

Royal Coal Announces Financial and Operating Q3 2011 Results

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TORONTO, ONTARIO -- (Marketwire) -- 11/29/11 -- [Royal Coal Corp.](#) ('Royal Coal') (TSX VENTURE: RDA) (FRANKFURT: RLC) (All amounts in US Dollars, unless otherwise stated), a US Central Appalachian producer of high BTU, low sulphur thermal coal, today announced the release of financial and operating results for the three and nine months ended September 30, 2011, together with its Management's Discussion and Analysis ('MD&A') for the corresponding period. These documents are posted on SEDAR at www.sedar.com and on the Company's website at www.royalcoal.com.

Results for the Three and Nine Months Ended September 30, 2011

During the third quarter of 2011, the Company generated revenue of \$6.4 million compared with \$5.4 million for the same period in 2010, and revenue for the nine months ended September 30, 2011 of \$17.1 million compared with \$15.8 million for the same period in 2010. However, cost of sales although forecast to improve, remained high during the third quarter of 2011, resulting in a gross margin loss of \$2.7 million for the three months ended September 30, 2011, compared with a gross margin loss of \$3.1 million for the same period in 2010; for the nine month period ending September 30, 2011, gross margin loss was \$11.5 million compared with a gross margin loss of \$8.1 million for the same period in 2010.

For the three months ended September 30, 2011 the Company recorded a net gain of \$4.6 million or \$0.02 gain per share compared to a net loss of \$6.5 million or \$0.08 loss per share, for the three months ended September 30, 2010. For the nine months ended September 30, 2011, the company recorded a net loss of \$8.3 million, \$0.04 loss per share, compared with a net loss of \$18.6 million, \$0.29 loss per share for the same period in 2010. The Company's net gain for the three months ended September 30, 2011 is primarily due to the reduced cost revaluation of the equity component of outstanding warrants and convertible debentures. This revaluation will occur at each quarter end as required by the International Financial Reporting Standards ('IFRS') for companies with different functional currencies than the denominated currency of the warrants and convertible debentures. The Company's functional currency is the United States dollar, whereas the warrants and convertible debentures are denominated in Canadian dollars. Royal Coal's warrants and convertible debenture valuation significantly decreased as of September 30, 2011 due to the reduction in the Company's share price. The revaluation calculation which is based on the Black Scholes option pricing methodology resulted in a non-cash gain of approximately \$9.2 million for the three months ended September 30, 2011.

Highlights for the Three and Nine Months Ended September 30, 2011:

- On August 15, 2011, the Company acquired the Charlene rail load-out facility (the 'Charlene Load Out'), which was previously leased by the Company since October 2009. The total purchase price for the Charlene Load Out was \$5.5 million. Sandstorm Metals & Energy (US) Inc. provided a \$3 million bridge loan to partially fund the purchase of the Charlene rail load-out facility. This \$3 million bridge loan bears interest at 15% per annum, and matures 120 days from the date of the loan agreement, or December 12, 2011. Sandstorm Metals & Energy (US) Inc. holds a senior, secured first priority charge on the Charlene Load-Out Facility.

- On July 25, 2011, the Company closed a private placement financing of a C\$10,000,000 secured convertible debenture to Mercuria Energy Group Holding SA ('Mercuria') which bears interest at a rate of 9% per annum, payable semi-annually in arrears and is due on or about July 22, 2013. The convertible debenture may be converted by Mercuria at any time and from time to time into common of the Company, at a conversion price of C\$0.2689 per share, subject to adjustment in certain circumstances. The convertible debenture is guaranteed by the subsidiaries of Royal Coal, secured by second ranking security over all assets of Royal Coal and its subsidiaries and first security over certain future assets of Royal Coal and its subsidiaries, is not redeemable until maturity and is subject to typical anti-dilution protections. If the volume weighted average trading price of the common shares for each of any 90 consecutive trading days exceeds \$0.4033, Royal Coal may require Mercuria to convert all or part of the then outstanding principal amount of the convertible debenture

- The Company continues to invest in mining equipment to refurbish and upgrade its fleet. For the nine

months ended September 30, 2011, the Company has invested approximately \$10 million in new and refurbished equipment that will result in a more dependable and cost efficient equipment supporting operations.

- Coal production for the three and nine months ended September 30, 2011 was 73,471 and 245,496 respectively and 96,579 and 283,509 for the same periods in 2010.

- The average sale price of the Company's coal during the third quarter of 2011 was up 33% to \$73 as compared to \$55 during the third quarter of 2010.

Update on Results Subsequent to September 30, 2011

The third quarter represented a significant change in the operations at the Big Branch Mine. A new operating team assumed control and a new mine plan was introduced. The objective was to increase production, lower unit operating costs and achieve a more efficient and profitable operation. By the end of the third quarter of 2011, the new mine plan was in effect and production and unit costs for October 2011 demonstrate a significant improvement over historical operations. The Company sold 40,949 tons during the month of October 2011 for gross revenue of \$3.0 million or \$73 per ton.

Financial Overview

The following tables present selected balance sheet, statement of operations and coal production and sales data as of September 30, 2011 and December 31, 2010 and for the three and nine months ended September 30, 2011 and 2010.

(\$000's)	As of Sept 30, 2011	As of Dec 31, 2010
Cash	\$1,762	\$347
Total current assets	\$6,753	\$1,385
Total assets	\$31,954	\$16,598
Total current liabilities (1.)	\$12,940	\$25,337
Total LT liabilities (2.)	\$22,239	\$8,560
Shareholders' equity	(\$3,226)	(\$17,298)

Footnotes:

- (1.) Current liabilities as of September 30, 2011 include current portion of Equipment financing, Royalty obligations and the bridge loan from Sandstorm to partially finance the Charlene Load-out facility as well as deferred revenue related to Sandstorm and A/P and accrued liabilities
- (2.) Long term liabilities as of September 30, 2011 include the long term portion of equipment financing, royalty obligations, the convertible debenture, closed during the third quarter of 2011 and deferred revenue related to Sandstorm

(\$000's, except per share)	Three months ended Sept 30 2011	Three months ended Sept 30 2010	Nine months ended Sept 30 2011	Nine months ended Sept 30 2010
Total coal revenues	\$6,391	\$5,404	\$17,058	\$15,754
Cost of coal Sales	\$9,078	\$8,535	\$28,600	\$23,864
Gross margin	(\$2,687)	(\$3,131)	(\$11,542)	(\$8,110)
Net income (loss)	\$4,552	(\$6,507)	(\$8,329)	(\$18,608)
Basic and diluted net Income (loss) per share	\$0.02	(\$0.08)	(\$0.04)	(\$0.29)
Statistics	Three months ended Sept 30 2011	Three months ended Sept 30 2010	Nine months ended Sept 30 2011	Nine months ended Sept 30 2010
Tons sold	87,195	97,638	255,101	293,913
Tons produced	73,471	112,678	245,496	302,394
Sale price/ton	\$73.29	\$55.31	\$66.59	\$53.59
COGS/ton sold	\$104.12	\$75.94	\$116.42	\$79.01
Gross margin/ton sold	(\$30.83)	(\$32.07)	(\$45.25)	(\$27.59)

Other Business

Royal Coal Extends Letter of Intent to Acquire Metallurgical Coal Property

As announced on June 28, 2011, the company executed a letter of intent to acquire an early-stage development metallurgical coal project in northern Appalachia. This letter of intent has now been amended to extend the exclusivity period to enable sufficient time to complete the due diligence.

Future Opportunities

In October 2011, the Company entered into discussions with various parties to acquire and operate several permitted coal deposits in Kentucky. These discussions are expected to be concluded in the next few weeks.

Sid Mining Project

The Company continues to pursue a contract mining option to develop the project. These discussions are expected to be concluded over the coming weeks, with production commencing shortly thereafter.

Forward-Looking Information

In the past, Royal Coal has not had and does not currently have positive cash flow from operations. Royal Coal'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 Royal Coal will ever generate a positive cash flow from operations. Royal Coal may and is seeking additional equity or debt financing in order to fund certain of its potential acquisitions and its production targets, in each case, as and when Royal Coal 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 Royal Coal.

This release contains 'forward-looking information' that includes information relating to future events and future financial and operating performance, including management's assessment of Royal Coal's future outlook, potential financings, potential acquisitions and production. Specifically, this release contains forward-looking information related to increases in production capacity as the results of additional capital expenditures and permitted mines, additional reserves that have been leased or acquired, future development of reserves or properties, potential financings and potential acquisitions. Forward-looking information should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by which, that performance or those results will be achieved.

Forward-looking information is based on information available at the time it is made and/or management's good faith belief as of that time with respect to future events, and such information is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking information. Important factors that could cause these differences include but are not limited to: changes in contracted sales, the business of the Company may suffer as a result of uncertainty surrounding the coal market; the Company may be adversely affected by other economic, business, and/or competitive factors; the worldwide demand for coal; the price of coal; the price of alternative fuel sources; the supply of coal and other competitive factors; the costs to mine and transport coal; the ability to obtain new mining permits; the costs of reclamation of previously mined properties; the risks of expanding coal production; the ability to bring new mines on line on schedule; industry competition; the Company's ability to continue to execute its growth strategies; the Company's ability to secure additional financing; the Company's ability to complete planned acquisitions; and general economic conditions. These and other risks are more fully described in the Company's filings with the Canadian Securities Administrators, including its Annual Information Form for the year ended December 31, 2010, available on SEDAR at www.sedar.com. You should not put undue reliance on any forward-looking information. We assume no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking information, no inference should be drawn that we will make additional updates with respect to those or other forward-looking information.'

About Royal Coal

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

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