

Royal Coal Corp.

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides discussion and analysis of the financial condition and results of operations of Royal Coal Corp. (the "Company") for the year ended December 31, 2019 and should be read in conjunction with the audited annual consolidated financial statements and the accompanying notes. The MD&A is the responsibility of management and is dated as of June 15, 2020.

All dollar amounts are stated in United States dollars unless otherwise indicated. Additional information relating to the Company is available on SEDAR at www.sedar.com.

Forward-Looking Statements

This MD&A may contain, without limitation, statements concerning possible or assumed future operations, performance or results preceded by, followed by or that include words such as "believes", "expects", "potential", "anticipates", "estimates", "intends", "plans" and words of similar connotation, which would constitute forward-looking statements. Forward-looking statements are not guarantees. The reader should not place undue reliance on forward-looking statements and information because they involve risks and uncertainties that may cause actual operations, performance or results to be materially different from those indicated in these forward-looking statements. The Company is under no obligation to update any forward-looking statements contained herein should material facts change due to new information, future events or other factors. These cautionary statements expressly qualify all forward-looking statements in this MD&A.

The Company

The Company is a public company and a reporting issuer in Ontario, British Columbia, Alberta and Manitoba. Pursuant to a cease trade order issued by the Ontario Securities Commission on May 15, 2012 ("Cease Trade Order"), trading in the common shares of the Company under the symbol "RDA" on the TSX Venture Exchange was ceased as a result of the Company's failure to meet its continuous disclosure obligations under National Instrument 51-102, *Continuous Disclosure Obligations*.

On March 16, 2020, the Company brought its continuous disclosure obligations current with the filing of its annual financial statements, MD&A and certifications of annual filings for the years ended December 31, 2016, 2017 and 2018 and interim financial statements, MD&A and certifications of interim filings for the 3 months ended March 31, 2019, 6 months ended June 30, 2019 and 9 months ended September 30, 2019.

The Company is in the process of applying for full revocation of the Cease Trade Order ("Revocation Order"). Subject to receipt of the Revocation Order, the Company intends to complete a private placement of common shares and to hold an annual and special meeting of shareholders within 3 months from the date of the receipt of the Revocation Order.

Directors and officers of the Company are as follows: A. Thomas Griffis, Chief Executive Officer and Director; Elia Crespo, Director; Chris Irwin, Director; and Miles Nagamatsu, Chief Financial Officer.

Subsequent to December 31, 2020, the Company received advances of \$132,279, of which \$41,412 was advanced by related parties.

Overall Performance

The Company was engaged in mineral exploration and mining of coal properties in the state of Kentucky in the United States until 2012 when it ceased operations.

The Company is currently engaged in efforts to identify, evaluate and complete a business acquisition, subject to the receipt of regulatory and shareholder approval.

Risks and Uncertainties

Business risk

The Company has no operations and there is no assurance that the Company will complete a business acquisition.

Financing risk

Financing will be required to enable the Company to finance efforts to identify, evaluate and complete a business acquisition, meet its existing obligations and fund its operations. The ability of the Company to obtain financing is subject to the receipt of the Revocation Order. There is no assurance that the Company will be able to obtain financing on acceptable terms.

Going-concern

The Company is inactive and does not generate revenue. As at December 31, 2019, the Company had a working capital deficit of \$39,329 (2018 - \$16,500) and for the year ended December 31, 2019, the Company incurred a loss of \$22,829 (2018 - \$5,500) and a cashflow deficit from operations of \$28,965 (2018 - \$Nil). The working capital deficit, losses and cashflow deficit from operations limit the Company's ability to identify, evaluate and acquire assets, properties or businesses, meet its existing obligations and fund its operations.

The continued operation of the Company is dependent upon the Company's ability to secure equity financing to identify, evaluate and acquire assets, properties or businesses, meet its existing obligations and fund its operations. The Company is actively seeking to raise the necessary equity financing, however, the extent to which COVID-19 impacts the Company's results cannot be predicted with certainty. The economic instability as a result of COVID-19 means there can be no assurance that additional equity financing will be available. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

Selected Annual Information

	Years ended December 31		
	2019	2018	2017
	\$	\$	\$
Revenues	—	—	—
Loss	22,829	5,500	5,500
Loss per share - basic and diluted	—	—	—
Total assets	—	—	—
Total non-current liabilities	—	—	—
Cash dividends declared per common share	—	—	—

Results of Operations

For the year ended December 31, 2019, the Company incurred a loss of \$22,829 (2018 - \$5,500) representing costs to bring its continuous disclosure obligations current and engage a transfer agent.

Summary of Quarterly Results

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	—	—	—	—	—	—	—	—
Loss	—	—	—	5,500	—	—	9,600	13,229
- Total	—	—	—	5,500	—	—	9,600	13,229
- Per share	—	—	—	—	—	—	—	—

Liquidity and Capital Resources

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Subsequent to December 31, 2020, the Company received advances of \$132,279, of which \$41,412 was advanced by related parties.

Due to related parties

The amounts due to related parties are unsecured, non-interest bearing and due on demand:

	2019	2018
	\$	\$
Gold Pool JV Limited, a company controlled by A.T. Griffis and Elia Crespo, directors	8,657	—
Marlborough Management Limited, a company controlled by Miles Nagamatsu, Chief Financial Officer	4,720	—
Richard Buzbuzian, a shareholder	15,588	—
	<hr/> 28,965	<hr/> —

Change in accounting standards

IFRS 16, Leases (“IFRS 16”)

On January 1, 2019, the Company adopted IFRS 16. This standard replaced *IAS 17, Leases*. IFRS 16 provides an updated definition of a lease contract, including guidance on the combination and separation of contracts. The standard requires lessees to recognize a right-of-use asset and a lease liability for substantially all lease contracts. The accounting for lessors is substantially unchanged from *IAS 17*.

As the Company is not a party to any leases, the adoption of IFRS 16 had no effect on its financial statements.

Financial Instruments and Other Instruments

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Accounts payable and accrued liabilities and due to related parties

The fair value of accounts payable and accrued liabilities and due to related parties approximated their carrying value due to the short term to maturity.

Classification of fair value of financial instruments

The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1: quoted prices in active markets for identical assets and liabilities;

Level 2: inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly;

Level 3: inputs for the asset or liability that are not based on observable market data.

The Company had no assets or liabilities classified as Level 1.

Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its operations and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. As the Company has no financial assets, the Company has no exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due, other than amounts owing to related parties. The continued operation of the Company is dependent upon the Company's ability to secure equity to identify, evaluate and acquire assets, properties or businesses, meet its existing obligations and fund its operations.

Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company's income or the value of its financial instruments. As the Company has no financial instruments subject to changes in market prices, the Company has no exposure to market risk.

Capital management

Capital of the Company consists of share capital, contributed surplus and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As the Company is inactive and has no revenues, its principal source of capital is from the issuance of common shares. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

Shares Outstanding as at June 15, 2020

Shares

Authorized:

An unlimited number of special shares issuable in series.

An unlimited number of common shares.

Outstanding:

256,740,671 common shares.