

Form 51-102F3
MATERIAL CHANGE REPORT

1. Name and address of the Company.

ROYAL COAL CORP. (the "Company" or "Royal Coal")
70 York Street, Suite 1410
Toronto, ON M5J 1S9

2. Date of Material Change.

February 22, 2012

3. News Release.

A press release disclosing the material change was released on February 22, 2012, through the facilities of Marketwire.

4. Summary of Material Change.

The Company announced it has withdraw the preliminary short form prospectus that was filed on January 17, 2012 with respect to a proposed offering of units of the Company, because it was not able to complete the offering under current market conditions.

The Company does not currently have positive cash flow to meet its ongoing operational requirements and debt service and repayment obligations and requires a combination of additional financing and a restructuring of its existing debt structure to enable it to continue its operations. In addition, price realizations from coal sales have been adversely affected by recent weak thermal coal prices. While the Company is actively pursuing other sources of funds that may be available to fund such needs, additional financing may not be available to it or, even, if available, the terms of such financing might not be favorable to the Company and might involve substantial dilution to existing shareholders. If the Company fails to raise additional funds and restructure its existing debt it is doubtful that it will be able to continue as a going concern.

The Company is using every effort to reduce or delay expenditures, seek additional capital, and restructure or refinance its indebtedness. In addition to seeking to reduce its debt obligations, the Company is revising its mine plan with the goal of reaching sustainable profitable operations at its Big Branch Mine and phasing in additional production at the Big Branch Mine extension and the Sid Mine over time.

As previously announced, the Company and certain of its subsidiaries entered into an agreement (the "Coal Purchase Amending Agreement") with Sandstorm Metals & Energy Ltd. and Sandstorm Metals & Energy (US) Inc. (collectively, "Sandstorm"), providing for certain amendments to the coal production payment agreement (the "Coal Purchase Agreement") dated November 26, 2010 between such parties. The amendments were conditional on the completion by the Company of an equity financing for aggregate gross proceeds of not less than \$5 million (the "Equity Financing") on or before January 31, 2012, which did not occur. As a result, the Coal Purchase Amending Agreement terminated automatically, the amendments did not take effect and the Coal Purchase Agreement continues in full force and effect, unamended.

The Coal Purchase Agreement includes certain production level and cash flow guarantees and provides for a general security interest in favour of Sandstorm over the assets of the Company. Unless otherwise waived by Sandstorm, failure to meet such guarantees constitutes an event of

default under the Coal Purchase Agreement, entitling Sandstorm to enforce its security interest, impose cash penalties on the Company and/or terminate the Coal Purchase Agreement. The Company did not meet the production levels set out in the Coal Purchase Agreement for the calendar year 2011 and, as a result, is required to pay USD \$1,018,597 to Sandstorm with respect to the deficiency in the guaranteed minimum cash flows for such period, which it has not done when such payment was due. Without additional financing or Sandstorm's waiver of any event of default, there is significant doubt as to the Company's ability to meet its current and future production or cash flow commitments and continue as a going concern.

In addition, if the Company does not complete the Equity Financing on or prior to February 29, 2012, all amounts outstanding under its loan agreement (the "Loan Agreement") entered into on December 22, 2011 with Sandstorm, in the principal amount of USD \$3,177,829.21, will become immediately due and payable.

The Company did not pay the interest owing pursuant to the secured convertible debenture (the "Convertible Debenture") issued to Mercuria Energy Group Holding SA ("Mercuria") in respect of the period ending on December 31, 2012 when any such interest became or becomes due and payable.

The Company has been in ongoing co-operative discussions with its secured and unsecured creditors, including with respect to possible financing opportunities and amendments, waivers, and continued forbearance on the exercise of any rights (including any enforcement of security), under applicable agreements between the Company and such parties. Current discussions include the possibility of converting some debt to equity. To date, none of Sandstorm, Mercuria or any party to any such agreement has taken any action or commenced any proceedings with respect to the enforcement of any of its rights or remedies under such agreements. The Company continues to try to raise sufficient funds to settle all unpaid amounts that are due and payable to creditors or amend its existing agreements with them. However, any default under any one of the Coal Purchase Agreement, the Loan Agreement or the Mercuria Convertible Debenture also constitutes a default under the other of these agreements, which would have a material adverse effect on the business, financial condition and continued operations of the Company.

Royal Coal has also determined not to continue the contract mining operations it previously announced December 28, 2011 where Royal Coal would mine and sell the coal at certain leases held by Novadx Ventures Corp. and the Ikerd Group of Companies in Kentucky, USA on a contract basis, including the Flatwoods and Elk Creek mines. In recent weeks, thermal coal fundamentals have deteriorated significantly and the Company has determined that it cannot operate the Flatwoods and Elk Creek mines effectively given current available coal prices.

The material change is fully described in the Company's press release which is attached as Schedule "A" and is incorporated herein.

5. Full Description of Material Change.

A full description of the material change is contained under Item 4.

6. Reliance on subsection 7.1(2) or (3) of National Instrument 51-102.

The report is not being filed on a confidential basis.

7. **Omitted Information.**

No significant facts have been omitted from this Material Change Report.

8. **Executive Officer.**

Thomas Griffis, Chairman.

9. **Date of Report.**

This report is dated at Toronto, this 22nd day of February, 2012.

ROYAL COAL CORP.

Per: “Tom Griffis”
Thomas Griffis, Chairman



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SCHEDULE A

ROYAL COAL ANNOUNCES WITHDRAWAL OF PRELIMINARY PROSPECTUS AND PROVIDES CORPORATE UPDATE

NOT FOR DISTRIBUTION TO UNITED STATES NEWSWIRE SERVICES OR FOR RELEASE, PUBLICATION, DISTRIBUTION OR DISSEMINATION DIRECTLY, OR INDIRECTLY, IN WHOLE OR IN PART, IN OR INTO THE UNITED STATES.

TORONTO, ONTARIO, February 22, 2012 (Marketwire) -- Royal Coal Corp. ("Royal Coal" or the "Company") (TSX VENTURE:RDA) (FRANKFURT:RLC), a US Central Appalachian producer of high BTU, low sulphur thermal coal, announces that it has decided to withdraw the preliminary short form prospectus that was filed on January 17, 2012 with respect to a proposed offering of units of the Company, because it was not able to complete the offering under current market conditions.

The Company does not currently have positive cash flow to meet its ongoing operational requirements and debt service and repayment obligations and requires a combination of additional financing and a restructuring of its existing debt structure to enable it to continue its operations. In addition, price realizations from coal sales have been adversely affected by recent weak thermal coal prices. While the Company is actively pursuing other sources of funds that may be available to fund such needs, additional financing may not be available to it or, even, if available, the terms of such financing might not be favorable to the Company and might involve substantial dilution to existing shareholders. If the Company fails to raise additional funds and restructure its existing debt it is doubtful that it will be able to continue as a going concern.

The Company is using every effort to reduce or delay expenditures, seek additional capital, and restructure or refinance its indebtedness. In addition to seeking to reduce its debt obligations, the Company is revising its mine plan with the goal of reaching sustainable profitable operations at its Big Branch Mine and phasing in additional production at the Big Branch Mine extension and the Sid Mine over time.

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Update on Operations at Flatwoods and Elk Creek

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About Royal Coal

Royal Coal is a coal exploration and production company, headquartered in Toronto, Ontario, Canada with a regional office in Hazard, Kentucky, U.S.A. whose primary business focus is developing producing surface coal mining operations in the Central Appalachian coal producing region of the United States, which includes parts of West Virginia, Virginia, Kentucky, Ohio, and Tennessee.

For further information contact Tom Griffis, Chairman of Royal Coal, at (416) 861-8775, or Richard Buzbuzian, Investor Relations, at (647) 501-3290.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.