	145,799	50,000	315,563	-	-
	2003	31,334	-	-	-	-
James B. Crawford (5) Former President and Chief Executive Officer	2004	-	-	-	-	-
	2003	101,315	-	-	-	678,689
	2002	499,733	-	-	-	-
William T. Sullivan (6) Former Vice President	2004	-	-	-	-	-
	2003	146,227	45,000	-	-	180,836 ⁽⁶⁾
	2002	135,942	67,500	-	-	85,666 ⁽⁷⁾

(1) Excludes perquisites and other personal benefits aggregating less than \$50,000 or 10% of the Named Executive Officer's annual salary and bonus.

(2) Based on our reorganization value of \$4.59 per share, as determined in connection with our Plan of Reorganization. Mr. Socha's shares of restricted stock vest as follows: 68.75% of the shares vest in five equal annual installments, beginning on May 25, 2005, the first anniversary of the date of the grant, and the remaining 31.25% of the shares will vest upon the achievement of designated corporate performance criteria. Mr. Hopkins' shares vest in five equal annual installments, beginning on May 25, 2005.

(3) Mr. Socha joined the Company in March 2003.

(4) Mr. Hopkins joined the Company in September 2003.

(5) Mr. Crawford resigned from all positions with the Company in March 2003. All Other Compensation represents the 2003 payments to Mr. Crawford in connection with his Settlement Agreement described below.

(6) This amount represents payments related to Mr. Sullivan leaving the Company in 2003.

(7) This payment was a bonus payment used to partially repay loans to purchase common stock.

Option Grants in Fiscal 2004

The following table sets forth option grants to Named Executive Officers during fiscal 2004.

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (1)	
	Shares Underlying Options (#)	Percent of Total Option Granted to Employees in Fiscal Year (2)	Exercise Price (\$/share)	Expiration Date	5% (\$)	10% (\$)
Peter T. Socha.....	150,000	55.6%	10.80	5/7/2014	0	165,792
Samuel M. Hopkins, II...	-	-	-	-	-	-
James B. Crawford.....	-	-	-	-	-	-
William T. Sullivan.....	-	-	-	-	-	-

(1) Based on our reorganization value of \$4.59 per share as of May 7, 2004, as determined in connection with our Plan of Reorganization filed in January 2004 in connection with our emergence from Chapter 11 bankruptcy proceedings.

(2) Based on options for 270,000 shares granted to directors and employees in fiscal 2004.

Fiscal Year-End Option Values

No Company-granted options were exercised by any Named Executive Officers during fiscal 2004. The following table sets forth the year-end value of unexercised options held by the Named Executive Officers at December 31, 2004.

Name	Number of Securities Underlying Unexercised Options at December 31, 2004		Value of Unexercised In-the-Money Options at December 31, 2004(1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Peter T. Socha	-	150,000	\$ -	\$4,762,500
Samuel M. Hopkins, II	-	-	-	-
James B. Crawford	-	-	-	-
William T. Sullivan	-	-	-	-

(1) Represents aggregate excess of market value of shares under option as of December 31, 2004, using the closing price of \$42.55 at such date, over the exercise price of the options.

Retirement Benefits

Our pension plan is a “defined benefit” plan. The pension plan provides a monthly annuity to all regular, full-time employees when they retire. An employee must have at least five years of service to be vested in the pension plan. The normal retirement age under the plan is 65, but a full benefit is available to a retiree at age 62. A retiree can begin receiving a benefit as early as age 55 (provided they have at least ten years of service at the time); however, a 3% reduction factor applies for each year a retiree receives a benefit prior to age 62. Pension benefits are based on an employee’s final average monthly earnings, years of employment and retirement age. “Final average monthly earnings” for this purpose means basic monthly earnings, excluding overtime, bonuses and commissions, based on the employee’s average salary for the three highest consecutive years of service during the employee’s last ten years of employment. This amount is capped by the \$205,000 annual limit imposed by the Internal Revenue Service for the 2004 calendar year. The Internal Revenue Code limits the amount of annual benefits which may be payable from the pension trust.

The following table illustrates the straight life annuity amounts payable under the pension plan to our employees retiring at age 65 in 2004. Amounts shown are not subject to reduction for Social Security benefits.

Pension Plan Table

Final Average Salary	Years of Service				
	<u>15</u>	<u>20</u>	<u>25</u>	<u>30</u>	<u>35</u>
\$ 125,000	\$ 21,010	\$ 28,014	\$ 35,017	\$ 42,020	\$ 49,024
\$ 150,000	\$ 25,698	\$ 34,263	\$ 42,829	\$ 51,395	\$ 59,961
\$ 175,000	\$ 30,385	\$ 40,513	\$ 50,642	\$ 60,770	\$ 70,899
\$ 200,000	\$ 35,073	\$ 46,764	\$ 58,454	\$ 70,145	\$ 81,836
\$ 205,000*	\$ 36,010	\$ 48,013	\$ 60,017	\$ 72,020	\$ 84,024

* There is a \$205,000 cap on compensation under our pension plan; accordingly, each remuneration level greater than \$205,000 provides the same level of benefits.

The years of service credited for retirement benefits for the Named Executive Officers as of October 1, 2004, the last valuation date under the plan, are as follows:

Peter T. Socha	1.00
Samuel M. Hopkins, II	1.00
James B. Crawford*	21.67
William T. Sullivan*	16.00

* These officers left the Company in 2003, and therefore were not active participants in our pension plan as of October 1, 2004.

Employment Contracts, Termination of Employment, Severance and Change-in-Control Arrangements

Settlement Agreement with Mr. Crawford. On March 17, 2003, James B. Crawford resigned all positions with the Company. In connection with Mr. Crawford's resignation, the Company, Mr. Crawford and J.R. Coal Associates (a Virginia partnership in which Mr. Crawford was a partner) entered into a Settlement Agreement, pursuant to which Mr. Crawford received, among other things:

- (i) rights under two life insurance contracts, one of which represented the vested amount in Mr. Crawford's account in our Supplemental Savings and Profit Sharing Plan of \$535,021, and the other of which was a life insurance policy with a cash value of \$143,668;
- (ii) the right to receive \$1,383,002 in cash from us upon our consummation of a Chapter 11 plan of reorganization or the sale of all or substantially all of our assets (which amount was paid on May 6, 2004); and
- (iii) welfare benefit continuation until the payment under (ii) above was made.

In the event Mr. Crawford is engaged by us or any purchaser of us, or any successor to either, as Chairman, Chief Executive Officer, Chief Operations Officer or any similar position within the 12 months from the payment under (ii) above, Mr. Crawford is obligated to repay the amount received under (ii) above. Additionally, pursuant to the settlement agreement:

- (iv) Mr. Crawford sold all of his equity interests in the Company to J.R. Coal Associates in exchange for the transfer by J.R. Coal Associates to the Company of certain life insurance policies;
- (v) each of the Company and Mr. Crawford released the other from certain claims; and
- (vi) Mr. Crawford agreed not to compete with us for a period that ended October 31, 2003.

Employment Agreement with Mr. Socha. The Company and Mr. Socha entered into an employment agreement effective May 6, 2004. The agreement provides that Mr. Socha will serve as President and Chief Executive Officer of the Company for an initial three-year term of employment. The term may be extended by

mutual agreement of the parties in one-year increments, beginning on the first anniversary of the agreement. The employment agreement provides for a base salary of \$375,000 per year, subject to annual review, and that Mr. Socha will participate in our annual cash bonus program. Pursuant to the 2004 Equity Incentive Plan described below, on May 7, 2004, Mr. Socha was granted 300,000 restricted shares of common stock, 206,250 shares of which will vest in five equal annual installments, beginning on the first anniversary of the date of the grant, and the remaining 93,750 shares of which will vest upon the achievement of designated corporate performance criteria. The performance criteria include achieving EBITDA results for 2004 and 2005, as contained in our disclosure statement accompanying the Plan of Reorganization, of approximately \$126.3 million for the two year period (80% of vesting) and the successful development of the new mine at McCoy Elkhorn (20% of vesting). The performance criteria will not be measured, and therefore no stock will vest, prior to the completion of the annual audit for the year ended December 31, 2005. Mr. Socha also was granted options to acquire 150,000 shares of common stock for \$10.80 per share. The options will vest in five equal annual installments, beginning on the first anniversary of the date of grant. Upon termination without good reason or a change in control (as those terms are defined in the agreement) all of the restricted shares and options will immediately vest and the options will become exercisable. Following the recommendation of the secured creditors from the Chapter 11 reorganization process, the Board of Directors awarded Mr. Socha a one-time restructuring bonus of \$800,000. Mr. Socha requested, and the Board of Directors approved, a reduction in the bonus to \$601,000. We distributed the remaining bonus of \$199,000 to other individuals in the organization not otherwise eligible for bankruptcy-related bonus payments, primarily operating level managers at the individual mine and preparation plant levels.

In addition, Mr. Socha is entitled to participate in all other benefit plans to which our other senior executives are entitled, including medical, dental and other welfare plans. The employment agreement further provides that if Mr. Socha's employment is terminated without good reason, as defined in the employment agreement, before expiration, he will receive the greater of (i) his remaining salary due under the employment agreement or (ii) 12 months of salary. The agreement also provides that as long as Mr. Socha is employed as President and Chief Executive Officer of the Company, he will serve as a member of our Board of Directors.

Indemnification Agreements

We have entered into Indemnification Agreements with our directors and certain of our officers (the "Indemnified Parties"). Under the terms of the Indemnification Agreements, we are required to indemnify the Indemnified Parties against certain liabilities arising out of their services for us. The Indemnification Agreements require us to:

- (i) indemnify each Indemnified Party to the fullest extent permitted by law;
- (ii) provide coverage for each Indemnified Party under our directors and officers liability insurance policy; and
- (iii) to advance certain expenses incurred by an Indemnified Party.

The Indemnification Agreements provide limitations on the Indemnified Parties' rights to indemnification in certain circumstances. To the extent that indemnification provisions contained in the Indemnification Agreements purport to include indemnification for liabilities arising under the Securities Act of 1933, we have been informed that in the opinion of the Securities and Exchange Commission, such indemnification is contrary to public policy and therefore unenforceable.

COMPENSATION COMMITTEE REPORT

General. We were under bankruptcy protection from March 2003 until May 2004. Accordingly, compensation arrangements with our executive officers during that period were negotiated with the senior secured steering committee and then approved by the bankruptcy court. In addition, the terms of the employment agreement with our Chief Executive Officer were negotiated with members of the senior secured steering committee as part of our emergence from bankruptcy protection. The Compensation Committee was elected upon emergence from bankruptcy in May 2004. Since that time, decisions on compensation of the Company's executive officers generally have been made by the Compensation Committee, based upon the recommendation of the Chief Executive Officer.

The objectives of the Company's compensation program are to enhance the profitability and growth of the Company, and thus shareholder value, by aligning executive compensation with the Company's business goals and performance and by attracting, retaining and rewarding executive officers who contribute to the long-term success of the Company. In determining the compensation to be paid to the executive officers of the Company, the Committee members rely upon their own knowledge of compensation paid to executives of companies of comparable size and complexity. They also consider the performance of the Company and the merits of the individual under consideration.

Salary. Since emergence from bankruptcy, the Chief Executive Officer has made recommendations to the Committee regarding the base salary, if any, for the Company's executive officers, including himself, based upon the profitability of the Company and the level of responsibility, time with the Company, contribution and performance of the executive officer. The beginning point for determining such salaries generally will be the salary the executive officer received in the prior fiscal year. Our Chief Executive Officer received a salary of \$409,798 for the year ended December 31, 2004, which represented a decrease in his annualized base salary from fiscal 2003. This resulted from a decrease in his base salary from \$420,000 to \$375,000 as part of his overall compensation package which became effective upon emergence from bankruptcy. Mr. Socha's base salary is established by his employment agreement with the Company, as discussed under "Employment Contracts, Termination of Employment, Severance and Change-in-Control Arrangements." No named executive officers received raises in 2004.

Bonus. Annual incentives provide opportunities for our executives to earn compensation based on the achievement of important financial or operating performance goals. The performance factors selected for any particular officer vary depending on the officer's specific responsibilities within the company.

For 2004, all of the named executive officers still employed by us received a bonus, which appear in the "Summary Compensation Table" of this proxy statement. Mr. Socha received a bonus for 2004 that was established as part of the bankruptcy proceedings.

Equity Incentives. Since our emergence from bankruptcy protection in May 2004, the Company has used grants of stock options and restricted stock to its key employees and executive officers to more closely align the interests of such employees and officers with the interests of its shareholders. Options and awards equivalent to 1,185,700 shares of Common Stock were awarded to officers and employees during the year ended December 31, 2004. Details on options granted to the Named Executive Officers in 2004 are set forth in the Option Grants in Fiscal 2004 table. The amount and nature of prior awards are generally considered in determining new option awards for executive officers, although other factors, such as the need to retain experienced managers, are also considered.

Other Benefits. Our executive officers participate in our defined benefit pension plan, which is a non-contributory, qualified defined benefit pension plan, as described in "Executive Compensation — Retirement Benefits." In addition, Mr. Socha's employment agreement with us provides for a severance payment in certain circumstances following a change in control of the company, as described in the "Employment Contracts, Termination of Employment, Severance and Change-in-Control Arrangements" section of this statement. Executives also participate, on a voluntary basis, in customary benefit programs generally available to employees, including our savings plan.

The foregoing report has been furnished by:

**JAMES RIVER COAL COMPANY
COMPENSATION COMMITTEE**

Compensation Committee Members:

Alan F. Crown Paul H. Vining, Chairman James F. Wilson
(Members of the Compensation Committee during fiscal 2004)

**COMPENSATION COMMITTEE INTERLOCKS
AND INSIDER PARTICIPATION**

Our compensation committee was formed on May 7, 2004, and currently consists of Alan F. Crown, Joseph H. Vipperman (committee chair) and James F. Wilson. None of these committee members is employed by us. None of our executive officers serves as a member of the compensation committee of any entity that has one or more executive officers who serve on our compensation committee. No interlocking relationship exists between our compensation committee and the compensation committee of any other company, nor has any interlocking relationship existed in the past.

In February 2004, we sold 10,000 tons of coal to Ellett Valley CC, Inc., the coal industry consulting company that is 100% owned and controlled by Mr. Vining, a former Company director. The total price of the coal was \$500,000, which was consistent with then-prevailing market rates for comparable coal. Ellett Valley CC, Inc., acting as a broker, then resold the coal. This transaction took place before Mr. Vining was considered for service as a director of the Company.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 and the disclosure requirements of Item 405 of Regulation S-K require the directors and executive officers of the Company, and any persons holding more than 10% of any class of equity securities of the Company, to report their ownership of such equity securities and any subsequent changes in that ownership to the Securities and Exchange Commission and the Company. Based solely on a review of the written statements and copies of such reports furnished to the Company by its executive officers and directors, the Company believes that during fiscal 2004 all Section 16(a) filing requirements applicable to its executive officers, directors and shareholders were complied with, and the Company is not aware of any filing delinquencies.

REPORT OF THE AUDIT COMMITTEE

The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically requests that the information be treated as soliciting material or specifically incorporates this Report by reference therein.

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its financial and other oversight responsibilities by serving as an independent and objective party to oversee, monitor and appraise: (1) the integrity of the Company's financial statements and other external financial information, financial reporting process and internal controls; (2) the Company's auditing process, including all engagements of the Company's independent accountants, and the performance of financial management; and (3) the Company's ethical and legal compliance. The Committee operates pursuant to a written charter adopted by the Board of Directors, which is attached to this Proxy Statement as Appendix A, and is available on the Company's internet site (<http://ir.jamesrivercoal.com/governance/charters.cfm#audit>).

The Company's management is responsible for its internal controls and the financial reporting process. The Company's independent accountants, KPMG LLP, are responsible for performing an audit of the Company's consolidated financial statements in accordance with auditing standards generally accepted in the United States and for expressing an opinion as to their conformity with generally accepted accounting principles. The Audit Committee's responsibility is to monitor and oversee these processes.

In keeping with that responsibility, the Audit Committee has reviewed and discussed the Company's audited consolidated financial statements with management and the independent accountants. In addition, the Audit Committee has discussed with the Company's independent accountants the matters required to be discussed by Statement on Auditing Standards No. 61, "Communications with Audit Committee," as currently in effect. The Audit Committee also has received the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committees," and has discussed with the independent accountants their independence.

Based on the reviews and discussions described in this report, and subject to the limitations on the role and responsibilities of the Committee referred to above and in the Audit Committee Charter, the Committee recommended to the Board of Directors that the audited consolidated financial statements of the Company be included in the Annual Report on Form 10-K for the year ended December 31, 2004 for filing with the SEC.

The foregoing report has been furnished by:

**JAMES RIVER COAL COMPANY
AUDIT COMMITTEE**

Audit Committee Members:

Alan F. Crown Leonard J. Kujawa, Chairman Paul H. Vining
(Members of the Audit Committee during fiscal 2004)

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Pursuant to the Audit Committee Charter, the Audit Committee appoints the firm that will serve as the Company's independent accountants each year. Such appointment is not subject to ratification or other vote by the shareholders. KPMG LLP was the independent registered public accounting firm for the Company for 2004, and has been retained as the Company's independent registered public accounting firm for 2005.

Fees

The following table summarizes the aggregate fees billed to the Company by KPMG LLP:

(\$ in thousands)	2004	2003
Audit Fees (1).....	\$ 639	\$199
Audit-Related Fees (2).....	22	26
Tax Fees	144	172
All Other Fees	-	-
Total.....	<u>\$ 805</u>	<u>\$397</u>

- (1) Fees for audit services billed in 2004 consisted of the audit of the Company's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (\$193), quarterly reviews of unaudited consolidated financial statements (\$97), and services in connection with the Company's SEC S-1 registration statement (\$349). Fees for audit services billed in 2003 consisted entirely of the audit of the Company's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America.
- (2) Other fees billed in 2004 and 2003 consisted of services related to our benefit plans.

Approval of Audit and Non-Audit Services

The Audit Committee pre-approves all audit and non-audit services performed by the Company's independent auditors. The Audit Committee specifically approves the annual audit services engagement. Certain non-audit services that are permitted under the federal securities laws may be approved from time to time by the Audit Committee. The Audit Committee is authorized to delegate to the Chair of the Committee pre-approval authority with respect to permitted services. None of the services performed by KPMG LLP described above were approved by the Audit Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

SHAREHOLDER PROPOSALS

Shareholders are hereby notified that if they wish to include a proposal in the Company's Proxy Statement and form of proxy relating to the 2006 annual meeting pursuant to Rule 14a-8 as promulgated under the Securities Exchange Act of 1934, a written copy of their proposal must be received at the principal executive offices of the Company no later than March 2, 2006. To ensure prompt receipt by the Company, proposals should be sent certified mail return receipt requested and should otherwise comply with Rule 14a-8.

In accordance with the Company's bylaws, shareholders who wish to submit a proposal for consideration at the Company's 2006 annual meeting of shareholders other than pursuant to Rule 14a-8, or who wish to make a nomination for director, must deliver a copy of their proposal or nomination to the Company at its principal executive offices no later than April 27, 2006.

ANNUAL REPORT

A copy of James River's Annual Report to Shareholders, which includes a copy of the Annual Report on Form 10-K for the year ended December 31, 2004, is being furnished herewith. Any record or beneficial shareholder as of the Record Date may request a copy of any exhibits to the Annual Report on Form 10-K, upon payment of James River's reasonable expenses in furnishing the exhibits, by submitting a written request to:

**James River Coal Company
901 E. Byrd Street, Suite 1600
Richmond, Virginia 23219
Attn.: Secretary**

If the person requesting exhibits was not a shareholder of record on the Record Date, the request must include a representation that the person was a beneficial owner of Common Stock on that date.

EXPENSES OF SOLICITATION

All of the expenses involved in preparing, assembling and mailing this Proxy Statement and the materials enclosed herewith and soliciting proxies will be paid by the Company. It is estimated that such costs will be nominal. The Company may reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for expenses reasonably incurred by them in sending proxy materials to beneficial owners of stock. The solicitation of proxies will be conducted primarily by mail but may include telephone, telegraph or oral communications by directors, officers or regular employees of the Company, acting without special compensation.

OTHER MATTERS

The Board of Directors does not know of any other matters to come before the Annual Meeting; however, if any other matters properly come before the Annual Meeting, it is the intention of the persons designated as proxies to vote in accordance with their best judgment on such matters. If any other matter should come before the Annual Meeting, such matter will be approved if the number of votes cast in favor of the matter exceeds the number opposed.

Date: July 1, 2005

SHAREHOLDERS ARE URGED TO SPECIFY THEIR CHOICES, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD IN THE ENCLOSED ENVELOPE, POSTAGE FOR WHICH HAS BEEN PROVIDED. YOUR PROMPT RESPONSE IS APPRECIATED.

APPENDIX A

JAMES RIVER COAL COMPANY

AUDIT COMMITTEE CHARTER

I. *Purpose and Authority*

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its financial and other oversight responsibilities by serving as an independent and objective party to oversee, monitor and appraise: (1) the integrity of the Company's financial statements and other external financial information, financial reporting process and internal controls; (2) the Company's auditing process, including all engagements of the Company's independent accountants, the internal auditors and the performance of financial management; and (3) the Company's ethical and legal compliance. In furtherance of its purpose, the Committee shall strive to provide an open avenue of communication among the Company's independent accountants, internal auditors, management, and the Board.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company, and has the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties. The Company shall provide funding, as determined by the Committee, for payment of compensation to the independent auditors and to any advisers the Committee retains.

II. *Membership Requirements*

The Committee shall be comprised of three or more directors as determined by the Board. All members of the Committee shall be "independent" within the meaning of the listing standards of the Nasdaq Stock Market, including the independence standards for Committee members prescribed by Rule 10A-3 under the Securities Exchange Act. All members of the Committee shall be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement. At least one member shall be an 'audit committee financial expert' within the meaning of the rules of the Securities & Exchange Commission. Members of the Committee shall also meet such other qualifications as may be imposed from time to time by the Board, by law or by the listing requirements of the Nasdaq Stock Market. Committee members should be able to devote sufficient time to carrying out the responsibilities of a member of the Committee.

III. *Meetings and Governance*

The Committee shall meet in connection with the Company's annual audit and for other purposes as circumstances dictate. To foster open communications, the Committee will meet in executive sessions with the independent accountants, internal auditors and management as appropriate. The Committee will report its activities and findings to the Board on a regular basis.

The Board may appoint a Chair of the Committee. The Chair will preside, when present, at all meetings of the Committee. One-third of the members, but not less than two, will constitute a quorum. A majority of the members present at any meeting at which a quorum is present may act on behalf of the Committee. The Committee may meet by telephone or video conference and may take action by written consent.

IV. *Duties, Responsibilities and Activities*

While the Committee has the duties and responsibilities set forth in this Charter, management has primary responsibility for the financial statements and the reporting process, including the systems of internal controls and management's report thereon; and the Company's independent accountants are responsible for performing an audit of the Company's consolidated financial statements in accordance with auditing standards generally accepted in the United States, for expressing an opinion as to their conformity with generally accepted accounting principles, for reviewing the Company's quarterly financial statements and for attesting to management's report on the Company's internal control. The Committee's responsibility is to monitor and oversee these processes.

(A) *Review of Financial Statements, Reports and Charter*

The Committee shall review the Company's financial statements, reports and other financial information, in conjunction with the Company's internal financial management and independent accountants, as appropriate. Such review shall generally include candid discussions of the quality—not merely the acceptability—of the Company's accounting principles as applied in its financial reporting. Reviews shall occur prior to dissemination of the statement, report or other document to a third party or the public. Without limitation, the Committee shall review, to the extent it deems necessary or appropriate:

- The annual financial statements and other material financial content of the Company's Annual Reports to Shareholders and/or Annual Reports on Form 10-K.
- Any quarterly or other interim financial statements and other material financial content of the Company's Quarterly Reports on Form 10-Q.
- Any other material external financial information, such as earnings releases.
- Any material internal reports prepared by the independent accountants, internal auditors or management.
- The annual report of the Committee for inclusion in the Company's annual proxy statement.
- This Charter on an annual basis, or more frequently as circumstances dictate.

The Chair of the Committee may represent the entire Committee for purposes of reviewing quarterly information, other material external financial information such as earnings releases, or internal reports to the extent permissible under the listing requirements of the Nasdaq Stock Market and generally accepted auditing standards.

In addition to the reviews described above, the Committee shall from time to time perform the following duties and responsibilities and shall engage in the following activities to the extent necessary or appropriate in the judgment of the Committee:

(B) *Relationship with Independent Accountants and Internal Auditors*

- Appoint, compensate, retain and terminate the independent accountants. The independent accountants shall report directly to the Committee. The Committee shall have sole authority to determine the compensation to be paid to the independent accountants for any service. The Committee also shall be responsible for the oversight

and evaluation of the work of the independent accountants, including resolution of disagreements between management and the independent accountants.

- Pre-approve all audit and permitted non-audit services provided to the Company by the independent accountants. The Committee may delegate pre-approval authority to the Chair of the Committee or may adopt pre-approval policies and procedures, to the extent permitted by applicable laws. Any pre-approvals made pursuant to delegated authority or pre-approval policies and procedures must be presented to the full Committee at its next scheduled meeting.
- Receive a report or report update from the independent accountants, within the time periods prescribed by the rules of the SEC, on the following: (1) all critical accounting policies and practices of the Company; (2) all material alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with management, including the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent accountants; and (3) other material written communications between the independent accountants and management.
- Receive a formal written statement from the independent accountants delineating all relationships between the independent accountants and the Company. The Committee shall actively engage the independent accountants in a dialogue with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent accountants and take appropriate action to oversee the independence of the independent accountants.
- Oversee the objectives, activities and staffing of the internal auditors.

(C) *Financial Reporting and Auditing Processes*

- Oversee the integrity of the Company's financial reporting process, both internal and external.
- Discuss with the independent accountants, internal auditors and management the overall scope and plans for their respective audits.
- Review with the independent accountants, the internal auditors and management the adequacy and effectiveness of the Company's internal controls, including management's report on the adequacy or effectiveness of internal controls and the fullness and accuracy of the Company's financial statements. The Committee shall consider the quality of presentation of, among other matters, critical accounting policies, off-balance sheet transactions and financial measures presented on a basis other than in accordance with generally accepted accounting principles.
- Review the quality and appropriateness of the Company's accounting principles and underlying estimates as applied in its financial reporting, including the independent accountants' judgments concerning the foregoing.
- In consultation with the independent accountants, management and the internal auditors, review any major changes or improvements to the Company's financial and accounting principles and practices and internal controls.

- Discuss with management policies with respect to risk assessment and risk management, including the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

(D) *Ethical and Legal Compliance*

- Establish and oversee procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- Review and approve all transactions to which the Company is a party and in which any director or executive officer has a direct or indirect material interest, apart from in their capacity as director or executive officer.
- Oversee the development and administration of an appropriate ethics and compliance program, including a code or codes of ethics and business conduct. The Committee shall review requests for and determine whether to grant or deny waivers of the Company's code of ethics applicable to directors and executive officers.

In addition, the Committee may perform any other activities in its discretion that are consistent with the Committee's purpose, or as determined necessary or appropriate by the Board.