

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or any state securities laws. Accordingly, except pursuant to exemptions from the registration requirements of the 1933 Act and applicable state securities laws, these securities may not be offered or sold within the United States. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Royal Coal Corp., at 70 York Street, Suite 1410, Toronto, Ontario M5J 1S9, Telephone (416) 861-8775, and are also available electronically at www.sedar.com.

New Issue

April 8, 2011

SHORT FORM PROSPECTUS



\$34,500,000

**138,000,000 Common Shares and 69,000,000 Warrants issuable upon the exercise of
138,000,000 previously issued Special Warrants**

This short form prospectus qualifies the distribution of 138,000,000 common shares (the "Common Shares") and 69,000,000 common share purchase warrants (the "Warrants") of Royal Coal Corp. ("Royal Coal" or the "Corporation") to be issued by the Corporation, without payment of further consideration, upon the exercise of 138,000,000 special warrants (the "Special Warrants") issued by the Corporation on February 23, 2011 (the "Special Warrant Financing"). See "Plan of Distribution". Each of the Warrants will entitle the holder thereof to purchase one additional Common Share (the "Warrant Shares") at a price of \$0.335 until February 23, 2013 (the "Warrant Expiry Date"); provided that, if the Qualification Date (as defined below) does not occur within 60 days of February 23, 2011, the Warrant Expiry Date shall be February 23, 2016. The issued and outstanding Common Shares are listed on the TSX Venture Exchange (the "TSXV") under the trading symbol "RDA". On February 1, 2011, the last trading day prior to the announcement of the terms of the Special Warrant Financing, the closing price of the Common Shares on the TSXV was \$0.335. On April 7, 2011, the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSXV was \$0.29. The TSXV has approved the listing of the Common Shares distributed under this short form prospectus and the Warrant Shares issuable upon the exercise of the Warrants. The Corporation has also applied to list the Warrants distributed under this short form prospectus. Listing of the Warrants will be subject to the Corporation fulfilling all of the listing requirements of the TSXV. See "Plan of Distribution".

The securities offered pursuant to this prospectus are speculative in nature. There are numerous risk factors associated with the Corporation and its business. See "Risk Factors".

	<u>Price to the Public</u>	<u>Agents' Fee</u> ⁽¹⁾	<u>Net Proceeds to the Corporation</u> ⁽²⁾
Per Special Warrant	\$0.25	\$0.015	\$0.235
Total	\$34,500,000	\$2,070,000	\$32,430,000

Notes:

- (1) The subscription price of the Special Warrants was determined by negotiation between the Corporation and Cormark Securities Inc. ("Cormark") on its own behalf and on behalf of Haywood Securities Inc. and Northern Securities Inc. (together with Cormark, the "Agents"). See "Plan of Distribution".
- (2) The Corporation paid the Agents a fee equal to 6% of the gross proceeds from the sale of the Special Warrants. As additional compensation, the Corporation issued to the Agents 8,280,000 special broker warrants ("Special Broker Warrants") entitling the Agents to acquire, for no additional consideration, compensation options (the "Compensation Options") entitling the Agents to

purchase from the Corporation an aggregate number of units (the “**Compensation Units**”), each consisting of one Common Share (the “**Compensation Shares**”) and one-half of one Warrant (the “**Compensation Warrants**”), equal to 6.0% of the total number of Special Warrants sold under the Offering at an exercise price of \$0.25 per Compensation Unit until February 23, 2013. Each whole Compensation Warrant shall be exercisable to acquire one additional Common Share (a “**Compensation Warrant Share**”) at a price of \$0.335 per Compensation Warrant Share until the Warrant Expiry Date. This prospectus qualifies the distribution of the foregoing Compensation Options.

- (3) Before deducting expenses relating to the issuance of the Special Warrants and the distribution of the Common Shares and Warrants estimated to be \$285,000, which will be paid by the Corporation from the net proceeds of the Special Warrant Financing.
- (4) The distribution of the Common Shares and Warrants on exercise or deemed exercised of the Special Warrants will not result in any additional proceeds being realized by the Corporation, as all the funds were received by the Corporation on February 23, 2011. See “**Plan of Distribution**”.

<u>Agents’ Position</u>	<u>Maximum Size or Number of Securities Available</u>	<u>Exercise Period or Acquisition Date</u>	<u>Exercise Price or Average Acquisition Price</u>
Special Broker Warrants	8,280,000 Compensation Options ⁽¹⁾	Two years following the closing of the Special Warrant Financing	\$0.25 per Compensation Unit

Notes:

- (1) Each Compensation Option will entitle the holder to purchase from the Corporation one Compensation Unit, consisting of one Compensation Share and one-half of one Compensation Warrant at an exercise price of \$0.25 per Compensation Unit until February 23, 2013. Each whole Compensation Warrant shall be exercisable to acquire one Compensation Warrant Share at a price of \$0.335 until the Warrant Expiry Date.

The Special Warrants were created and issued pursuant to a special warrant indenture dated February 23, 2011 entered into between CIBC Mellon Trust Company and the Corporation (the “**Special Warrant Indenture**”). Subject to the terms and conditions of the Special Warrant Indenture, each of the Special Warrants entitles the holder thereof to acquire one Common Share and one Warrant, subject to adjustments in certain circumstances, without payment of additional consideration.

The Special Warrants are exercisable by the holders thereof at any time until 5:00 p.m. (Toronto time) on June 24, 2011 (the “**Expiry Date**”) and will be automatically exercised (if not previously exercised) on the earlier of: (i) 9:00 a.m. (Toronto time) on the first business day following the date (the “**Qualification 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, and (ii) 5:00 p.m. (Toronto time) on the Expiry Date. All Special Warrants not exercised by 5:00 p.m. (Toronto time) on the Expiry Date will be deemed to have been so exercised by the holders thereof immediately prior thereto.

The definitive certificates representing Common Shares and Warrants issuable upon the exercise of the Special Warrants will be available for delivery within five business days after the exercise of the Special Warrants.

Unless otherwise indicated, all references to dollar amounts in this short form prospectus are in Canadian dollars.

Certain legal matters in connection with the Special Warrant Financing have been examined for the Corporation by Irwin Lowy LLP, and for the Agents by Heenan Blaikie LLP. See “**Experts**”.

The Corporation’s registered and head office is at 70 York Street, Suite 1410, Toronto, Ontario M5J 1S9.

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ELIGIBILITY FOR INVESTMENT

In the opinion of Irwin Lowy LLP, counsel to the Corporation, and Heenan Blaikie LLP, counsel to the Agents, based on the provisions of the *Income Tax Act* (Canada) (the “**Tax Act**”) and the regulations thereunder (the “**Regulations**”), and subject to the assumptions and qualifications discussed in the section below entitled “Canadian Federal Income Tax Considerations”, the Common Shares, Warrants and Warrant Shares, provided that they are listed on a designated stock exchange (as defined under the Tax Act and which includes the TSXV), if issued on the date hereof, would be qualified investments under the Tax Act and Regulations for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts (a “**TFSA**”) (each, a “**Deferred Plan**”).

A holder of Common Shares, Warrants or Warrant Shares will be subject to a penalty tax if the Common Shares, Warrants or Warrant Shares are held in a TFSA and constitute a “prohibited investment” under the Tax Act for a TFSA.

The Common Shares, Warrants and Warrant Shares will not be a “prohibited investment” for a TFSA provided that the holder deals at arm’s length with the Corporation and does not have a “significant interest” in the Corporation or a person or partnership with which the Corporation does not deal at arm’s length for purposes of the Tax Act. Generally, a holder will not have a significant interest in the Corporation unless the holder, and/or persons not dealing at arm’s length with the holder, owns directly or indirectly 10% or more of the issued shares of any class of the capital of the Corporation or of a corporation related to the Corporation. Holders of TFSAs should consult their own tax advisors to ensure that the Common Shares, Warrants or Warrant Shares would not be a prohibited investment in their particular circumstances.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this short form prospectus and the documents incorporated by reference herein constitute forward-looking statements. These statements relate to future events or the Corporation's future performance as noted in the documents incorporated by reference herein including, without limitation, the use of the proceeds of the Special Warrant Financing. All statements other than statements of historical fact are forward-looking statements. The use of any of the words “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “could”, “believe”, “predict”, “potential”, “should” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance, achievements or events to differ materially from those anticipated, discussed or implied in such forward-looking statements. The Corporation believes the expectations reflected in such forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this short form prospectus and the documents incorporated by reference herein should be considered carefully and investors should not place undue reliance on them as the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. These statements speak only as of the date of this short form prospectus or the particular document incorporated by reference herein. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- coal production levels;
- capital expenditure programs and other expenditures;
- the quantity of coal measured, indicated, proved and probable reserves;
- the areas of interest;
- projections of market prices and operating costs;
- schedules and timing of certain projects and the Corporation's strategy for growth;
- possible acquisitions;

- supply and demand for coal;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions, exploration and development; and
- treatment under governmental regulatory regimes.

These forward-looking statements involve risks and uncertainties relating to, among other things:

- competition in the mining industry;
- liabilities inherent in mineral exploration and development activities;
- uncertainties associated with the calculation of coal deposit estimates;
- uncertainties associated with properties without known mineable reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- outstanding financing covenants and related future production targets;
- incorrect assessments of the value of acquisitions;
- the ability to complete acquisitions;
- geological, technical, drilling and processing problems; and
- fluctuations in foreign exchange or interest rates and stock market volatility.

Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors contained in this short form prospectus and incorporated by reference herein. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Corporation cautions that the foregoing list of important factors is not exhaustive. **The forward looking statements contained in this short form prospectus and the documents incorporated by reference herein are expressly qualified by this cautionary statement. Neither the Corporation nor the Agents undertake any obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities law.** See “Forward-Looking Statements” in the AIF (as defined herein).

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

This short form prospectus contains references to United States dollars and Canadian dollars. All dollar amounts referenced, unless otherwise indicated, are Canadian dollars and United States dollars are referred to as “USD\$”.

On April 7, 2011, the closing exchange rate for Canadian dollars in terms of the United States dollar, as quoted by the Bank of Canada, was USD \$1.00 = \$0.9585 CAD.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the Corporation, filed with the various securities commissions or similar authorities in the Provinces of British Columbia, Alberta, Manitoba and Ontario, are specifically incorporated by reference into, and form an integral part of, this short form prospectus:

- (a) the annual information form dated March 1, 2011 (the “AIF”) of the Corporation in respect of the year ended December 31, 2010;
- (b) the audited financial statements of the Corporation as at and for the years ended December 31, 2009 and 2008, together with the notes thereto and the auditors' report thereon dated April 22, 2010, except for notes 1 and 11 which are dated April 29, 2010;

- (c) the management's discussion and analysis of the financial condition and results of operations of the Corporation as at and for the year ended December 31, 2009;
- (d) the audited consolidated financial statements of Royal Coal Limited (formerly, CDR Minerals Inc.) as at and for the years ended December 31, 2009 and 2008, together with the notes thereto and the auditors' report thereon dated May 7, 2010;
- (e) the management's discussion and analysis of the financial condition and results of operations of Royal Coal Limited (formerly, CDR Minerals Inc.) as at and for the years ended December 31, 2009 and 2008;
- (f) the unaudited amended consolidated financial statements of the Corporation as at and for the three and nine months ended September 30, 2010 and 2009, together with the notes thereto;
- (g) the amended management's discussion and analysis of the financial condition and results of operations of the Corporation as at and for the nine months ended September 30, 2010;
- (h) the material change report of the Corporation dated January 26, 2011 in respect of the Special Warrant Financing;
- (i) the material change report of the Corporation dated January 26, 2011 in respect of the advance of USD \$9 million by Sandstorm Metals & Energy Ltd. ("**Sandstorm**") to the Corporation pursuant to a coal purchase agreement between Sandstorm and the Corporation;
- (j) the material change report of the Corporation dated February 4, 2011 in respect of the pricing of the Special Warrant Financing;
- (k) the material change report of the Corporation dated February 23, 2011 in respect of the closing of the Special Warrant Financing;
- (l) the material change report dated February 28, 2011 relating to repayment of indebtedness; and
- (m) the material change report dated April 4, 2011 relating to repayment of the Royalty Amount (as defined below).

Any documents of the type described above (other than confidential material change reports) or any other disclosure documents required to be incorporated by reference into a prospectus under National Instrument 44-101- *Short Form Prospectus Distributions*, if filed by the Corporation with the securities commissions or similar authorities in the provinces of Canada after the date of this short form prospectus and before the termination of this Offering, are deemed to be incorporated by reference in this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of the Corporation at 70 York Street, Suite 1410, Toronto, Ontario M5J 1S9, Telephone (416) 861-8775 and are also available electronically at www.sedar.com.

In connection with this prospectus, the Corporation has provided an undertaking to make certain revisions the following technical reports (the “Technical Reports”) that are incorporated by reference in the AIF and to re-file them with the securities commission or similar regulatory authority in each of applicable province as soon as possible, but in any event, not later than April 15, 2011:

1. the technical report entitled “An Independent National Instrument 43-101 Report Summarising Mineral Exploration, Development and Production Activities of Sid Mining, LLC” (the “Sid Report”), dated January 10, 2010 and prepared by Phillip Lucas, P.E., P.L.S., of Summit Engineering Inc. (“Summit”);
2. the technical report entitled “An Independent National Instrument 43-101 Report Summarising Mineral Exploration, Development and Production Activities of the Laurel Fork Project Area”, dated January 20, 2010 and prepared by Phillip Lucas, P.E., P.L.S., of Summit; and
3. the technical report entitled “An Independent National Instrument 43-101 Report Summarising Mineral Exploration, Development and Production Activities of the Big Branch Project Area” (the “Big Branch Report”), dated January 21, 2010 and prepared by Phillip Lucas, P.E., P.L.S., of Summit.

Once re-filed, copies of the revised Technical Reports may be obtained on request without charge from the Chief Financial Officer of the Corporation at 70 York Street, Suite 1410, Toronto, Ontario M5J 1S9, Telephone (416) 861-8775 and available electronically at www.sedar.com.

SUMMARY DESCRIPTION OF THE BUSINESS

The Corporation was incorporated under the *Business Corporations Act* (Alberta) on September 17, 2007. By articles of amendment dated January 14, 2008, the Corporation amended its articles of incorporation to delete the restrictions on share transfers. On August 12, 2010, the Corporation acquired all of the shares of CDR Minerals Inc. (“**CDR**”) pursuant to an amalgamation (the “**Business Combination**”) of its wholly-owned subsidiary and CDR to form Royal Coal Limited. In connection with the Business Combination, by articles of continuance dated August 10, 2010, the Corporation continued under the laws of the Province of Ontario from the Province of Alberta, the name of the Corporation was changed from “Amalfi Capital Corporation” to “Royal Coal Corp.” and the issued and outstanding common shares of the Corporation were consolidated on the basis of one new consolidated Common Share for each two previously issued and outstanding common shares. The registered and head office of Royal Coal is located at 70 York Street, Suite 1410, Toronto, Ontario M5J 1S9.

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

Recent Developments

Kentucky Acquisition

On December 20, 2010, the Corporation entered into a letter of intent to acquire a group of eight coal properties in eastern Kentucky (the “**Kentucky Acquisition**”). Completion of the Kentucky Acquisition is subject to a number of conditions, including the satisfactory completion of the Corporation’s due diligence review. The Kentucky Acquisition has not proceeded in accordance with the initially planned schedule because the Corporation’s initial due diligence produced different results than it initially anticipated, which caused the need for further due diligence investigations and negotiations of the terms of the proposed transaction. To date, the Corporation has drilled 6 of the 12 holes that it plans to drill as part of its due diligence investigation of the properties. The remaining drilling is expected to be completed by April 30, 2011, at which time the Corporation will determine whether or not to continue to pursue the Kentucky Acquisition. If the Corporation determines that it is in its best interests to proceed with the Kentucky Acquisition, it would work expeditiously to attempt to finalize the negotiation of a purchase agreement and close the transaction.

However, based on the results of its due diligence review to date, the Corporation does not believe that the Kentucky Acquisition is likely to proceed on the terms specified in the letter of intent and described in the Corporation's press release and material change report dated December 20, 2010. As of the date of this prospectus, the Corporation has not determined whether it will proceed with the Kentucky Acquisition or whether the proposed transaction can be completed on favorable terms.

Big Sandy River Acquisition

On December 22, 2010, the Corporation entered into a letter of intent to acquire 80% ownership of a coal and unloading terminal located on the Big Sandy River in Catlettsburg, in eastern Kentucky (the "**Big Sandy River Acquisition**"). The proposed Big Sandy River Acquisition would include the purchase of the equipment used to operate the River Terminal, which is currently in operation. The total purchase price is expected to be approximately \$7,896,000, which the Corporation currently intends to satisfy by the payment of cash in an amount of approximately \$1,685,000 and the assumption of debt in an amount of approximately \$6,211,000. The Corporation would also have an option to purchase the remaining 20% of the River Terminal for a price to be negotiated with the vendor. Completion of the Big Sandy River Acquisition is subject to a number of conditions, including the satisfactory completion of the Corporation's due diligence review. The Big Sandy River Acquisition has not proceeded in accordance with the initially planned schedule because the Corporation's initial due diligence review required more time than was initially anticipated. In particular, part of the Corporation's due diligence involves determining whether there will be a sufficient supply of materials that can be expected to be loaded and unloaded at the terminal. The Corporation will make this determination based, in part, on commitments and information provided to it by third parties, which were not provided to it when initially expected. The Corporation anticipates that its ongoing due diligence review, including this determination, will be completed by April 15, 2011 and if the results of such review are successful, the Corporation intends to attempt to finalize its negotiation of a definitive purchase agreement and complete the transaction approximately two weeks following the due diligence review. As of the date of this prospectus, the Corporation has not determined whether it will proceed with the Big Sandy River Acquisition or whether the proposed transaction can be completed on favorable terms.

Frankfurt Stock Exchange Listing

On March 31, 2011, the Corporation announced that its common shares began trading on the Frankfurt Stock Exchange under the symbol 'RLC'.

Debt Repayment

On March 31, 2011, the Corporation announced that it has retired its previously reported obligation to pay a US\$2.00/ton royalty to Juno Special Situations Corporation ("**Juno**"), which royalty had a remaining aggregate amount payable of \$6,438,000 (the "**Royalty Amount**"). As a result, the future amount owing under this royalty was reduced to zero. Juno used the full amount of the royalty payment to repay an arm's length lender in an amount equal to the Royalty Amount. Juno originally borrowed funds from the third party lender on the Corporation's behalf in order to provide Royal Coal with the financing required by it to acquire and put into production the Corporation's Big Branch Mine.

The Corporation also paid approximately \$4,433,000 to Cheyenne Resources Inc. in respect of all of the remaining principal and interest owing under the convertible debentures (the "**Cheyenne Debentures**") issued by Royal Coal Limited to it, and redeemed outstanding notes (the "**Notes Payable**") issued to Juno by paying such note holder an aggregate amount of approximately \$4,225,000.

Ongoing Operations

Big Branch Project

The Corporation continues to operate its Big Branch mine, near Hazard, Kentucky. The Corporation remains focused on achieving increased production levels and realizing adequate prices for its coal products. With the completion of the

Special Warrant Financing, the Corporation has made and expects to make expenditures on equipment with a view to achieving higher production levels during the remainder of 2011.

The information set out below is, in part, summarized and/or extracted from the Big Branch Report and terms that are used therein and not defined have the respective meanings set out in the Big Branch Report.

Mineral Processing and Metallurgical Testing

The eastern Kentucky coal field covers 10,500 square miles and contains approximately 52 billion tons of remaining resources. There are more than 80 named coal beds in the eastern Kentucky coal field which covers parts of 37 counties. The Big Branch Project area site lies in the Hazard District of the eastern Kentucky coal field. The Hazard District is one of six districts in eastern Kentucky and includes Knott, Letcher, Perry, Leslie and Breathitt Counties along with a small portion of Harlan County. The Hazard district has estimated reserves of 16 billion tons and includes 23 coal beds of at least 14 inches in thickness. Seven principal coal beds in the district account for about 70 % of the coal reserves. These coal beds are the Elkhorn No. 3, Amburgy, Fire Clay, Fire Clay Rider, Hazard #7, and the Francis coal seam.

- The quality of coals in this district is generally good. Mean data for quality parameters of the seven principal coal beds is as follows:
- Sulfur – 0.7 to 5.2 %
- BTU – 10,400 to 15,800
- Ash- 4 to 26 %
- Volatile Matter – 25.3 to 42.0 %
- Moisture – 1.2 to 6 %

Eastern Kentucky has abundant coal reserves remaining. It is estimated that about 5% of the reserves are greater than 56 inches, 12% range from 42 to 56 inches, 31% range from 28 to 42 inches and 52 % of the reserves range from 14 to 28 inches in thickness. Eastern Kentucky is believed to contain one of the largest resources of low-sulfur, high-BTU coal, although moderate to high sulfur coals are also mined. Ash contents vary, and recent experience suggests that the remaining resource will have higher levels of ash than that previously mined.

The method used to estimate in-situ quality of coal by mining block is based on standard industry practice of computer based modeling of applicable quality parameters (Ash, Sulfur, BTU). The model is interpolated, using mostly core data, by the inverse distance squared method. However, when seams have fewer than three core holes, it is necessary to calculate arithmetic averages of the values.

The following table represents estimates of the coal quality on the seams within the Big Branch Project area. Approximately 25 samples were reviewed, out of the total samples utilized to generate the following table:

Average Coal Quality Values

Cheyenne Resources, Inc. -- Job Quality 2007 & 2008

<u>Seam</u>	<u>Tons</u>	<u>BTU</u>	<u>Sulphur</u>	<u>Ash</u>
Hazard #9	38,870	11,665	2.21	12.15
Hazard #9 Bottom Split	4,795	11,608	1.33	15.83
Hazard #8 Top Split	12,417	10,266	1.05	25.15
Hazard #8 Middle Split	21,409	12,763	0.77	9.72
Hazard #8 Bottom Split	15,989	12,576	6.09	12.11
Hazard #7	111,824	12,679	0.75	10.30
Hazard #7 Auger	7,746	11,334	0.70	17.74
Hazard #5A Top Split	13,957	12,220	0.73	14.16
Hazard #5A Middle Split	48,457	12,639	0.62	10.07
Hazard #5A Bottom Split	34,251	13,356	0.72	5.20
Total:	309,713	12,453	1.21	11.03

According to the Big Branch Report, additional quality data was taken in November and December 2009. Samples of this data in the Hazard #7, 5A (top split) and 8 (middle split) yield results that are consistent with the data compiled in 2007 and 2008. No corehole quality data from the Big Branch Project area was available for analysis. The average coal quality values presented in the table above were provided by Cheyenne from samples taken across the Big Branch Project. These reports were presented to CDR, reviewed by Summit and accepted in good faith.

Mineral Resource and Mineral Reserve Estimates

In calculating the in-place and recoverable tons for potential mine site areas, potential reserve areas were created in SurvCADD. Coal density was assumed to be 80 lbs per cubic foot and rock density was assumed to be 160 lbs per cubic foot.

According to the Big Branch Report, potential reserves were classified as surface mineable (area, point removal and contour mineable), highwall mineable, or auger mineable reserve. Highwall mineable reserves extend perpendicularly from contour mineable reserves (which have an average bench width of 150 feet) having a maximum depth of 1000 feet. Auger mineable reserves extend perpendicularly from contour mineable reserves (which have an average bench width of 120 feet) having a maximum depth of 300 feet. The minimum seam thickness parameter for highwall and auger mineable reserves was 24 inches.

Summit based calculations on coal seam thickness instead of total seam (coal plus rock) thickness. Therefore when estimating the recoverable tons, a mining recovery factor was used, and no plant loss was taken into consideration. The mining recovery factor for area, point removal and contour mineable reserves were calculated as 85% of in-place tons for all seams. Reserves classified as highwall mineable had a mining recovery factor of 45% of in-place tons for all seams, and reserves classified as auger mineable were given a mining recovery factor of 30% of in-place tons for all seams.

Exploration data on the Big Branch Project currently under lease allows for all reserves to be classified as either proven or probable reserves. Ongoing lease negotiations may add potential inferred resources to the Big Branch Project. Potential inferred resources are reported as an in-situ (in place) tonnage and not adjusted for mining losses or recovery. Minimum mineable seam thickness and maximum removable parting thickness are considered; coal intervals not meeting these criteria are not included. Resource tons are estimated by the average thickness times area method. The area is calculated from the SurvCADD generated coal seam outcrop and by potential lease lines, and the average thickness is assumed to be approximately equal to the average thickness generated for measured and indicated reserves.

According to the Big Branch Report, the results of the reserve study for the Big Branch Project updated as of the date of this prospectus are summarized in the table below:

Estimated Reserves & Resources

<u>Seam</u>	<u>Mineral Resource Tons</u>			<u>Mineral Reserve Tons</u>	
	<u>Measured</u>	<u>Indicated</u>	<u>Inferred</u>	<u>Proven</u>	<u>Probable</u>
5 Top	477,767	145,202	0	406,102	123,422
5 Middle	928,788	247,702	0	789,470	210,547
5 Bottom	1,351,884	238,961	0	1,149,101	203,117
7	1,247,664	64,913	0	1,060,514	55,176
8 Top	273,406	0	0	232,395	0
8 Middle	462,092	0	0	392,778	0
8 Bottom	353,721	0	0	300,663	0
Sub Total:	5,095,321	696,779	0	4,331,023	592,262
Totals:		5,792,100			4,923,285

Sid Mining Project

Currently all mining operations on the Corporation's Sid Mining Project, located in Perry and Breathitt Counties in Kentucky, remain idle. As of the date of this prospectus, the Corporation is preparing for production at the Sid Mining Project, which is currently projected to commence in June 2011.

The information set out below is, in part, summarized and/or extracted from the Sid Report and terms that are used therein and not defined have the respective meanings set out in the Sid Report.

Mineral Processing and Metallurgical Testing

The eastern Kentucky coal field covers 10,500 square miles and contains approximately 52 billion tons of remaining resources. There are more than 80 named coal beds in the eastern Kentucky coal field which covers parts of 37 counties. The Sid Mining Project area site lies in the Hazard District of the eastern Kentucky coal field. The Hazard District is one of six districts in eastern Kentucky and includes Knott, Letcher, Perry, Leslie and Breathitt Counties along with a small portion of Harlan County. The Hazard district has estimated reserves of 16 billion tons and includes 23 coal beds of at least 14 inches in thickness. Seven principal coal beds in the district account for about 70 % of the coal reserves. These coal beds are the Elkhorn No. 3, Amburgy, Fire Clay, Fire Clay Rider, Hazard #7, and the Francis coal seam.

The quality of coals in this district is generally good. Mean data for quality parameters of the seven principal coal beds is as follows:

- Sulfur – 0.7 to 5.2 %
- BTU – 10,400 to 15,800
- Ash- 4 to 26 %
- Volatile Matter – 25.3 to 42.0 %
- Moisture – 1.2 to 6 %

Eastern Kentucky has abundant coal reserves remaining. It is estimated that about 5% of the reserves are greater than 56 inches, 12% range from 42 to 56 inches, 31% range from 28 to 42 inches and 52 % of the reserves range from 14 to 28 inches in thickness. Eastern Kentucky is believed to contain one of the largest resources of low-sulfur, high-BTU coal, although moderate to high sulfur coals are also mined. Ash contents vary, and recent experience suggests that the remaining resource will have higher levels of ash than that previously mined.

Coal quality trends have been modeled from the database of the four recently drilled holes (PKM-09-02, PKM-09-03, PKM-09-04 and PKM-09-05). These coreholes were drilled by CDR in 2009.

The method used to estimate in-situ quality of coal by mining block is based on standard industry practice of computer based modeling of applicable quality parameters (Ash, Sulfur, BTU). The model is interpolated, using mostly core data, by the inverse distance squared method. However, when seams have fewer than three core holes, it is necessary to calculate arithmetic averages of the values.

According to the Sid Report, the following table represents the coal quality on the seams within the Sid Mining Project area. The table illustrates average coal quality based on site specific samples.

Average Coal Quality Values

Coal Seam	% Ash	% Sulfur	BTU
Fireclay	9.88	2.95	13,231
Haddix	14.38	0.71	12,666
Hazard #5A	8.51	0.64	12,933
Hazard #7	4.70	1.59	14,198
Hazard #8	8.05	0.65	13,653
Hazard #9	15.64	0.75	12,541

Mineral Resource and Mineral Reserve Estimates

According to the Sid Report, the reserve classification used by Summit for the analysis follows the Canadian institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards for Mineral Resources and Mineral Reserves as prepared by the CIM Standing Committee on Reserve Definitions.

Exploration data on property currently under lease allows for all reserves to be classified as either proven or probable reserves. Ongoing lease negotiations may add potential inferred resources to the property. Potential inferred resources are reported as an in-situ (in place) tonnage and not adjusted for mining losses or recovery. Minimum mineable seam thickness and maximum removable parting thickness are considered; coal intervals not meeting these criteria are not included. Resource tons are estimated by the average thickness times area method. The area is calculated from the SurvCADD generated coal seam outcrop and by potential lease lines, and the average thickness is assumed to be approximately equal to the average thickness generated for measured and indicated reserves. The table below details the results of Summit's reserve estimation based on data obtained up to December 31, 2009.

Estimated Reserves & Resources

<u>Seam</u>	<u>Mining Type</u>	<u>Mineral Resource Tons</u>			<u>Mineral Reserve Tons</u>	
		<u>Measured</u>	<u>Indicated</u>	<u>Inferred</u>	<u>Proven</u>	<u>Probable</u>
Fireclay	Contour	234,000	841,000	0	199,000	715,000
	Auger	223,000	747,000	0	67,000	224,000
Haddix	Point Removal	54,000	0	0	46,000	0
	Contour	260,000	529,000	0	221,000	450,000
	Auger	150,000	177,000	0	45,000	53,000
Hazard #5A	Point Removal	71,000	0	0	60,000	0
	Contour	388,000	172,000	0	330,000	146,000
	High-wall Miner	756,000	196,000	0	340,000	88,000
Hazard #7	N/A	0	0	0	0	0

Hazard #8	Point Removal	20,000	0	0	17,000	0
	Area	198,000	0	0	168,000	0
Hazard #9	Point Removal	9,000	0	0	8,000	0
	Area	104,000	0	0	88,000	0
Total Surface Total		1,338,000	1,542,000	0	1,137,000	1,311,000
Auger/HW Mining: Sub		1,129,000	1,120,000	0	452,000	365,000
Total:		2,467,000	2,662,000	0	1,589,000	1,676,000

Total Measured and Indicated Mineral Resource: 5,129,000 tons.

Total Proven and Probable Mineral Reserve: 3,265,000 tons.

According to the Sid Report, ongoing lease negotiations may add approximately 13,500,000 tons of inferred resource tons to the Sid Mining Project. These additional potential inferred resource tons are located south of Bowling Creek and north of Route 28.

If these leases are obtained, additional exploration will be required to classify these resource tons as reserve tons.

Laurel Fork Project

The Corporation is not currently carrying out any production activities at its Laurel Fork Project located near Hazard, Kentucky and continues to assess whether and when to advance the project to production.

CONSOLIDATED CAPITALIZATION

In January and February 2011, the Corporation issued an aggregate of 9,369,488 Common Shares, as described below. See "Prior Sales". Except for such issuances of Common Shares, there have been no material changes in the consolidated share capitalization or in the indebtedness of the Corporation since September 30, 2010. The Corporation will issue 138,000,000 Common Shares and 69,000,000 Warrants upon the conversion of the Special Warrants and 8,280,000 Compensation Options upon the conversion of the Special Broker Warrants.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

Common Shares

A description of the Common Shares is contained in the AIF, which is incorporated by reference herein, under the heading "Authorized Share Capital".

Warrants

The following is a summary of the principal attributes of the Warrants and refers to the Warrant Indenture (as defined below). A copy of the Warrant Indenture is available electronically at www.sedar.com and may be obtained on request from the Chief Financial Officer of the Corporation.

The Warrants will be governed by an agreement (the "**Warrant Indenture**") entered into on February 23, 2011 between the Corporation and CIBC Mellon Trust Company, as trustee (the "**Warrant Agent**"). The Corporation has

designated the Warrant Agent, in its Toronto office, as agent for the Warrants where the Warrants can be surrendered for exercise or exchange. Each full Warrant entitles its holder to purchase one Warrant Share at a price of \$0.335 until the Warrant Expiry Date, after which time the Warrants will become null and void. The Warrants will be transferable, subject to compliance with securities laws. The Warrant Indenture provides that no fractional Warrant Shares will be issued upon the exercise of Warrants and holders of Warrants will not have any rights as shareholders of the Corporation. In addition, the Warrant Indenture provides for and contains provisions designed to protect the holders of the Warrants against dilution upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the Common Shares, the amalgamation, merger or other forms of business combination of the Corporation or a rights offering. The foregoing is a summary only of the terms of the Warrants and is qualified by the more detailed provisions of the Warrant Indenture. See **"Plan of Distribution"**.

Compensation Options

As part of the compensation paid to the Agents pursuant to the Special Warrant Financing, the Corporation issued Special Broker Warrants to the Agents, entitling them to acquire, in aggregate, a maximum of 8,280,000 Compensation Options, each entitling the holder to purchase from the Corporation one Compensation Unit, consisting of one Compensation Share and one-half of one Compensation Warrant at an exercise price of \$0.25 per Compensation Unit until February 23, 2013. Each whole Compensation Warrant shall be exercisable to acquire one Compensation Warrant Share at a price of \$0.335 until the Warrant Expiry Date. This prospectus qualifies the distribution of the foregoing Compensation Options. See **"Plan of Distribution"**.

PRIOR SALES

The following table summarizes the issuances by the Corporation of Common Shares and securities convertible into Common Shares, in each case, (i) in connection with the Business Combination, and (ii) in the period following the completion of the Business Combination and prior to the date of this short form prospectus, excluding securities issued pursuant to the Special Warrant Financing. Except as summarized in the following table, no securities were issued by the Corporation within the twelve months prior to the date of this short form prospectus.

<u>Date of Issuance</u>	<u>Description of Transaction</u>	<u>Number Issued</u>	<u>Price per Security</u>
August 12, 2010	Business Combination	94,250,007 Common Shares	\$0.20
August 12, 2010	Business Combination	133,635 Broker Warrants	\$1.25
August 12, 2010	Business Combination	304,811 Broker Warrants	US\$0.50
August 12, 2010	Business Combination	80,000 Broker Warrants	\$0.50
August 12, 2010	Business Combination	35,737,143 Warrants	\$0.20
August 12, 2010	Business Combination	1,744,600 Warrants	\$0.25
August 12, 2010	Business Combination	1,000,000 Warrants	\$0.50
August 12, 2010	Business Combination	4,354,445 Warrants	US\$0.50
August 12, 2010	Business Combination	636,362 Warrants	\$1.25
August 12, 2010	Business Combination	580,000 Options	\$0.20
August 12, 2010	Business Combination	2,500,000 Options	\$0.25

<u>Date of Issuance</u>	<u>Description of Transaction</u>	<u>Number Issued</u>	<u>Price per Security</u>
August 12, 2010	Business Combination	5,550,000 Options	\$0.50
August 12, 2010	Business Combination	8,400,000 Convertible Debentures	US\$0.50
August 12, 2010	Business Combination	700,000 Convertible Debentures	\$0.50
January 4, 2011	Debenture Conversion	500,000 Common Shares	\$0.15
January 12, 2011	Debenture Conversion	500,000 Common Shares	\$0.15
January 12, 2011	Warrant Exercise	46,587 Common Shares	\$0.20
January 12, 2011	Warrant Exercise	60,000 Common Shares	\$0.20
January 13, 2011	Warrant Exercise	250,000 Common Shares	\$0.20
January 19, 2011	Warrant Exercise	105,000 Common Shares	\$0.20
January 19, 2011	Debenture Conversion	500,000 Common Shares	\$0.15
January 21, 2011	Warrant Exercise	15,000 Common Shares	\$0.20
January 25, 2011	Debt Settlement	3,000,000 Common Shares	\$0.35
January 25, 2011	Debt Settlement	400,000 Common Shares	\$0.18
January 25, 2011	Debt Settlement	1,111,111 Common Shares	\$0.18
January 25, 2011	Debt Settlement	150,000 Common Shares	\$0.18
January 25, 2011	Debt Settlement	940,733 Common Shares	\$0.18
January 25, 2011	Debenture Conversion	666,666 Common Shares	\$0.15
January 25, 2011	Warrant Exercise	1,000,000 Common Shares	\$0.20
February 2, 2011	Warrant Exercise	28,235 Common Shares	\$0.20
February 3, 2011	Warrant Exercise	33,334 Common Shares	\$0.20
February 10, 2011	Warrant Exercise	62,822 Common Shares	\$0.20

Trading Price and Volume

The Common Shares trade on the TSXV under the symbol “RDA”. The following table sets forth the price range and trading volumes for the Common Shares on the TSXV as reported by the TSXV for the periods indicated:

<u>Date</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Trading Volume</u>
2010			
April	0.10	0.07	154,000
May	0.07	0.07	10,000

<u>Date</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Trading Volume</u>
June	N/A	N/A	Nil
July	N/A	N/A	Nil
August	0.15	0.10	905,000
September	0.19	0.11	4,261,665
October	0.17	0.10	5,450,876
November	0.25	0.10	5,802,294
December	0.30	0.17	13,705,425
2011			
January	0.35	0.25	21,788,404
February	0.34	0.21	12,721,697
March	0.31	0.24	3,978,801
April 1 – April 7	0.29	0.26	2,084,456

USE OF PROCEEDS

The net proceeds to the Corporation from the Special Warrant Financing were \$32,430,000 after deducting the Agents' fee of \$2,070,000, but before deducting the estimated expenses of the Special Warrant Financing of approximately \$285,000. As at April 4, 2011, the Corporation has spent approximately \$24,140,000 of the net proceeds from the Special Warrant Financing as follows:

- for financing expenses (\$248,000);
- redemption of the Notes Payable (approximately \$4,225,000);
- repayment of the Cheyenne Debentures (approximately \$4,433,000);
- retirement of the Royalty Amount (approximately \$6,438,000);
- to acquire equipment to be used to expand operations at its Big Branch Mine (approximately \$895,000);
- to repair equipment and operational expenses (approximately \$1,206,000); and
- accounts payable (approximately \$6,695,000).

The Corporation intends to use the balance of the net proceeds of the Special Warrant Financing (\$8,005,000) as follows:

- for the proposed Big Sandy River Acquisition, if the Corporation successfully completes its due diligence review and is able to negotiate and enter into a definitive purchase agreement on favourable terms, for an expected purchase price of approximately \$7,896,000, which the Corporation currently intends to satisfy by the payment of cash in an amount of approximately \$1,685,000 and the assumption of debt in an amount of approximately \$6,211,000;
- for the acquisition of certain new permitted mining leases (which are entirely separate and distinct from the properties that are the subject of the Kentucky Acquisition) and related equipment in Kentucky for an aggregate purchase price of approximately \$2,407,000, which the Corporation currently intends to satisfy using its available cash, if the Corporation is able to successfully conclude its due diligence investigation (which is currently ongoing) and a definitive purchase agreement on favourable terms;

- for the following capital expenditures:
 - to acquire equipment to be used to commence production at its Sid Mining Project for an aggregate purchase price of approximately \$3,852,000, which the Corporation currently intends to satisfy using a combination of its available cash (approximately \$1,000,000) and through funds obtained from debt financing (approximately \$2,852,000), if such debt financing can be obtained on favourable terms; and
 - the purchase of a rail load-out facility that is currently being leased by the Corporation for an aggregate purchase price of approximately \$5,296,000, which the Corporation currently intends to satisfy using a combination of its available cash (approximately \$2,407,000) and through funds obtained from debt financing (approximately \$2,889,000), if such debt financing can be obtained on favourable terms; and
- for general working capital purposes, including to pay:
 - accounts payable;
 - the current portion of outstanding debt; and
 - ongoing operating expenses, including production costs, management and consulting fees, travel expenses, general and administrative expenses and other operating costs;

in each case, as they become due and in the normal course of business (approximately \$506,000).

The use of the net proceeds of the Special Warrant Financing by the Corporation described above is consistent with the accomplishment of the Corporation's stated business objective of developing and maintaining producing surface coal mining operations in the Central Appalachian coal producing region of the United States and, if deemed appropriate, the completion of acquisitions related to this objective. There is no one particular significant event or milestone that must occur for the business objectives of the Corporation to be accomplished. While the Corporation believes that it has the skills and resources necessary to accomplish its stated business objectives, participation in the development of coal mining operations and completing related acquisitions have a number of inherent risks. See the risk factors described under "Risk Factors" herein and in the AIF for factors that may impact the timing and success of the Corporation's operations and business objectives.

Pending expenditure, the Corporation may invest the proceeds of the Special Warrant Financing in short term investments or bank deposits.

In the past, the Corporation has not had and does not currently have positive cash flow from operations. The Corporation's available cash has been used and will continue to be used, to the extent required, to fund its negative cash flow. No assurance can be given that the Corporation will ever generate a positive cash flow from operations. As discussed above and if it believes it is in its best interests, the Corporation may seek additional debt financing in order to fund certain of its potential acquisitions, in each case, if the Corporation determines that any such financings are available to it when needed and on terms that are favourable. However, additional financing may not be available when needed or, even, if available, the terms of such financing might not be favourable to the Corporation. See "**Risk Factors**".

While the Corporation currently intends to use the balance of the net proceeds from the Special Warrant Financing for the purposes set out above, it will have discretion in the actual application of the balance of the net proceeds, and may elect to use the balance of the net proceeds differently than as described above (including to fund any negative cash flow from operations), if the Corporation believes it is in its best interests to do so.

PLAN OF DISTRIBUTION

On February 23, 2011, pursuant to the terms and conditions of an agency agreement entered into on that day between the Corporation and Agents (the “**Agency Agreement**”), the Corporation completed the Special Warrant Financing pursuant to which 138,000,000 Special Warrants were issued and sold at a price of \$0.25 per Special Warrant, for aggregate gross proceeds to the Corporation of \$34,500,000. The Special Warrant Financing was effected by the Agents on a “best-efforts” agency basis. The subscription price of the Special Warrants was determined by negotiation between the Corporation and Cormark on its own behalf and on behalf of the other Agents.

Pursuant to the Agency Agreement, the Corporation paid the Agents a cash commission equal to 6% of the gross proceeds from the sale of the Special Warrants. The Corporation is responsible for the additional fees and expenses incurred in connection with the issuance and distribution of the Special Warrants and the Common Shares and Warrants underlying the Special Warrants, which are estimated at \$132,500.

As additional compensation, the Corporation issued to the Agents 8,280,000 Special Broker Warrants entitling the Agents to acquire, for no additional consideration, 8,280,000 Compensation Options. Each Compensation Option will entitle the holder to purchase from the Corporation one Compensation Unit, consisting of one Compensation Share and one-half of one Compensation Warrant at an exercise price of \$0.25 per Compensation Unit until February 23, 2013. Each whole Compensation Warrant shall be exercisable to acquire one Compensation Warrant Share at a price of \$0.335 until the Warrant Expiry Date.

Pursuant to policy statements of certain Canadian provincial securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase common shares of the Corporation for its own account or for accounts over which it exercises control or direction. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the common shares of the Corporation. Such exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and stock exchanges, including the Universal Market Integrity Rules for Canadian Marketplaces administered by the Investment Industry Regulatory Organization of Canada, relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Subject to applicable laws, pursuant to the first-mentioned exception, in connection with the Special Warrant Financing, the Agents may over-allot or effect transactions which stabilize or maintain the market price of the Common Shares at a level above that which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The TSXV has approved the listing of the Common Shares distributed under this short form prospectus and the Warrant Shares issuable upon the exercise of the Warrants. The Corporation has also applied to list the Warrants distributed under this short form prospectus. Listing of the Warrants will be subject to the Corporation fulfilling all of the listing requirements of the TSXV.

The Common Shares, Warrants and Warrant Shares have not been and will not be registered under the United States Securities Act of 1933, as amended or any state securities laws of the United States and, subject to certain exceptions, may not be offered or sold in the United States.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Irwin Lowy LLP, counsel to the Corporation, and Heenan Blaikie LLP, counsel to the Agents, the following is, as of the date hereof, a fair summary of the principal Canadian federal income tax considerations generally applicable to a person who is, or is deemed to be, resident in Canada for purposes of the Tax Act, who acquires Common Shares and Warrants pursuant to the exercise or deemed exercise of the Special Warrants and who, for the purposes of the Tax Act, holds such securities as capital property and deals at arm’s length and is not affiliated with the Corporation or Agents (a “**Holder**”). Common Shares and Warrants will generally be considered to be capital property to a Holder unless the Holder either holds such securities in the course of carrying on a business of buying and selling securities or has acquired such securities in a transaction or transactions considered to be an adventure or

concern in the nature of trade. Certain Holders whose Common Shares might not otherwise be capital property may, in certain circumstances, be entitled to have such Common Shares and all other “Canadian Securities”, as defined in the Tax Act, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This election does not apply to Warrants. Holders should consult their own tax advisors regarding this election.

This summary is not applicable to a Holder: (i) that is a “financial institution” as defined in the Tax Act for purposes of the mark-to-market rules; (ii) that is a “specified financial institution” as defined in the Tax Act; (iii) that has made a functional currency reporting election for purposes of the Tax Act; or (iv) an investment in which would constitute a “tax shelter investment” within the meaning of the Tax Act. Such holders should consult their own tax advisors. This summary does not address the deductibility of interest by a Holder who borrowed money to acquire Special Warrants.

This summary is based upon the current provisions of the Tax Act, the Regulations thereunder, counsel’s understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the “CRA”) and proposed amendments to the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”). This summary assumes that the Proposed Amendments will be enacted as proposed but does not take into account or anticipate any other changes in law, whether by way of judicial, legislative or governmental decision or action, nor take into account provincial, territorial or foreign income tax considerations. No assurances can be given that the Proposed Amendments will be enacted as proposed, if at all, or that legislative, judicial or administrative changes will not modify or change the statements expressed herein.

The Canadian federal income tax consequences to a particular Holder will vary depending on a number of factors, including the province in which a particular Holder resides, carries on business or has a permanent establishment. The following discussion of the income tax consequences is, therefore, of a general nature only and is not exhaustive of all the income tax consequences and is not intended to constitute income tax advice to any particular Holder. Accordingly, Holders should consult their own income tax advisors.

Acquisition of Common Shares and Warrants Pursuant to Special Warrants

A Holder of a Special Warrant will not realize any gain or loss upon the acquisition of a Common Share and a Warrant pursuant to the provisions of the Special Warrant. Holders will be required to allocate on a reasonable basis their cost of the Special Warrant between the Common Share and Warrant in order to determine their respective costs for purposes of the Tax Act. The Corporation intends to allocate \$0.2499 to each Common Share and \$0.0001 to each Warrant issuable upon the exercise, or deemed exercise, thereof to determine the cost of each for purposes of the Tax Act. Although the Corporation believes that its allocation is reasonable, it is not binding on the CRA or the Holder. The Holder’s adjusted cost base of the Common Share and Warrant issuable upon the exercise, or deemed exercise of a Special Warrant will be determined by averaging the cost of the Common Share and Warrant with the adjusted cost base to the Holder of all other common shares and warrants of the Corporation held by the Holder as capital property immediately prior to such acquisition.

Exercise of Warrants

No gain or loss will be realized by a Holder upon the exercise of a Warrant to acquire a Warrant Share. When a Warrant is exercised, the Holder’s cost of the Warrant Share acquired thereby will be the aggregate of the Holder’s adjusted cost base of such Warrant and the exercise price paid for the Warrant Share. The Holder’s adjusted cost base of the Warrant Share so acquired will be determined by averaging such cost with the adjusted cost base to the Holder of all common shares of the Corporation held by the Holder as capital property immediately prior to such acquisition.

Disposition and Expiry of Warrants

A disposition or deemed disposition by a Holder of a Warrant (other than upon the exercise thereof) will generally give rise to a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or less) than such Holder’s adjusted cost base of the Warrants. In the event of the

expiry of an unexercised Warrant, the Holder will generally realize a capital loss equal to the Holder's adjusted cost base of such Warrant. The tax treatment of capital gains and capital losses is discussed in greater detail below under "Capital Gains and Capital Losses".

Dividends

Dividends received or deemed to be received on the Common Shares or Warrant Shares of the Corporation will be included in computing the Holder's income. In the case of an individual Holder, such dividends will be subject to the gross-up and dividend tax credit rules normally applicable in respect of taxable dividends received from taxable Canadian corporations (as defined in the Tax Act). A dividend will be eligible for the enhanced gross-up and dividend tax credit if the recipient is notified in writing by the Corporation, at or before the time the dividend is paid, designating the dividend as an eligible dividend. There may be limitations on the ability of the Corporation to designate dividends as eligible dividends. Dividends received or deemed to be received on the Common Shares or Warrant Shares of the Corporation by a corporation must be included in computing its income but generally will be deductible in computing its taxable income.

A Holder that is a "private corporation" or a "subject corporation" (as defined in the Tax Act) will generally be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on the Common Shares or Warrant Shares of the Corporation to the extent such dividends are deductible by the corporate Holder in computing taxable income for the year. This tax will generally be refunded to such corporate Holder at the rate of \$1 for every \$3 of taxable dividends paid while it is a private corporation.

Dispositions of Common Shares and Warrant Shares

A disposition or deemed disposition by a Holder of Common Shares or Warrant Shares, as the case may be, will generally give rise to a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or less) than such Holder's adjusted cost base of such shares. The tax treatment of capital gains and capital losses is discussed in greater detail below under "Capital Gains and Capital Losses".

Capital Gains and Capital Losses

A Holder will generally be required to include in computing its income for the taxation year of disposition of Warrants, Common Shares or Warrant Shares, as the case may be, one-half of any capital gain (a "**taxable capital gain**") realized in that year. Subject to and in accordance with the rules in the Tax Act, a Holder may deduct one-half of any capital loss (an "**allowable capital loss**") against taxable capital gains realized in the year of disposition. Any unused allowable capital losses may be applied to reduce net taxable capital gains realized in the three preceding taxation years or any subsequent taxation year, to the extent and under the circumstances specified in the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of Common Shares or Warrant Shares, as the case may be, by a Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such shares or shares substituted for such shares to the extent and in the circumstances prescribed by the Tax Act. Similar rules may apply where a Holder that is a corporation is a member of a partnership or beneficiary of a trust that owns such shares or is itself a member of a partnership or a beneficiary of a trust that owns shares.

A Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) also may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on its "aggregate investment income" for the year which will include taxable capital gains. This tax will generally be refunded to a corporate Holder at the rate of \$1 for every \$3 of taxable dividends paid while it is a private corporation.

Alternative Minimum Tax

Taxable dividends received or deemed to be received, and capital gains realized, by a Holder that is an individual or a trust (other than a specified trust) may result in such Holder being liable for alternative minimum tax.

Because the tax consequences of acquiring, holding or disposing of the securities offered pursuant to this prospectus may vary depending on the particular circumstances of each Holder and other factors, Holders are urged to consult with their own tax advisors to determine the particular tax consequences to them of acquiring, holding or disposing of the securities offered hereunder.

RISK FACTORS

Investment in securities of Royal Coal involves a significant degree of risk and should be considered speculative due to the nature of Royal Coal's business and the present stage of its development. Purchasers of Special Warrants should carefully consider the risk factors set out under the heading "*Risk Factors*" starting on page of 9 of the AIF incorporated herein by reference, as well as other risk factors relating to the Special Warrant Financing set out below and the other information contained in this short form prospectus and documents incorporated by reference herein, including the historical financial statements of the Corporation and the notes thereto, before making an investment decision to purchase the Common Shares or securities convertible into Common Shares. See "*Documents Incorporated by Reference*". These risk factors include, without limitation, "*Exploration and Development Risks*", "*Additional Financing*" and "*Production Risk*". Such risk factors could materially affect the Corporation's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Corporation.

Securities of the Corporation and Dilution

The Offering price was determined by negotiation between the Corporation and Cormark Securities Inc. on its own behalf and on behalf of the other Agents and bears no relationship to earnings, book value or other valuation criteria. The Corporation plans to use the proceeds of the Special Warrant Financing to carry out its activities as described under "Use of Proceeds", but to further such activities, the Corporation may require additional funds and it is likely that, to obtain the necessary funds, the Corporation will have to sell additional securities including, but not limited to, its Common Shares or securities convertible into Common Shares, the effect of which could result in a substantial dilution of the present equity interests of the Corporation's shareholders.

Future Capital Requirements

In the past, the Corporation has not had and does not currently have positive cash flow from operations. The Corporation's available cash has been used and will continue to be used, to the extent required, to fund its negative cash flow. No assurance can be given that the Corporation will ever generate a positive cash flow from operations. As discussed above and if it believes it is in its best interests, the Corporation may seek additional debt financing in order to fund certain of its potential acquisitions, in each case, if the Corporation determines that any such financings are available to it when needed and on terms that are favourable. However, additional financing may not be available when needed or, even, if available, the terms of such financing might not be favourable to the Corporation.

The Corporation may also have other capital or exploration funding requirements to the extent that it decides to develop other properties or make acquisitions. The Corporation may also encounter significant unanticipated liabilities or expenses. The Corporation's ability to continue its planned operations, make acquisitions and capital expenditures, and carry out exploration, development and other activities depends on its ability to generate free cash flow from its operating mine, which is subject to certain risks and uncertainties and raise additional financing to the extent needed. The Corporation may be required to obtain additional financing in the future to fund such needs. The Corporation has historically raised capital primarily through debt and equity financing and in the future may raise capital through equity or debt financing, joint ventures or other means. Additional financing may not be available when needed or, even, if available, the terms of such financing might not be favourable to the Corporation and might involve substantial

dilution to existing shareholders. Failure to raise capital when needed would have a material adverse effect on the Corporation's business, financial condition and results of operations.

Use of Proceeds

The Corporation currently intends to allocate the net proceeds of the Special Warrant Financing in the manner set out above under "Use of Proceeds". However, the Corporation will have discretion in the actual application of the net proceeds, and may elect to allocate the net proceeds differently from that described under "Use of Proceeds", if it believes it would be in the Corporation's best interests to do so. Shareholders may not agree with the manner in which the Corporation chooses to allocate and spend the net proceeds of the Special Warrant Financing. The failure by the Corporation to apply these funds effectively could have a material adverse effect on the Corporation's business.

Production and Cash Flow Risk

The Corporation is party to two coal purchase agreements (the "**Coal Purchase Agreements**") dated as of November 26, 2010 with Sandstorm Metals & Energy Ltd. ("**Sandstorm**") pursuant to which Sandstorm is entitled to acquire 18% of the first six million tons of coal produced, and thereafter 12% of the life of mine coal produced from the Corporation's Big Branch project, and any development extensions thereof, and the Sid Mining Project. The Coal Purchase Agreements include certain production level and cash flow guarantees and provide for a general security interest in favour of Sandstorm over the assets of the Corporation. Unless otherwise waived by Sandstorm, failure to meet such guarantees would constitute an event of default under the Coal Purchase Agreements entitling Sandstorm to enforce its security interest, impose cash penalties on the Corporation and/or terminate the Coal Purchase Agreement. There is no certainty that the Corporation will be able to meet such production or cash flow commitments and, if such commitments are not met, there is no assurance that the Corporation will be able to obtain a waiver of the resulting default under the Coal Purchase Agreements. Any breach by the Corporation of its cash flow guarantees would cause the Corporation to be forced to supply Sandstorm with an amount of coal equal to the dollar value of any cash flow deficiency. This may negatively impact the Corporation's ability to generate operating revenues and to procure sufficient positive cash flow to ensure the success of its operations.

Any default under the Coal Purchase Agreements could have a material adverse effect on the business, financial condition and results of operation of the Corporation. The Corporation may be forced to reduce or delay capital expenditures, sell assets, seek additional capital, or restructure or refinance its indebtedness.

Tax Matters

The tax treatment of the Common Shares or securities convertible into Common Shares has a material effect on the advisability of an investment in the Common Shares or securities convertible into Common Shares. See "Certain Canadian Federal Income Tax Considerations" herein.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are Collins Barrow Toronto LLP, Chartered Accountants, 11 King Street West, Suite 700 Toronto, Ontario M5H 4C7.

CIBC Mellon Trust Company, through its principal offices at 600, 333 - 7th Avenue S.W., Calgary, Alberta, T2P 2Z1, is the transfer agent and registrar for the Common Shares.

INTEREST OF EXPERTS

As at the date hereof, the partners and associates of Irwin Lowy LLP, as a group, own, directly or indirectly, less than 1% of the securities of the Corporation and the partners and associates of Heenan Blaikie LLP, as a group, own, directly or indirectly, less than 1% of the securities of the Corporation.

PROMOTER

Juno may be considered a promoter of the Corporation based on its instrumental role in initially founding and forming Royal Coal Limited (formerly, CDR Minerals Inc.). As of the date of this prospectus, Juno owns beneficially, directly or indirectly or exercises control over 16,000,000 Common Shares, representing approximately 15% of the Corporation's current issued and outstanding Common Shares and 3,000,000 Common Share purchase warrants. Each such warrant entitles the holder to purchase one Common Share at an exercise price of \$0.20 until August 12, 2015.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province in which the purchaser resides for the particulars of these rights or consult with a legal advisor.

CONTRACTUAL RIGHT OF RESCISSION FOR SPECIAL WARRANT HOLDERS

The Corporation has granted to each holder of a Special Warrant a contractual right of rescission of the prospectus-exempt transaction under which the Special Warrant was initially acquired. The contractual right of rescission provides that if a holder of a Special Warrant who acquires Common Shares and Warrants on exercise of the Special Warrant as provided for in this prospectus is, or becomes, entitled under the securities legislation of a jurisdiction to the remedy of rescission because of this short form prospectus or an amendment to this short form prospectus containing a misrepresentation, (a) the holder is entitled to rescission of both the holder's exercise of its Special Warrant and the private placement transaction under which the Special Warrant was initially acquired, (b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the Corporation on the acquisition of the Special Warrant, and (c) if the holder is a permitted assignee of the interest of the original Special Warrant subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber.

AUDITORS' CONSENT

We have read the short form prospectus of Royal Coal Corp. (the “**Corporation**”) dated April 8, 2011 qualifying the distribution of Common Shares of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of the Corporation on the balance sheets as at December 31, 2009 and 2008, and the statements of loss, comprehensive loss and deficit, and cash flows for the years ended December 31, 2009 and 2008. Our report is dated April 22, 2010, except for notes 1 and 11 which are dated April 29, 2010.

“Collins Barrow Toronto LLP”

Chartered Accountants
Calgary, Canada
April 8, 2011

AUDITORS' CONSENT

We have read the short form prospectus of Royal Coal Corp. (the “**Corporation**”) dated April 8, 2011 qualifying the distribution of Common Shares of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of Royal Coal Limited (formerly, CDR Minerals Inc.) on the audited consolidated balance sheets as at December 31, 2009 and 2008, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated cash flow statements for the years ended December 31, 2009 and 2008. Our report is dated May 7, 2010.

“Kenway Mack Slusarchuk Stewart LLP”

Chartered Accountants
Toronto, Canada
April 8, 2011

CERTIFICATE OF THE CORPORATION

Dated: April 8, 2011

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the Provinces of British Columbia, Alberta, Manitoba and Ontario.

ROYAL COAL CORP.

(signed) Robert Hueler
Chief Executive Officer

(signed) James O'Neill
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(signed) Tom Griffis
Chairman and Director

(signed) Elia Crespo
Director

CERTIFICATE OF THE PROMOTER

Dated: April 8, 2011

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the Provinces of British Columbia, Alberta, Manitoba and Ontario.

ON BEHALF OF JUNO SPECIAL SITUATIONS CORPORATION

(signed) Tom Griffis
Chief Executive Officer of Juno Special Situations Corporation

CERTIFICATE OF THE AGENTS

Dated: April 8, 2011

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the Provinces of British Columbia, Alberta, Manitoba and Ontario.

CORMARK SECURITIES INC.

(signed) John Budreski
Vice Chairman

HAYWOOD SECURITIES INC.

(signed) Greg McKenzie
Managing Director

NORTHERN SECURITIES INC.

(signed) Doug Chornoboy
Chief Financial Officer