

**REPORT UNDER
NATIONAL INSTRUMENT 62-103**

1. Name and address of offeror

Mercuria Energy Group Holding SA (“Mercuria”)
50 rue du Rhone, Geneva
1204, Switzerland

2. Designation and number, or principal amount, of securities and the offeror’s securityholding percentage in the class of securities of which the offeror acquired ownership or control in the transaction or occurrence giving rise to the obligation to file the news release, and whether it was ownership or control that was acquired in those circumstances.

On July 25, 2011, Mercuria purchased a CAD\$10,000,000 senior secured convertible debenture (the “**Debenture**”), on a non-brokered private placement basis (the “**Private Placement**”). The Debenture has an initial term of 24 months with an interest rate of 9% per annum (such rate of interest shall be reduced from 9.00% to 7.00% per annum for so long as Mercuria continues to hold a first ranking security interest, subject to permitted liens). The Debenture is convertible into common shares of Royal Coal Corp. (“**RCC**”) at \$0.2689 per share (the “**Conversion Price**”). In the event that the Debenture is converted in its entirety, Mercuria would own common shares representing approximately 15% of RCC’s common shares, based on the issued and outstanding shares outstanding as of today’s date.

3. Designation and number, or principal amount, of securities and the offeror’s securityholding percentage in the class of securities immediately after the transaction or occurrence giving rise to obligation to file a news release.

Mercuria, together with its subsidiaries, owned no common shares of RCC prior to the Private Placement. In the event that the Debenture is converted in its entirety, Mercuria would own common shares representing approximately 15% of RCC’s common shares, based on the issued and outstanding shares outstanding as of today’s date.

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

- (i) **The offeror, either alone or together with joint actors, has ownership and control,**

See items 2 and 3 above.

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

Not applicable.

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

Not applicable.

5. **The name of the market in which the transaction or occurrence that gave rise to the news release took place.**

TSX Venture Exchange.

6. **The value, in Canadian dollars, of any consideration offered per security if the offeror acquired ownership of a security in the transaction or occurrence giving rise to the obligation to file a new release.**

The aggregate purchase price payable by Mercuria under the Private Placement is CAD\$10,000,000.

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

Mercuria has acquired the Debenture for investment purposes and may increase or decrease its investment in RCC from time to time, depending on market conditions or any other relevant factors.

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

The Debenture has an initial term of 24 months with an interest rate of 9%, (such rate of interest shall be reduced from 9.00% to 7.00% per annum for so long as Mercuria continues to hold a first ranking security interest, subject to permitted liens). The Debenture is convertible into RCC's common shares at \$0.2689 per share. RCC may also, at its option, call all or part of the then outstanding principal amount of the Debenture for conversion if the volume weighted average trading price of the common shares exceeds \$0.4033 for any 90 consecutive trading days.

The Debenture also provides that if a "change of control" occurs, as such term is defined in the Debenture, Mercuria may request that (i) RCC purchase the Debenture at a purchase price equal to 105% of the outstanding principal amount

thereof, plus accrued and unpaid interest up to, but excluding the date of change of control, or (ii) convert the entire outstanding principal amount of the Debenture into fully paid and non-assessable common shares at the Change of Control Conversion Price (as such term is defined in the Debenture).

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

Not applicable.

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

The aggregate purchase price paid by Mercuria under the non-brokered private placement was CAD\$10,000,000.

- 11. If applicable, a description of any change in any material fact set out in a previous report under the legislation stated above.**

Not applicable.

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

The Debenture was purchased in reliance upon the “minimum amount investment” exemption contained in Section 2.10 of National Instrument 45-106 - *Prospectus and Registration Exemptions*.