ROYAL COAL CORP.

REVISED ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2010

APRIL 29, 2011

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PRELIMINARY INFORMATION

Date of Information

All information in this annual information form ("**AIF**") is as at December 31, 2010, unless otherwise indicated.

Forward-Looking Statements

Certain statements contained in this AIF and the documents incorporated by reference herein constitute forward-looking statements. These statements relate to future events or the Company's future performance as noted in the documents incorporated by reference herein. 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 Company 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 AIF and the documents incorporated by reference herein should be considered carefully and investors should not place undue reliance on them as the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These statements speak only as of the date of this AIF 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 Company'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;
- fluctuations in foreign exchange or interest rates and stock market volatility; and
- other factors discussed under *General Description of Business – Risk Factors*.

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 AIF 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 Company cautions that the foregoing list of important factors is not exhaustive. **The forward looking statements contained in this AIF and the documents incorporated by reference herein are expressly qualified by this cautionary statement. The Company undertakes no obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities law.**

Currency

The U.S. dollar is the reporting currency and currency of measurement of the Company. **All dollar amounts are expressed in U.S. dollars unless otherwise indicated.**

Information Incorporated by Reference

Incorporated by reference into this AIF are:

1) the audited consolidated financial statements and Management Discussion and Analysis for the Company for the year ended December 31, 2010, together with the auditor's report thereon;

2) 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 April 8, 2011 and prepared by Phillip Lucas, P.E., P.L.S., of Summit Engineering Inc. ("**Summit**");

3) the technical report entitled "An Independent National Instrument 43-101 Report Summarising Mineral Exploration, Development and Production Activities of the Laurel Fork Project Area" (the "**Laurel Fork Report**"), dated April 8, 2011 and prepared by Phillip Lucas, P.E., P.L.S., of Summit; and

4) 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 April 8, 2011 and prepared by Phillip Lucas, P.E., P.L.S., of Summit.

The financial statements and technical reports are available for review on the SEDAR website located at www.sedar.com.

CORPORATE STRUCTURE

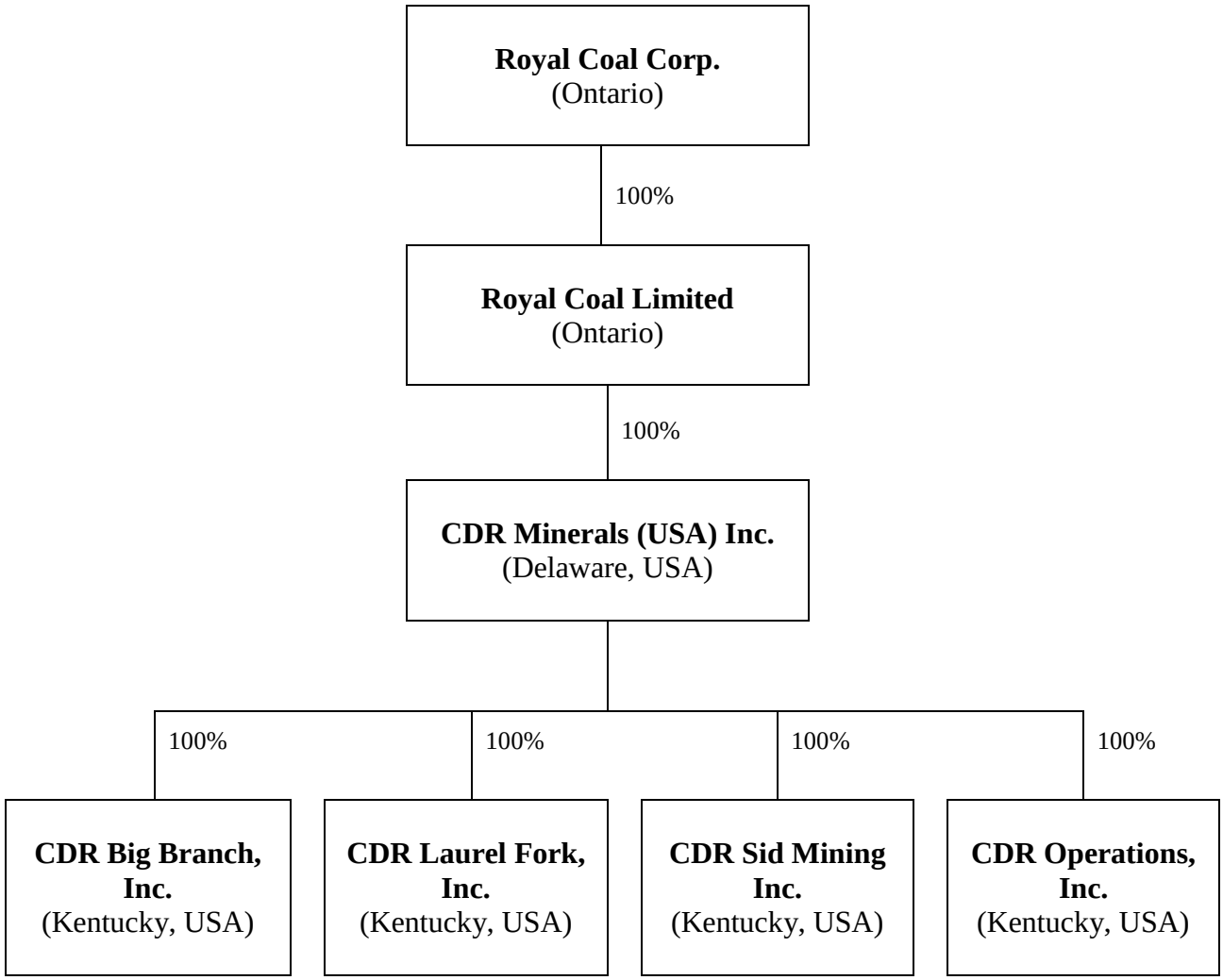
Name and Incorporation

The Company was incorporated under the *Business Corporations Act* (Alberta) on September 17, 2007. By articles of amendment dated January 14, 2008, the Company amended its articles of incorporation to delete the restrictions on share transfers. In connection with the Business Combination (as defined below), by articles of continuance dated August 10, 2010, the Company continued under the under the laws of the Province of Ontario from the Province of Alberta, the name of the Company was changed from "Amalfi Capital Corporation" to "Royal Coal Corp." and the issued and outstanding common shares of the Company were consolidated on the basis of one new consolidated common share of the Company (a "**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.

Intercorporate Relationships

The Company's corporate structure including all active subsidiaries and their respective jurisdictions of incorporation is as follows:



THREE YEAR HISTORY

On April 29, 2008, the Company completed its initial public offering of 9,000,000 Common Shares at a price of C$0.10 per Common Share for gross proceeds to the Company of C$900,000 to provide the Company with a minimum of funds with which to identify and evaluate companies, businesses or assets with a view to completing a "Qualifying Transaction", as such term is defined in the policies of the TSX Venture Exchange (the "**Exchange**"). The Company's common shares were initially listed on the Exchange under the symbol "ALI.P" on May 6, 2008.

On August 12, 2010, the Company completed a Qualifying Transaction (the "**Business Combination**") whereby it acquired all of the shares of CDR Minerals Inc. ("**CDR**") pursuant to an amalgamation of its wholly owned subsidiary and CDR to form Royal Coal Limited ("**Royal Subco**"). In connection with the Business Combination, by articles of continuance dated August 10, 2010, the Company continued under the under the laws of the Province of Ontario from the Province of Alberta, the name of the Company was changed from "Amalfi Capital Corporation" to "Royal Coal Corp." and the issued and outstanding common shares of the Company were consolidated on the basis of one Common Share for each two previously issued and outstanding common shares. Pursuant to the Business Combination: (i) each common share in the capital of CDR was exchanged for one Common Share; and (ii) each holder of Common Shares prior to the completion of the Business Combination received 0.28235525 of a Common Share purchase warrant for each Common Share held, each whole warrant entitling the holder to acquire one Common Share at a price of C$0.20 per share for two years from the closing of the Business Combination.

On September 10, 2010, the Company, through Royal Subco, exercised its right to issue notes (the "**Notes**") pursuant to the terms of a note purchase agreement (the "**Note Purchase Agreement**") by and between Royal Subco and Juno Special Situations Corporation ("**Juno**"), dated September 30, 2009, as amended. Royal Subco issued notes in the aggregate principal amount of $1,000,000 and which accrue interest at a rate of 23% per annum, increasing to a rate of 33% per annum in the event of default. In connection with the original Note Purchase Agreement, Royal Subco and Juno entered into a royalty agreement dated as of September 30, 2009 providing for, among other things, the payment to Juno of a $2.00 per ton royalty interest (the "**Royalty Interest**"), which Royalty Interest is capped at the amount of indebtedness under the Note Purchase Agreement, which was increased by $1,000,000 as a result of the issuance of the additional notes. On October 29, 2010, Royal Subco issued a further $1,000,000 of notes to Juno pursuant to the Note Purchase Agreement, on the same terms and conditions as the Notes. On February 24, 2011, the Company repaid the remaining principal outstanding under all Notes issued pursuant to the Note Purchase Agreement. As a result, the aggregate total principal amount of such notes was reduced to zero. On March 31, 2011, the Company announced it had retired the Royalty Interest in full by paying approximately $6.4 million. As a result, the future amount owing under this royalty was reduced to zero.

On October 13, 2010, and October 27, 2010, the Company entered into new royalty arrangements with third parties to provide additional operating capital to the Company of $1,500,000. Subject to the terms of the new royalty arrangement, the Company will pay to the third party payees an aggregate royalty equal to $1.50 for each short ton of coal mined, removed, and sold from the Company's Big Branch and Sid Mining Projects, until the payees have been paid an aggregate amount equal to two times the amount of the royalty proceeds of $1,500,000, and thereafter, $0.60 for each short ton of coal mined, removed, and sold from these mines.

On November 26, 2010, the Company entered into a coal purchase agreement and a royalty agreement (collectively, the "**Sandstorm Agreements**") with Sandstorm Metals & Energy Ltd. ("**Sandstorm Energy**"). Pursuant to the coal purchase agreement, Sandstorm Energy agreed to acquire 18% of the first six million tons of coal produced, and thereafter 12% of the life of mine coal produced from the

Company's Big Branch Mining Project, and any development extensions thereof, and the Sid Mining Project. Sandstorm Energy completed an upfront payment of $11 million on, January 25, 2011 and will make ongoing fixed payments of $55/ton, subject to certain adjustments as set out in the coal purchase agreement. The Company provided certain production level guarantees, including that Sandstorm Energy will receive minimum cash flows of $2 million in calendar year 2011 and minimum cash flows of $2.5 million in each of calendar years 2012, 2013, 2014 and 2015 as a result of the further sale of the coal purchased from the Company. Under the royalty agreement, in exchange for an upfront payment by Sandstorm Energy of $3 million (which was paid to the Company on December 17, 2010), the Company will pay Sandstorm Energy a royalty equal to 2.7% of revenue from the above mines until Sandstorm has been paid an aggregate amount of $4.5 million, and thereafter 1.35% of revenue from these mines. The Company will enter into a security agreement in favour of Sandstorm Energy as security for its obligations under the Sandstorm Agreements.

On December 20, 2010, the Company 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 Company's due diligence review. The Kentucky Acquisition has not proceeded in accordance with the initially planned schedule because the Company'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 Company has drilled 6 of the 12 holes that it plans to drill as part of its due diligence investigation of the properties. When drilling is completed, the Company will determine whether or not to continue to pursue the Kentucky Acquisition. If the Company 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 Company does not believe that the Kentucky Acquisition is likely to proceed on the terms specified in the letter of intent and described in the Company's press release and material change report dated December 20, 2010. As of the date of this AIF, the Company has not determined whether it will proceed with the Kentucky Acquisition or whether the proposed transaction can be completed on favorable terms.

On December 22, 2010, the Company 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 $8,250,000, which the Company currently intends to satisfy by the payment of cash in an amount of approximately $1,750,000 and the assumption of debt in an amount of approximately $6,500,000. The Company 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 Company's due diligence review. The Big Sandy River Acquisition has not proceeded in accordance with the initially planned schedule because the Company's initial due diligence review required more time than was initially anticipated. In particular, part of the Company'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 Company 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. If the results of the Company's due diligence review are successful, the Company intends to attempt to finalize its negotiation of a definitive purchase agreement and complete the transaction as soon as practicable. As of the date of this AIF, the Company has not determined whether it will proceed with the Big Sandy River Acquisition or whether the proposed transaction can be completed on favorable terms.

On February 23, 2011, the Company completed a private placement (the "**Special Warrant Financing**") pursuant to which it issued and sold through a syndicate of agents (the "**Agents**") 138,000,000 special warrants (the "**Special Warrants**") at a price of C$0.25 per Special Warrant, for aggregate gross proceeds to the Company of C$34,500,000. Each Special Warrant entitled the holder, upon the exercise or deemed exercise thereof, to receive one one common share of the Company (a "**Common Share**") and one-half of one Common Share purchase warrant (each whole warrant a "**Warrant**"). Each Warrant will entitle the holder to acquire one Common Share at a price of C$0.335 until February 23, 2013 (the "**Warrant Expiry Date**").

In connection with the Special Warrant Financing, the Company paid the Agents a fee equal to 6% of the gross proceeds from the sale of the Special Warrants. As additional compensation, the Company 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 Company an aggregate number of units (the "**Compensation Units**"), each consisting of one Common Share 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 C$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 C$0.335 per Compensation Warrant Share until the Warrant Expiry Date.

On April 8, 2011, the Company filed and obtained a receipt for a final prospectus in certain provinces of Canada in which subscribers of Special Warrants were resident, qualifying the distribution of the Common Shares and Warrants that were issuable on the exercise of the Special Warrants. All Special Warrants were automatically exercised on April 9, 2011.

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

GENERAL DESCRIPTION OF THE BUSINESS

General Overview

Royal Coal is a coal exploration and production company, headquartered in Toronto, Ontario, Canada with a regional office in Hazard, Kentucky, U.S.A. The Company is concentrating its efforts on developing an asset base in the central Appalachian coal producing region of the United States, and may expand internationally as opportunities allow. The central Appalachian area includes parts of West Virginia, Virginia, Kentucky, Ohio and Tennessee. Central Appalachia's history of producing large volumes of thermal and metallurgical coal, along with the under-utilized coal infrastructure already in place make the area ideal for the implementation of the Company's business model.

The Company's principal business objective is to utilize its available working capital and available cash flow from operations to achieve its principal milestones.

The Company is in the production, development and exploration stages on its various mineral properties. The level of operations is determined by the availability of capital resources, the sources of which are unpredictable. To date, funding has been provided principally by equity investors and various secured and unsecured lenders.

The Company intends to continue to evaluate its existing production, development and exploration properties and, if deemed warranted, acquire new mineral properties. The Company may develop and

acquire properties in the future through past or additional equity financings, cash flow generated from operations or by way of joint venture or option agreements, or through a combination of the above.

The Company is a reporting issuer in Ontario, Alberta, and British Columbia.

Principal Products and Markets

The Company is currently producing coal from its Big Branch mining project. The Company holds interests in properties that are principally prospective for coal. There is a North American and worldwide market for coal, and as a result, the Company will not be dependent on a particular purchaser with regard to the sale of the coal which it produces.

Specialized Skill and Knowledge

Most aspects of the Company's business require specialized skills and knowledge. Such skills and knowledge include the areas of geology, mine development, mining, coal marketing, finance and accounting. Much of the necessary specialized skills and knowledge required by the Company are available from the management team and board of directors of the Company. To the extent additional specialized skills and knowledge are required, the Company retains outside consultants.

Competitive Conditions

The Company faces intense competition in the mineral exploration and exploitation industry. The Company actively competes for, among other things, new mineral resource property acquisitions, exploitation and production leases, licenses and concessions, skilled industry personnel and financing with a substantial number of other exploration and production companies, many of which have significantly greater resources. The Company's competitors include large established mining companies, major natural resource exploration, development, and production companies and numerous other independent exploration, development, and production companies and individual producers and operators.

Resources Properties

Sid Mining Project

Pursuant to a sale agreement dated October 23, 2008 between Sid Mining LLC and CDR Sid Mining, Royal Subco acquired the Sid Mining Project for a purchase price of $1,700,000 in cash and a 2% override royalty from all sales of all coal mined or extracted from the Sid Mining Project.

Big Branch Project

On September 30, 2009, Royal Subco, through its wholly-owned U.S. subsidiary CDR Minerals (USA) Inc., acquired the coal and surface leases known as the Big Branch Project for a purchase price of $7,300,000. The purchase price for the Big Branch Project assets was payable as to $2,300,000 in cash and as to $5,000,000 through the issuance by Royal Subco to Cheyenne Resources Inc. ("**Cheyenne**") of $5,000,000 principal amount of convertible debentures, maturing on April 1, 2011, and bearing interest at a rate of 12% per annum, and convertible into shares on the basis of one share for each $0.50 principal amount of debenture until maturity. On July 29, 2010 the Company amended the loan agreement, changing the maturity date to January 31, 2012 and resulting in a payment of $800,000 upon closing the Private Placement and Amalgamation completed in August 2010. On February 24, 2011, the Company repaid the remaining principal amount outstanding under the debenture issued to Cheyenne, and no

further principal amount remains outstanding. The Big Branch Project is located proximate to Hazard, Kentucky, and is currently in production.

Laurel Fork Project

On December 12, 2008, Royal Subco entered into coal and surface leases with a local property owner, which gave it the right to surface mine certain parcels of property located in Knott County, Kentucky, located within the wider Laurel Fork mining project area of interest (the "**Laurel Fork AOI**"), also located proximate to Hazard, Kentucky. Royal Subco made a one-time payment of $125,000 for this right, and must pay minimum monthly royalties of $4,400. The Company is assessing whether to acquire the coal and surface leases required to mine the wider Laurel Fork AOI. The process of obtaining permits for the Laurel Fork AOI is underway.

Employees

The Company had 63 employees as at December 31, 2010.

Environmental Protection

Royal Coal intends to undertake its exploration, development, and production activities in accordance with industry-standard environmental practices. Royal Coal recognizes the importance of the environment and will comply with applicable environmental regulations.

Risk Factors

There are various risks that could have a material adverse effect on among other things, the properties, business, condition (financial or otherwise) and the prospects of Royal Coal. These factors should be reviewed carefully. Set out below are certain risk factors affecting Royal Coal.

Certainty of Profits

The Company has a limited history of production from its producing properties and has limited operating revenue and cash flow. The Company's continued operations will be dependent upon its ability to generate operating revenues and to procure sufficient positive cash flow or additional financing. There can be no assurance that the Company will be able to achieve or sustain sufficient positive cash flow or profitability in the future.

Mining Industry Risks

The exploration for and development of coal deposits involves a high degree of risk that even a combination of careful evaluation, experience, knowledge and sufficient financial resources may not eliminate. While the discovery of an orebody may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Substantial expenses may be required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration programs planned by the Company or its joint-venture partners, if applicable, will result in a profitable commercial mining operation. Whether a coal deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; commodity prices, which are inherently cyclical and cannot be predicted with certainty; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and

exporting of commodities and environmental protection. The effect of these factors cannot be accurately predicted and the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Properties Without Known Mineable Reserves

Certain of the Company's mineral properties are in the exploration stage, and it has not yet been determined that these properties contain coal or other minerals that are economically recoverable. The activities of the Company will continue to be directed towards the search for, evaluation of and development of coal deposits. There is no assurance that the expenditures of the Company will result in discoveries of commercial ore bodies. Furthermore, there can be no assurance that the Company's estimates of future exploration expenditures will prove accurate, and actual expenditures may be significantly higher than currently anticipated.

Uncertainty as to Calculations of Coal Deposit Estimates

There is a significant degree of uncertainty attributable to the calculation of coal deposit estimates. Until the ore is actually mined and processed, mineral deposit estimates, grades and recovery rates must be considered as estimates only. Consequently, there can be no assurance that any coal deposit estimates or ore-grade information contained herein (including in the documents incorporated herein by reference) will prove accurate. In addition, the value of coal deposits may vary depending on coal prices and other factors. Any material change in ore grades, stripping ratios or other mining and processing factors may affect the economic viability of the Company's projects. Furthermore, coal deposit estimate information should not be interpreted as any assurance of mine life or of the potential profitability of existing or future projects.

Uninsurable Risks

The Company may become subject to liability for cave-ins, pollution or other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or for other reasons. The payment of any such liabilities would reduce the funds available for exploration and mining activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position.

Currency

Currency fluctuations may materially affect the financial position and results of the Company. The Company does not presently engage in currency hedging to offset any risk of currency fluctuations. The Company's U.S.A. operations generate 100% of the revenue and incur its operating costs and capital expenditures in United States dollars. The Company's future revenue is expected to be denominated in United States dollars, while the Company's Canadian head office operates in Canadian dollars and may raise future equity in either Canadian or United States dollars. As a result, the Company's has some exposure to the currency fluctuations relative to these two currencies.

Governmental Regulation of the Mining Industry

The mineral exploration, development, and production activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Mining and exploration activities are also subject to various laws and regulations relating to protection of the environment. Although the Company believes that its exploration and mining activities are currently carried out in accordance with all applicable rules

and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a material adverse effect on the business, financial condition and results of operations of the Company.

Exploration and Development Risks

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Company not receiving an adequate return of investment capital.

There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of commercial bodies of coal. The long-term profitability of the Company's operations will in part be directly related to the costs and success of its exploration programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

If the Company loses or abandons its interest in its properties, there is no assurance that it will be able to acquire another mineral property of merit or that such an acquisition would be approved by the Exchange. There is also no guarantee that the Exchange will approve the acquisition of any additional properties by the Company, whether by way of option or otherwise, should the Company wish to acquire any additional properties.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines and there is no guarantee that the Company's projects will become producing mines.

Insurance

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

Permits and Licenses

The future operations of the Company will require permits from various federal, state, provincial and local governmental authorities and will be governed by laws and regulations governing prospecting,

development, mining, production, export, taxes, labour standards, occupational health, waste disposal, land use, environmental protections, mine safety and other matters. There can be no guarantee that the Company will be able to obtain all necessary permits and approvals that may be required to undertake exploration activity or commence construction or operation of mine facilities on the Company's properties.

Environmental Legislation

Environmental laws and regulations may affect the operations of the Company. These laws and regulations set various standards regulating certain aspects of health and environmental (including water) quality. They provide for pre-approvals, penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. The permission to operate can be withheld or temporarily or permanently withdrawn. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or non-compliance with environmental laws or regulations. The Company intends to minimize risks by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to applicable environmental standards. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations, including the Company, may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, some of which is politically influenced, could have a material adverse impact on the Company and cause increases in exploration and operational expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

Title to Properties

The acquisition of title to coal properties is a very detailed and time-consuming process. Title to, and the area of, coal interests may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests.

Market Prices

If the Company seeks to bring a property to production, the profitability of its operations will be dependent in part upon the market price of coal. Coal prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of and demand for mineral commodities, and exchange rate stability can all cause significant price fluctuations. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of coal commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and results of operations.

Competition

The mining industry is intensely competitive in all of its phases and the Company will compete with many companies possessing greater financial and technical resources than itself. Competition in the coal mining industry is primarily for: mineral rich properties which can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and, the capital for the purpose of funding such properties. Many competitors not only explore for and mine coal, but conduct refining and marketing operations on a world-wide basis. Such competition may result in the Company being unable to acquire desired properties (due to the auction process involved in property acquisition), to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Company's prospects for coal exploration and success in the future.

Future Capital Requirements

In the past, the Company has not had and does not currently have positive cash flow from operations. The Company'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 Company will ever generate a positive cash flow from operations. As discussed above and if it believes it is in its best interests, the Company may seek additional debt financing in order to fund certain of its potential acquisitions, in each case, if the Company 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 Company.

The Company may also have other capital or exploration funding requirements to the extent that it decides to develop other properties or make acquisitions. The Company has identified in the MD&A for the year ended December 31, 2010, five such opportunities for capital investments. The Company may also encounter significant unanticipated liabilities or expenses. The Company'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 Company may be required to obtain additional financing in the future to fund such needs. The Company 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 Company and might involve substantial dilution to existing shareholders. Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations.

Production and Cash Flow Risk

The Company is party to the Sandstorm Agreements pursuant to which Sandstorm Energy 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 Company's Big Branch Project, and any development extensions thereof, and the Sid Mining Project. The Sandstorm Agreements include certain production level and cash flow guarantees and provide for a general security interest in favour of Sandstorm Energy over the assets of the Company. Unless otherwise waived by Sandstorm Energy, failure to meet such guarantees would constitute an event of default under the Sandstorm Agreements entitling Sandstorm Energy to enforce its security interest,

impose cash penalties on the Company and/or terminate the Sandstorm Agreements. There is no certainty that the Company will be able to meet such production or cash flow commitments and, if such commitments are not met, there is no assurance that the Company will be able to obtain a waiver of the resulting default under the Sandstorm Agreements. Any breach by the Company of its cash flow guarantees would cause the Company 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 Company's ability to generate operating revenues and to procure sufficient positive cash flow to ensure the success of its operations.

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

Competition for Key Personnel

The Company will be dependent upon the continued support and involvement of a number of key management personnel. The loss of the services of one or more of such personnel could have a material adverse effect on the Company. The Company's ability to manage its exploration and development activities and, hence, its success, will depend in large part on the efforts of these individuals. The Company faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain such personnel.

Possible Volatility of Stock Price

The market price of the Company Shares will be subject to wide fluctuations in response to factors such as actual or anticipated variations in the Company's consolidated results of operations, changes in financial estimates by securities analysts, general market consolidated and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations may adversely affect the market price of the Company Shares. Factors such as the price of coal, announcements by competitors, changes in stock market analyst recommendations regarding the Company, and general market conditions and attitudes affecting other exploration and mining companies may have a significant effect on the market price of the Company Shares. Moreover, it is possible that during future quarterly periods, the Company's results and exploration activities may fluctuate significantly or may fail to meet the expectations of stock market analysts and investors and, in such event, the market price of the Company's shares could be materially adversely affected. In the past, securities class action litigation has often been initiated following periods of volatility in the market price of a company's securities. Such litigation, if brought against the Company, could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Ability to Manage Growth

The size of the Company's business and assets is expected to grow in the coming years. In order to effectively deploy its capital and manage its growth, the Company will need to retain additional personnel and augment, improve or replace existing systems and controls. As a result, there can be no assurances that the Company will be able to effectively manage its growth and, if it is unable to do so, its business, financial conditions and results could be adversely affected.

Ability to Sell Securities

Securities of the Company may be subject to resale restrictions under applicable securities legislation. Accordingly, there may be a long time period between the date of purchase of securities and the date that a shareholder is able to sell these securities. In this time, the market price of the Company's securities will vary. Additionally, there may be limited liquidity in the market for such securities. As such, there is no assurance that the market price at which a shareholder is able to sell any will equal or exceed the price at which the securities were originally issued by the Company.

Acquisition Risk

As part of the Company's business strategy, it may seek to grow by acquiring businesses that it believes will complement its current business. The Company may not effectively select acquisition candidates or negotiate or finance acquisitions or integrate the acquired businesses and their personnel into its business. The Company cannot guarantee that it can complete any acquisition it pursues on favourable terms, or that any completed acquisitions will ultimately benefit its business and the results of operations of the Company. The risks inherit with acquisitions include the risks associated with the integration of acquired operations, diversion of management's attention and potential loss of key employees. The Company may not be able to successfully integrate products, technologies or personnel of a business acquired in the future. Failure could have a material adverse effect on the business, financial condition and results of operations of the Company.

Dividends

To date, the Company has not paid any dividends on its outstanding shares, and the Company does not expect to do so in the foreseeable future. Any decision to pay dividends on the Common Shares will be made by the Board of Directors of the Company on the basis of the Company's earnings, financial requirements and other conditions.

Conflicts of Interest

Certain of the directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest. The *Business Corporations Act* (Ontario) (the "**OBCA**") provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the OBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the OBCA.

Shares Reserved For Future Issuance

As at the date of this AIF, the Company had the following options and warrants outstanding:

Security	Exercise Price ($)	Expiry Date	Amount
Warrants	US $0.50	June 25, 2011	833,334
Warrants	US $0.50	July 7, 2011	50,000
Warrants	US $0.50	July 10, 2011	30,000
Warrants	US $0.50	July 15, 2011	2,241,111
Warrants	US $0.50	October 15, 2011	1,200,000
Warrants	Cdn $0.50	October 21, 2011	1,000,000

Security	Exercise Price ($)	Expiry Date	Amount
Warrants	Cdn $0.20	August 12, 2012	1,657,143
Warrants	US $0.25	October 25, 2012	1,225,000
Warrants	Cdn $0.20	August 12, 2015	34,280,300
Broker Warrants	US $0.50	October 13, 2011	284,511
Broker Warrants	US $0.50	November 2, 2011	20,300
Broker Warrants	Cdn $0.20	December 23, 2015	315,000
Options	Cdn $0.20	August 12, 2011	446,500
Options	Cdn $0.25	October 25, 2012	2,400,000
Options	Cdn $0.50	August 14, 2013	1,475,000
Options	Cdn $0.50	November 6, 2014	1,500,000
Options	Cdn $0.20	November 6, 2014	500,000
Options	Cdn $0.50	November 16, 2014	1,250,000
Options	Cdn $0.50	December 10, 2014	825,000
Options	Cdn $0.20	November 30, 2012	133,500
Warrants	Cdn $0.25	February 23, 2013	69,000,000
Compensation Options	Cdn $0.25	February 23, 2013	8,280,000

Options and warrants are likely to be exercised when the market price of the Common Shares exceeds the exercise price of such options or warrants. The exercise price of such options or warrants and the subsequent resale of such Common Shares in the public market could adversely affect the prevailing market price and the Company's ability to raise equity capital in the future at a time and price when it deems appropriate. The Company may also enter into commitments in the future which would require the issuance of additional Common Shares and the Company may grant additional Common Share purchase warrants and stock options. Any Common Share issuances from the Company's treasury will result in immediate dilution to existing shareholders.

Current global financial condition

Current global financial conditions have been characterized by increased volatility and several financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing and bank credit has been negatively impacted by both the rapid decline in value of sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These and other factors may affect the Company's ability to obtain equity or debt financing in the future on favourable terms. Additionally, these factors, as well as other related factors, may cause decreases in the Company's asset values that may be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil continue, or if more extensive disruptions of the global financial markets occur, the Company's operations could be adversely impacted and the trading price of the Common Shares may be adversely affected.

Short term investment risks

The Company may from time to time invest excess cash balances in short term commercial paper or similar securities. Recent market conditions affecting certain types of short term investments of some North American and European issuers as well as certain financial institutions have resulted in restricted liquidity for these investments. There can be no guarantee that further market disruptions affecting various short term investments or the potential failure of such financial institutions will not have a negative effect on the liquidity of investments made by the Company.

Other Risks

The Company also faces a number of risk factors that are outside of its control, generally, including, without limitation, terrorist activities, natural disasters, general economic, and other conditions.

MINERAL PROJECTS

Sid Mining Project

Set forth in this section is a description of the Sid Mining Project. The information in this section is, in part, summarized and/or extracted from the Sid Report. The Sid Report was prepared by Phillip Lucas, P.E., P.L.S. as the Qualified Person at Summit, in accordance with NI 43-101. Mr. Lucas is independent of the Company. Portions of this section are based on assumptions, qualifications and procedures which are not fully described herein, and should not be relied upon out of context. Reference should be made to the full text of the Sid Report, which is available for review under the Company's profile on the System for Electronic Documents Analysis and Retrieval (SEDAR) at www.sedar.com.

Project Description and Location

According to the Sid Report, the Sid Mining Project lies within the drainage areas of Cam Johnson Branch and Bowling Creek of the Middle Fork of the Kentucky River, lying in Perry and Breathitt Counties, Kentucky. The current permitted area of the Sid Mining Project is 406.38 acres. The total leased surface area covers approximately 850 acres.

The mining rights necessary to conduct surface and underground mining operations have been obtained for the properties comprising the Sid Mining Project as described in permit 813-0313. In addition, mineral rights have been obtained to the immediate Southeast of the Sid Mining Project, along the Breathitt and Perry County border south of Bowling Creek and north of Johnson Branch.

The Company controls ten leases for surface rights under which it must pay certain minimum royalties that range from $300 to $3000 per annum, as further described below. These royalties can be recouped against production royalties due under the same leases of between $0.50 and $3.00 per ton. The salient terms of the leases are summarized in the table below. The Company's mining Permit No. 813-0313, which covers 330 acres, expires on October 3, 2012, but can be renewed.

The Sid Mining Project boundaries were not located by survey and are based on previous plots of deeds and leases. These deeds and leases were reviewed and property boundaries were determined to be correct based on acceptable standards required for Kentucky mine permitting. Further, the Company met with surface owners on all sides of the Sid Mining Project to verify the boundaries, and prior to any surface disturbance the lines will be surveyed to reconfirm the lines.

Leases Controlled by CDR SID Mining Inc.

Tract	Lessor	Type[(1)]	Executed	Royalty Rate			Term	Extension	Assignment
				Production	Minimum	Wheelage			
1	Nollie Combs	S,M	3/25/2005	$2.50/t or 6%	$2,000/yr	$0.25/ton	5-year	1-year terms	With Consent
2	A.B. and Phyllis Combs	S,M	8/22/2005	$2.50/t or 6%	$1,500/yr	$0.10/ton	3-year	while coal mined	Freely assigned
3	Charlene Amis	S,M	9/2/2004	$2.75/t flat fee	$800/yr	$0.05/ton	5-year	1-year terms	With Consent
4	Delbert Combs heirs	S,M	11/1/2004	$3.00/t or 6%	$1,800/yr	$0.10/ton	3-year	1-year terms	With Consent
5	Mary Tzanetos	S,M	5/10/2007	$3.00/t flat fee	$5,000/yr	$0.10/ton	5-year	5-year terms	Freely assigned
6	J.M. Combs	S,M	12/29/2004	$3.00/t flat fee	$800/yr	$0.10/ton	3-year	1-year terms	With Consent
7	Johnny/Ed Deaton	S	5/24/2004	$0.50/t flat fee	$1,000/yr	$0.10/ton	5-year	1-year terms	With Consent
8	B&M Coal	M	10/23/2008	$2.50/t or 6%	$5,000/yr	$0.10/ton	5-year	1-year terms	With Consent
9	Bud Deaton	S	6/24/2004	$0.50/t flat fee	$1,000/yr	$0.05/ton	5-year	1-year terms	With Consent
10	Green Berry Johnson	S,M	11/18/2004	$3.00/t or 6%	$3,000/yr	$0.10/ton	5-year	1-year terms	With Consent

Notes:

(1) A type S lease indicates surface mining rights have been obtained, and a type M tract indicates underground mining rights have been obtained.

In connection with the preparation of the Sid Report, a search of available environmental records was conducted by Environmental Data Resources, Inc ("**EDR**"). No mapped sites were found in EDR's search of available "reasonably ascertainable" government records either on the properties comprising the Sid Mining Project or within the ½ mile search radius around the properties comprising the Sid Mining Project in 41 Federal Records databases or 5 Tribal Records databases.

There is currently one active permit for the Sid Mining Project. Permit No. 813-0313 covers approximately 230 surface disturbance acres (330 acres total), and includes contour, area, highwall, and auger mining methods. The permit has a four-increment $163,000 bond posted. There are four valley fills that are approved in the SMCRA permit. The COE permit has been submitted, but is pending the resolution of certain environmental issues See "Environmental Considerations". Mining can be done for in excess of one year without the need for a COE permit. An existing valley fill with excess capacity along with existing highwall backfill areas will provide excess spoil storage for about one year. Additional excess spoil may also be placed in a road fill, and alternative mine planning can allow for additional spoil storage. The four excess spoil fills in this permit are small, and thus the likelihood of a COE permit being issued in a timely fashion is very good.

Amendment No. 1 of this permit, deemed technically acceptable on June 17, 2009, includes an additional 70 acres of surface disturbance on the Mary Tzanetos property, which includes area mining in the Haddix seam. This property was mined in the early 2000's, but the company filed for bankruptcy in 2004. According to the Kentucky Surface Mine Information Systems, Minnehan forfeited its bonds leaving about a mile of unreclaimed highwall. This amendment was filed in order to allow the new operation to use the old haul road, to allow a cut-thru to the coal seams on the new permit, allow the backfilling of the old highwalls, and to mine the remaining coal on the old permit area.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Sid Mining Project is situated at approximately Latitude (North) 37-22-24 and Longitude (West) 83-27-16, in northern Perry and southern Breathitt Counties. The elevations within the property area range from 718 feet to 1382 feet above sea level.

Characteristics of the soil composition in the general area of the Sid Mining Project are as follows:

- Soil Surface Texture – silt loam.
- Hydrologic Group – class B, Moderate infiltration rates. Deep and moderately deep, moderately well and well drained soils with moderately coarse textures.
- Soil Drainage Class – Well drained. Soils have intermediate water holding capacity. Depth to water table is more than 6 feet.
- Hydric Status – soil does not meet the requirements for a hydric soil.
- Corrosion Potential – Uncoated Steel: low.
- Depth to Bedrock -- > 40 inches.

The Sid Mining Project is located approximately two miles northeast of Buckhorn Lake and is approximately 1 mile south of Crockettsville. Access will be from Route 28 thru Cam Johnson Branch road (a useable but narrow paved county road). It is a sparsely inhabited area.

At the commencement of production sold coal will have to be transported by tractor trailer to river markets (Cattlesburg, Kentucky is approximately 100 miles away) or to rail tipples. The CSX rail line Sigmon station lies to the southeast of the project area.

The total population (as of July 1, 2009) of Perry County, Kentucky was approximately 29,100, down about 1% since April 1, 2000. The population is approximately to be 78% rural and 22% urban.

The climate is characterized by well-defined seasons with hot summers and cool winters. The average annual temperature is approximately 56 degrees Fahrenheit, with the record (from 1945 to 2006) highest in July 1952 at 102 degrees Fahrenheit, and the record lowest at -21 degrees Fahrenheit in January 1985. Average annual precipitation is approximately 41 inches, with a mean annual snowfall of 15 inches. Total precipitation, as of 2006, was 40.64 inches. Relative humidity ranges from about 87% at 7:00 a.m. to 57% at 1:00 p.m.

Mining operations in the region continue throughout the year and climate conditions are not a major hindrance to operations.

History

Part of the Sid Mining Project was previously mined on by Minnehan Mining, LLC ("**Minnehan**"). Based on observations in the field, coal was mined from the site by Minnehan under Kentucky Department of Natural Resources Surface Mine Permit No. 897-0434.

According to the MSHA records, Minnehan operated an active mine from April 1, 2001 through January 8, 2003, and filed for bankruptcy in 2004.

The MSHA records typically include quarterly production reports, however none exist for Minnehan. It appears that Minnehan may not have turned in their quarterly production and man-hours reports to MSHA.

The permit bond was forfeited by Minnehan and the Kentucky Division of Abandoned Mine Lands has done some reclamation at the site. The Minnehan coal removal should not adversely impact Royal Subco's mine plan. The mine plan includes placing excess spoil on the existing mine benches created from the mining done by Minnehan.

According to the Sid Report, a reserve report was prepared for Permit No. 813-0313 (original permit area only) by Collins Consulting in May, 2007. The study area included the Fireclay, Copland, Haddix, Hazard #5A, and Hazard #9 seams. Total recoverable surface mining tons on this permit was estimated at 856,680 tons, and total recoverable auger/highwall mining tons was estimated at 336,770 tons, for a grand total of 1,193,450 tons. Included within this total were the reserves in the area shown on "Minnehan Mining Permit #897-0357" where approximately 160,000 recoverable tons were in the Hazard #5A seam only.

A supplemental feasibility study and economic analysis was conducted for the Sid Mining Project by Bob Warnick in August, 2008. He concluded that with good quality controls mining operations should be able to maintain a <11% ash, 1.2% (+/-) sulfur with more than 12,200 BTU product. Warnick further estimated that production would be approximately 27,400 average tons per month from surface mining, and 5,200 tons per month from auger mining. He stated that the mine would be very profitable at an $84.75/ton coal price (or $100/t market price).

The historical estimates, provided by Collins Consulting and Warnick as described above, are not in accordance with the categories set out in sections 1.2 and 1.3 of NI 43-101. The estimates were of projected total in-place coal and total recoverable coal within the property, and were not further classified. Sufficient work was not completed for the Collins Consulting or Warnick reports to classify these historical estimates as current mineral resources or mineral reserves. The Company is not treating the historical climate as current mineral resources or mineral reserves as defined in sections 1.2 and 1.3 of the Instrument, and the historical estimate was not be relied upon, but was used as reference data. A compliant estimate has been calculated.

According to the Sid Report, as of June 30, 2009, the Kentucky Office of Mine Safety and Licensing listed 38 licensed mining operations in Perry County, Kentucky. The counties surrounding and adjacent to the Sid Mining Project in Perry County include Knott, Breathitt, Owsley and Leslie Counties. Another 66 mines are licensed in these counties making a total of over 100 mines licensed in the area. The most recent production records from the state of Kentucky are through the end of 2007. Production for the year 2007 from Perry County was about 14.7 million tons, from Knott County about 8.6 million tons, from Leslie County about 4.0 million tons and from Owsley and Breathitt Counties about 2.0 million tons. Thus a total of over 29 million tons of coal was produced from the five county region near and adjacent to the Sid Mining Project.

Within the property area, According to the MSHA of the US Department of Labor records, Minnehan operated an active mine (Permit No. 897-0434, MSHA I.D. No. 15-18598) from April 1, 2001 through January 8, 2003, and filed for bankruptcy in 2004. Approximately 252,500 tons of coal were produced in that time.

Geological Setting

The project area is located within the Eastern Kentucky Coal Field physiographic province. The topography in this region of Kentucky is largely made up of second growth forested hills dissected by V-shaped valleys eroded through thick, flat-lying sequences of Pennsylvanian age coal-bearing rocks.

According to the Sid Report, the mountain ridges are generally as narrow and sinuous as the valley bottoms, with the terrain consisting of steep slopes generally in the range of 30% to 45%. Cliffs of resistant sandstone cap many ridges, while less resistant strata such as shale and coal seams form natural benches or small terraces that are discernable on topographic maps.

The topography in the areas adjacent to the Middle Fork of the Kentucky River, just west of the project area, provides an exception to the general description above. There are several large, broad valley bottoms at the confluence of the larger streams and the river, which are underlain by substantial amounts of alluvium.

More than 70% of Kentucky's annual coal production is from the Eastern Kentucky Coal Field. All of the mined coal in Eastern Kentucky is high grade bituminous. Although generally lower in sulfur content and ash yield than coal from Western Kentucky, coal from the Eastern Kentucky Coal Field can be variable in thickness and quality. Many Eastern Kentucky coals contain partings of shale or bone coal that are laterally continuous and require processing of the coal to remove the impurities.

The geology of the project area consists of strata within the Breathitt Formation of Lower to Middle Pennsylvanian age. The regional structural features of the Breathitt Formation are the Pine Mountain thrust fault and the associated Eastern Kentucky Syncline.

A syncline can best be described as a valley shaped structural feature, with the centerline of the valley being termed the "synclinal axis" and the strata on either side of the axis being termed the “limbs”. The Pine Mountain thrust fault is located approximately 70 miles to the southwest of the project area. It is the Pine Mountain thrust fault that gently deformed the strata of the Eastern Kentucky Coal Field and produced the predominant regional structural feature known as the Eastern Kentucky Syncline.

The geological structure of the Breathitt Formation can be described as a series of gently folded and deformed strata that resulted from the Pine Mountain overthrust faulting event. The regional strike of the strata is approximately North 45 degrees East, with a regional dip of approximately 1 degree to the North West. This is based upon the general trends of the coal seams and the Magoffin Member structure contours as depicted on the Buckhorn and Canoe USG.S. geologic quadrangles maps.

These values of structural inclination are typical of those found throughout Eastern Kentucky and do not impact the mining of the coal reserves in the area. They do impact the direction of groundwater flow however and underground mining plans need to mine “up dip” whenever possible to prevent water problems.

There are no faults located within the immediate region of the project area that would influence surface or underground mining operations of the coal seams.

Mineralization

The Pennsylvanian strata present beneath the Eastern Kentucky Coal Field were deposited within a major sedimentary basin named the Appalachian basin. The Pennsylvanian Period began about 323 million years ago and lasted about 33 million years. Pennsylvanian-aged rocks in the Eastern Kentucky Coal Field predominantly consist of sandstone, siltstone and shale. These deposits indicate that in Pennsylvanian time Kentucky was near sea level, alternately covered by lakes, extensive swamps, shallow bays, and estuaries. Most of the major coal beds, which number approximately 45 to 50 in Eastern Kentucky, were formed as widespread peat swamps or mires during the Pennsylvanian Period.

According to the Sid Report, the target coal seams are discrete coal seams bounded above and below by clastic sedimentary rocks. Within the coal seams, however, there may be present a number of intra-seam clastic partings consisting predominantly of mudstones and minor siltstones.

In general, coal quality data on the Sid Mining Project indicate that the majority of coal removed by contour, area, and point removal methods of mining will not require washing. Coal removed by auger or highwall methods, however, will require washing.

Drilling

According to the Sid Report, typically drill holes are produced in the region by rotary drilling. Standard NX core drilling procedures are followed whereby all core recovered is laid out on the ground and/or in core trays in a set interval or on a run-by-run basis. In either case, both lithological and geotechnical logging are easily facilitated. All coal seams, and strata up to 10 feet above and 10 feet below the coal seams, are packed into lockable core boxes for transport to a designated secure core shed.

Drilling length is typically a factor of both the surface (collar) elevation where the drilling is to commence, and the bottom-most elevation of the coal seam to be analyzed where drilling will cease. As stated in other sections of this report, surface elevations can vary along the property from approximately 700' to 1400' above sea level, while coal seams vary in elevation from 900' to 1320'. So, the maximum and minimum expected depth of drilling within the project area should be approximately 100' to 525'.
The regional strike of the strata is approximately North 45 degrees East, with a regional dip of approximately one degree to the North West. This is based upon the general trends of the coal seams and the Magoffin Member structure contours as depicted on Buckhorn and Canoe USG.S. geologic quadrangles maps.

As such, the coal seams are relatively flat-lying and thus orientation of the drilled core is not a factor which would change typical drilling procedures. However, mine planning and operations will need to consider the small strike and dip associated with the coal seams in this area, because this will affect drainage flow conditions.

The extent of drilling within the project area has been defined of seven coreholes within the project area. Three of these coreholes (PB-01-92, PB-02-92 and PB-03-92) were drilled for Highwire, Inc. in 1992. Coreholes PKM-09-02, PKM-09-03, PKM-09-04, and PKM-09-05 were drilled by Royal Subco in 2008, and they currently have plans to drill two more holes (PKM-09-01 and PKM-09-06).

According to the Sid Report, Summit believes that the recommended additional coreholes will allow for more distinct classification of the reserve and for expanding the reserve base in the future.

Sampling Method and Approach

The objective of sampling is to collect a portion of material small enough in volume to be transported conveniently and yet large enough for analytical purposes while still accurately representing the material being sampled. This objective implies that the relative proportions or concentrations of all pertinent components will be the same in the samples as in the material being sampled, and that the sample will be handled in such a way that no significant changes in composition occur before the tests are made.

The core samples collected and submitted for analysis were handled using methods that are standard for the coal industry. The standard method of coal core handling is for the drillers, once the cores are retrieved to the surface, to place the cores in core boxes designed to accept core of the diameter being drilled. Samples are then trucked from the field to independent laboratories for sample testing. According to the Sid Report, Summit indicated that the Company should arrange for a lab, or a third party, on the Sid Mining Project to pick up and deliver sample data to Acculab Coal, Water and Soil Testing Laboratory ("**Acculab**").

The ability to trace possession and handling of the sample from the time of collection through analysis and final disposition is referred to as "chain-of-custody" and is required to demonstrate sample control when the data are to be used for regulation or litigation. Where litigation is not involved, chain-of-custody procedures are useful for routine control of samples.

According to the Sid Report, the sample data received by Summit from the Company originated from Acculab in Hazard, Kentucky using government of Kentucky approved methods of analysis. Certain data verification procedures were typically employed in order to derive a level of confidence with respect to the integrity of these samples.

The following procedures summarize the major aspects of chain of custody.

- Sample Labels – include the following information: a unique sample number, sample type, name of collector, date and time of collection, place of collection, and sample preservative.
- Sample Seals – to detect unauthorized tampering with samples up to the time of analysis.
- Field Log Book – to record all information pertinent to a field survey.
- Chain of Custody Record – including the sample number, signature of collector, date and time of collection, signatures of persons involved in the chain of possession, and inclusive dates and times of possession.
- Sample analysis request sheet – including pertinent information from field log book, and information completed by laboratory personnel regarding sample number, date of receipt and condition of sample.
- Delivery to the laboratory – as soon as practicable after collection, typically within two days.
- Receipt and logging of sample.
- Assignment of sample for analysis.
- Disposal, after the data has been reviewed and accepted, in accordance with local, state and US EPA approved standards.

Sample Preparation, Analyses and Security

Application tests are laboratory procedures that measure some characteristic of coal that has been empirically related to some application or handling or processing step. Typically, these procedures attempt to duplicate some aspect of the commercial application at laboratory scale and may produce information in the form of an index. Application procedures do not measure a single component of the coal but infer the combined effect of multiple components.

According to the Sid Report, the American Society for Testing and Materials ("**ASTM**") publishes the most inclusive reference to analytical procedures. This publication, which is revised annually, provides extensive information concerning generally accepted methods of laboratory analysis. ASTM also provides standards for sampling and some information concerning sample handling.

Ultimate analysis is a process typically used which gives the composition of coal in terms of carbon, hydrogen, nitrogen, oxygen, ash, and sulfur without regard to origin. The ash determination can be found with ASTM D-3174. Sulfur is determined either by wet chemistry methods (ASTM D-3177) or by measuring the sulfur content of the gas released through high temperature combustion of the coal sample (ASTM D-4239). Carbon and hydrogen are also determined through a combustion process (ASTM D-3178) and nitrogen by a wet chemistry method (D-3179). Oxygen is not determined directly. The sum of the carbon, hydrogen, nitrogen, sulfur, and ash are subtracted from 100 to calculate oxygen (ASTM D-3176).

According to the Sid Report, on-the-job monitoring and training of staff ensures that correct procedures and best practice methods are being continually employed. All laboratory equipment and instrumentation is routinely checked and calibrated. Further, Acculab (whose office is located in Hazard, Kentucky and is certified with the Kentucky approved electronic Discharge Monitoring Reports analysis program) is a privately owned company that is paid a fee for analytical work performed. To Summit's knowledge, Acculab holds no equity or material interest in any of its clients operations or businesses.

In coal work it is unusual to employ security methods (other than those described in the chain-of-custody procedures) for the shipping and storage of samples, because coal is a low value bulk commodity. The Company's procedures for handling and shipping coal samples and for sample security was essentially the same as that of other operators in the region. Further, Acculab's data verification procedures and sample preparation methods (as described above) meet typical industry standards.

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				
		Mineral Resource Tons			Mineral Reserve Tons	
Seam	**Mining Type**	**Measured**	**Indicated**	**Inferred**	**Proven**	**Probable**
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.

Exploration and Development

Management of the Company intends that production will begin on the DSMRE Permit No. 813-0313 with a point removal on the east side of the Mary Tzantos property, due to the availability of spoil storage on an existing strip bench and haul road off of Cam Johnson Branch.

While mining the point removal, the Company will begin work on the first cut-through. The beginning months will see production in the Hazard #5A and Haddix Seams.

Once the point removal is completed, mining of the Hazard #5A Seam will begin at the cut-through in the Bowling Creek Area. The Company intends to contour mine the 5A Seam and the Haddix Seam in the

area of Hollow Fill 4. Contour Mining will continue in the Hazard #5A Seam towards the second cut-through. The second cut-through will complete the Mine Plan for the first year.

There are three small valley fills that would improve but not required to follow through with the mining plan of the Sid Mining Project. Issuance of these three 404 USACE permits would improve the efficiency and economics of the operation. The first one involves an existing valley fill requiring some repair work which would provide an arrangement by which it is designated a non-jurisdictional fill and provides for a very high probability of issuance. The other two were submitted to the Corps of Engineers and were put on hold. Management expects the 404 USACE permits will be issued and the majority of the second year of mining will occur in the Fireclay Seam in the Bowling Creek Area. The end of year two will mine the Hazard #5A Seam using excess spoil from the Hazard #5A seam to complete the backfill of the Fireclay Seam.

Year three will continue with mining of the Fireclay Seam placing spoil in the hollow fills then the mining the Hazard #5A Seam with excess spoil backfilling the Fireclay Seam. Contour mining of the Haddix and Fireclay Seams will consist of auger mining those seams. Contour mining of the Hazard #5A will consist of High-wall mining of the Hazard #5A Seam.

Environmental Considerations

According to the Sid Report, recent issues related to the coal industry such as the Sago mine disaster and the controversy surrounding mountain top/surface mining have led to renewed interest by law makers, the EPA, and activists.

The focus on water quality impacts may lead to extensive operational changes, including but not limited to selective handling of strata, fill compaction, increased water monitoring, and water quality remediation. EPA's involvement in the permitting process will lead to a more expensive permitting process with no certainty of permit issuance.

The design and permit methodology along with mining practices for large scale surface mines are likely to be impacted by increased timing and costs. Mining professionals to date have been able to find a means of meeting the requirements of both the regulations and the courts in order to continue mining in a reasonable and cost effective way.

Big Branch Project

Set forth in this section is a description of the Big Branch Project. The information in this section is, in part, summarized and/or extracted from the Big Branch Report. The Big Branch Report was prepared by Phillip Lucas, P.E., P.L.S., as the Qualified Person at Summit in accordance with NI 43-101. Mr. Lucas is independent of the Company. Portions of this section are based on assumptions, qualifications and procedures which are not fully described herein, and should not be relied upon out of context. Reference should be made to the full text of the Big Branch Report which is available for review on SEDAR at www.sedar.com.

Property Description and Location

The Big Branch Project is bounded to the north by Troublesome Creek, to the south by the town of Amburgey near Elklick Fork of Lotts Creek, to the east by Kentucky Route 1231, and to the west by Clear Creek and Walter's Branch. The project area is located within Knott County, Kentucky, primarily in the Carrie USGS quadrangle map. The seams to be evaluated include the Hazard #5A, Hazard #7, Hazard #8, Hindman (Hazard #9), Skyline (Hazard #10), and the Hazard #11 seams. The total project area covers

approximately 2750 acres. The mining rights necessary to conduct surface and underground mining operations have been obtained for the Big Branch Project. Property lines of the Big Branch Project have already been surveyed. Prior to any surface disturbance, the lines will be re-surveyed to reconfirm the lines.

According to the Big Branch Report, the table below lists the mineral leases and tracts that comprise the Big Branch Project and respective royalty rates:

Leases

Surface Tracts

Lessor	Seams	Status	Royalty Rate	Minimum
N.W. Simpson Heirs	5A and above	Leased	$2.75/ton or 10%	None
J.P. Simpson Heirs	All	Leased	$2.75/ton	$1200/yr
Sally Simpson Heirs	All	Leased	$2.75/ton	$1200/yr
Bertie Smith et.al.	7 and above	Leased	$0.50/ton	None
Olvin Jent	All	Leased	$0.50/ton	$2800/yr
Rhoda Everidge	7 and above	Leased	None	$100/yr
Red Star Coal Company	All	Leased	$0.50/ton	$1000/yr
Mountain Properties	5A thru 9	Leased	$0.50/ton	$5000/yr
Monroe Cornett et.al.	7 and above	Leased	$0.50/ton	None
Leslie Resources(1)	All	Leased	$0.50/ton	None
Kentucky River Coal Corp.	5A and above	Leased	$3.00/ton or 10%	None
Charlie Slone	All	Leased	$0.50/ton	None
Marcia Smith et.al.	7 and above	Leased	$2.25/ton or 8%	None
Arnold R. Smith	5A and above	Leased	$12,000 Lump Sum	None
Luthur & Roberta Mullins	All	Leased	$0.50/ton	$800/mo wheelage
Aaron Cornett et.al.	5A and above	Leased	$2.50/ton	None

Note:

(1) the Leslie Resources surface lease refers to a master agreement, effective December 18, 2000, which details a $198,636.25 fixed recoupable balance and $59,036.22 left to recoup.

Mineral Tracts

Lessor	Seams	Status	Royalty Rate	Minimum
N.W. Simpson Heirs	5A and above	Leased	$2.75/ton or 10%	None
J.P. Simpson Heirs	All	Leased	$2.75/ton	$1200/yr
Sally Simpson Heirs	All	Leased	$2.75/ton	$1200/yr
Kentucky River Coal Corp.	5A and above	Leased	$2.40/ton or 8%	None
B.M. Smith Heirs	7 and above	Leased	$2.25/ton or 8%	None
Cornett & Smith	All	Leased	$1.50/ton or 7%	None
Charles Cornett et.al.	All	Leased	$2.50/ton	None

Royalty rates will begin on tracts only after a permit is obtained and mining begins. In certain tracts a minimum royalty rate will apply regardless of whether a property has yet been permitted.

According to the Big Branch Report, a search of available environmental records was conducted by EDR. EDR's report was designed to assist parties seeking to meet the search requirements of EPA's Standards and Practices for All Appropriate Inquiries (40 CFR Part 312), the ASTM Standard Practice for Environmental Site Assessments (E 1527-05) or custom requirements developed for the evaluation of environmental risk associated with a parcel of real estate.

One mapped site was found in EDR's search of available "reasonably ascertainable" government records either on the target property or within the ½ mile search radius around the target property in 41 Federal Records databases or 5 Tribal Records databases. This mapped site is the KPDES permit KYG045719 associated with Cheyenne Resource permit 860-0393.

The mapped KPDES permit site does not imply an environmental liability associated with this property. The KPDES permit covers the monitoring of point source discharges from existing ponds, which is regulated under Section 402 of the US Clean Water Act and supervised or directed by the Kentucky Division of Water ("**KDOW**"). These existing ponds are within ¼ mile of the Big Branch Project but not within the limits of the property.

There is currently one permit that lies within the Big Branch Project area. The Company expects to acquire the Cheyenne permit, 860-0393, which consists of 1407.1 acres in 2009.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

According to the Big Branch Report, the Big Branch Project is situated at approximately Latitude (North) 37-17-50 and Longitude (West) 83-01-13, in Knott County, Kentucky. The mean elevation within the Big Branch Project area is approximately 1509 feet above sea level.

There are four main soil components within the project area: Dekalb, Shelocta, Kimper, and Urban Land.

The Big Branch Project is located on Big Branch of Troublesome Creek, south of the junction of KY 550 and KY 1231 and 0.2 miles east of the Right Fork of Big Branch. Primary access will be from KY 1231, in the SE portion of the Big Branch Project. It is a sparsely inhabited area.

The Company has a sublease on the Charlene loadout (located south of the project area) which will enable better access to utility and industrial markets. The loadout is a 4-hr. fast-load batch weigh facility, has 68,000 tons of storage capacity, and has a stokering facility which allows access to the premium-priced industrial market.

According to the Big Branch Report, the total population (as of July 1, 2009) of Knott County, Kentucky was approximately 17,100, with a growth rate since April 1, 2000 of -3%. The population is 100% rural. The regional climate is characterized by well-defined seasons with hot summers and cool winters. Kentucky's weather patterns are influenced by the Gulf of Mexico, especially during summer. The highest temperature recorded in Kentucky is 114 degrees, Fahrenheit. This record high was recorded on July 28, 1930 at Greensburg. The lowest temperature in Kentucky, -37 degrees Fahrenheit, was recorded on January 19, 1994 at Shelbyville.

Much of Kentucky's average 46 inches of precipitation a year falls in spring, the rainiest season. Kentucky is located in a path several storm systems follow. Storms happen year-round; however most storms occur between March and September.

Mining operations in the region continue throughout the year and climate conditions are not a major hindrance to operations.

History

According to the Big Branch Report, part of the Big Branch Project is controlled by Cheyenne through Big Branch Permit MSHA I.D. No. 15-18765. According to MSHA records, Cheyenne began operating this surface mine on May 19, 2004.

Nearby large-scale permits are controlled by Lexington Coal, LLC (permit 860-0418, MSHA I.D. No. 15-18317), Enterprise Mining (Permit No. 860-5262, MSHA I.D. No. 15-13308, Permit No. 860-5281,

MSHA I.D. No. 15-17427, Permit No. 860-5284, MSHA I.D. No. 15-18714), and by Cook & Sons (Permit No. 860-5241, MSHA I.D. No. 15-12454).

The Federal MSHA records typically include quarterly production reports. The Cheyenne surface mine, according to these reports, has produced about 825,000 tons since 2004.

The Enterprise Mining permits lie primarily to the south and west of the Big Branch Project. Permit No. 860-5262 began operation in August 1995 and mined approximately 110,000 tons through 1996. Enterprise Permit No. 860-5281 operated from September 1996 to November 1997 and mined about 575,000 tons. Enterprise Permit No. 860-5284 began in February of 2004, and was abandoned later that year after producing approximately 30,000 tons.

The Lexington Coal, LLC permit lies to the north of the Big Branch Project. It began operations in May 2004 and is still active. An estimated 765,000 tons have been mined on this permit.

The Cook and Sons permit lies to the southeast of the Big Branch Project. This operation began production in July 1989 and finished in 1996, producing approximately 530,000 tons.

According to the Big Branch Report, Summit is aware of no previous reserve estimates for the Big Branch Project. However, in February of 2008 an Exploration Map was prepared by Cheyenne for the unpermitted area to the north of permit 860-0393. This map showed prospect holes CRCC-07-18 thru CRCC-07-24 within the northern area. Summit has received these digital logs and has incorporated them within the results shown below.

As of June 30, 2009, the Kentucky Office of Mine Safety and Licensing listed 40 licensed mining operations in Knott County, Kentucky. The counties surrounding and adjacent to the Big Branch Project in Knott County include Perry, Letcher, Magoffin, Breathitt, Floyd and Pike Counties. Another 250 mines are licensed in these counties making a total of over 300 mines licensed in the area.

The most recent production records from the state of Kentucky are through the end of 2007. Production for the year 2007 from Knott County was about 8.7 million tons, from Perry County about 14.7 million tons, from Letcher County about 8.0 million tons, from Magoffin County about 1.0 million tons, from Breathitt County about 2.0 million tons, from Floyd County about 6.8 million tons, and from Pike County about 22.5 million tons. Thus a total of over 63 million tons of coal was produced from the seven county region near and adjacent to the property.

Part of the Big Branch Project was controlled by Cheyenne with the Big Branch Project MSHA I.D. No. 15-18765. According to MSHA records, Cheyenne began operating this surface mine on May 19, 2004. As of the date of the Big Branch Report, the Cheyenne surface mine has produced about 850,000 tons since 2004 and prior to Royal Subco acquiring the project.

Geological Setting

According to the Big Branch Report, the Big Branch Project area is located within the Eastern Kentucky Coal Field physiographic province. The Eastern Kentucky Coal Field includes all or parts of 37 counties. For convenience, the coalfield is divided into the Big Sandy, Hazard, Licking River, Princess, Southwestern, and Upper Cumberland districts. The field is geologically similar to and, in part, stratigraphically similar to the adjacent coalfields in Ohio, West Virginia, and Tennessee.

The topography in this region of Kentucky is largely made up of second growth forested hills dissected by V-shaped valleys eroded through thick, flat-lying sequences of Pennsylvanian age coal-bearing rocks. The

mountain ridges are generally as narrow and sinuous as the valley bottoms, with the terrain consisting of steep slopes generally in the range of 30% to 45%. Cliffs of resistant sandstone cap many ridges, while less resistant strata such as shale and coal seams form natural benches or small terraces that are discernable on topographic maps.

Originally, the eastern field contained an estimated coal resource of 64.1 billion tons. Approximately 10.7 billion tons of coal have been mined or lost because of mining practices; hence the remaining resource as of January 1, 1999 is estimated at 53.4 billion tons.

More than 70% of Kentucky's annual coal production is from the Eastern Kentucky Coal Field. All of the mined coal in Eastern Kentucky is high grade bituminous. Although generally lower in sulfur content and ash yield than coal from Western Kentucky, coal from the Eastern Kentucky Coal Field can be variable in thickness and quality. Many Eastern Kentucky coals contain partings of shale or bone coal that are laterally continuous and require processing of the coal to remove the impurities.

The eastern coal field has been one of the nation’s leading coal producing regions. Coal is produced underground from drift, and rarely, slope and shaft mines. Surface production comes from contour, area, mountaintop removal, and auger mines.

The Hazard District, which covers approximately 1886 square miles in the central part of the eastern Kentucky field, contains the second largest quantity of coal resources of the six districts in the coal field. It includes Breathitt, Knott, Leslie, and Perry Counties, and the parts of Letcher and Harlan counties north of the Pine Mountain Fault. Estimated original coal resources for this district were 19.4 billion tons, and the remaining resources, as of January 1, 1999 were 16.1 billion tons.

The geology of the Big Branch Project area consists of strata within the Breathitt Formation of Lower to Middle Pennsylvanian age. The regional structural features of the Breathitt Formation are the Pine Mountain thrust fault and the associated Eastern Kentucky Syncline.

A syncline can best be described as a valley shaped structural feature, with the centerline of the valley being termed the "synclinal axis" and the strata on either side of the axis being termed the "limbs". The Pine Mountain thrust fault is located southwest of the project area. It is the Pine Mountain thrust fault that gently deformed the strata of the Eastern Kentucky Coal Field and produced the predominant regional structural feature known as the Eastern Kentucky Syncline.

The geological structure of the Breathitt Formation can be described as a series of gently folded and deformed strata that resulted from the Pine Mountain overthrust faulting event. The regional strike of the strata is approximately North 45 degrees East, with a regional dip of approximately 1 degree to the North West. This is based upon the general trends of the coal seams and the Magoffin Member structure contours as depicted on the Hindman and Handshoe USG.S. geologic quadrangles maps.

These values of structural inclination are typical of those found throughout Eastern Kentucky and do not impact the mining of the coal reserves in the area. They do impact the direction of groundwater flow however and underground mining plans need to mine "up dip" whenever possible to prevent water problems.

Deposit Types

According to the Big Branch Report, the primary coal seams that have been historically mined in close proximity to the Big Branch Project area are, in a stratigraphic ascending order, Hazard #5A, Hazard #7, Hazard #8, Hindman (Hazard #9), Skyline (Hazard #10), and the Hazard #11 seams.

It should be noted that all of these seams may vary in elevation and thickness within the Big Branch Project area. The depositional environment of coal seams can produce inconsistent characteristics with regard to coal quality, thickness and coal partings. Some seams, such as the Hazard #7 and Hindman seams, tend to be more consistent in both character and elevation than others, such as the Hazard #5A and Hazard #8.

The site specific geology of the Big Branch Project area has been characterized by the drilling of 14 known coreholes within the Big Branch Project area. A copy of core samples (taken across the property by Cheyenne and sent for analysis at SGS North America Inc.) was made available to Summit. There are no plans to drill any additional holes on the Big Branch Project at this time.

Mineralization

The Pennsylvanian strata present beneath the Eastern Kentucky Coal Field were deposited within a major sedimentary basin named the Appalachian basin. The Pennsylvanian Period began about 323 million years ago and lasted about 33 million years. Pennsylvanian-aged rocks in the Eastern Kentucky Coal Field predominantly consist of sandstone, siltstone and shale. These deposits indicate that in Pennsylvanian time Kentucky was near sea level, alternately covered by lakes, extensive swamps, shallow bays, and estuaries. Most of the major coal beds, which number approximately 45 to 50 in Eastern Kentucky, were formed as widespread peat swamps or mires during the Pennsylvanian Period.

The target coal seams are discrete coal seams bounded above and below by clastic sedimentary rocks. Within the coal seams, however, there may be present a number of intra-seam clastic partings consisting predominantly of mudstones and minor siltstones.

In general, coal quality data on the Big Branch Project indicate that likely the majority of coal removed by contour, area, and point removal methods of mining will not require washing.

Exploration

According to the Big Branch Report, in February of 2009, staff of Summit conducted a site visit to the Big Branch Project. In January of 2010, a follow up visit was conducted by the staff of Summit. There, they reviewed the previous mining which had been conducted on permit 860-0393 within the property, the proposed mine plan and the proposed backfill plan.

Upon review of existing site conditions Summit believes that most of the reserve left in this area lies in the Hazard #5A, 7 and 8 seams. However, one small knob may contain reserves in the 11 seam. Also, the existing mountaintop removal areas located within this permit could enhance the overall mine plan by providing additional areas to place excess spoil.

Drilling

According to the Big Branch Report, typically drill holes are produced in the region by rotary drilling. Standard NX core drilling procedures are followed whereby all core recovered is laid out on the ground and/or in core trays in a set interval or on a run-by-run basis. In either case, both lithological and geotechnical logging are easily facilitated. All coal seams, and strata up to 10 feet above and 10 feet below the coal seams, are packed into lockable core boxes for transport to a designated secure core shed.
Drilling length is typically a factor of both the surface (collar) elevation where the drilling is to commence, and the bottom-most elevation of the coal seam to be analyzed where drilling will cease. As stated in other sections of this report, surface elevations can vary along the property from approximately

800’ to 2050’ above sea level, while coal seams vary in elevation from 1400’ to 1800’. So, the maximum and minimum expected depth of drilling within the project area should be approximately 250’ to 600’.
The regional strike of the strata is approximately North 45 degrees East, with a regional dip of approximately 1 degree to the North West. This is based upon the general trends of the coal seams and the Magoffin Member structure contours as depicted on the Hindman and Handshoe USG.S. geologic quadrangles maps.

As such, the coal seams are relatively flat-lying and thus orientation of the drilled core is not a factor which would change typical drilling procedures. However, mine planning and operations will need to consider the small strike and dip associated with the coal seams in this area, because this will affect drainage flow conditions.

The extent of drilling within the Big Branch Project area has been characterized by the drilling of 14 known coreholes (including digital logs) within the Big Branch Project area. Additional coal sections were taken by Cheyenne and are denoted on the individual seam maps as CS1-8 Seam (for the 1st coal section in the Hazard #8 seam), CS2 – 8 Seam, etc. as necessary. Coal quality information was also sampled from across the Big Branch Project for the coal seams encountered, and were sent to SGS North America, Inc. for quality analysis.

According to the Big Branch Report, no additional corehole drilling is planned at this time. However additional coreholes will allow for more distinct classification of the reserve, in both the northern area of the property and in possible remaining 11 seam reserves, and for expanding the reserve base in the future.

Sampling Method and Approach

The sampling method and approach utilized for the Big Branch Project were the same as the methods used for the Sid Mining Project. See “Sid Mining Project – Sample Preparation, Analyses and Security”.

Sample Preparation, Analyses and Security

The sample preparation, analyses and security procedures used for the Big Branch Project were the same as the sample preparation, analyses and security methods used for the Sid Mining Project. See “Sid Mining Project – Sample Preparation, Analyses and Security Methods”.

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

Seam	Tons	BTU	Sulphur	Ash
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 AIF are summarized in the table below:

Estimated Reserves & Resources

Seam	Mineral Resource Tons			Mineral Reserve Tons	
	Measured	Indicated	Inferred	Proven	Probable
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**

Environmental Considerations

See *Sid Mining Project – Environmental Considerations*, above.

Laurel Fork Project

Set forth in this section is a description of the Laurel Fork Project. The information in this section is, in part, summarized and/or extracted from the Laurel Fork Report. The Laurel Fork Report was prepared by Phillip Lucas, P.E., P.L.S., as the Qualified Person at Summit, in accordance with NI 43-101. Mr. Lucas is independent of the Company. Portions of this section are based on assumptions, qualifications and procedures which are not fully described herein, and should not be relied upon out of context. Reference should be made to the full text of the Laurel Fork Report which is available for review on SEDAR at www.sedar.com.

Property Description and Location

The area covered by the Laurel Fork Report (being the entire Laurel Fork AOI) is bounded to the north by Balls Fork, to the south by State Route 80, to the east by Trace Branch, and to the west by Short Fork and Rock Lick. The Laurel Fork Project is located within Knott County, Kentucky, primarily in the Vest and Carrie USGS quadrangle maps. The seams to be evaluated include the Fireclay (Hazard #4), Hazard #5A, Hazard #7, Hazard #8, Hindman (Hazard #9), and Skyline (Hazard #10). The total project area covers approximately 2500 acres.

On December 12, 2008, the Company entered into coal and surface leases with a local property owner (the "**Gayheart Leases**"), which gave it the right to surface mine certain parcels of property located in Knott County, Kentucky, located within the Laurel Fork AOI. The Company is obligated to pay certain minimum royalties under these agreements. The specifics of these payments as well as other terms of the agreements are summarized below. Royal Subco made a one-time payment of $125,000 for this right and must pay minimum monthly royalties of $4,400.

Negotiation is on-going for other properties that also lie within the wider Laurel Fork AOI.

Surface mining Permit No. 460-0015, owned by Lee-Paul Coal Company, exists in the extreme Southwest portion of the Laurel Fork Project but has been inactive since 1991. This permit consists of 19 acres in the Hazard #9 seam, and appears to have no value to the Laurel Fork Project.

According to the Laurel Fork Report, the table below lists the properties within the Laurel Fork AOI. Summit has been informed that negotiations are also pending for other adjacent tracts within the project area. Upon review of the lease documents as supplied by the Company, according to Summit the following royalty information is pertinent:

		Leases		
Surface Tracts				
Tract(s)	**Lessor**	**Status**	**Royalty Rate**	**Minimum**
1	John Carter	Pending	Unknown	Unknown
2,3,4,5	Daniel W. Gayheart[(1)]	Leased	$1.00/t coal and $0.25/t wheelage	$4000/mo
6	Combs	Pending	Unknown	Unknown
7	Fitz	Pending	Unknown	Unknown
8,9,10	Daniel W. Gayheart[(1)]	Leased	$1.00/t coal and $0.25/t wheelage	$4000/mo
11	KRCC	Unleased	Unknown	Unknown
12A,12B,12C	Unspecified	Pending	Unknown	Unknown
13	Bill West	Leased	$2.00/t or 8% and 0.50/t wheelage	$100/ac-mo
14	Hicks	Pending	Unknown	Unknown
15	Creech	Pending	Unknown	Unknown
16	Hicks	Pending	Unknown	Unknown
17	Sheila Slone	Pending	Unknown	Unknown
18	Jack Allen	Pending	Unknown	Unknown
19	Gary Banks	Pending	Unknown	Unknown
20	Woodrow Ousley	Pending	Unknown	Unknown
21	Amos Nicklous	Leased	Unknown	Unknown
22	Lloyd Woods	Leased	Unknown	Unknown
23	Bailey Woods et.al.	Pending	Unknown	Unknown

Leases

Surface Tracts

Tract(s)	Lessor	Status	Royalty Rate	Minimum
24	C.C. Craft	Leased	Unknown	Unknown
25	Phillip Sturgill	Pending	Unknown	Unknown
26	Bill Brewer	Unleased	Unknown	Unknown
27	Pat Bradley	Pending	Unknown	Unknown
28	Unspecified	Unleased	Unknown	Unknown

Mineral Tracts

Tract(s)	Lessor	Status	Royalty Rate	Minimum
1	John Carter	Pending	Unknown	Unknown
2	KYCOGA	Unleased	Unknown	Unknown
3	Combs	Pending	Unknown	Unknown
4,5	Daniel W. Gayheart(1)	Leased	$3.50/t or 8% (min. $2000/yr)	$2000/yr
6	Combs	Pending	Unknown	Unknown
7	Fitz	Pending	Unknown	Unknown
8	Daniel W. Gayheart(1)	Leased	$3.50/t or 8% (min. $2000/yr)	$2000/yr
9	Rose	Pending	Unknown	Unknown
10	Charlie Cornett	Unleased	Unknown	Unknown
11	KRCC	Unleased	Unknown	Unknown
12A,12B,12C	Unspecified	Pending	Unknown	Unknown
13	Charlie Cornett	Unleased	Unknown	Unknown
14	Hicks	Pending	Unknown	Unknown
15	Charlie Cornett / ICG	Unleased	Unknown	Unknown
16	Hicks	Pending	Unknown	Unknown
17,18	Sheila Slone	Pending	Unknown	Unknown
19	Messer Heirs	Pending	Unknown	Unknown
20	Woodrow Ousley	Pending	Unknown	Unknown
21,22	Goldie Fugate	Pending	Unknown	Unknown
23	Bailey Woods et.al.	Pending	Unknown	Unknown
24	C.C. Craft	Leased	Unknown	Unknown
25	Craft	Leased	Unknown	Unknown
26,27,28	KYCOGA	Unleased	Unknown	Unknown

Note:

(1) The Daniel W. Gayheart surface and mineral leases do not include the Hazard #4 seam or the Elkhorn #3 Seam.

Royalty rates will begin on tracts only after a permit is obtained and mining begins. In certain tracts a minimum royalty rate will apply regardless of whether a tract has yet been permitted.

According to the Laurel Fork Report, a search of available environmental records was conducted by EDR. The report was designed to assist parties seeking to meet the search requirements of EPA's Standards and Practices for All Appropriate Inquiries, the ASTM Standard Practice for Environmental Site Assessments or custom requirements developed for the evaluation of environmental risk associated with a parcel of real estate.

No mapped sites were found in EDR's search of available "reasonably ascertainable" government records either on the Laurel Fork Project or within the ½ mile search radius around the Laurel Fork Project in 41 Federal Records databases or 5 Tribal Records databases.

There are currently three permits that lie within the project area. Permit No. 860-0415, which consists of 920.54 acres and is owned by Lexington Coal, lies primarily to the west of the Laurel Fork Project. Surface mining Permit No. 460-0015, owned by Lee-Paul Coal Company, exists in the extreme Southeast portion of the property but has been inactive since 1991. This permit consists of 19 acres in the Hazard #9 seam. Permit No. 867-5167, operated by Consol of Kentucky, Inc., lies in the Northern project area and consists of a deep mine in the Elkhorn #3 seam. The Company estimates that it will take approximately 12 months to obtain a new permit. A permit application is currently being prepared for the area of the Daniel Gayheart property.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

According to the Laurel Fork Report, the Laurel Fork Project is situated at approximately Latitude (North) 37-22-52 and Longitude (West) 83-01-16, in Knott County, Kentucky. The elevations within the property area range from approximately 700 feet to 1600 feet. above sea level.

There are four main soil components within the project area: Dekalb, Shelocta, Kimper, and Grigsby.

The Laurel Fork Project is located immediately northeast of State Hwy 80's intersection with Route 160. Primary access will likely be from Route 80 thru Sylvester Branch road although other access routes are being considered. It is a sparsely inhabited area.

Initially sold coal will likely be transported by tractor trailer to river markets (Cattlesburg KY is about 100 miles away) or to rail tipples.

The total population (as of July 1, 2009) of Perry County, Kentucky was about 17,100, with a growth rate since April 1, 2000 of -3%. The population is 100% rural.

The regional climate is characterized by well-defined seasons with hot summers and cool winters. Kentucky's weather patterns are influenced by the Gulf of Mexico, especially during summer. The highest temperature recorded in Kentucky is 114 degrees, Fahrenheit. This record high was recorded on July 28, 1930 at Greensburg. The lowest temperature in Kentucky, -37 degrees, was recorded on January 19, 1994 at Shelbyville.

Much of Kentucky's average 46 inches of precipitation a year falls in spring, the rainiest season. Kentucky is located in a path several storm systems follow. Storms happen year-round; however most storms occur between March and September.

Mining operations in the region continue throughout the year and climate conditions are not a major hindrance to operations.

History

According to the Laurel Fork Report, part of the Laurel Fork Project was being mined by Consol of Kentucky, Inc. Coal in the Elkhorn #3 seam during part of 2009, according to MSHA records, under Permit No. 867-5167, MSHA I.D. No. 15-18589. According to MSHA records, Consol of Kentucky, Inc. Coal began operating this deep mine on November 21, 2002. According to MSHA records the mine was idle as of the third quarter of 2009.

Lexington Coal, LLC permit 860-0415, MSHA I.D. No. 15-17838, controls a surface mining permit on the western portion of the Laurel Fork Project. Lexington Coal, LLC acquired the permit on July 31, 2007. The permit was operated by Leslie Resources Inc. from September 1, 1996 until March 19, 2001 when Leslie Resources took over operations. Production ceased on this permit in 2004, though the Kentucky Surface Mining Information System (SMIS) still lists this permit with an active A1 status.

Hannco Permit No. 860-0350, MSHA I.D. No. 15-17635, operated a small surface mine in the northeastern portion of the Laurel Fork Project. Hannco began operating this surface mine on January 1, 1995, and it was abandoned as of April 9, 1999.

Nearby large-scale permits are controlled by ICG (Permit No. 860-0462, MSHA I.D. No. 15-03328) and by Miller Bros (Permit No. 860-0435, MSHA I.D. No. 15-16606).

The Federal MSHA records typically include quarterly production reports. The Consol mine that was operating in the Elkhorn #3 seam, according to these reports, produced about 8.9 million tons since 2002. This mine is currently idle.

Lexington Coal's active surface mining permit produced approximately 2.3 million tons from 1996 to 2003. The abandoned Hannco surface mine produced approximately 823,000 tons during four years of operation.

The Miller Bros. permit, now in reclamation, lies just north of the Laurel Fork Project and produced approximately 9.6 million tons from 1995 to 2007. This permit was for the Skyline, Hazard #9, Hazard #8 and Francis coal seams.

The ICG permit, now abandoned, lies west of the Laurel Fork Project. Operated by Falcon Coal company until 1987, and then by Cumberland River Coal Company, this surface mine produced 1.4 million tons in 1995 and 1996 in the Hazard #8, 9 and 10 seams.

The historical estimates, provided by RMI and Doss Engineering as described below, are not in accordance with the categories set out in sections 1.2 and 1.3 of the NI 43-101. The estimates were of projected total in-place coal within the Laurel Fork Project, and were not further classified.

According to the Laurel Fork Report, sufficient work was not completed for the RMI and Doss Engineering reports to classify these historical estimates as current mineral resources or mineral reserves. The Company is not treating the historical climate as current mineral resources or mineral reserves as defined in sections 1.2 and 1.3 of NI 43-101, and the historical estimate was not be relied upon, but was used as reference data.

According to the Laurel Fork Report, Summit is aware of two previous reserve estimates for the Laurel Fork Project. In 2006, a preliminary reserve study of Daniel Gayheart's mineral property was conducted by RMI. In May of 2008 Doss Engineering prepared a preliminary reserve evaluation of the Laurel Fork Project. The results are summarized in the table below.

Reserve Estimation Comparison

Doss Report				
Coal Seam	**Tons In-Place**			**Total**
	Gayheart Fee	**Gayheart Surface**	**Adverse**	
Skyline	18,227	2,353	16,629	37,209
Hazard #9 and 9R	186,435	229,043	320,240	735,718
Hazard #8	465,064	749,351	1,750,980	2,965,395
Hazard #7	270,085	95,756	730,135	1,095,976
Hazard #5	0	0	0	0
Hazard #4	1,990,607	1,956,557	6,073,151	10,020,315
Total:	**2,930,418**	**3,033,060**	**8,891,135**	**14,854,613**
RMI Total:	**4,800,000**	**7,300,000**	**N/A**	

As of June 30, 2009, the Kentucky Office of Mine Safety and Licensing listed 30 licensed mining operations in Perry County, Kentucky. The counties surrounding and adjacent to the Laurel Fork Project in Knott County include Perry, Letcher, Magoffin, Breathitt, Floyd and Pike Counties. Another 250 mines are licensed in these counties making a total of over 300 mines licensed in the area. There has been no historical production on the leased properties acquired by the Company. However, on adjoining property, up to 50,000 tons per month had been produced by various operators including ICG, Leslie Resources and others. These properties are currently in reclamation.

According to the Laurel Fork Report, the most recent production records from the state of Kentucky are through the end of 2007. Production for the year 2007 from Knott County was about nine million tons, from Perry County about 15 million tons, from Letcher County about eight million tons, from Magoffin County about one million tons, from Breathitt County about two million tons, from Floyd County about seven million tons, and from Pike County about 22.5 million tons. Thus a total of over 63 million tons of coal was produced from the seven county region near and adjacent to the Laurel Fork Project.

A deep mine in the Elkhorn #3 seam is controlled by Consol of Kentucky, Inc., under DNR Permit No. 867-5167, MSHA I.D. No. 15-18589. Only a portion of this deep mine is located within the Laurel Fork Project. According to MSHA records, Consol began operations on November 21, 2002 and has produced about 9.2 million tons to date. According to MSHA records the mine was idle as of the third quarter of 2009.

Hannco Permit No. 860-0350, MSHA I.D. No. 15-17635, operated a small surface mine in the northeastern portion of the Laurel Fork Project. Hannco began operating this surface mine on January 1, 1995, and it was abandoned as of April 9, 1999. The abandoned Hannco surface mine produced approximately 823,000 tons during four years of operation.

Lexington Coal controls a surface mining permit (No. 860-0415, MSHA I.D. No. 15-17838). A portion of that permit extends into the western area of the Laurel Fork Project. This permit produced approximately 2.3 million tons from 1996 to 2003.

Geological Setting

According to the Laurel Fork Report, the Laurel Fork Project is located within the Eastern Kentucky Coal Field physiographic province. The Eastern Kentucky Coal Field includes all or parts of 37 counties. For convenience, the coalfield is divided into the Big Sandy, Hazard, Licking River, Princess, Southwestern,

and Upper Cumberland districts. The field is geologically similar to and, in part, stratigraphically similar to the adjacent coalfields in Ohio, West Virginia, and Tennessee.

The topography in this region of Kentucky is largely made up of second growth forested hills dissected by V-shaped valleys eroded through thick, flat-lying sequences of Pennsylvanian age coal-bearing rocks. The mountain ridges are generally as narrow and sinuous as the valley bottoms, with the terrain consisting of steep slopes generally in the range of 30 to 45 percent. Cliffs of resistant sandstone cap many ridges, while less resistant strata such as shale and coal seams form natural benches or small terraces that are discernable on topographic maps.

Originally, the eastern field contained an estimated coal resource of 64.1 billion tons. Approximately 10.7 billion tons of coal have been mined or lost because of mining practices, hence the remaining resource as of Jan. 1, 1999 is estimated at 53.4 billion tons.

More than 70% of Kentucky's annual coal production is from the Eastern Kentucky Coal Field. All of the mined coal in Eastern Kentucky is high grade bituminous. Although generally lower in sulfur content and ash yield than coal from Western Kentucky, coal from the Eastern Kentucky Coal Field can be variable in thickness and quality. Many Eastern Kentucky coals contain partings of shale or bone coal that are laterally continuous and require processing of the coal to remove the impurities.

The eastern coal field has been one of the nation’s leading coal producing regions. Coal is produced underground from drift, and rarely, slope and shaft mines. Surface production comes from contour, area, mountaintop removal, and auger mines.

The Hazard District, which covers approximately 1886 square miles in the central part of the eastern Kentucky field, contains the second largest quantity of coal resources of the six districts in the coal field. It includes Breathitt, Knott, Leslie, and Perry Counties, and the parts of Letcher and Harlan counties north of the Pine Mountain Fault. Estimated original coal resources for this district were 19.4 billion tons, and the remaining resources, as of January 1, 1999 were 16.1 billion tons.

The geology of the Laurel Fork Project consists of strata within the Breathitt Formation of Lower to Middle Pennsylvanian age. The regional structural features of the Breathitt Formation are the Pine Mountain thrust fault and the associated Eastern Kentucky Syncline.

A syncline can best be described as a valley shaped structural feature, with the centerline of the valley being termed the "synclinal axis" and the strata on either side of the axis being termed the "limbs". The Pine Mountain thrust fault is located southwest of the Laurel Fork Project. It is the Pine Mountain thrust fault that gently deformed the strata of the Eastern Kentucky Coal Field and produced the predominant regional structural feature known as the Eastern Kentucky Syncline.

The geological structure of the Breathitt Formation can be described as a series of gently folded and deformed strata that resulted from the Pine Mountain overthrust faulting event. The regional strike of the strata is approximately North 45 degrees East, with a regional dip of approximately 1 degree to the North West. This is based upon the general trends of the coal seams and the Magoffin Member structure contours as depicted on the Hindman and Handshoe USG.S. geologic quadrangles maps.

These values of structural inclination are typical of those found throughout Eastern Kentucky and do not impact the mining of the coal reserves in the area. They do impact the direction of groundwater flow however and underground mining plans need to mine "up dip" whenever possible to prevent water problems.

Deposit Types

According to the Laurel Fork Report, the primary coal seams that have been historically mined in close proximity to the Laurel Fork Project are, in a stratigraphic ascending order, the Fireclay (Hazard # 4), the Hazard #5A, the Hazard #7, the Hazard # 8, the Hindman (Hazard #9), and the Skyline coal seams.

It should be noted that all of these seams may vary in elevation and thickness within the Laurel Fork Project. The depositional environment of coal seams can produce inconsistent characteristics with regard to coal quality, thickness and coal partings. Some seams, such as the Fireclay and Hindman seams, tend to be more consistent in both character and elevation than others, such as the Hazard #5A and Hazard #8.
The site specific geology of the Laurel Fork Project has been characterized by the drilling of 18 known coreholes within the project area. There are no plans to drill any additional holes on the Laurel Fork Project at this time.

The elevations listed for the coal seams are an average taken from the drilling logs described above, which may or may not have been surveyed precisely. The exact elevation of each coal seam from this corehole data depends on the accuracy of the drill collar location, whether it was surveyed or spotted on a topographic map.

According to the Laurel Fork Report, all corehole data was supplied to Summit by the Company. The Company obtained such data from third parties.

Mineralization

The Pennsylvanian strata present beneath the Eastern Kentucky Coal Field were deposited within a major sedimentary basin named the Appalachian basin. The Pennsylvanian Period began about 323 million years ago and lasted about 33 million years. Pennsylvanian-aged rocks in the Eastern Kentucky Coal Field predominantly consist of sandstone, siltstone and shale. These deposits indicate that in Pennsylvanian time Kentucky was near sea level, alternately covered by lakes, extensive swamps, shallow bays, and estuaries. Most of the major coal beds, which number approximately 45 to 50 in Eastern Kentucky, were formed as widespread peat swamps or mires during the Pennsylvanian Period.

The target coal seams are discrete coal seams bounded above and below by clastic sedimentary rocks. Within the coal seams, however, there may be present a number of intra-seam clastic partings consisting predominantly of mudstones and minor siltstones.

In general, coal quality data on the Laurel Fork Project indicate that likely the majority of coal removed by contour, area, and point removal methods of mining will not require washing. Coal removed by auger or highwall methods, however, will require washing.

Exploration

According to the Laurel Fork Report, in December of 2008, staff of Summit conducted a site visit to the property. There, they reviewed the previous mining which had been conducted on the western portion of the Laurel Fork Project, the proposed mine plan and the proposed backfill plan.

Most of the reserve left in Laurel Fork Project lies in the Hazard #7 seam and below. However, a couple of small areas have been left which may contain the Hazard #8 and above seams. Also, the existing mountaintop removal area located on this permit could enhance the overall mine plan by providing excess spoil storage.

Drilling

Typically drill holes are produced in the region by rotary drilling. Standard NX core drilling procedures are followed whereby all core recovered is laid out on the ground and/or in core trays in a set interval or on a run-by-run basis. In either case, both lithological and geotechnical logging are easily facilitated. All coal seams, and strata up to 10 feet above and 10 feet below the coal seams, are packed into lockable core boxes for transport to a designated secure core shed.

Drilling length is typically a factor of both the surface (collar) elevation where the drilling is to commence, and the bottom-most elevation of the coal seam to be analyzed where drilling will cease. Surface elevations can vary along the property from approximately 600 feet to 1700 feet above sea level, while coal seams vary in elevation from 700 feet to 1600 feet. So, the maximum and minimum expected depth of drilling within the Laurel Fork Project should be approximately 100 feet to 1000 feet.

The regional strike of the strata is approximately North 45 degrees East, with a regional dip of approximately one degree to the North West. This is based upon the general trends of the coal seams and the Magoffin Member structure contours as depicted on the Hindman and Handshoe USG.S. geologic quadrangles maps.

As such, the coal seams are relatively flat-lying and thus orientation of the drilled core is not a factor which would change typical drilling procedures. However, mine planning and operations will need to consider the small strike and dip associated with the coal seams in this area, because this will affect drainage flow conditions.

The extent of drilling within the Laurel Fork Project has been characterized by the drilling of 18 known coreholes within the Laurel Fork Project.

No additional corehole drilling is planned at this time. However, additional coreholes will allow for more distinct classification of the reserve and for expanding the reserve base in the future.

Sampling Method and Approach

According to the Laurel Fork Report, the objective of sampling is to collect a portion of material small enough in volume to be transported conveniently and yet large enough for analytical purposes while still accurately representing the material being sampled. This objective implies that the relative proportions or concentrations of all pertinent components will be the same in the samples as in the material being sampled, and that the sample will be handled in such a way that no significant changes in composition occur before the tests are made.

The core samples collected and submitted for analysis were handled using methods that are standard for the coal industry. The standard method of coal core handling is for the drillers, once the cores are retrieved to the surface, to place the cores in core boxes designed to accept core of the diameter being drilled. Samples are then trucked from the field to independent laboratories for sample testing. On this property the Company has arranged for a lab, or a third party, to pick up and deliver sample data to Mineral Labs, Inc.

The ability to trace possession and handling of the sample from the time of collection through analysis and final disposition is referred to as "chain-of-custody" and is required to demonstrate sample control when the data are to be used for regulation or litigation. Where litigation is not involved, chain-of-custody procedures are useful for routine control of samples.

The sample data received by Summit from the Company originated from Mineral Labs, Inc. in Salyersville, Kentucky using methods of analysis consistent with ISO/IEC 17025 Standards, and Acculab in Hazard, Kentucky using government of Kentucky approved methods of analysis. Certain data verification procedures were typically employed in order to derive a level of confidence with respect to the integrity of these samples, including, the use of sample labels, sample seals and chain-of-custody recording of the samples.

Sample Preparation, Analyses and Security

Application tests are laboratory procedures that measure some characteristic of coal that has been empirically related to some application or handling or processing step. Typically, these procedures attempt to duplicate some aspect of the commercial application at laboratory scale and may produce information in the form of an index. Application procedures do not measure a single component of the coal but infer the combined effect of multiple components.

According to the Laurel Fork Report, the ASTM publishes the most inclusive reference to analytical procedures. This publication, which is revised annually, provides extensive information concerning generally accepted methods of laboratory analysis. ASTM also provides standards for sampling and some information concerning sample handling.

Ultimate analysis is a process typically used which gives the composition of coal in terms of carbon, hydrogen, nitrogen, oxygen, ash, and sulfur without regard to origin. The ash determination can be found is ASTM D-3174. Sulfur is determined either by wet chemistry methods (ASTM D-3177) or by measuring the sulfur content of the gas released through high temperature combustion of the coal sample (ASTM D-4239). Carbon and hydrogen are also determined through a combustion process (ASTM D-3178) and nitrogen by a wet chemistry method (D-3179). Oxygen is not determined directly. The sum of the carbon, hydrogen, nitrogen, sulfur, and ash are subtracted from 100 to calculate oxygen (ASTM D-3176).

Heating value or calorific value is a measure of the heat produced from a unit weight of coal. In the United States, it is commonly expressed in British thermal units per pound (Btu/lb). Other units are calories per gram (cal/g) and joules per gram (J/g). Heating value is generally determined by burning a weighed coal sample, in oxygen, in a calorimeter (ASTM D-2015 and D-3286).

On-the-job monitoring and training of staff ensures that correct procedures and best practice methods are being continually employed. All laboratory equipment and instrumentation is routinely checked and calibrated. Further, Mineral Labs, Inc. (whose office is located in Salyersville, Kentucky) is a privately owned company that is paid a fee for analytical work performed. To Summit's knowledge, Mineral Labs holds equity or material interest in none of its clients operations or businesses.

In coal work it is unusual to employ security methods (other than those described in the chain-of-custody procedures) for the shipping and storage of samples, because coal is a low value bulk commodity. As far as Summit knows the Company's procedures for handling and shipping coal samples and for sample security was essentially the same as that of other operators in the region. Further, the lab data verification procedures and sample preparation methods (as described above) meet typical industry standards.

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 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.

According to the Laurel Fork Report, 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 project area. The table illustrates average coal quality based on a total of 47 site specific samples taken from core holes.

Average Coal Quality Values

Coal Seam	% Ash	% Sulfur	BTU
Fireclay	5.51	1.66	14,023
Hazard #5A	13.62	0.78	12,437
Hazard #7	19.12	1.43	11,520
Hazard #8	8.12	1.20	13,431
Hazard #9	11.20	3.59	12,699
Skyline	7.80	0.81	13,497
Average	8.17	1.69	13,465

These coal seams appear to be a high volatile bituminous coal.

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.

Potential reserves were classified as surface mineable (area, point removal and contour mineable), highwall mineable, or auger mineable reserve. Surface mineable reserves had a maximum cubic yards of

overburden to recoverable tons of coal ratio of 20:1. 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.

According to the Laurel Fork Report, 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 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 as described in item 19.4, and the average thickness is assumed to be approximately equal to the average thickness generated for measured and indicated reserves.

According to the Laurel Fork Report, the following table details the results of Summit's reserve estimation as of the effective date of the Laurel Fork Report within the wider Laurel Fork AOI, of which the Company's Gayheart Leases represent only a portion.

Estimated Reserves & Resources (Wider Laurel Fork Area of Interest)

Seam	Mineral Resource Tons			Mineral Reserve Tons	
	Measured	**Indicated**	**Inferred**	**Proven**	**Probable**
10	226,088	0	0	192,175	0
9	1,142,145	155,807	0	970,823	132,436
8	2,366,384	1,246,001	75,419	2,011,426	1,059,101
7	0	0	958,070*	0	0
5A	0	0	0	0	0
4	1,000,710	2,029,180	2,307,251	529,802	1,083,201
Sub Total:	**4,735,326**	**3,430,989**	**3,340,740**	**3,704,226**	**2,274,738**

Note:

(1) the Hazard #7 seam tons are classified as Inferred Mineral Resource tons due to marginal mining conditions such as seam splitting and varied seam thickness.

Environmental Considerations

See *Sid Mining Project – Environmental Considerations*, above.

Quebec Mining Option

Royal Subco was formed in 2007 and was originally focused on the exploration and development of nickel mineral prospects in the Province of Quebec, Canada. In July 2007, Royal Subco entered into a property option agreement with 9157-2222 Quebec Inc. granting Royal Subco the option to acquire a 100% interest in certain mining claim blocks located in the Province of Quebec. Royal Subco retains an option over the Quebec properties, which it continues to evaluate. Previous exploration work done by Royal Subco in 2008 and 2009 included reconnaissance mapping, line cutting, UTEM survey, detail mapping and sampling, IP magnetic survey and airborne geophysical survey and diamond drilling.

DIVIDENDS

No dividends on the Common Shares have been paid to date. Royal Coal anticipates that for the foreseeable future it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the board of directors after taking into account many factors, including the Company's operating results, financial condition, and current and anticipated cash needs.

DESCRIPTION OF SHARE STRUCTURE

Authorized Share Capital

The Company's authorized share capital consists of an unlimited number of Common Shares, and an unlimited number of specials, issuable in series, of which only 241,619,495 Common Shares were issued and outstanding as of the date of this AIF. The following is a summary of the material provisions attaching to the Common Shares. For a full description of the characteristics of the Common Shares, reference should be made to the articles and by-laws of the Company.

Common Shares

Royal Coal is authorized to issue an unlimited number of Common Shares. Subject to the rights, privileges, restrictions, and conditions attaching to the special shares, the holders of Common Shares are entitled: (i) to dividends if, as and when declared by the directors, to one vote per share at meetings of the shareholders of the Company; and (ii) upon liquidation, to receive such assets of the Company as are distributable to the holders of the Common Shares.

Special shares

Royal Coal is also authorized to issue an unlimited number of special shares without nominal or par value, of which, as at the date hereof, none have been issued. The special shares of the Company may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. The special shares of the Company rank on a parity with the special shares of every other series and are entitled to a priority over the Common Shares, and any other class of shares ranking junior to the special shares of Royal Coal with respect to the payment of dividends and the distribution of assets upon the liquidation of the Company.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are currently listed and posted for trading on the TSXV under the trading symbol "RDA". The table below sets forth the high and low trading prices and volume for the Common Shares traded through the TSXV on a monthly basis for the period from January 1, 2010, to December 31, 2010.

	Price Range and Trading Volume		
	High	**Low**	**Volume**
January 1, 2010 – February 24, 2010[(1)]	n/a	n/a	Nil
February 24 – February 28, 2010	0.13	0.10	1,086,000
March 2010	0.11	0.07	423,500
April 2010	0.10	0.07	154,000
May 2010	0.07	0.07	10,000
June 2010	n/a	n/a	Nil
July 2010	n/a	n/a	Nil
August 2010	0.15	0.10	905,000
September 2010	0.19	0.12	4,226,900
October 2010	0.18	0.10	5,451,200
November 2010	0.25	0.10	5,774,900
December 2010	0.30	0.17	13,223,300

Note: (1) *Trading of the Common Shares on the TSXV was halted on May 11, 2009 and recommenced on February 24, 2010.*

Prior Sales

The following table sets forth the securities not listed but issued by the Company during the financial year ended December 31, 2010.

Date[(1)]	**Class of Securities**	**Number of Securities**	**Exercise Price**
August 12, 2010	Warrants	35,737,143	C$0.20
		1,000,000	C$0.50
		4,354,445	$0.50
		636,362	C$1.25
	Broker Warrants	133,635	C$1.25
		304,811	$0.50
		80,000	C$0.50
	Options	580,000	C$0.20
		2,500,000	C$0.25
		5,500,000	C$0.50
		1,744,600	C$0.25
	Convertible Debentures	$4,200,000	each C$0.50 principal amount of debenture
		C$350,000	each C$0.15 principal amount of debenture

Notes: *(1) Convertible securities issued pursuant to the Business Combination*

ESCROWED SECURITIES

The following table sets out the number of securities of each class of the Company held, to the Company's knowledge, in escrow or that are subject to a contractual restriction on transfer and the percentage that number represents of the outstanding securities of that class as of the Company's most recently completed financial year, December 31, 2010.

Designation of Class	Number of Securities Held in Escrow or that are Subject to a Contractual Restriction on Transfer	Percentage of Class
Common Shares[(1)(2)]	23,289,672	22.4%
Warrants[(2)]	4,950,000	12.4%

Notes:

(1) *This number includes an aggregate of 1,170,000 Common Shares being held in escrow by CIBC Mellon under the provisions of the Escrow Agreements required in connection with the Company's initial public offering and listing on the TSX Venture Exchange as a capital pool company ("CPC").*

(2) *Escrowed securities being held by CIBC Mellon pursuant to escrow agreements entered into further to the Business Combination.*

Under the escrow agreements, 15% of the escrowed securities will be released on each of the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the release of the Final Exchange Bulletin with regard to the Business Combination.

If Royal Coal meets the Exchange's Tier 1 minimum listing requirements, the release of escrowed securities will be accelerated. An accelerated escrow release will not commence until the Company has made application to the Exchange for listing as a Tier 1 issuer and the Exchange has issued a bulletin that announces the acceptance for listing of the Company on Tier 1 of the Exchange.

All holders of securities subject to escrow must obtain Exchange consent to transfer such securities of the Company then subject to escrow, other than in specified circumstances set out in the applicable escrow agreement. Generally, the Exchange will only permit a transfer within escrow of shares held by principals of the Company to be made to new or existing principals of the Company.

Where securities subject to escrow are to be held by a company, such company will be required to agree not to carry out, while its shares are in escrow, any transaction that would result in the change of control of the company. Any such company will be required to further undertake to the Exchange that, to the extent reasonably possible, it will not permit or authorize any issuance of securities or transfer of securities which could reasonably result in a change of control of the company.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table and the notes thereto set out the name, municipality and country of residence of each current director and executive officer of the Company, their current position and office with the Company, their respective principal occupation during the five preceding years, and the date on which they were first elected or appointed as a director or officer of the Company:

NAME AND ADDRESS	POSITION(S) HELD WITH COMPANY	OFFICER/ DIRECTOR SINCE	PRINCIPAL OCCUPATIONS DURING PAST FIVE YEARS
A. Thomas Griffis Toronto, Ontario	Chairman and Director	August 10, 2010	Co-founder, Co-Chairman and Chief Executive Officer of Juno since March 2007, founder and President of Griffis International since 1986, and founder and director of Royal Nickel Corporation, a mining company, since 2006. A retired Lieutenant Colonel in the Canadian Air Force and former member and team leader of the Snowbirds aerobatic squadron.
Robert Heuler Pittsburgh, Pennsylvania	Chief Executive Officer	August 12, 2010	Chief Executive Officer of Royal Subco since appointment in November 2009. Prior thereto, Managing Director of the Coal Division of Monarch Financial Corporation, a privately owned investment banking and financial advisory firm, from 2004 to 2009. Prior thereto, Director of Syndication for Citizens Bank of PA, a subsidiary of Royal Bank of Scotland.
James O'Neill Ajax, Ontario	Chief Financial Officer	August 12, 2010	Chief Financial Officer of Royal Subco since appointment in November 2009. Prior thereto, Mr. O'Neill was Vice President, Corporate Controller & Investor Relations for Tiomin Resources Inc. (TSX: TIO), which had mining interests in Kenya, Peru and China. Prior thereto, Chief Financial Officer for Azcar Technologies Inc., a global broadcast and multimedia systems engineering and consulting firm, from November 2001 through October 2005.
James Hannah Toronto, Ontario	President	August 12, 2010	President of Royal Subco since June 2008. Prior thereto, a consultant to EquiGenesis Corporation, a structured products company, from November 2006 to May 2008 and worked with Walton International Group, a land syndication company, from November 2003 to July 2006. Managing Director at Hurricane Capital Inc., a corporate finance and investor relations company, from February 2000 to October 2003.
Elia Crespo[(1)] Mississauga, Ontario	Director	August 10, 2010	Co-founder and a director of Juno since March 2007, and a Vice-President of Griffis International. Has held the title of Corporate Secretary and Chief Financial Officer of most of the private and public companies that Griffis International has been involved in over the past 23 years.
Michael L. Rousseau [(1)] Calgary, Alberta	Director	September, 2007	An independent consultant since May 2006 and a Director of Amalfi since September 2007. Director and CEO of Limehill Capital from January 2010 to present. Prior thereto, a Vice-President and investment advisor with Octagon Capital Corporation from June 2000 to June 2006, and an investment advisor with McDermid St. Lawrence Securities Ltd. (now Raymond James Ltd.) from June 1990 until May 2000. President, Chief Executive Officer and a Director of Sabrich Capital Corporation, a capital pool company, from August 2006 until the completion of its Qualifying Transaction in May 2008.

NAME AND ADDRESS	POSITION(S) HELD WITH COMPANY	OFFICER/ DIRECTOR SINCE	PRINCIPAL OCCUPATIONS DURING PAST FIVE YEARS
Scott Hand Toronto, Ontario	Director	August 10, 2010	Chairman and Chief Executive Officer of Inco Limited, a mining company, from April 2002 to January 2007. Prior thereto, he was President of Inco and held positions in Strategic Planning, Business Development and Law. Mr. Hand serves on the boards of Manulife Financial Corporation, a financial services company, and Fronteer Gold Inc., a mining company. Mr. Hand is also Executive Chairman of Royal Nickel Corporation and a director of both Byod Technologies LLC, and the World Wildlife Fund.
John Ellis Spring Creek, Nevada	Director	August 10, 2010	Former Chairman and Chief Executive Officer of Anglogold North America, Independence Mining, Hudson Bay Mining and Smelting (all mining companies), VP Operations for CVRD-Inco PTI Indonesia, a mining company, and Managing Director CVRD-Inco for Voisey Bay Nickel, a mining company. Has consulted for CVRD-Inco, Queenstake, BHP-Australia, Century Aluminum and others for the past 5 years. Mr. Ellis has served as a director for Anglogold (NA), Hudson Bay Mining and Smelting, Inspiration Resources, Cashman Equipment, Queenstrike Mining, Thompson-Lunder, Mexivada Mining, Canada Potash, and Royal Coal.
James Ladner (1) Kilchberg, Switzerland	Director	August 10, 2010	A self-employed financial consultant. Co-Founder and managing director of RP&C International, London/New York/Zurich, a boutique investment bank, to April 2002. Mr. Ladner has held a variety of senior positions in the financial industry including as non-executive chairman of Bank Austria (Switzerland) Ltd. and EVP of RBS Coutts Bank (Switzerland). Past non-executive board member of Nevoro Inc., StrataGold Corp. and Coastport Capital Inc. Currently a director and a member of the audit committee of the following companies: Oracle Energy Corp., an international oil and gas exploration company, Colt Resources Inc., an international mining exploration company, Ardent Mines Ltd.., an international gold exploration company.
Dino Titaro Oakville, Ontario	Director	August 10, 2010	President and Chief Executive Officer of Carpathian Gold Inc. a mining company, since 1989, President and Chief Executive Officer of A.C.A. Howe International, a geological and mining consulting firm. Has acted as a director and officer of several publicly-traded companies in the mining, industrial and health care technology fields. A director of Yamana Gold Inc., a mining company, since 2005 and MinCore Inc., a mining company, since 2007. Prior thereto he was a director of Richview Resources Inc., a mining company, from 2005 to 2009, Plata Peru Resources Inc., a mining company, from 2000 to 2009, and Compressario Corp., a compact waste company, from 2000 to 2005.

Notes:

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Corporate Governance Committee

To the best of the knowledge of the Company, as at the date of this AIF, the directors and officers of the Company as a group, directly or indirectly, beneficially own or exercise control or direction over 5,863,893 Common Shares, representing approximately 2.4% of the issued and outstanding Common Shares. This information, not being within the direct knowledge of the Company, has been furnished by the respective directors and officers individually or obtained from the System for Electronic Disclosure by Insiders (SEDI)

and may include shares owned or controlled by spouses, children and/or companies controlled by the directors and officers or their spouses and/or children.

Corporate Cease Trade Orders or Bankruptcies

Other than as indicated below, in the ten years prior to the date of this AIF, none of the directors or executive officers of the Company, has been or has been a director or officer of any other issuer that has been, the subject of any cease trade order or similar order and have not been declared bankrupt or made a voluntary assigned into bankruptcy, or been subject to any proceedings, arrangement or compromise with creditors, or had a receiver or trustee appointed to hold their assets.

Thomas A. Griffis was a director, and Elia Crespo was Secretary, of Cogient Corp. when an interim order directing that trading in the securities of the company was made on August 10, 2006, which was extended by a permanent cease trade order dated August 22, 2006. A court appointed receiver was appointed for Cogient Corp. on December 8, 2006.

James Ladner was a director of Oracle Energy Corp. when a cease trade order was issued against the company on November 18, 2009 for failure to file its reserve report. The cease trade order was subsequently revoked on December 17, 2009.

Dino Titaro was a director of Plata Peru Resources Inc., which company was cease traded in 2002 pending a proposed corporate reorganization that has received shareholder approval but which is subject to completion. Mr. Titaro was also a director of Compressario Corp. at the time it was cease traded in 2003, which company is now insolvent and inactive.

Penalties or Sanctions

No proposed director or officer or Promoter of the Company has been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion or management of a publicly traded issuer, or theft or fraud.

Personal Bankruptcies

No director or officer or of the Company, nor any securityholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the its assets.

Conflicts of Interest

Certain of the directors of the Company also serve as directors of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with the duties and obligations of directors to deal fairly and in good faith with the Company and such other companies. In addition, such directors declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

Other Board Committees

The Company has no committees other than the Audit Committee.

AUDIT COMMITTEE INFORMATION

Multilateral Instrument 52-110 ("MI52-110") requires the Company to disclose annually in its AIF certain information concerning the constitution of its Audit Committee and its relationship with its independent auditor, as set forth below.

Audit Committee

The Audit Committee is responsible for the Company's financial reporting process and the quality of its financial reporting. The Audit Committee is charged with the mandate of providing independent review and oversight of the Company's financial reporting process, the system of internal control and management of financial risks, and the audit process, including the selection, oversight and compensation of the Company's external auditors. The Audit Committee also assists the board of directors in fulfilling its responsibilities in reviewing the Company's process for monitoring compliance with laws and regulations and its own code of business conduct. In performing its duties, the Audit Committee maintains effective working relationships with the board of directors, management, and the external auditors and monitors the independence of those auditors. The Audit committee is also responsible for reviewing the Company's financial strategies, its financing plans and its use of the equity and debt markets.

The full text of the charter of the Company's Audit Committee is attached hereto as Appendix "A".

Composition of the Audit Committee

The Audit Committee of Royal Coal is comprised of the following members of the board of directors of the Company:

Name	Corporate Position	Independent	Financial Literacy
Elia Crespo	Director	No	Yes
James Ladner	Director	Yes	Yes
Michael Rousseau	Director	Yes	Yes

The following table describes the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member:

Name of Member	Relevant Experience and Qualifications
Elia Crespo	Ms. Crespo holds a degree in law, and has acted as Vice President of Finance and Chief Financial Officer of several private companies. In addition, she is a director of several private and public companies.
James Ladner	Mr. Ladner graduated from the University of St. Gallen in economics and business administration, majoring in audit and accounting. Subsequently, he was the head of new issues at RBS Coutts Bank (Switzerland), an investment bank. He is also a member of the board of directors of several banks in Switzerland, including serving as the non-executive chairman of the Bank of Austria (Switzerland). Mr. Ladner is both a current and past member of the boards and audit committees of numerous other public companies.
Michael Rousseau	Mr. Rousseau holds a Bachelor of Commerce degree from the University of Alberta, and was a registered representative in the securities brokerage industry from 1987 to 2006. In addition, he is the director or Chief Executive Officer of a number of public companies.

Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board.

Pre-Approval Policies and Procedures

In the event that the Company wishes to retain the services of the Company's external auditors for any non-audit services, prior approval of the Audit Committee must be obtained.

Audit Fees

The following table provides details in respect of audit, audit related, tax and other fees billed to the Company by the external auditors for professional services:

Year Ended	Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
December 31, 2010	$109,200	$23,900	$3,900	$nil
December 31, 2009	$171,500	$31,415	$4,000	$3,090

Audit Fees – aggregate fees billed for professional services rendered by the auditors for the audit of the Company's annual financial statements as well as services provided in connection with statutory and regulatory filings.

Audit-Related Fees – aggregate fees billed for professional services rendered by the auditors and were comprised primarily of the review of quarterly financial statements and related documents.

Tax Fees – aggregate fees billed in respect of tax compliance, tax advice and tax planning professional services. These services included reviewing tax returns and assisting in responses to government tax authorities.

All Other Fees – aggregate fees billed for professional services which included accounting advice and advice related to relocating employees.

LEGAL PROCEEDINGS

Management is not aware of any current or contemplated material legal proceedings to which the Company is a party or which any of its property is the subject.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the best of the knowledge of the directors and officers of the Company, no member of management of the Company, or any of their associates or affiliates has any direct or indirect material interest in any transaction entered into since the commencement of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries, other than the following:

The Company has a services agreement (the "**GI Agreement**") with Griffis International Limited ("**Griffis International**") dated January 1, 2009, for the provision of the following services to the Company: corporate records, administrative services, accounting services, reception and office and boardroom services for an ongoing monthly fee of $21,000 plus applicable taxes. Griffis International is controlled by Tom Griffis, a director of the Company. The Company has entered into the Note Purchase Agreement and Royalty Interest with Juno. Certain directors and officers of the Company are directors, officers and shareholders of Juno and Griffis International. See "Corporate Structure – Three Year History" and "Directors and Officers – Conflicts of Interest".

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is CIBC Mellon Trust Company, 320 Bay Street, Toronto, Ontario, M5H 4A6.

MATERIAL CONTRACTS

There are no contracts that may be considered material to the Company, other than contracts entered into in the ordinary course of business, that have been entered into by the Company in the past fiscal year or that have been entered into by the Company in a previous fiscal year and are still in effect except as noted below:

1. the mining option agreement between Royal Subco and 9157-2222 Quebec Inc., dated effective July 16, 2007, as amended;

2. the coal and surface leases and override royalty agreement relating to the Sid Mining Project, dated on or about October 23, 2008;

3. the coal and surface lease relating to the Laurel Fork Mining Project, dated on or about December 12, 2008;

4. the Big Branch acquisition agreement and related agreements and the coal and surface leases relating to the Big Branch Project, dated on or about September 30, 2009;

5. the asset purchase agreement by and between CDR Minerals (USA) Inc. and Cheyenne, dated July 31, 2009, as amended;

6. the guarantee and security agreements of Royal Subco and certain of Royal Subco's direct and indirect subsidiaries dated September 30, 2009, in connection with the Note Purchase Agreement;

7. the Note Purchase Agreement and related notes and security agreements;

8. the royalty agreements between the Company's subsidiaries and Juno, dated as of September 30, 2009, regarding $2 per ton and $0.50 per ton royalties, and related acceleration agreement; and

9. the Sandstorm Agreements.

INTEREST OF EXPERTS

The Sid Report provides an independent technical review of the Sid Mining Project. The Sid Report was prepared by Phillip Lucas, P.E., P.L.S., of Summit, who is a "qualified person" as such term is defined in National Instrument 43-101. Mr. Lucas is independent of Royal Coal within the meaning of National Instrument 43-101 and does not have an interest in any securities or other property of Royal Coal.

The Laurel Fork Report provides an independent technical review of the Laurel Fork Project. The Laurel Fork Report was prepared by Phillip Lucas, P.E., P.L.S., of Summit, who is a "qualified person" as such term is defined in National Instrument 43-101. Mr. Lucas is independent of Royal Coal within the meaning of National Instrument 43-101 and does not have an interest in any securities or other property of Royal Coal.

The Big Branch Report provides an independent technical review of the Big Branch Project. The Big Brach Report was prepared by Phillip Lucas, P.E., P.L.S., of Summit, who is a "qualified person" as such term is defined in National Instrument 43-101. Mr. Lucas is independent of Royal Coal within the meaning of National Instrument 43-101 and does not have an interest in any securities or other property of Royal Coal.

The auditor of the Company is Collins Barrow Toronto LLP, Chartered Accountants, Toronto, Ontario. Collins Barrow Toronto LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. Collins Barrow Toronto LLP was first appointed as Royal Subco's auditor for the year ended December 31, 2007 and as the Company's auditor effective August 12, 2010, on the completion of the Business Combination.

ADDITIONAL INFORMATION

Additional information relating to the Company filed under its continuous disclosure obligations is available on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the joint management information circular of the Company for its most recent meetings of shareholders that involved the election of directors, and additional financial information is provided in the financial statements of the Company and management's discussion and analysis for each of their most recently completed financial years, respectively.

APPENDIX "A"

CHARTER OF the Audit Committee OF THE BOARD OF DIRECTORS

OVERALL ROLE AND RESPONSIBILITY

The Audit Committee shall:

1.1 **Assist the Board of Directors in its oversight role with respect to:**

(a) the quality and integrity of financial information;

(b) the independent auditor's performance, qualifications and independence;

(c) the performance of the Company's internal audit function, if applicable; and

(d) the Company's compliance with legal and regulatory requirements; and

1.2 Prepare such reports of the Audit Committee required to be included in the information/proxy circular of the Company in accordance with applicable laws or the rules of applicable securities regulatory authorities.

MEMBERSHIP AND MEETINGS

The Audit Committee shall consist of three (3) or more Directors appointed by the Board of Directors. Each of the members of the Audit Committee shall satisfy any applicable independence and experience requirements of the laws governing the Company, and applicable securities regulatory authorities.

The Board of Directors shall designate one (1) member of the Audit Committee as the Committee Chair. Each member of the Audit Committee shall be financially literate as such qualification is interpreted by the Board of Directors in its business judgment. The Board of Directors shall determine whether and how many members of the Audit Committee qualify as a financial expert as defined by applicable law.

STRUCTURE AND OPERATIONS

The affirmative vote of a majority of the members of the Audit Committee participating in any meeting of the Audit Committee is necessary for the adoption of any resolution.

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Committee shall report to the Board of Directors on its activities after each of its meetings at which time minutes of the prior Committee meeting shall be tabled for the Board.

The Audit Committee shall review and assess the adequacy of this Charter periodically and, where necessary, will recommend changes to the Board of Directors for its approval.

The Audit Committee is expected to establish and maintain free and open communication with management and the independent auditor and shall periodically meet separately with each of them.

SPECIFIC DUTIES

Oversight of the Independent Auditor

- Make recommendations to the board for the appointment and replacement of the independent auditor.

- Responsibility for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit Committee.

- Authority to pre-approve all audit services and permitted non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the independent auditor.

- Evaluate the qualifications, performance and independence of the independent auditor, including: (i) reviewing and evaluating the lead partner on the independent auditor's engagement with the Company, and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.

- Obtain from the independent auditor and review the independent auditor's report regarding the management internal control report of the Company to be included in the Company's annual information/proxy circular, as required by applicable law.

- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law (currently at least every five years).

Financial Reporting

- Review and discuss with management and the independent auditor:

    - prior to the annual audit the scope, planning and staffing of the annual audit,

    - the annual audited financial statements,

    - the Company's annual and quarterly disclosures made in management's discussion and analysis,

    - approve any reports for inclusion in the Company's Annual Report, if any, as required by applicable legislation,

    - the Company's quarterly financial statements, including the results of the independent auditor's review of the quarterly financial statements and any matters required to be communicated by the independent auditor under applicable review standards,

    - significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements,

    - any significant changes in the Company's selection or application of accounting principles,

- any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies, and

- other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

- Discuss with the independent auditor matters relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with management.

AUDIT COMMITTEE'S ROLE

The Audit Committee has the oversight role set out in this Charter. Management, the Board of Directors, the independent auditor and the internal auditor all play important roles in respect of compliance and the preparation and presentation of financial information. Management is responsible for compliance and the preparation of financial statements and periodic reports. Management is responsible for ensuring the Company's financial statements and disclosures are complete, accurate, in accordance with generally accepted accounting principles and applicable laws. The Board of Directors in its oversight role is responsible for ensuring that management fulfills its responsibilities. The independent auditor, following the completion of its annual audit, opines on the presentation, in all material respects, of the financial position and results of operations of the Company in accordance with Canadian generally accepted accounting principles.

FUNDING FOR THE INDEPENDENT AUDITOR AND RETENTION OF OTHER INDEPENDENT ADVISORS

The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of issuing an audit report and to any advisors retained by the Audit Committee. The Audit Committee shall also have the authority to retain such other independent advisors as it may from time to time deem necessary or advisable for its purposes and the payment of compensation therefor shall also be funded by the Company.

APPROVAL OF AUDIT AND REMITTED NON-AUDIT SERVICES PROVIDED BY EXTERNAL AUDITORS

Over the course of any year there will be two levels of approvals that will be provided. The first is the existing annual Audit Committee approval of the audit engagement and identifiable permitted non-audit services for the coming year. The second is in-year Audit Committee pre-approvals of proposed audit and permitted non-audit services as they arise.

Any proposed audit and permitted non-audit services to be provided by the External Auditor to the Company or its subsidiaries must receive prior approval from the Audit Committee, in accordance with this protocol. The CFO shall act as the primary contact to receive and assess any proposed engagements from the External Auditor.

Following receipt and initial review for eligibility by the primary contacts, a proposal would then be forwarded to the Audit Committee for review and confirmation that a proposed engagement is permitted.

In the majority of such instances, proposals may be received and considered by the Chair of the Audit Committee (or such other member of the Audit Committee who may be delegated authority to approve audit and permitted non-audit services), for approval of the proposal on behalf of the Audit Committee. The Audit Committee Chair will then inform the Audit Committee of any approvals granted at the next scheduled meeting.