

**ROYAL COAL CORP.**

**and**

**CIBC MELLON TRUST COMPANY**

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WARRANT INDENTURE

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Providing for the Issue of  
Warrants

February 23, 2011

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**THIS WARRANT INDENTURE** is made as of February 23, 2011,

**BETWEEN:**

**ROYAL COAL CORP.**, a corporation continued under the laws of the Province of Ontario and having its registered office in the City of Toronto (the “**Corporation**”)

**AND:**

**CIBC MELLON TRUST COMPANY**, a corporation existing under the laws of the Canada and having an office in the City of Toronto, Ontario (the “**Warrant Agent**”)

**WHEREAS** the Corporation and CIBC Mellon Trust Company, as special warrant agent, entered into a special warrant indenture dated the date hereof (the “**Special Warrant Indenture**”) pursuant to which the Corporation, among other things, created and issued an aggregate of 138,000,000 special warrants (the “**Special Warrants**”);

**AND WHEREAS** each Special Warrant shall entitle the holder thereof to acquire, for no additional consideration, one unit (a “**Unit**”) of the Corporation, with each Unit being comprised of, subject to adjustment in certain events, one Common Share (as hereinafter defined) and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, a “**Warrant**”);

**AND WHEREAS** each Warrant shall entitle the holder thereof to purchase one Common Share at any time commencing on the issuance of the Warrant and prior to 5:00 p.m. (Toronto time) on the date which is two years after the Closing Date at an exercise price of \$0.335 per Common Share (the “**Exercise Price**”), subject to adjustment;

**AND WHEREAS** for such purpose the Corporation deems it necessary to create and issue Warrants constituted and issued in the manner hereinafter provided;

**AND WHEREAS** the Corporation is duly authorized to create and issue the Warrants to be issued as herein provided;

**AND WHEREAS** all things necessary have been done and performed to make the Warrants, when issued as provided in this Indenture, legal, valid and binding upon the Corporation with the benefits and subject to the terms of this Indenture;

**AND WHEREAS** the foregoing recitals are made as representations and statements of fact by the Corporation and not by the Warrant Agent;

**NOW THEREFORE THIS INDENTURE WITNESSES** that for good and valuable consideration mutually given and received, the receipt and sufficiency of which are hereby acknowledged, it is hereby agreed and declared as follows:

## ARTICLE 1 INTERPRETATION

### 1.1 DEFINITIONS

In this Indenture, including the recitals and schedules hereto, the following words and phrases shall have the following meanings:

“**Agents**” means, collectively, Cormark Securities Inc., Haywood Securities Inc. and Northern Securities Inc.;

“**Business Day**” means any day (other than a Saturday, Sunday or statutory holiday) on which the principal transfer office of the Special Warrant Agent in Toronto is open for business;

“**Closing Date**” means February 23, 2011;

“**Common Shares**” means the fully paid and non-assessable common shares of the Corporation, as such common shares are presently constituted, provided that in the event of any adjustment pursuant to the provisions of Article 4 hereof, “**Common Shares**” shall thereafter mean the shares or other securities or property resulting from such adjustment;

“**Corporation**” means Royal Coal Corp. and includes any Successor Corporation to or of Royal Coal Corp. which has complied with the provisions of Article 8 hereof;

“**Corporation’s Auditors**” means an independent firm of chartered accountants duly appointed as auditors of the Corporation;

“**Counsel**” means a barrister or solicitor or firm of barristers or solicitors retained by the Special Warrant Agent or retained or employed by the Corporation and acceptable to the Special Warrant Agent;

“**Current Market Price**” at any date, means the volume weighted average trading price of the Common Shares on the TSXV or another stock exchange where the majority of the trading volume and value of the Common Shares occurs, for the 5 trading days immediately preceding the relevant date, calculated by dividing the total value by the total volume of Common Shares traded for the relevant period;

“**Director**” means a director of the Corporation and “**Directors**” or “**Board of Directors**” means the board of directors of the Corporation or, whenever duly empowered, a committee of the board of directors of the Corporation, and reference to action by the directors means action by the directors of the Corporation as a board or action by a committee as a committee;

“**Dividends Paid in the Ordinary Course**” means dividends paid in any financial year of the Corporation, whether in (i) cash, (ii) shares of the Corporation, (iii) warrants or similar rights to purchase any shares of the Corporation or property or other assets of the Corporation at a purchase or exercise price of at least 110 per cent of the fair market value of the shares or property or other assets purchasable as of the date of distribution of such warrants or similar rights, or (iv) property or other assets of the Corporation, as the case may be, as determined by action by the Directors except that, in the case of warrants or similar rights to purchase Common Shares or securities convertible into or exchangeable for Common Shares such fair market value of the warrants or similar rights shall be equal to the number of Common Shares which may be

purchased thereby (or the number of Common Shares issuable upon conversion or exchange) as of the date of distribution of such warrants or similar rights, multiplied by the Current Market Price of the Common Shares, provided that the value of such dividends does not in such financial year exceed the greater of

- (a) 200 per cent of the aggregate amount of dividends paid by the Corporation on the Common Shares in the 12-month period ending immediately prior to the first day of such financial year, and
- (b) 50 per cent of the consolidated net earnings from continuing operations of the Corporation, before any extraordinary items, for the 12-month period ending immediately prior to the first day of such financial year (such consolidated net earnings from continuing operations to be computed in accordance with IFRS);

“**Exercise Date**” has the meaning set out in subsection 3.1(1);

“**Exercise Price**” has the meaning set out on page 1 of this Indenture;

“**Expiry Date**” means the date which is two years following the Closing Date; provided that, in the event that the Qualification Date does not occur within 60 days of the Closing Date, the Expiry Date shall be the date which is five years following the Closing Date;

“**Extraordinary Resolution**” has the meaning ascribed thereto in Sections 9.12 and 9.15 hereof;

“**Holder**”, “**Warrantholder**” or “**Warrantholder**” means a Person for the time being who is the registered holder of a Warrant;

“**Indenture**”, “**Warrant Indenture**” or “**this Indenture**” and “**hereto**”, “**herein**”, “**hereby**”, “**hereunder**”, “**hereof**” and similar expressions refer to this instrument and not to any particular Article, Section, clause, subdivision or other portion hereof, and include each instrument supplemental or ancillary hereto or required to implement this instrument;

“**Indenture Legislation**” has the meaning ascribed thereto in subsection 11.1(1) hereof;

“**Passport System**” means the system and procedures for prospectus filing and review under Multilateral Instrument 11-102 - *Passport System* of the Canadian Securities Administrators and National Policy 11-202 - *Process For Prospectus Reviews in Multiple Jurisdictions*.

“**Passport System Decision Document**” means a decision document issued by the Ontario Securities Commission pursuant to the Passport System and which evidences the receipt by the securities commission or similar regulatory authority in each of the Qualifying Jurisdictions for a preliminary or final prospectus;

“**Person**” includes any individual, corporation, company, partnership, association, joint venture, trust, unincorporated association, government or governmental authority and any other legal or other entity whatsoever;

“**Qualification Date**” means the date upon which a Passport System Decision Document is issued for a final prospectus to be filed by the Corporation with respect to the distribution of the Units issuable upon the exercise or automatic exercise of the Special Warrants;

“**Qualifying Jurisdictions**” means the provinces and territories of Canada (other than Quebec) in which Subscribers of Special Warrants are resident;

“**Regulation D**” means Regulation D promulgated under the U.S. Securities Act;

“**Regulation S**” means Regulation S promulgated under the U.S. Securities Act;

“**Special Warrants**” means the special warrants of the Corporation issued and certified pursuant to the Special Warrant Indenture and for the time being outstanding, each entitling registered holders thereof to acquire, for no additional consideration, one Unit in accordance with the terms hereof, subject to adjustment;

“**Special Warrant Indenture**” has the meaning set out on page 1 of this Indenture;

“**Subscribers**” means, collectively, all of the Persons who have subscribed for Warrants and “**Subscriber**” means any one of them;

“**Successor Corporation**” has the meaning ascribed thereto in Section 8.1;

“**Tax Act**” means the *Income Tax Act* (Canada), as amended, reenacted or replaced from time to time;

“**Time of Expiry**” means 5:00 p.m. (Toronto time) on the Expiry Date;

“**Unit**” has the meaning set out on page 1 of this Indenture;

“**United States**” means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia;

“**U.S. Person**” means “U.S. person” as that term is defined in Rule 902(k) of Regulation S;

“**U.S. Securities Act**” means the United States Securities Act of 1933, as amended;

“**U.S. Subscriber**” means a Subscriber that is within the United States or is a U.S. Person or who is acting for the account or benefit of a Person within the United States or a U.S. Person at the time an offer to purchase the applicable securities is made to such Subscriber, or on the date of its purchase of such securities;

“**Warrant Agency**” means the principal transfer office of the Warrant Agent in Toronto, Ontario and such other locations as the Corporation may designate with the approval of the Warrant Agent;

“**Warrant Agent**” means CIBC Mellon Trust Company or its successor or successors for the time being as Warrant Agent hereunder, at its principal office in Toronto;

“**Warrant Certificate**” means a certificate in the form set out in Schedule 1 issued and certified hereunder to evidence one or more Warrants;

“**Warranholders’ Request**” means an instrument signed in one or more counterparts by Warranholders holding in the aggregate not less than 25% of all Warrants then unexercised and outstanding, requesting the Warrant Agent to take some action or proceeding specified therein; and



“Warrants” means the warrants of the Corporation to be issued hereunder, one-half of one Warrant comprising part of each Unit, with each whole Warrant to entitle the holder thereof to purchase one Common Share at any time commencing on the issue date thereof and prior to the Time of Expiry at the Exercise Price.

## **1.2 GENDER AND NUMBER**

Words importing the singular number only include the plural and vice versa and words importing gender include both genders and vice versa and words importing individuals include firms and corporations and vice versa.

## **1.3 HEADINGS, ETC.**

The division of this Indenture into Articles, Sections and other subdivisions, the inclusion of a table of contents and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Indenture.

## **1.4 APPLICABLE LAW**

This Indenture and the Warrant Certificates will be governed by and construed in accordance with the laws of Ontario and the federal laws of Canada applicable therein. The parties hereto and the Holders irrevocably attorn to the jurisdiction of the courts of Ontario with respect to matters arising out of this Indenture and the Warrant Certificates.

## **1.5 LANGUAGE CLAUSE**

The parties hereto have required that this Indenture and all documents and notices related thereto or resulting therefrom be drawn up in English.

## **1.6 STATUTORY REFERENCES**

References in this Indenture to any statute will be deemed to be a reference to that statute including any regulations made under that statute, as amended, re-enacted or replaced from time to time.

## **1.7 BUSINESS DAY**

Whenever any payment is due or required to be made or any other action is required to be taken under this Indenture or the Warrant Certificates on or as of a day that is not a Business Day, that payment must be made and the other action must be taken on or as of the next day that is a Business Day.

## **1.8 TIME OF THE ESSENCE**

Time shall be of the essence of this Indenture.

## **1.9 CURRENCY**

Except as otherwise stated, all dollar amounts herein are expressed in Canadian dollars.

## **ARTICLE 2 ISSUE OF WARRANTS**

### **2.1 ISSUANCE OF WARRANTS**

The Corporation hereby creates and authorizes the issuance of the Warrants, with the aggregate number of Warrants to be issued not to exceed 69,000,000 Warrants. The aggregate number of Common Shares issuable upon exercise of the Warrants is not to exceed 69,000,000.

### **2.2 TERMS OF WARRANTS**

- (1) Each Warrant is exercisable for one Common Share at any time commencing on the issue date thereof and prior to the Time of Expiry at the Exercise Price;
- (2) No certificate evidencing fractional Warrants will be issued or otherwise provided for and a Subscriber or a Holder will not be entitled to any cash or other consideration in lieu of any fractional interest in a Warrant or claim thereto.
- (3) The number of Common Shares which may be acquired pursuant to the exercise of the Warrants will be adjusted in the events and in the manner specified in Article 4 hereof.
- (4) All Warrants shall rank *pari passu*, whatever may be the actual date of issue thereof.
- (5) The Warrants and any rights thereunder shall expire in accordance with the provisions of Section 3.3 hereof.

### **2.3 FORM OF WARRANT CERTIFICATES**

- (1) The Warrant Certificates to be issued to evidence the Warrants shall be issuable in registered form only, shall be in the English language and shall be in the form set out in Schedule 1 attached hereto.
- (2) All Warrant Certificates shall be dated as of the issue date thereof, and shall bear such distinguishing letters and numbers as the Corporation may, with the approval of the Warrant Agent, prescribe, and will be issuable in any denomination excluding fractions. Irrespective of any adjustments pursuant to Article 4 hereof, Warrant Certificates shall continue to be in the form set out in Schedule 1, and shall be deemed to give effect to any such adjustment.

### **2.4 SIGNING OF WARRANT CERTIFICATES**

The Warrant Certificates shall be signed by any one officer of the Corporation. The signature of such officer may be mechanically reproduced in facsimile and Warrant Certificates bearing such facsimile signatures will be binding upon the Corporation as if they had been manually signed by such officer. Notwithstanding that the individual whose manual or facsimile signature appears on any Warrant Certificate as such officer may no longer hold office at the date of such Warrant Certificate or at the date of certification or delivery thereof, any Warrant Certificate signed as aforesaid will, subject to Section 2.5 hereof, be valid and binding upon the Corporation and the Holder thereof shall be entitled to the benefits of this Indenture.

## **2.5 CERTIFICATION BY THE WARRANT AGENT**

- (1) No Warrant Certificate shall be issued or, if issued, shall be valid for any purpose or entitle the Holder to the benefit hereof until it has been certified by manual signature by or on behalf of the Warrant Agent in the form of the certificate set out in Schedule 1 and such certification by the Warrant Agent upon any Warrant Certificate shall be conclusive evidence as against the Corporation that the Warrant Certificate so certified has been duly issued hereunder and that the Holder is entitled to the benefits hereof.
- (2) The certification of the Warrant Agent on Warrant Certificates issued hereunder shall not be construed as a representation or warranty by the Warrant Agent as to the validity of this Indenture or the Warrant Certificates (except the due certification thereof) and the Warrant Agent will in no respect be liable or answerable for the use made of the Warrant Certificates or any of them or of the consideration therefor except as otherwise specified herein.
- (3) Warrant Certificates evidencing the Warrants will be certified by or on behalf of the Warrant Agent on written direction of the Corporation.

## **2.6 WARRANTHOLDER NOT A SHAREHOLDER**

Nothing in this Indenture nor in the holding of a Warrant evidenced by a Warrant Certificate, or otherwise, shall be construed as conferring upon a Warrantholder any right or interest whatsoever as a shareholder of the Corporation, including, but not limited to, the right to vote at, to receive notice of, or to attend, meetings of shareholders or any other proceedings of the Corporation, or the right to receive dividends and other distributions, except as may be provided herein or in the Warrant Certificates.

## **2.7 ISSUE IN SUBSTITUTION FOR LOST WARRANT CERTIFICATE**

- (1) If any Warrant Certificate becomes mutilated or lost, destroyed or stolen, the Corporation, subject to applicable law, shall issue, and thereupon the Warrant Agent shall certify and deliver, a new Warrant Certificate of like date and tenor as the one mutilated, lost, destroyed or stolen in exchange for and in place of and upon cancellation of such mutilated Warrant Certificate, or in lieu of and in substitution for such lost, destroyed or stolen Warrant Certificate, and the substituted Warrant Certificate shall be in a form approved by the Warrant Agent and shall be entitled to the benefits hereof and shall rank equally in accordance with its terms with all other Warrant Certificates issued or to be issued hereunder.
- (2) The applicant for the issue of a new Warrant Certificate pursuant to this Section 2.7 shall bear the cost of the issue thereof and in case of loss, destruction or theft shall, as a condition precedent to the issue thereof, furnish to the Corporation and to the Warrant Agent evidence of ownership and of the loss, destruction or theft of the Warrant Certificate so lost, destroyed or stolen satisfactory to the Corporation and to the Warrant Agent, each in their sole discretion, in each case acting reasonably, and such applicant shall also be required to furnish an indemnity and surety bond in amount and form satisfactory to the Corporation and the Warrant Agent, each in their sole discretion, in each case acting reasonably.

## **2.8 REGISTER FOR WARRANTS**

The Corporation shall cause to be kept by and at the principal transfer office of the Warrant Agent in the City of Toronto, Ontario a securities register in which shall be entered the names and addresses of Holders of Warrants and the other particulars, prescribed by law, of the Warrants held by them. The

Corporation shall also cause to be kept by and at such office a register of transfers, and may also cause to be kept by the Warrant Agent or such other registrar or registrars and at such other place or places as the Corporation may designate with the approval of the Warrant Agent, branch registers of transfers (including, without limitation, branch registers of transfers at each of the other Warrant Agencies) in which shall be recorded the particulars of the transfers of Warrants registered in that branch register of transfers.

## **2.9 TRANSFER OF WARRANTS**

- (1) Subject to subsections 2.9(2) and (3) below, Section 3.5 hereof and such reasonable requirements as the Warrant Agent may prescribe, and all applicable securities legislation and requirements of regulatory authorities, and satisfactory to the Corporation acting reasonably, the Warrants may be transferred on the register kept at the Warrant Agency by the Holder or its legal representatives or its attorney duly appointed by an instrument in writing in form and manner of execution satisfactory to the Warrant Agent only upon the surrendering of the relevant Warrant Certificate with the transfer form forming part thereof duly completed and signed in accordance with the requirements thereof. Upon the Holder surrendering the Warrant Certificate and meeting the requirements set forth above and after receipt of the Warrant Certificate by the Warrant Agent, the Warrant Agent shall issue to the transferee a Warrant Certificate representing the Warrants transferred.
- (2) Notwithstanding subsection (1) above, the Warrantholder shall pay or cause to be paid to the Corporation or the Warrant Agent all applicable transfer or similar taxes, if any, and the Corporation shall not be required to issue or deliver certificates evidencing the Warrants so transferred unless or until such Warrantholder shall have paid to the Corporation or the Warrant Agent on behalf of the Corporation the amount of such tax.
- (3) No transfer of a Warrant shall be valid (i) unless made in accordance with the provisions hereof, and (ii) until, upon compliance with such reasonable requirements as the Warrant Agent may prescribe, such transfer is recorded on the register maintained by the Warrant Agent in accordance with the requirements of subsection (1) of this Section 2.9.

## **2.10 TRANSFEREE ENTITLED TO REGISTRATION**

The transferee of a Warrant shall, after the transfer form attached to the Warrant Certificate is duly completed and signed in accordance with the requirements thereof and the Warrant Certificate and form of transfer are lodged with the Warrant Agent, and upon compliance with all other conditions in that regard required by this Indenture and by all applicable securities legislation and requirements of regulatory authorities, be entitled to have his name entered on the register as the owner of such Warrant free from all equities or rights of set off or counterclaim between the Corporation and the transferor of such Warrant or any previous Holder of such Warrant, save in respect of equities of which the Corporation or the transferee is required to take notice by statute or by order of a court of competent jurisdiction.

## **2.11 REGISTERS OPEN FOR INSPECTION**

The registers hereinbefore referred to shall be open at all reasonable times and upon reasonable notice for inspection by the Corporation, the Warrant Agent or any Warrantholder or agent of a Warrantholder. The Warrant Agent shall, from time to time when requested to do so by the Corporation and upon payment of its reasonable fees and expenses, furnish the Corporation with a list of the names and addresses of

Holders of Warrants entered in the register kept by the Warrant Agent and showing the number of Warrants held by each such Holder.

## **2.12 OWNERSHIP OF WARRANTS**

- (1) The Corporation and the Warrant Agent may deem and treat the registered Holder of any Warrant Certificate as the absolute owner of the Warrants represented thereby for all purposes and the Corporation and the Warrant Agent shall not be affected by any notice or knowledge to the contrary, except where the Corporation or the Warrant Agent is required to take notice by statute or by order of a court of competent jurisdiction. For greater certainty, subject to applicable law, neither the Corporation nor the Warrant Agent will be bound to take notice of or see to the execution of any trust, whether express, implied or constructive, in respect of any Warrant, and may transfer any Warrant on the direction of the Person registered as the Holder thereof, whether named as trustee or otherwise, as though that Person were the beneficial owner thereof.
- (2) Subject to the provisions of this Indenture and applicable law, each Warrantholder shall be entitled to the rights and privileges attaching to the Warrants held thereby. The exercise of the Warrants in accordance with the terms hereof and the receipt by any Warrantholder of the required number of Common Shares pursuant hereto shall be a good discharge to the Corporation and the Warrant Agent with respect to such Warrants and neither the Corporation nor the Warrant Agent shall be bound to inquire into the title of any such Holder.

## **2.13 EXCHANGE OF WARRANT CERTIFICATES**

- (1) Warrant Certificates may, prior to the Time of Expiry and upon compliance with the reasonable requirements of the Warrant Agent and applicable law, be exchanged for another Warrant Certificate or Warrant Certificates entitling the Holder thereof to receive in the aggregate the same number of Common Shares as are issuable under the Warrant Certificate or Warrant Certificates so exchanged.
- (2) Warrant Certificates may be exchanged only at the Warrant Agency or at any other place that is designated by the Corporation with the approval of the Warrant Agent. Any Warrant Certificates tendered for exchange shall be surrendered to the Warrant Agent and shall be cancelled. Provided the exchange of Warrant Certificates complies with the requirements hereof, the Corporation shall sign all Warrant Certificates necessary to carry out the exchanges and those Warrant Certificates shall be certified by or on behalf of the Warrant Agent.

## **2.14 NO CHARGES FOR TRANSFER OR EXCHANGE**

Subject to subsection 2.9(2), no charge will be levied on a presenter of a Warrant Certificate pursuant to this Indenture for the transfer of any Warrant or the exchange of any Warrant Certificate.

# **ARTICLE 3 EXERCISE OF WARRANTS**

## **3.1 EXERCISE OF WARRANTS**

- (1) The registered holder of any Warrant may exercise the rights thereby conferred on him to acquire all or any part of the Common Shares to which such Warrant entitles the holder, by surrendering the Warrant Certificate representing such Warrants to the Warrant Agent at any time on or before the Time of Expiry at its principal stock transfer offices in the City of Toronto, Ontario (or at

such additional place or places as may be decided by the Corporation from time to time with the approval of the Warrant Agent), with a duly completed and executed subscription of the registered holder or his executors, or administrators or other legal representative or his attorney duly appointed by an instrument in writing in the form and manner satisfactory to the Warrant Agent, substantially in the form attached to the Warrant Certificate specifying the number of Common Shares subscribed for together with a certified cheque, bank draft or money order in lawful money of Canada, payable to or to the order of the Corporation in an amount equal to the Exercise Price multiplied by the number of Common Shares subscribed for. A Warrant Certificate with the duly completed and executed subscription and payment of the Exercise Price shall be deemed to be surrendered only upon personal delivery thereof to or, if sent by mail or other means of transmission, upon actual receipt thereof by the Warrant Agent (such date of surrender referred to herein as the “**Exercise Date**”).

- (2) In the event of any acquisition pursuant to section 3.1(1) of a number of Common Shares less than the number which the Holder is entitled to acquire, the Holder shall, upon exercise thereof, be entitled to receive, without charge therefor, a new Warrant Certificate(s) representing the balance of the Common Shares which he was entitled to acquire pursuant to the surrendered Warrant Certificate(s) and which were not then acquired.
- (3) Any subscription referred to in subsection 3.1(1) shall be signed by the Warrantholder, shall specify the person(s) in whose name such Common Shares are to be issued, the address(es) of such person(s) and the number of Common Shares to be issued to each person, if more than one is so specified. If any of the Common Shares subscribed for are to be issued to (a) person(s) other than the Warrantholder, the signatures set out in the subscription referred to in subsection 3.1(1) shall be guaranteed by a major Canadian Schedule I chartered bank, or by a medallion signature guarantee from a member of a recognized Medallion Guarantee Program and the Warrantholder shall pay to the Corporation or the Warrant Agent all applicable transfer or similar taxes and the Corporation shall not be required to issue or deliver certificates evidencing Common Shares unless or until such Warrantholder shall have paid to the Corporation or the Warrant Agent on behalf of the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid or that no tax is due.
- (4) If, at the time of exercise of the Warrants, in accordance with the provisions of subsection 3.1(1), there are any trading restrictions on the Common Shares pursuant to applicable securities legislation or stock exchange requirements, the Corporation shall, on the advice of counsel, endorse any certificates representing the Common Shares to such effect. The Warrant Agent is entitled to assume compliance with all applicable securities legislation unless otherwise notified in writing by the Corporation.
- (5) Notwithstanding anything herein contained, including any adjustment provided for in Article 4, the Corporation shall not be required, upon the exercise of any Warrants, to issue fractions of Common Shares or to distribute certificates which evidence fractional Common Shares. Any fractional Common Shares to which a Warrantholder is entitled upon exercise of Warrants shall be aggregated to form whole Common Shares with any remaining fractional Common Share rounded down to a whole Common Share, as applicable.

### **3.2 EFFECT OF EXERCISE OF WARRANTS**

- (1) Upon compliance by the Warrantholder with the provisions of section 3.1, the Common Shares subscribed for shall be deemed to have been issued and the Person or Persons to whom such Common Shares are to be issued shall be deemed to have become the holder of record of such

Common Shares on the Exercise Date unless the transfer registers of the Corporation for the Common Shares shall be closed on such date, in which case the Common Shares subscribed for shall be deemed to have been issued and such person shall be deemed to have become the holder of record of such Common Shares on the date on which such transfer registers are reopened.

- (2) Within five Business Days following the Exercise Date the Warrant Agent shall deliver to the Corporation a notice setting forth the particulars of all Warrants exercised, if any, and the persons in whose names the Common Shares are to be issued (as applicable) and the addresses of such holders of the Common Shares.
- (3) Within five Business Days following the Exercise Date, the Corporation shall cause the Warrant Agent to mail to the person in whose name the Common Shares so subscribed for are to be issued, as specified in the subscription completed on the Warrant Certificate, at the address specified in such subscription, a certificate or certificates for the Common Shares to which the Warrantholder is entitled and, if applicable, shall cause the Warrant Agent to mail a Warrant Certificate representing any Warrants not then exercised.
- (4) Within five Business Days following the Exercise Date, the Warrant Agent shall remit to the Corporation the funds received by it in respect of the exercise of Warrants.
- (5) In the event that any of the funds provided to the Warrant Agent hereunder are received by it in the form of an uncertified cheque, the Warrant Agent shall be entitled to delay the time for release of such funds and the related Common Shares until such uncertified cheque has cleared the financial institution upon which the same is drawn.
- (6) The forwarding of a cheque or the sending of funds by wire transfer by the Warrant Agent will satisfy and discharge the liability of any amounts due to the extent of the sum represented thereby unless such cheque is not honoured on presentation, provided that in the event of the non-receipt of such cheque by the payee, or the loss or destruction thereof, the Warrant Agent, upon being furnished with reasonable evidence of such non-receipt, loss or destruction and indemnity reasonably satisfactory to it, will issue to such payee a replacement cheque for the amount of such cheque.

### **3.3 WARRANTS VOID AFTER EXPIRY TIME**

Subject to the terms herein, no holder of Warrants will have any further rights under this Indenture or the Warrant Certificates (other than the right to receive Common Shares upon the due exercise of the Warrants) after the Time of Expiry and the Warrants shall thereafter be null and void and of no value or effect.

### **3.4 ACCOUNTING AND RECORDING**

The Warrant Agent shall promptly account to the Corporation with respect to Warrants exercised. Any securities or other instruments from time to time received by the Warrant Agent shall be received in trust for, and shall be segregated and kept apart by the Warrant Agent in trust for, the Corporation.

The Warrant Agent shall record the particulars of Warrants exercised which shall include the names and addresses of the Persons who become holders of Common Shares on the Exercise Date. The Warrant Agent shall provide such particulars in writing to the Corporation.

### 3.5 SECURITIES RESTRICTIONS

(1) Notwithstanding anything herein contained, the Common Shares will only be issued by the Corporation in compliance with the securities laws of any applicable jurisdiction and the certificates representing the Common Shares will bear such legends as may, in the opinion of counsel to the Corporation, be necessary or advisable under any securities laws of any jurisdiction or to comply with the requirements of any stock exchange on which the Common Shares are listed

(2) Canadian Legend:

Each Warrant Certificate originally issued to every Holder, as well as all certificates issued in exchange for or in substitution of the Warrant Certificates, as well as all certificates representing the Common Shares issued upon the exercise of the Warrants before the earlier of the Qualification Date or June 24, 2011, shall bear a legend in substantially the following form:

**“UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE JUNE 24, 2011.**

**WITHOUT THE PRIOR WRITTEN APPROVAL OF THE TSX VENTURE EXCHANGE (THE "EXCHANGE") AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY [OR UNDERLYING] THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF THE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL JUNE 24, 2011.”**

provided that if, at any time, in the opinion of counsel to the Corporation, such legends are no longer necessary or advisable under any such laws, or the Holder of any such legended certificate, at the Holder's expense, provides the Corporation with evidence satisfactory in form and substance to the Corporation (which may include an opinion of counsel satisfactory to the Corporation) to the effect that such Holder is entitled to sell or otherwise transfer such Common Shares in a transaction in which such legends are not required, such legended certificate may thereafter be surrendered to the Corporation in exchange for a certificate which does not bear such legend.

(3) U.S. Legend:

The Warrant Agent understands and acknowledges that the Warrants and the Common Shares have not been and will not be registered under the U.S. Securities Act.

Upon the original issuance thereof, and until such time as the same is no longer required under applicable requirements of the U.S. Securities Act or applicable state securities laws, certificates representing the Warrants, the Common Shares and all certificates issued in exchange therefore or in substitution thereof, will bear the following additional legends:

**“THE SECURITIES REPRESENTED HEREBY [AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF] HAVE NOT BEEN AND WILL**



**NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR ANY STATE SECURITIES LAWS, AND MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH LOCAL LAWS AND REGULATIONS, (C) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT AND IS AVAILABLE FOR RESALE OF THE SECURITIES, (D) IN COMPLIANCE WITH ANY OTHER EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT, INCLUDING (1) RULE 144 OR (2) 144A THEREUNDER, IF AVAILABLE, AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS. THE HOLDER FURTHER UNDERSTANDS AND AGREES THAT IN THE EVENT OF A TRANSFER PURSUANT TO THE FOREGOING CLAUSE (B) OR (D)(1), THE CORPORATION MAY REQUIRE A LEGAL OPINION OF COUNSEL OF RECOGNIZED STANDING REASONABLY SATISFACTORY TO THE CORPORATION THAT SUCH TRANSFER IS EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.”**

**“THE PRESENCE OF THIS LEGEND MAY IMPAIR THE ABILITY OF THE HOLDER HEREOF TO EFFECT “GOOD DELIVERY” OF THE SECURITIES REPRESENTED HEREBY ON A CANADIAN STOCK EXCHANGE.”;**

provided, that if the securities are being sold outside the United States in compliance with the requirements of Rule 904 of Regulation S at a time when the Corporation is a “foreign issuer”, as defined in Rule 902(e) of Regulation S at the time of sale, the legends set forth above may be removed by providing an executed declaration to the registrar and transfer agent of the Corporation, in substantially the forms set forth as Schedule 2 hereto (or in such other forms as the Corporation may prescribe from time to time) and, if requested by the Corporation or the transfer agent, an opinion of counsel of recognized standing in form and substance satisfactory to the Corporation and the transfer agent to the effect that such sale is being made in compliance with Rule 904 of Regulation S; and provided, further, that, if any Securities are being sold otherwise than in accordance with Regulation S and other than to the Corporation, the legend may be removed by delivery to the Corporation and the transfer agent of an opinion of counsel of recognized standing in form and substance reasonably satisfactory to the Corporation and the transfer agent, to the effect that such legend is no longer required under applicable requirements of the U.S. Securities Act or state securities laws.

- (4) The Subscriber understands that the Warrants may not be exercised in the United States or by or on behalf of a U.S. Person unless an exemption from registration is available under the U.S. Securities Act and any applicable state securities laws and the Corporation has received an opinion of counsel of recognized standing to such effect in form and substance reasonably satisfactory to the Corporation; provided, however, that a Holder who purchased Special Warrants in the Corporation’s private placement of Special Warrants in the United States or who was a U.S. Person will not be required to deliver an opinion of counsel in connection with the exercise of Warrants.

**ARTICLE 4**  
**ADJUSTMENT OF NUMBER OF COMMON SHARES**

**4.1 ADJUSTMENT OF NUMBER OF COMMON SHARES**

Subject to the terms herein, the number of Common Shares to which the Holders are entitled upon exercise of the Warrants shall be subject to adjustment from time to time as follows:

- (a) if and whenever at any time from the issue date of the Warrants and prior to the Time of Expiry, the Corporation shall:
  - (i) fix a record date for the issue to, or shall issue to, all or substantially all of the holders of the Common Shares, by way of a stock distribution or dividend (other than a Dividend Paid in the Ordinary Course), Common Shares or other securities exchangeable or convertible into Common Shares;
  - (ii) subdivide, redivide or change its outstanding Common Shares into a greater number of Common Shares; or
  - (iii) reduce, combine or consolidate its outstanding Common Shares into a smaller number of Common Shares;

the number of Common Shares issuable upon the exercise of each Warrant then outstanding shall be adjusted immediately after the earlier of the record date for, and the effective date of, such distribution, dividend, subdivision, redivision, change, reduction, combination or consolidation, by multiplying the number of Common Shares theretofore issuable on the exercise thereof by a fraction of which the numerator shall be the total number of Common Shares outstanding immediately after the earlier of such dates (assuming in the case of the issue of securities exchangeable or convertible into Common Shares the exchange or conversion of all such securities into Common Shares) and the denominator shall be the total number of Common Shares outstanding immediately prior to the earlier of such dates. Such adjustment shall be made successively whenever any event referred to in this subsection shall occur;

- (b) if and whenever at any time from the issue date of the Warrants and prior to the Time of Expiry, there is a reclassification of the Common Shares or a capital reorganization of the Corporation other than as described in clause 4.1(a) hereof or a consolidation, amalgamation, arrangement, merger or other form of business combination of the Corporation with or into any other Person, or a sale, lease, exchange or transfer of all or substantially all of the property and assets of the Corporation to any other Person, any Warranholder who has not exercised its Warrants prior to the record date or effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, business combination, sale, lease, exchange or transfer, upon the exercise of such right thereafter, shall be entitled to receive and shall accept, in lieu of the number of Common Shares such Warranholder would otherwise be entitled to acquire, the kind and number of shares or other securities or property of the Corporation or of the Person resulting from such merger, amalgamation, arrangement, business combination or consolidation, or to which such sale, lease, exchange or transfer may be made, as the case may be, that such Warranholder would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, business combination, sale, lease, exchange or transfer, if, on the record date or

the effective date thereof, as the case may be, the Warrantholder had been the registered holder of the number of Common Shares issuable upon the exercise of such unexercised Warrants. If determined appropriate by the Warrant Agent to give effect to or to evidence the provisions of this clause 4.1(b), the Corporation, its successor, or such other Person, as the case may be, shall, prior to or contemporaneously with any such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, business combination, sale, lease, exchange or transfer, enter into an indenture which shall provide, to the extent possible, for the application of the provisions set forth in this Indenture with respect to the rights and interests thereafter of the Warrantholders to the end that the provisions set forth in this Indenture shall thereafter correspondingly be made applicable, as nearly as may reasonably be possible, with respect to any shares, other securities or property to which a Warrantholder is entitled on the exercise of its acquisition rights thereafter. Any indenture entered into between the Corporation and the Warrant Agent pursuant to the provisions of this clause 4.1(b) shall be a supplemental indenture entered into pursuant to the provisions of Article 12 hereof. Any indenture entered into between the Corporation, any successor to the Corporation or such other Person and the Warrant Agent shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section 4.1 and which shall apply to successive reclassifications, capital reorganizations, consolidations, amalgamations, arrangements, mergers, business combination, sales, leases, exchanges and conveyances;

- (c) if and whenever at any time from the issue date of the Warrants and prior to the Time of Expiry the Corporation shall fix a record date for the issue of rights, options or warrants to all or substantially all of the holders of Common Shares entitling the holders thereof, within a period expiring not more than 45 days after the record date for such issue, to subscribe for or purchase Common Shares (or securities convertible into or exchangeable for Common Shares) at a price per Common Share (or having a conversion or exchange price per Common Share) less than 95 per cent of the Exercise Price, then the number of Common Shares issuable under each Warrant then outstanding will be adjusted immediately after such record date so that it will equal the number obtained by multiplying the number of Common Shares issuable under each Warrant in effect on such record date by a fraction, of which the denominator shall be the total number of Common Shares outstanding on such record date plus the number of Common Shares equal to the number arrived at by dividing the aggregate price of the total number of Common Shares so offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible or exchangeable securities so offered) by such Exercise Price, and of which the numerator shall be the total number of Common Shares outstanding on such record date plus the total number of Common Shares so offered for subscription or purchase (or into or for which the convertible or exchangeable securities so offered are convertible or exchangeable). Any Common Shares owned by or held for the account of the Corporation shall be deemed not to be outstanding for the purpose of any such computation. Such adjustment will be made successively whenever such a record date is fixed. To the extent that any such rights, options or warrants are not exercised prior to the expiration thereof, the number of Common Shares issuable upon exercise of each Warrant will then be readjusted to the number which would then be in effect based upon the number of Common Shares (or securities convertible into or exchangeable for Common Shares) actually issued upon the exercise of such rights, options or warrants, as the case may be;

- (d) if and whenever at any time from the issue date of the Warrants and prior to the Time of Expiry, the Corporation shall fix a record date for the making of a distribution to all or substantially all of the holders of Common Shares of (a) shares of any class other than Common Shares whether of the Corporation or any other corporation, (b) rights, options or warrants to acquire Common Shares or securities exchangeable for or convertible into Common Shares or property or other assets of the Corporation (other than those rights, options or warrants referred to in clause 4.1(c) hereof), (c) evidences of indebtedness, or (d) cash, securities or other property or assets of the Corporation then, in each such case and if such distribution does not constitute a Dividend Paid in the Ordinary Course, or fall under clause 4.1(b) or 4.1(c) above, the number of Common Shares issuable upon exercise of each Warrant then outstanding shall be adjusted immediately after such record date so that it will equal the number determined by multiplying the number of Common Shares issuable upon exercise of each Warrant in effect on such record date by a fraction, of which the denominator shall be the total number of Common Shares outstanding on such record date multiplied by the Exercise Price of the Common Shares on the earlier of such record date and the date on which the Corporation announces its intention to make such distribution, less the aggregate fair market value (as determined by the Directors, acting reasonably, at the time such distribution is authorized) of such shares or rights, options or warrants or evidences of indebtedness or cash, securities or other property or assets so distributed, and of which the numerator shall be the total number of Common Shares outstanding on such record date multiplied by such Exercise Price. Any Common Shares owned by or held for the account of the Corporation shall be deemed not to be outstanding for the purpose of any such computation. Such adjustment will be made successively whenever such a record date is fixed. To the extent that any such rights, options or warrants so distributed are not exercised prior to the expiration thereof, the number of Common Shares issuable upon exercise of each Warrant will then be readjusted to the number which would then be in effect based upon such rights, options or warrants or evidences of indebtedness or cash, securities or other property or assets actually distributed or based upon the number or amount of securities or the property or assets actually issued or distributed upon the exercise of such rights, options or warrants, as the case may be;
- (e) notwithstanding any other provision of this subsection 4.1, no adjustment in the number of Common Shares issuable upon the exercise of Warrants shall be made which would result in a decrease in the number of Common Shares issuable upon the exercise of a Warrant (except in respect of a consolidation of the outstanding Common Shares); and
- (f) the adjustments provided for in this Article 4 in the number of Common Shares and kind and number of shares or other securities which are to be received on the exercise of Warrants are cumulative. After any adjustment pursuant to this Section 4.1, the term "Common Shares" where used in this Indenture shall be interpreted to mean securities of any class or classes which, as a result of such adjustment and all prior adjustments pursuant to this Section 4.1, the Warrantholder is entitled to receive upon the exercise of its Warrant, and the number of Common Shares indicated by any exercise made pursuant to a Warrant shall be interpreted to mean the number of Common Shares or other property or securities a Warrantholder is entitled to receive, as a result of such adjustment and all prior adjustments pursuant to this Section 4.1, upon the full exercise of a Warrant.

#### **4.2 ENTITLEMENT TO SHARES AND OTHER SECURITIES ON EXERCISE OF WARRANTS**

All shares of any class or other securities which a Warrantholder is at the time in question entitled to receive on the exercise of its Warrants, whether or not as a result of adjustments made pursuant to this Article 4, shall, for the purposes of the interpretation of this Indenture, be deemed to be shares or other securities which such Warrantholder is entitled to acquire pursuant to such Warrants.

#### **4.3 NO ADJUSTMENT FOR STOCK OPTIONS ETC.**

Notwithstanding anything in this Article 4, no adjustment shall be made in the acquisition rights attached to the Warrants if the issue of Common Shares, rights, options, warrants or securities exchangeable or convertible into Common Shares is being made pursuant to this Indenture or pursuant to any stock option or stock purchase plan in force from time to time for directors, officers or employees of the Corporation, or being made to satisfy existing publicly disclosed instruments issued and outstanding as of the date of this Indenture.

#### **4.4 DETERMINATION BY CORPORATION'S AUDITORS**

In the event of any question arising with respect to the adjustments provided for in this Article 4 such question shall be conclusively determined by the Corporation's Auditors who shall have access to all necessary records of the Corporation, and such determination shall be binding upon the Corporation, the Warrant Agent, all Warrantholders and all other Persons interested therein.

#### **4.5 PROCEEDINGS PRIOR TO ANY ACTION REQUIRING ADJUSTMENT**

As a condition precedent to the taking of any action which would require an adjustment in any of the acquisition rights pursuant to any of the Warrants, including the number of Common Shares which are to be received upon the exercise thereof, the Corporation shall take any corporate action which may, in the opinion of Counsel, be necessary in order that the Corporation has sufficient authorized capital and that the Corporation may validly and legally issue as fully-paid and non-assessable all the shares, warrants and other securities which the holders of such Warrants are entitled to receive on the full exercise thereof in accordance with the provisions hereof.

#### **4.6 CERTIFICATE OF ADJUSTMENT**

The Corporation shall from time to time immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Article 4 hereof deliver a certificate of the Corporation to the Warrant Agent specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. The Warrant Agent may rely upon such certificates and other documents delivered by the Corporation pursuant to this Article for purposes of the adjustment.

#### **4.7 NOTICE OF SPECIAL MATTERS**

The Corporation covenants with the Warrant Agent that, so long as any Warrant remains outstanding, it will send notice to the Warrant Agent and to the Warrantholders in accordance with Article 10 hereof of its intention to fix a record date or for an effective date to occur that is prior to the Time of Expiry for any event referred to in Section 4.1 or 4.2 hereof. Such notice shall specify the particulars of such event and the record date or effective date for such event, provided that the Corporation shall only be required to specify in the notice such particulars of the event as shall have been fixed and determined on the date on

which the notice is given. The notice shall be sent in each case not less than 14 days prior to such applicable record date or effective date.

#### **4.8 NO ACTION AFTER NOTICE**

The Corporation covenants with the Warrant Agent that it will not close its transfer books or take any other corporate action which might deprive the Holder of a Warrant of the opportunity to exercise its right of acquisition pursuant thereto during the period of 14 days after the giving of the notice set forth in Section 4.7 hereof.

#### **4.9 PROTECTION OF WARRANT AGENT**

The Warrant Agent:

- (a) shall not at any time be under any duty or responsibility to any Warrantholder to determine whether any facts exist which may require any adjustment contemplated by Article 4 hereof, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making the same;
- (b) shall not be accountable with respect to the validity or value (or the kind or amount) of any Common Shares or any shares or other securities or property which may at any time be issued or delivered upon the exercise of the rights attaching to any Warrant;
- (c) shall not be responsible for any failure of the Corporation to issue, transfer or deliver the Common Shares or certificates for the same upon the surrender of any Warrants for the purpose of the exercise of such rights or to comply with any of the covenants contained in this Article 4; and
- (d) shall not incur any liability or responsibility whatsoever or be in any way responsible for the consequences of any breach on the part of the Corporation of any of the representations, warranties or covenants herein contained or of any acts of the directors, officers, employees, agents or servants of the Corporation.

### **ARTICLE 5 PURCHASES BY THE CORPORATION**

#### **5.1 OPTIONAL PURCHASES BY THE CORPORATION**

Subject to compliance with securities legislation and approval of applicable regulatory authorities, the Corporation may from time to time purchase on any stock exchange, in the open market, by private contract or otherwise any of the Warrants. Any such purchase shall be made at the lowest price or prices at which such Warrants are then obtainable, plus reasonable costs of purchase, and may be made in such manner, from such Persons, and on such other terms as the Corporation in its sole discretion may determine. The Warrant Certificates representing Warrants purchased pursuant to this Section 5.1 shall forthwith be delivered to and cancelled by the Warrant Agent. No Warrants shall be issued in replacement thereof.

## **ARTICLE 6 COVENANTS OF THE CORPORATION**

### **6.1 ISSUANCE OF COMMON SHARES**

The Warrants, when issued and certified as herein provided, shall be valid and enforceable against the Corporation and, subject to the provisions of this Indenture, the Corporation shall cause the Common Shares to be acquired pursuant to the exercise of Warrants under this Indenture and the certificates representing such Common Shares to be duly issued. At all times prior to the Time of Expiry, while any of the Warrants are outstanding, the Corporation shall reserve and there shall be conditionally allotted but unissued out of its authorized capital that number of Common Shares sufficient to enable the Corporation to meet its obligations hereunder. All Common Shares issued pursuant to the exercise of the Warrants shall be issued as fully paid and non-assessable shares.

### **6.2 NO AMENDMENT TO COMMON SHARES**

So long as any Warrants are outstanding, the Corporation shall not amend the attributes of the Common Shares unless consented to by the Warrantholders by Extraordinary Resolution.

### **6.3 TO MAINTAIN CORPORATE EXISTENCE**

The Corporation will maintain its corporate existence until the Expiry Date.

### **6.4 REPORTING ISSUER STATUS AND LISTING OF SUBJECT SECURITIES**

The Corporation shall use its reasonable best efforts to maintain its “reporting issuer” or equivalent status in British Columbia, Alberta and Ontario and, after the Qualification Date, in each of the other Qualifying Jurisdictions for a period of at least five years following the Closing Date.

Except to the extent the Corporation participates in a merger or business combination transaction which the Directors determine to be in the best interest of the Corporation and following which the Corporation is not listed on the TSXV, the Corporation will use its commercially reasonable best efforts to maintain the listing of the Common Shares and, if initially listed, the Warrants on the TSXV or such other recognized stock exchange or quotation system for a period of at least five years following the Closing date so long as the Corporation meets the minimum listing requirements of the TSXV or such other exchange or quotation system and will use its commercially reasonable best efforts to ensure the Common Shares underlying the Warrants, will be listed and posted for trading on such exchange simultaneously with or as soon as practicable following their issue.

### **6.5 TO PAY WARRANT AGENT’S REMUNERATION**

The Corporation covenants that it will pay to the Warrant Agent from time to time reasonable remuneration for its services hereunder and will pay or reimburse the Warrant Agent upon its request for all reasonable expenses, disbursements and advances incurred or made by the Warrant Agent in the administration or execution of the obligations hereby created (including the reasonable compensation and the disbursements of its Counsel and all other advisers and assistants not regularly in its employ) both before any default hereunder and thereafter, until all duties of the Warrant Agent hereunder shall be finally and fully performed, except any such expenses, disbursement or advance as may arise out of or result from the Warrant Agent’s gross negligence, wilful misconduct or fraud. The Warrant Agent shall not have any recourse against the securities or any other property held by it pursuant to this Indenture for payment of its fees.

## **6.6 WARRANT AGENT MAY PERFORM COVENANTS**

If the Corporation shall fail to perform any of its covenants contained in this Indenture, the Warrant Agent may notify the Warrantholders of such failure on the part of the Corporation or may itself perform any of the covenants capable of being performed by it but, subject to Article 11 hereof, shall be under no obligation to perform said covenants or to notify the Warrantholders of such performance or non-performance by it. All sums expended or advanced by the Warrant Agent in so doing shall be repayable as provided in Section 6.5 hereof. No such performance, expenditure or advance by the Warrant Agent shall relieve the Corporation of any default hereunder or of its continuing obligations under the covenants herein contained.

## **6.7 SECURITIES QUALIFICATION REQUIREMENTS**

- (1) If, in the opinion of Counsel, any instrument (not including a prospectus, or an offering memorandum) is required to be filed with, or any permission is required to be obtained from any governmental authority in Canada or any other step is required under any federal or provincial law of Canada before any Common Shares which a Warrantholder is entitled to acquire pursuant to the exercise of any Warrant may properly and legally be issued upon due exercise thereof and thereafter traded, without further formality or restriction, the Corporation covenants that it will file such instrument or seek such permission, as the case may be.
- (2) The Corporation or, if required by the Corporation, the Warrant Agent will give notice of the issue of Common Shares upon the exercise of Warrants, in such detail as may be required, to each securities commission or similar regulatory authority in each applicable jurisdiction in Canada in which there is legislation or regulation permitting or requiring the giving of any such notice in order that such issue of Common Shares or the subsequent disposition of such Common Shares will not be subject to the prospectus qualification requirements of such legislation or regulation.

## **6.8 NOTICE OF DEFAULT**

Upon the occurrence of a default by the Corporation under this Indenture, the Corporation shall forthwith give written notice to the Warrant Agent, and give written notice or cause written notice to be given to the Warrantholders, of the occurrence of such default.

# **ARTICLE 7 ENFORCEMENT**

## **7.1 SUITS BY WARRANTHOLDERS**

Subject to Section 9.11 hereof all or any of the rights conferred upon any Warrantholder by any of the terms of the Warrant Certificates or this Indenture may be enforced by the Warrantholder by appropriate legal proceedings but without prejudice to the right which is hereby conferred upon the Warrant Agent to proceed in its own name to enforce each and all of the provisions herein contained for the benefit of the Warrantholders.

## **7.2 LIMITATION OF LIABILITY**

The obligations hereunder are not personally binding upon, nor shall resort hereunder be had to the private property of, any of the past, present or future Directors or shareholders of the Corporation or any Successor Corporation nor any of the past, present or future officers or employees of the Corporation or



any Successor Corporation, but only the property of the Corporation or any Successor Corporation shall be bound in respect thereof.

### **7.3 WAIVER OF DEFAULT**

Upon the happening of any default hereunder:

- (a) the Holders of not less than 51% of the Warrants then outstanding shall have the power (in addition to the powers exercisable by Extraordinary Resolution) by requisition in writing to instruct the Warrant Agent to waive any default hereunder and the Warrant Agent shall thereupon waive the default upon such terms and conditions as shall be prescribed in such requisition; or
- (b) the Warrant Agent shall have power to waive any default hereunder upon such terms and conditions as the Warrant Agent may deem advisable, if, in the Warrant Agent's opinion, the same shall have been cured or adequate provision made therefor;

provided that no delay or omission of the Warrant Agent or of the Warrantholders, as applicable, to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein and provided further that no act or omission either of the Warrant Agent or the Warrantholders shall extend to or be taken in any manner whatsoever to affect any subsequent default hereunder or the rights resulting therefrom.

## **ARTICLE 8 SUCCESSOR CORPORATIONS**

### **8.1 CERTAIN REQUIREMENTS**

The Corporation will not, directly or indirectly, sell, lease, transfer or otherwise dispose of all or substantially all of its property and assets as an entirety to any other corporation and will not amalgamate (except with a wholly-owned subsidiary within the meaning of the *Securities Act* (Ontario)) or merge with or into any other corporation (any such other corporation being herein referred to as a "Successor Corporation") unless:

- (a) the Successor Corporation executes, before or contemporaneously with the consummation of any such transaction, an indenture supplemental hereto together with such other instruments as are satisfactory to the Warrant Agent and in the opinion of Counsel are necessary or advisable to evidence the assumption by the Successor Corporation of the due and punctual observance and performance of all the covenants and obligations of the Corporation under this Indenture; and
- (b) such transaction will to the satisfaction of the Warrant Agent, acting reasonably, and in the opinion of Counsel be upon such terms as substantially to preserve and not impair in any material respect the rights and powers of the Warrant Agent or of the Warrantholders hereunder.

### **8.2 VESTING OF POWERS IN SUCCESSOR**

Whenever the conditions of Section 8.1 hereof have been duly observed and performed, the Successor Corporation will possess and from time to time may exercise each and every right and power of the Corporation under this Indenture in the name of the Corporation or otherwise and any act or proceeding

by any provision of this Indenture required to be done or performed by any Directors or officers of the Corporation may be done and performed with like force and effect by the Directors or officers of such Successor Corporation.

## **ARTICLE 9 MEETINGS OF WARRANTHOLDERS**

### **9.1 RIGHT TO CONVENE MEETING**

The Warrant Agent may at any time and from time to time and will on receipt of a written request of the Corporation or a Warranholders' Request and upon being funded and indemnified to its reasonable satisfaction by the Corporation or by the Warranholders signing such request against the costs which may be incurred in connection with the calling and holding of such meeting, convene a meeting of the Warranholders. In the event of the Warrant Agent failing within 15 days after receipt of any such request and such funding and indemnity to give notice convening a meeting, the Corporation or such Warranholders, as the case may be, may convene such meeting. Every such meeting will be held in the City of Toronto, Ontario, or at such other place as may be approved or determined by the Warrant Agent.

### **9.2 NOTICE OF MEETINGS**

At least 21 days' notice of any meeting of the Warranholders will be given to the Warranholders in the manner provided in Article 10 hereof and a copy thereof must be sent to the Warrant Agent unless the meeting has been called by it and to the Corporation unless the meeting has been called by it. Such notice must state the time when and the place where the meeting is to be held and state briefly the general nature of the business to be transacted thereat (in such detail as is reasonably necessary to enable the Warranholders to make a reasoned decision thereon) and it will not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Article.

### **9.3 CHAIRMAN**

An individual (who need not be a Warranholder) designated in writing by the Warrant Agent, will be the chairman of the meeting and if no individual is so designated, or if the individual so designated is not present within 15 minutes from the time fixed for the holding of the meeting, the Warranholders present in person or by proxy will choose some individual present to be chairman.

### **9.4 QUORUM**

Subject to Section 9.12 hereof, at any meeting of the Warranholders a quorum will consist of Warranholders present in person or by proxy and holding at least 25% of all of the then outstanding Warrants, provided that at least two Persons entitled to vote thereat are personally present or represented by proxy. If a quorum is not present within 30 minutes from the time fixed for holding any meeting, the meeting, if summoned by the Warranholders or pursuant to a Warranholders' Request, will be dissolved; but in any other case the meeting will be adjourned to the same day in the next week (unless such day is not a Business Day in which case it will be adjourned to the next following Business Day) at the same time and place and no notice will be required to be given in respect of such adjourned meeting. At the adjourned meeting the Warranholders present in person or by proxy will form a quorum and may transact the business for which the meeting was originally convened notwithstanding that they may not be holding at least 25% of all of the then outstanding Warrants.

## **9.5 POWER TO ADJOURN**

The chairman of any meeting at which a quorum is present may with the consent of the meeting adjourn any such meeting and no notice of such adjournment need be given except such notice, if any, as the meeting may prescribe.

## **9.6 SHOW OF HANDS**

Every question submitted to a meeting will be decided in the first place by a majority of the votes given on a show of hands except that votes on Extraordinary Resolutions will be given in the manner hereinafter provided. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority will be conclusive evidence of the fact.

## **9.7 POLL**

On every Extraordinary Resolution, and on any other question submitted to a meeting when demanded by the chairman or by one or more Warranholders and/or proxies for Warranholders, a poll must be taken in such manner and either at once or after an adjournment, as the chairman directs. Questions other than Extraordinary Resolutions will, if a poll is taken, be decided by a majority of the votes cast on the poll.

## **9.8 VOTING**

On a show of hands every Person who is present and entitled to vote, whether as a Warranholder or as proxy for one or more Warranholders or both, will have one vote. On a poll each Warranholder present in person or represented by a proxy duly appointed by an instrument in writing will be entitled to one vote in respect of each Warrant which that Person holds or is represented by that Person. A proxy need not be a Warranholder. In the case of joint Holders of a Warrant, any one of them present in person or by proxy at the meeting may vote in the absence of the other or others; but in case more than one of them is present in person or by proxy, they must vote together in respect of the Warrants of which they are joint Holders. The chairman of any meeting shall be entitled, both on a show of hands and on a poll, to vote in respect of any warrants held or represented by him, but shall not have a second or deciding vote.

## **9.9 REGULATIONS**

- (1) The Warrant Agent or the Corporation with the approval of the Warrant Agent, may from time to time make and from time to time vary or restate such regulations as it shall from time to time think fit regarding, without limitation, the following:
  - (a) providing for and governing the voting by proxy by Warranholders and the form of instrument appointing proxies and the manner in which the same shall be executed, and for the production of the authority of any Person signing on behalf of the giver of such proxy;
  - (b) for the deposit of instruments appointing proxies at such place as the Warrant Agent, the Corporation or the Warranholders convening the meeting, as the case may be, may, in the notice convening the meeting, direct and the time, if any, before the holding of the meeting or any adjournment thereof by which the same must be deposited;
  - (c) for the deposit of instruments appointing proxies at some approved place or places other than the place at which the meeting is to be held and enabling particulars of such

instruments appointing proxies to be mailed, telecopied or sent by facsimile before the meeting to the Corporation or to the Warrant Agent at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting; and

- (d) generally, the calling of meetings of Warranholders and the conduct of business thereat.
- (2) Any regulations so made will be binding and effective and the votes given in accordance therewith will be valid and will be counted. Except as such regulations may provide, the only Persons who will be recognized at any meeting as Warranholders, or as entitled to vote or be present at the meeting in respect thereof (subject to Section 9.10 hereof), will be Warranholders and Persons whom Warranholders have by instrument in writing duly appointed as their proxies.

#### **9.10 CORPORATION AND WARRANT AGENT MAY BE REPRESENTED**

The Corporation and the Warrant Agent, by their respective employees, officers and Directors, and the legal advisers of the Corporation and the Warrant Agent, may attend any meeting of the Warranholders, and shall be recognized and given reasonable opportunity to speak to any resolutions proposed for consideration by the meeting, but shall not be entitled to vote thereat, whether in respect of any Warrants held by them or otherwise.

#### **9.11 POWERS EXERCISABLE BY EXTRAORDINARY RESOLUTION**

Subject to applicable law and the rules and regulations of any stock exchange having jurisdiction, in addition to the powers conferred upon them by any other provisions of this Indenture or by law, the Warranholders at a meeting shall have the power, exercisable from time to time by Extraordinary Resolution:

- (a) to sanction any modification, abrogation, alteration, compromise or arrangement of the rights of the Warranholders and/or, with the consent of the Warrant Agent (such consent not to be unreasonably withheld), the Warrant Agent against the Corporation, or against its property, whether such rights arise under this Indenture or the Warrant Certificates or otherwise;
- (b) to assent to any modification of or change in or addition to or omission from the provisions contained in this Indenture or in the Warrant Certificates which must be agreed to by the Corporation and to authorize the Warrant Agent to concur in and execute any indenture supplemental hereto embodying any such modification, change, addition or omission;
- (c) to sanction any scheme for the reconstruction or reorganization of the Corporation or for the consolidation, amalgamation or merger of the Corporation with any other corporation or for the sale, leasing, transfer or other disposition of the undertaking, property and assets of the Corporation or any part thereof, provided that no such sanction will be necessary in respect of any such transaction if Section 8.1 hereof has been complied with;
- (d) to direct or authorize the Warrant Agent to exercise any power, right, remedy or authority given to it by this Indenture in any manner specified in any such Extraordinary Resolution or to refrain from exercising any such power, right, remedy or authority;

- (e) to waive and direct the Warrant Agent to waive any default of the Corporation hereunder either unconditionally or upon any condition specified in such Extraordinary Resolution;
- (f) to restrain any Warrantholder from taking or instituting any suit, action or proceeding for the purpose of enforcing any of the covenants of the Corporation contained in this Indenture or the Warrant Certificates, or for the execution of any trust or power hereunder;
- (g) to direct any Warrantholder who, as such, has brought any action, suit or proceeding to stay or discontinue or otherwise deal with the same upon payment of the costs, charges and expenses reasonably and properly incurred by such Warrantholder in connection therewith;
- (h) to amend, alter or repeal any Extraordinary Resolution previously passed or sanctioned by the Warrantholders; and
- (i) to remove the Warrant Agent and appoint a successor Warrant Agent.

#### **9.12 MEANING OF “EXTRAORDINARY RESOLUTION”**

- (1) The expression “Extraordinary Resolution” when used in this Indenture means, subject as provided in this Article, a resolution proposed to be passed at a meeting of Warrantholders duly convened for the purpose and held in accordance with the provisions of this Article at which there are Warrantholders present in person or by proxy who hold at least 25% of the aggregate number of all of the then outstanding Warrants and passed by the affirmative votes of the Warrantholders holding at least 66 2/3% of the aggregate number of all of the then outstanding Warrants represented at the meeting and voted on a poll upon such resolution.
- (2) If, at any such meeting, the Warrantholders holding at least 25% of the aggregate number of all of the then outstanding Warrants are not present in person or by proxy within 30 minutes after the time appointed for the meeting, then the meeting, if convened by or on the requisition of the Warrantholders, will be dissolved; but in any other case it will stand adjourned to such date, being not less than 14 nor more than 60 days later, and to such place and time as may be appointed by the chairman. Not less than seven days’ prior notice will be given of the time and place of such adjourned meeting in the manner provided in Article 10. Such notice must state that at the adjourned meeting the Warrantholders present in person or by proxy will form a quorum but it will not be necessary to set forth the purposes for which the meeting was originally called or any other particulars. At the adjourned meeting, the Warrantholders present in person or by proxy will form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed by the requisite vote as provided in subsection 9.12(1) hereof will be an Extraordinary Resolution within the meaning of this Indenture, notwithstanding that Warrantholders holding at least 25% of the aggregate number of all of the then outstanding Warrants are not present in person or by proxy at such adjourned meeting.
- (3) Votes on an Extraordinary Resolution will always be given on a poll and no demand for a poll on an Extraordinary Resolution will be necessary.

### **9.13 POWERS CUMULATIVE**

It is hereby declared and agreed that any one or more of the powers and/or any combination of the powers in this Indenture stated to be exercisable by the Warrantholders by Extraordinary Resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers or any combination of powers from time to time will not be deemed to exhaust the rights of the Warrantholders to exercise the same or any other such power or combination of powers thereafter from time to time.

### **9.14 MINUTES**

Minutes of all resolutions and proceedings at every meeting of Warrantholders will be made and duly entered in books to be from time to time provided for that purpose by the Warrant Agent at the expense of the Corporation, and any such minutes as aforesaid, if signed by the chairman or secretary of the meeting at which such resolutions were passed or proceedings had, or by the chairman or secretary of the next succeeding meeting (if any) of the Warrantholders will be prima facie evidence of the matters therein stated and, until the contrary is proved, every such meeting in respect of the proceedings of which minutes will have been made will be deemed to have been duly held and convened, and all resolutions passed thereat or proceedings taken thereat, to have been duly passed and taken.

### **9.15 INSTRUMENTS IN WRITING**

All actions which may be taken and all powers which may be exercised by the Warrantholders at a meeting held as hereinbefore in this Article provided may also be taken and exercised by Warrantholders holding at least 66 2/3% of the aggregate number of all of the then outstanding Warrants by an instrument in writing signed in one or more counterparts and the expression "Extraordinary Resolution" when used in this Indenture will include an instrument so signed.

### **9.16 BINDING EFFECT OF RESOLUTIONS**

Every resolution and every Extraordinary Resolution passed in accordance with the provisions of this Article at a meeting of Warrantholders will be binding upon all Warrantholders, whether present at or absent from such meeting, and every instrument in writing signed by Warrantholders in accordance with Section 9.15 hereof will be binding upon all the Holders of Warrants, whether signatories thereto or not, and each and every Warrantholder and the Warrant Agent (subject to the provisions for its funding and indemnity herein contained) will be bound to give effect accordingly to every such resolution, Extraordinary Resolution and instrument in writing.

### **9.17 HOLDINGS BY CORPORATION DISREGARDED**

In determining whether Warrantholders holding Warrants evidencing the required number of Warrants are present at a meeting of Warrantholders for the purpose of determining a quorum or have concurred in any consent, waiver, Extraordinary Resolution, Warrantholders' Request or other action under this Indenture, Warrants owned legally or beneficially by the Corporation or any Subsidiary of the Corporation shall be disregarded and deemed not to be outstanding. The Corporation shall provide to the Warrant Agent at the time fixed for a meeting pursuant to this Article 9, a certificate of a duly appointed officer of the Corporation stating the number of Warrants legally or beneficially held by the Corporation or any Subsidiary of the Corporation as at the time fixed for the holding of such meeting.

**ARTICLE 10  
NOTICES**

**10.1 NOTICE TO THE CORPORATION, THE AGENTS AND THE WARRANT AGENT**

- (a) Unless herein otherwise expressly provided, any notice to be given hereunder to the Corporation, the Warrant Agent or the Agents shall be deemed to be validly given if delivered or if sent by registered letter, postage prepaid, or by facsimile transmission:

if to the Corporation:

Royal Coal Corp.  
70 York Street  
Suite 1410  
Toronto, ON M5J 1S9

Attention: Tom Griffis, Chairman  
Fax: (416) 867-9320

with a copy to:

Irwin Lowy LLP  
130 Adelaide Street W., Suite 2700  
Toronto, ON M5H 3P5

Attention: Eric Lowy  
Fax: (416) 361-2519

if to the Agents:

Cormark Securities Inc.  
Royal Bank Plaza  
South Tower, Suite 2800  
P.O. Box 63  
Toronto, ON  
M5J 2J2

Attention: Jeff Kennedy  
Fax: (416) 943-6496

with a copy to:

Heenan Blaikie LLP  
P.O. Box 2900  
333 Bay Street, Suite 2900  
Toronto, ON M5H 2T4

Attention: Kevin Rooney  
Fax: (416) 360-8425

if to the Special Warrant Agent:

CIBC Mellon Trust Company  
600, 333 – 7<sup>th</sup> Avenue SW  
Calgary, AB  
T2P 2Z1

Attention:     Manager  
Fax:           (403) 264-2100

and any such notice delivered in accordance with the foregoing shall be deemed to have been received on the date of delivery (provided that, if sent after 5:00 p.m. (local time), the foregoing shall be deemed to be received on the next Business Day) or, if mailed, on the fifth Business Day following the date of the postmark on such notice.

- (b) The Corporation, the Warrant Agent or the Agents, as the case may be, may from time to time notify the others in the manner provided in subsection 10.1(a) hereof of a change of address which, from the effective date of such notice and until changed by like notice, shall be the address of the Corporation, the Warrant Agent or the Agents, as the case may be, for all purposes of this Indenture.

## **10.2 NOTICE TO HOLDERS OF WARRANTS**

Except as herein otherwise expressly provided and subject to Section 10.3 hereof, any notice required or permitted to be given to Warrantholders under the provisions of this Indenture shall be deemed to be validly given if personally delivered or if sent by ordinary post to the Holders at their addresses appearing in one of the registers hereinbefore mentioned. Any notice so sent shall be deemed to have been received on the next Business Day after the date of delivery to such address or, if mailed, on the fifth Business Day following the date on which it was mailed. Accidental error or omission in giving notice or accidental failure to give notice to Warrantholders shall not invalidate any action or proceeding founded thereon. In determining under any provision hereof the date when notice of any meeting or other event must be given, the date of giving notice shall be included and the date of the meeting or other event shall be excluded.

## **10.3 MAIL SERVICE INTERRUPTION**

- (1) If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Warrantholders, the Warrant Agent, the Agents or the Corporation would be unlikely to reach its destination in the ordinary course of mail, such notice shall be valid and effective only if the notice is:
  - (a) in the case of the Warrant Agent, the Agents or the Corporation, delivered to an officer of the party to which it is addressed or if sent to such party, at the appropriate address in accordance with Section 10.1 hereof by facsimile or other means of prepaid transmitted or recorded communication; and
  - (b) in the case of Warrantholders, published once (i) in the City of Toronto, Ontario, such publication to be made in the national edition of The Globe & Mail or another daily newspaper of general circulation published in Toronto; and (ii) in such other place or places and manner, if any, as the Warrant Agent may require.



- (2) Any notice given to the Warrantholders by publication shall be deemed to have been given on the last day on which publication shall have been effected pursuant to subsection 10.3(1) hereof.

## **ARTICLE 11 CONCERNING THE WARRANT AGENT**

### **11.1 WARRANT INDENTURE LEGISLATION**

- (1) The expression “Indenture Legislation” means the provisions, if any, of the *Business Corporations Act* (Ontario) and any other statute of Canada or any province thereof, and of any regulations under any such statute, relating to warrant indentures and to the rights, duties and obligations of warrant agents under warrant indentures and of corporations under warrant indentures, to the extent that such provisions may at the time be in force and applicable to this Indenture or the Corporation.
- (2) The Corporation and the Warrant Agent agree that each will at all times in relation to this Indenture and in relation to any action to be taken hereunder observe and comply with and be entitled to the benefits of Indenture Legislation.
- (3) If and to the extent that any provision of this Indenture limits, qualifies or conflicts with any mandatory requirement of Indenture Legislation, such mandatory requirement will prevail.

### **11.2 NO CONFLICT OF INTEREST**

The Warrant Agent represents to the Corporation that at the date of the execution and delivery of this Indenture there exists no material conflict of interest in its role as a warrant agent hereunder. In the event of a material conflict of interest arising in the Warrant Agent’s role hereunder the Warrant Agent will, as soon as practicable but in any case within 90 days after ascertaining that it has such material conflict of interest, either eliminate the same or assign its trust hereunder to a successor Warrant Agent approved by the Corporation. Notwithstanding the foregoing provisions of this Section, if any such material conflict of interest exists or hereafter shall exist, the validity and enforceability of this Indenture and the Warrant Certificate(s) shall not be affected in any manner whatsoever by reason hereof.

### **11.3 REPLACEMENT OF WARRANT AGENT**

- (1) The Warrant Agent may resign its obligations and be discharged from all further duties and liabilities hereunder by giving to the Corporation at least 45 days’ notice in writing or such shorter notice as the Corporation may accept as sufficient. The Warrantholders by Extraordinary Resolution shall have the power at any time to remove the existing Warrant Agent and to appoint a new Warrant Agent. If the Warrant Agent resigns or is removed by Extraordinary Resolution or is dissolved, becomes bankrupt, goes into liquidation or otherwise becomes incapable of acting hereunder, the Corporation will forthwith appoint a new Warrant Agent unless a new Warrant Agent has already been appointed by the Warrantholders; failing such appointment by the Corporation, the retiring Warrant Agent at the Corporation’s expense or any Warrantholder may apply to a Judge of Ontario Superior Court of Justice, on such notice as such Judge may direct, for the appointment of a new Warrant Agent; but any new Warrant Agent so appointed by the Corporation or by the Court will be subject to removal as aforesaid by the Warrantholders. Any new Warrant Agent appointed under any provision of this Section must be a corporation authorized to carry on the business of a transfer agent or a trust company in each of the Qualifying Jurisdictions and must be a corporation which is independent of the Corporation and has no material conflict of interest. On any new appointment the new Warrant Agent will be

vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as Warrant Agent.

- (2) Any corporation into which the Warrant Agent may be merged or with which it may be consolidated or amalgamated or any corporation resulting from any merger, consolidation or amalgamation to which the Warrant Agent will be a party, will be the successor Warrant Agent under this Indenture without the execution of any instrument or any further act.
- (3) In case at any time the name of the Warrant Agent is changed and at such time any of the Warrant Certificates have been countersigned but not delivered, the Warrant Agent may adopt the countersignature under its prior name and deliver Warrant Certificates so countersigned; and in case at that time any of the Warrant Certificates have not been countersigned, the Warrant Agent may countersign such Warrant Certificates either in its prior name or in its changed name; and in all such cases such Warrant Certificates will have the full force provided in the Warrant Certificates and in this Indenture.

#### **11.4 EXPERTS, ADVISERS AND AGENTS**

- (1) In addition to the reports, certificates, opinions and other evidence required by this Indenture, the Corporation shall furnish to the Warrant Agent such additional evidence of compliance with any provision hereof, and in such form, as may be prescribed by Indenture Legislation or as the Warrant Agent may reasonably require by written notice to the Corporation.
- (2) In the exercise of its rights and duties hereunder, the Warrant Agent may, if it is acting in good faith, rely as to the truth of the statements and the accuracy of the opinions expressed in statutory declarations, opinions, reports, written requests, consents, or orders of the Corporation, certificates of the Corporation or other evidence furnished to the Warrant Agent pursuant to a request of the Warrant Agent, not only as to its due execution and the validity and effectiveness of its provisions, but also to the truth and acceptability of any information therein contained which the Warrant Agent in good faith believes to be genuine.
- (3) The Warrant Agent may employ or retain such counsel, accountants, appraisers or other experts or advisers as it may reasonably require for the purpose of determining and discharging its duties hereunder and may rely and act upon the advice of such counsel, accountants, appraisers or other experts or advisers whether obtained by the Warrant Agent or by Corporation and may pay reasonable remuneration for all services so performed by any of them, without taxation of costs of any counsel, and shall not be responsible for any misconduct or negligence on the part of any such experts or advisers who have been appointed with due care by the Warrant Agent. The Corporation shall pay or reimburse the Warrant Agent for any reasonable fees, expenses and disbursements of such counsel, accountants, appraisers or other experts or advisers.
- (4) Whenever Indenture Legislation requires that evidence referred to above be in the form of a statutory declaration, the Warrant Agent may accept such statutory declaration in lieu of a certificate of the Corporation required by any provision hereof. Any such statutory declaration may be made by one or more of the Chief Executive Officer, President, Chief Financial Officer or Secretary of the Corporation.
- (5) Proof of the execution of an instrument in writing, including a Warrantholders' Request, by any Warrantholder may be made by the certificate of a notary, solicitor or commissioner for oaths, or other officer with similar powers, that the person signing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution or in any other manner

which the Warrant Agent may consider adequate and in respect of a corporate Warrantholder, shall include a certificate of incumbency of such Warrantholder together with a certified resolution authorizing the person who signs such instrument to sign such instrument.

#### **11.5 WARRANT AGENT MAY DEAL IN SECURITIES**

Subject to Section 11.2 hereof, the Warrant Agent may buy, sell, lend upon and deal in securities of the Corporation and generally contract and enter into financial transactions with the Corporation or otherwise, without being liable to account for any profits made thereby.

#### **11.6 WARRANT AGENT NOT ORDINARILY BOUND**

Except as otherwise specifically provided herein, the Warrant Agent will not, subject to the provisions of Indenture Legislation, be bound to give notice to any Person of the execution hereof, nor to do, observe or perform or see to the observance or performance by the Corporation of any of the obligations herein imposed upon the Corporation or of the covenants on the part of the Corporation herein contained.

#### **11.7 WARRANT AGENT NOT REQUIRED TO GIVE SECURITY**

The Warrant Agent shall not be required to give any bond or security in respect of the execution of the trusts and powers of this Indenture or otherwise in respect of the premises.

#### **11.8 WARRANT AGENT NOT REQUIRED TO GIVE NOTICE OF DEFAULT**

The Warrant Agent shall not be bound to give any notice or do or take any act, action or proceeding by virtue of the powers conferred on it hereby unless and until it shall have been required so to do under the terms hereof; nor shall the Warrant Agent be required to take notice of any default hereunder, unless and until notified in writing of such default, which notice shall distinctly specify the default desired to be brought to the attention of the Warrant Agent and in the absence of any such notice the Warrant Agent may for all purposes of this Indenture conclusively assume that no default has been made in the observance or performance of any of the representations, warranties, covenants, agreements or conditions contained herein. Any such notice shall in no way limit any discretion herein given to the Warrant Agent to determine whether or not the Warrant Agent shall take action with respect to any default.

#### **11.9 ACCEPTANCE OF TRUST**

The Warrant Agent hereby accepts the trusts in this Indenture declared and provided for and agrees to perform the same upon the terms and conditions herein set forth and in trust for the various Persons who will from time to time be Warrantholders, subject to all the terms and conditions herein set forth.

#### **11.10 DUTIES OF WARRANT AGENT**

The Warrant Agent, in exercising its powers and discharging its duties hereunder, will:

- (a) act honestly and in good faith with a view to the best interests of the Warrantholders; and
- (b) exercise the care, diligence and skill that a reasonably prudent warrant agent would exercise in comparable circumstances.

### **11.11 ACTIONS BY WARRANT AGENT**

The obligation of the Warrant Agent to commence or continue any act, action or proceeding for the purpose of enforcing any rights of the Warrant Agent or the Warrantholders hereunder shall be conditional upon the Warrantholders delivering to the Warrant Agent:

- (a) a Warrantholder's Request or Extraordinary Resolution directing the Warrant Agent to take such act, action, or proceeding;
- (b) sufficient funds to commence or continue such act, action or proceeding; and
- (c) an indemnity reasonably satisfactory to the Warrant Agent to protect and hold harmless the Warrant Agent against the costs, charges and expenses and liabilities to be incurred thereby and any loss and damages it may suffer by reason thereof.

None of the provisions contained in this Indenture shall require the Warrant Agent to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers unless indemnified and funded as aforesaid.

The Warrant Agent may, before commencing or at any time during the continuance of any such act, action or proceeding, require the Warrantholders, at whose instance it is acting, to deposit with the Warrant Agent the Warrants held by them, for which Warrants the Warrant Agent shall issue receipts.

### **11.12 PROTECTION OF WARRANT AGENT**

By way of supplement to the provisions of any law for the time being relating to Warrant Agent it is expressly declared and agreed as follows:

- (a) the Warrant Agent shall not be liable for or by reason of any statements of fact or recitals in this Indenture or in the Warrant Certificates (except the representation contained in Section 11.2 hereof or in the certificate of the Warrant Agent on the Warrant Certificates) or be required to verify the same, but all such statements or recitals are and shall be deemed to be made by the Corporation;
- (b) nothing herein contained shall impose any obligation on the Warrant Agent to see to or to require evidence of the registration or filing (or renewal thereof) of this Indenture or any instrument ancillary or supplemental hereto;
- (c) the Warrant Agent shall not be bound to give notice to any Person or Persons of the execution hereof;
- (d) No duty shall rest with the Warrant Agent to determine compliance of the transferor or transferee with applicable securities laws. The Warrant Agent shall be entitled to assume that all transfers are legal and proper;
- (e) The Warrant Agent shall not be liable for any error in judgment or for any act done or step taken or omitted by it in good faith or for any mistake, in fact or law, or for anything which it may do or refrain from doing in connection herewith except arising out of its own gross negligence, bad faith or willful misconduct; and

- (f) The Warrant Agent shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Warrant Agent, in its sole judgment, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Warrant Agent, in its sole judgment, determine at any time that its acting under this Indenture has resulted in its being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days' written notice to the Corporation provided: (i) that the Warrant Agent's written notice shall describe the circumstances of such non-compliance; and (ii) that if such circumstances are rectified to the Warrant Agent's satisfaction within such 10-day period, then such resignation shall not be effective.

### **11.13 INDEMNIFICATION OF THE WARRANT AGENT**

The Warrant Agent and its employees, officers, directors, agents, successors and assigns will at all times be indemnified and saved harmless by the Corporation from and against all claims, demands, losses, actions, causes of action, costs, charges, expenses, damages and liabilities whatsoever arising in connection with this Indenture, including, without limitation, those arising out of or related to actions taken or omitted to be taken by the Warrant Agent contemplated hereby, legal fees and disbursements on a solicitor and client basis and costs and expenses incurred in connection with the enforcement of this indemnity, which the Warrant Agent may suffer or incur, whether at law or in equity, in any way caused by or arising, directly or indirectly, in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of its duties as Warrant Agent. The foregoing provisions of this Section do not apply to the extent that in any circumstances there has been acts of gross negligence, wilful misconduct or fraud by the Warrant Agent. This indemnity will survive the termination or discharge of this Indenture and the resignation or removal of the Warrant Agent.

## **ARTICLE 12 SUPPLEMENTAL INDENTURES**

### **12.1 SUPPLEMENTAL INDENTURES**

- (1) Subject to applicable law and the rules and regulations of any stock exchange having jurisdiction, from time to time the Warrant Agent and, when authorized by a resolution of the Directors of the Corporation, the Corporation may, subject to the provisions hereof, and they shall, when required by this Indenture, execute, acknowledge and deliver, by their proper officers, deeds or indentures supplemental hereto, which thereafter will form part hereof, for any one or more of the following purposes:
  - (a) adding to the covenants of the Corporation herein contained for the protection of the Warranholders in addition to those herein specified;
  - (b) making such provision not inconsistent with this Indenture as may be necessary or desirable with respect to matters or questions arising hereunder, including the making of any modifications in the form of the Warrant Certificates which do not affect the substance thereof and which, in the opinion of the Warrant Agent based on the advice of Counsel, it may be expedient to make, provided that the Warrant Agent will be of the opinion based on the advice of Counsel that such provisions and modifications will not be prejudicial to the interests of the Warranholders;

- (c) with the prior written consent of the Agents, adding to or altering the provisions hereof in respect of the transfer of Warrants, making provision for the exchange of Warrant Certificates and making any modification in the form of the Warrant Certificate which does not affect the substance thereof;
  - (d) evidencing the succession, or successive successions, of other corporations to the Corporation and the covenants of and obligations assumed by any such successor in accordance with the provisions of this Indenture;
  - (e) giving effect to any Extraordinary Resolution passed as provided in Article 9 hereof;
  - (f) setting forth adjustments in the application of the provisions of Article 4 hereof; and
  - (g) for any other purpose not inconsistent with the terms of this Indenture.
- (2) The Warrant Agent may also, without the consent or concurrence of the Warrantholders, by supplemental indenture or otherwise, concur with the Corporation in making any changes or corrections in this Indenture which it has been advised by Counsel are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or clerical omission or mistake or manifest error contained herein or in any deed or indenture supplemental or ancillary hereto, provided that in the opinion of the Warrant Agent based on the advice of Counsel, the rights of the Warrant Agent and of the Warrantholders are in no way prejudiced thereby.

## **ARTICLE 13 GENERAL PROVISIONS**

### **13.1 EXECUTION**

This Indenture may be executed in several counterparts, and may be executed by facsimile or other means of electronic communication producing a printed copy, each of which when so executed will be deemed to be an original and such counterparts together will constitute one and the same instrument and notwithstanding their date of execution they shall be deemed to be dated as of the date hereof.

### **13.2 SATISFACTION AND DISCHARGE OF INDENTURE**

Upon the Time of Expiry, if all certificates representing Common Shares required to be issued upon the due exercise of the Warrants in compliance with the provisions hereof have been issued and delivered hereunder in accordance with such provisions, this Indenture shall cease to be of any force and effect and the Warrant Agent, on demand of and at the cost and expense of the Corporation and upon delivery to the Warrant Agent of a certificate of the Corporation stating that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture. Notwithstanding the foregoing, the indemnities provided to the Warrant Agent by the Corporation hereunder shall remain in full force and effect and survive the termination of this Indenture.

### **13.3 PROVISIONS OF INDENTURE AND WARRANTS FOR THE SOLE BENEFIT OF PARTIES AND WARRANTHOLDERS**

Nothing in this Indenture or in the Warrant Certificates, expressed or implied, shall give or be construed to give to any Person other than the parties thereto and the Warrantholders, as the case may be, any legal or equitable right, remedy or claim under this Indenture, or under any covenant or provision herein or

therein contained, all such covenants and provisions being for the sole benefit of the parties hereto and Warrantholders.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF the parties hereto have executed this Indenture under the hands of their proper officers on their behalf as of the date first above written.

**ROYAL COAL CORP.**

Per: “Tom Griffis” (Signed)  
Authorized Signatory

**CIBC MELLON TRUST COMPANY**

Per: “Jacquie Fisher” (Signed)  
Authorized Signatory

Per: “Cathy Scherle” (Signed)  
Authorized Signatory



## SCHEDULE 1

### (FORM OF WARRANT CERTIFICATE)

**UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE JUNE 24, 2011.**

**WITHOUT THE PRIOR WRITTEN APPROVAL OF THE TSX VENTURE EXCHANGE (THE "EXCHANGE") AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY [OR UNDERLYING] THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF THE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL JUNE 24, 2011.**

[Upon the original issuance thereof, and until such time as the same is no longer required under applicable requirements of the U.S. Securities Act or applicable state securities laws, certificates representing the Warrants, the Common Shares and all certificates issued in exchange therefore or in substitution thereof, will bear the following legends:]

**THE SECURITIES REPRESENTED HEREBY [AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF] HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR ANY STATE SECURITIES LAWS, AND MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 904 OF REGULATIONS UNDER THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH LOCAL LAWS AND REGULATIONS, (C) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT AND IS AVAILABLE FOR RESALE OF THE SECURITIES, (D) IN COMPLIANCE WITH ANY OTHER EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT, INCLUDING (1) RULE 144 OR (2) 144A THEREUNDER, IF AVAILABLE, AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS. THE HOLDER FURTHER UNDERSTANDS AND AGREES THAT IN THE EVENT OF A TRANSFER PURSUANT TO THE FOREGOING CLAUSE (B) OR (D)(1), THE CORPORATION MAY REQUIRE A LEGAL OPINION OF COUNSEL OF RECOGNIZED STANDING REASONABLY SATISFACTORY TO THE CORPORATION THAT SUCH TRANSFER IS EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS."**

**"THE PRESENCE OF THIS LEGEND MAY IMPAIR THE ABILITY OF THE HOLDER HEREOF TO EFFECT "GOOD DELIVERY" OF THE SECURITIES REPRESENTED HEREBY ON A CANADIAN STOCK EXCHANGE.**

**WARRANT CERTIFICATE****ROYAL COAL CORP.**

No. ●	● WARRANTS entitling the holder to acquire, subject to adjustment, one Common Share of Royal Coal Corp. for each Warrant represented hereby
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THIS CERTIFICATE IS TO CERTIFY that for value received \_\_\_\_\_ (herein referred to as the “**Holder**” or the “**Warrantholder**”), is the registered holder of the number of Warrants of Royal Coal Corp. (the “**Corporation**”) stated above, with each Warrant entitling the Holder to purchase one common share of the Corporation (“**Common Share**”) at any time prior to 5:00 p.m. (Toronto time) on the Expiry Date (the “**Time of Expiry**”) at an exercise price of \$0.335 per Common Share (the “**Exercise Price**”), subject to adjustment, by surrendering the Warrant certificate (referred to herein as this “**Certificate**”) to CIBC Mellon Trust Company (the “**Warrant Agent**”) at any time on or before the Time of Expiry at its principal stock transfer offices in the City of Toronto, Ontario, with a duly completed and executed exercise form in the form attached hereto, specifying the number of Common Shares subscribed for together with a certified cheque, bank draft or money order in lawful money of Canada, payable to or to the order of the Corporation in an amount equal to the Exercise Price multiplied by the number of Common Shares subscribed for.

In this Certificate, the following words and phrases shall have the following meanings:

“**Expiry Date**” means February 23, 2013; provided that, if the Qualification Date does not occur within 60 days of February 23, 2011, the Expiry Date shall be February 23, 2016.

“**Qualification Date**” means the date upon which a decision document is issued by the Ontario Securities Commission which evidences the receipt by the securities commission or similar regulatory authority in each of the provinces and territories of Canada (other than Quebec) in which subscribers of Special Warrants are resident for a final prospectus qualifying the distribution of the Common Shares and Warrants underlying the Special Warrants.

“**Special Warrants**” means the special warrants of the Corporation issued pursuant to the provisions of a special warrant indenture dated as of February 23, 2011 between the Corporation and the Warrant Agent.

A Warrant Certificate with the duly completed and executed subscription and payment of the Exercise Price shall be deemed to be surrendered only upon personal delivery thereof to or, if sent by mail or other means of transmission, upon actual receipt thereof by the Warrant Agent (such date of surrender referred to herein as the “**Exercise Date**”).

The Warrants are issued or issuable in fully registrable form under the provisions of an indenture (which indenture together with all other instruments ancillary thereto is referred to herein as the “**Warrant Indenture**”) dated as of February 23, 2011 between the Corporation and the Warrant Agent. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Warrant Indenture. Reference is hereby made to the Warrant Indenture for a full description of the rights of the Holders of the Warrants, the Corporation and the Warrant Agent in respect thereof, and the terms and conditions upon which the Warrants evidenced hereby are issued and held, all to the same effect as if the provisions of the Warrant Indenture were herein set forth. By acceptance of this Certificate, the Holder assents to all

provisions of the Warrant Indenture. To the extent that the terms and conditions set forth in this Certificate conflict with the terms and conditions of the Warrant Indenture, the terms and conditions of the Warrant Indenture shall prevail. The Corporation will furnish to the Holder, upon request and without charge, a copy of the Warrant Indenture.

After the Time of Expiry the Warrants will be void and of no value or effect.

Certificates representing the Common Shares shall, within five Business Days after the Exercise Date, be mailed by the Warrant Agent to the address of the Holder thereof last appearing on the register of Warrantholders maintained by the Warrant Agent.

*[Include the following for Warrants issued prior to the earlier of (i) the Qualification Date, and (ii) June 24, 2011:*

*If this Warrant is exercised prior to the earlier of (i) the Qualification Date, and (ii) June 24, 2011, the Common Shares issuable upon exercise of the Warrants will be subject to a hold period under applicable securities legislation and will be endorsed with a legend substantially in the following form:*

***UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE JUNE 24, 2011.***

***WITHOUT THE PRIOR WRITTEN APPROVAL OF THE TSX VENTURE EXCHANGE (THE "EXCHANGE") AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF THE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL JUNE 24, 2011.]***

Upon exercise of the Warrants, the Person or Persons in whose name or names the Common Shares issuable upon exercise of the Warrants represented hereby are to be issued shall be deemed for all purposes (except as provided in the Warrant Indenture) to be the holder or holders of record of such Common Shares.

In the event of any subdivision or consolidation of the Common Shares or any reclassification, capital reorganization, amalgamation or merger of the Corporation, the holders of Warrants shall, upon exercise of the Warrants following the occurrence of any of those events, be entitled to receive the same number and kind of securities that they would have been entitled to receive had they exercised their Warrants immediately prior to the occurrence of those events, provided that no fractional securities will be issued. The Warrantholder should refer to the Warrant Indenture which provides for adjustments in certain other events.

The terms and conditions relating to the Warrants and this Certificate may be modified, changed or added to in accordance with the provisions of the Warrant Indenture. The Warrant Indenture contains provisions making binding upon all holders of Warrants outstanding thereunder resolutions passed at meetings of such holders held in accordance with such provisions and instruments in writing signed by holders holding a specified majority of all of the then outstanding Warrants.

The holding of the Warrants evidenced by this Certificate shall not constitute, or be construed as conferring upon, the Warrantholder any right or interest whatsoever as a shareholder of the Corporation except such rights as may be provided in the Warrant Indenture or in this Certificate.

At any time prior to the Time of Expiry, the Holder of this Certificate may, upon compliance with the reasonable requirements of the Warrant Agent and the requirements contained in the Warrant Indenture and upon surrender of this Certificate, exchange this Certificate for another Certificate or Certificates entitling the Holder thereof to receive, in the aggregate, the same number of Common Shares as are issuable under this Certificate.

The Warrants evidenced by this Certificate may only be transferred upon due execution and delivery to the Warrant Agent of a Transfer Form in the form attached hereto together with this Certificate and in compliance with all the conditions prescribed in the Warrant Indenture and compliance with such other reasonable requirements as the Warrant Agent may prescribe.

The Warrants represented hereby and securities which may be acquired hereunder have not been registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or applicable state securities laws, and the Warrants evidenced by this Certificate may not be exercised by or on behalf of any “**U.S. person**”, as such term is defined in Regulation S under the U.S. Securities Act, or a Person within the United States unless registered under the U.S. Securities Act or pursuant to an applicable exemption from registration under the U.S. Securities Act and the Corporation has received an opinion of counsel of recognized standing to such effect in form and substance satisfactory to the Corporation.

This Certificate shall not be valid for any purpose until it has been countersigned by or on behalf of the Warrant Agent under the Warrant Indenture.

This Certificate shall be governed by and construed in accordance with the laws of Ontario and the federal laws of Canada applicable therein.

Time shall be of the essence hereof.

IN WITNESS WHEREOF the Corporation has caused this Certificate to be signed as of the 23<sup>rd</sup> day of February, 2011.

**ROYAL COAL CORP.**

By: \_\_\_\_\_  
Authorized Officer

Countersigned this \_\_\_\_\_ day of February, 2011, by:

**CIBC MELLON TRUST COMPANY**

By: \_\_\_\_\_  
Authorized Officer

**EXERCISE FORM**

**TO: ROYAL COAL CORP.**

**AND TO: CIBC MELLON TRUST COMPANY**

- (a) The undersigned Holder of the Warrants evidenced by the within Certificate hereby irrevocably subscribes for, and exercises his right to be issued, the number of Common Shares set forth below, such Common Shares being issuable upon exercise of such Warrants pursuant to the terms specified in the said Warrants and the Warrant Indenture.
- (b) The undersigned hereby acknowledges that he is aware that the Common Shares received on exercise of the Warrants may be subject to restrictions on resale under applicable securities legislation.
- (c) The undersigned represents, warrants and certifies as follows (one (only) of the following must be checked):
  - A.  The undersigned holder (i) at the time of exercise of the Warrants is not in the United States; (ii) is not a “U.S. person” as defined in Regulation S under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), and is not exercising the Warrants for the account or benefit of or on behalf of a “U.S. person”; and (iii) did not execute or deliver this exercise form in the United States.
  - B.  The undersigned holder (i) acquired the Warrants upon the exercise of Special Warrants purchased by the undersigned directly from the Corporation pursuant to a written subscription agreement for the purchase of such Special Warrants; (ii) is exercising the Warrants solely for its own account and not on behalf of any other Person; and (iii) was an “accredited investor”, as that term is defined in Rule 506 of Regulation D under the U.S. Securities Act, on the date the Warrants were acquired from the Corporation and is an “accredited investor” on the date of exercise of the Warrants.
  - C.  The undersigned holder has delivered to the Corporation an opinion of counsel (which will not be sufficient unless it is from counsel of recognized standing in form and substance satisfactory to the Corporation) to the effect that an exemption from the registration requirements of the U.S. Securities Act is available.

The undersigned Holder understands that unless Box A above is checked and the Company is at such time a “foreign issuer”, as that term is defined in Rule 902(e) of Regulation S under the U.S. Securities Act, the certificates representing the Common Shares will bear a legend restricting transfer without registration under the U.S. Securities Act and applicable state securities laws unless an exemption from registration is available as set out in the Warrant Indenture.

- (d) The undersigned hereby irrevocably directs that the Common Shares be issued and delivered as follows:

Name(s) in full	Address(es) (include Postal Code)	Number(s) of Common Shares
TOTAL		

(Please print full name in which certificate(s) are to be issued. If any of the Common Shares are to be issued to a Person or Persons other than the Warrantholder, the Warrantholder must pay to the Warrant Agent all requisite taxes or other government charges.)

**Note: Certificates representing Common Shares will not be registered or delivered to an address in the United States unless Box B or C above is checked.**

Dated this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Signature Guarantee (see instruction 2)

\_\_\_\_\_  
Signature of Registered Holder

\_\_\_\_\_  
Name of Registered Holder

Please check box if certificates representing these Common Shares are to be delivered at the office of the Warrant Agent where this Warrant Certificate is surrendered, failing which the certificates will be mailed to the address(es) set forth in (d) above.

Instructions:

1. The registered holder may exercise its right to receive Common Shares by completing this form and surrendering this form and the Warrant Certificate representing the Warrants being exercised to CIBC Mellon Trust Company at its principal office at Suite 600, 333 – 7<sup>th</sup> Avenue SW, Calgary, Alberta T2P 2Z1. Certificates for Common Shares will be delivered or mailed within five Business Days after the exercise of the Warrants.
2. If the Exercise Form indicates that Common Shares are to be issued to a Person or Persons other than the registered holder of the Certificate, the signature on this Exercise Form must be guaranteed by a major Canadian Schedule 1 chartered bank or a member of an acceptable medallion guarantee program. The Guarantor must affix a stamp bearing the actual words “Signature Guaranteed”. Signature guarantees are not accepted from Treasury Branches or credit unions unless they are members of an acceptable Stamp Medallion Program. In the United States, signature guarantees must be performed by members of an acceptable “Medallion Signature Guarantee Program” only.
3. If the Exercise Form is signed by an agent, executor, administrator, curator, guardian, attorney, officer of a corporation or any Person acting in a fiduciary or representative capacity, the Certificate must be accompanied by evidence of authority to sign satisfactory to the Warrant Agent and the Corporation.

4. The Common Shares issuable upon the exercise of the Warrants may be subject to a hold period and may be issued with a legend reflecting such hold period.
5. If Box C is checked, any opinion tendered must be from counsel of recognized standing in form and substance satisfactory to the Corporation. Holders planning to deliver an opinion of counsel in connection with the exercise of Warrants should contact the Corporation in advance to determine whether any opinions to be tendered will be acceptable to the Corporation.

**TRANSFER FORM**

**Any transfer of Warrants will require compliance with applicable securities legislation. Transferors and transferees are urged to contact legal counsel before effecting any such transfer.**

FOR VALUE RECEIVED, the undersigned hereby sells, transfers and assigns to \_\_\_\_\_, \_\_\_\_\_ Warrants represented by this Certificate and does hereby irrevocably appoint \_\_\_\_\_ as its attorney with full power of substitution to transfer the said Warrants on the appropriate register of the Warrant Agent.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

Signature Guarantee	Signature of Registered Holder
	Name of Registered Holder

Instructions:

1. Signature of the Warrantholder must be the signature of the registered holder appearing on the face of this Certificate.
2. If this Transfer Form is signed by an agent, executor, administrator, curator, guardian, attorney, officer of a corporation or any Person acting in a fiduciary or representative capacity, the Certificate must be accompanied by evidence of authority to sign satisfactory to the Warrant Agent and the Corporation, acting reasonably.
3. The signature on this Transfer Form must be guaranteed by a major Canadian Schedule 1 chartered bank or a member of an acceptable medallion guarantee program. The Guarantor must affix a stamp bearing the actual words "Signature Guaranteed". Signature guarantees are not accepted from Treasury Branches or credit unions unless they are members of an acceptable Stamp Medallion Program. In the United States, signature guarantees must be done by members of an acceptable "Medallion Signature Guarantee Program" only.
4. Warrants shall only be transferable in accordance with applicable laws and the applicable provisions of the Warrant Indenture. The Common Shares issuable upon the exercise of the Warrants may be subject to a hold period and may be issued with a legend reflecting such hold period.



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**SCHEDULE 2**

**FORM OF DECLARATION FOR REMOVAL OF LEGEND**

TO: CIBC Mellon Trust Company, the registrar and transfer agent for the securities of Royal Coal Corp.

The undersigned (A) acknowledges that the sale of the securities of Royal Coal Corp. (the “**Issuer**”) to which this declaration relates is being made in reliance on Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), and (B) certifies that (1) the undersigned is not an “affiliate” of the Issuer as that term is defined in Rule 405 under the U.S. Securities Act, a “distributor” (as defined in Regulation S) or an affiliate of a “distributor”, (2) the offer of such securities was not made to a person in the United States and either (a) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believed that the buyer was outside the United States, or (b) the transaction was executed on or through the facilities of a “designated offshore securities market” (as defined in Rule 902 of the U.S. Securities Act) and neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States, (3) neither the seller nor any affiliate of the seller nor any person acting on any of their behalf has engaged or will engage in any “directed selling efforts” in the United States in connection with the offer and sale of such securities, (4) the sale is bona fide and not for the purpose of “washing-off” the resale restrictions imposed because the securities are “restricted securities” (as such term is defined in Rule 144(a)(3) under the U.S. Securities Act), (5) the seller does not intend to replace such securities sold in reliance on Rule 904 of the U.S. Securities Act with fungible unrestricted securities, and (6) the contemplated sale is not a transaction, or part of a series of transactions, which, although in technical compliance with Regulation S, is part of a plan or scheme to evade the registration provisions of the U.S. Securities Act. Unless otherwise specified, terms set forth above in quotation marks have the meanings given to them by Regulation S.

DATED: \_\_\_\_\_

By:	
	Name:
	Title:

**AFFIRMATION BY SELLER’S BROKER-DEALER**

We have read the foregoing representations of our customer, \_\_\_\_\_ (the “**Seller**”) dated \_\_\_\_\_, with regard to the sale, for such Seller’s account, of the \_\_\_\_\_ represented by certificate number \_\_\_\_\_ of the Issuer described therein, and we hereby affirm that, to the best of our knowledge and belief, the facts set forth therein are full, true and correct.

<b>Name of Firm</b>	
By:	
	Name:
	Title:
	Dated: