

EARLY WARNING REPORT

Made Pursuant To
NATIONAL INSTRUMENT 62-103 – *The Early Warning System and Related Take-Over Bid
and
Insider Reporting Issues*

RELATING TO THE ACQUISITION OF SECURITIES IN THE CAPITAL OF
ROYAL COAL CORP. (THE “ISSUER”)

1. **The name and address of the offeror.**

Cormark Securities Inc. (the “Offeror”)
Royal Bank Plaza, South Tower
200 Bay Street, Suite 2800
P.O. Box 63
Toronto, Ontario
Canada M5J 2J2

2. **The designation and number or principal amount of securities and the Offeror’s securityholding percentage in the class of securities of which the Offeror acquired ownership or control in the transaction or occurrence giving rise to the reporting obligation and whether it was ownership or control that was acquired in those circumstances.**

The Offeror acquired ownership of 20,000,000 common shares of the Issuer (“Shares”) and 10,000,000 common share purchase warrants (“Warrants”) of the Issuer, representing approximately 11.9% of the issued and outstanding common shares of the Issuer, assuming exercise of the Offeror’s Warrants. Combined with the Offeror’s previous holdings, this represents approximately 14.65% of the issued and outstanding Shares, assuming exercise of the Offeror’s Warrants and convertible securities.

3. **The designation and number or principal amount of securities and the Offeror’s securityholding percentage in the class of securities immediately after the transaction or occurrence giving rise to the reporting obligation.**

See item 2 above.

4. **The designation and number or principal amount of securities and the percentage of outstanding securities of the class of securities referred to in paragraph 3. over which:**

- (i) **the Offeror, either alone or together with any joint actors, has ownership and control;**

The Offeror directly owns an aggregate of 20,000,000 Shares, 10,000,000 Warrants and 5,382,000 broker warrants (each, a “Broker Warrant”) of the issuer, representing approximately 14.65% of the issued and outstanding Shares, assuming exercise of the Offeror’s Warrants and Broker Warrants.

- (ii) **the Offeror, either alone or together with any joint actors, has ownership but control is held by other persons or companies other than the Offeror or any joint actor; and**

Not applicable.

- (iii) **the Offeror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.**

Not applicable.

- 5. The name of the market in which the transaction or occurrence that gave rise to the reporting obligation.**

The Shares and Warrants were acquired from certain of the Offeror's clients on the over-the-counter market.

- 6. The value, in Canadian dollars, of any consideration offered per security if the Offeror acquired ownership of a security in a transaction or occurrence giving rise to the reporting obligation.**

\$0.0005 per Share and \$0.0002 per Warrant.

- 7. The purpose of the Offeror and any joint actors in effecting the transaction or occurrence that gave rise to the reporting obligation, including any future intention to acquire ownership of, or control over, additional securities of the reporting issuer.**

The Shares were acquired solely for the purpose of crystallizing the tax losses of certain of the Offeror's clients. The Offeror does not intend at this time to acquire additional Shares, but may increase its shareholdings of the Issuer in the future depending on market conditions, reformulation of plans and/or other relevant factors.

- 8. The general nature and the material terms of any agreement, other than lending arrangements, with respect to securities of the reporting issuer entered into by the Offeror, or any joint actor, and the issuer of the securities or any other entity in connection with the transaction or occurrence giving rise to the reporting obligation, including agreements with respect to the acquisition, holding, disposition or voting of any of the securities.**

Not applicable.

- 9. The names of any joint actors in connection with the disclosure required in this report.**

Not applicable.

- 10. In the case of a transaction or occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, the nature and value, in Canadian dollars of the consideration paid by the Offeror.**

See item 5 above.

- 11. If applicable, a description of any change in any material fact set out in a previous report by the entity under the early warning requirements or Part 4 of National Instrument 62-103 in respect of the reporting issuer's securities.**

Not applicable.

- 12. If applicable, a description of the exemption from securities legislation being relied on by the Offeror and the facts supporting that reliance.**

The acquisition of the Shares and Warrants was effected pursuant to an order of the Ontario Securities Commission dated August 28, 2012, for the partial revocation of the cease-trade order against the Issuer solely for the purposes set out in item 7 above.

- 13. Additional information.**

In this report, for the purpose of calculating the percentage of Shares owned, the Offeror has assumed that there are 241,740,671 Shares outstanding as of August 9, 2012, as reported by the Issuer.

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DATED this 4th day of September, 2012.

CORMARK SECURITIES INC.

Per: “Jeff Kennedy”
Name: Jeff Kennedy
Title: Chief Financial Officer
Authorized signatory