

COBALT COAL CORP.
Suite 500, 1414 – 8th Street S.W.
Calgary, Alberta, T2R 1J6

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON WEDNESDAY, JUNE 29, 2011**

TAKE NOTICE that the annual and special meeting (the "Meeting") of the shareholders of Cobalt Coal Corp. (the "**Corporation**") will be held at **Suite 1600, Dome Tower, 333 - 7th Avenue S.W., Calgary, Alberta, on Wednesday, June 29, 2011 at 1:00 p.m. (Calgary time)** for the following purposes:

1. To receive the financial statements of the Corporation for the financial year ended December 31, 2010, together with the auditors' report thereon;
2. To fix the number of directors for the ensuing year at three (3) and to elect as directors for the ensuing year the nominees proposed by management of the Corporation;
3. To appoint auditors for the ensuing year and to authorize the directors of the Corporation to fix their remuneration;
4. To consider and, if thought fit, to approve the ordinary resolution in the form included in the Information Circular accompanying this Notice of Meeting, approving the stock option plan of the Corporation, subject to regulatory approval;
5. To consider and, if thought fit, to approve the special resolution in the form included in the Information Circular accompanying this Notice of Meeting, approving the change of the name of the Corporation to "Cobalt Coal Ltd." or such other name as the directors may determine;
6. To consider and, if thought fit, to approve the special resolution in the form included in the Information Circular accompanying this Notice of Meeting, approving the proposed consolidation of the common shares of the Corporation;
7. To consider and, if thought fit, approve the ordinary resolution in the form included in the Information Circular accompanying this Notice of Meeting approving a proposed private placement financing and new control person of the Corporation; and
8. To transact such other business as may properly be brought before the Meeting.

Information relating to the matters to be brought before the Meeting is set forth in the Information Circular accompanying this Notice of Meeting.

DATED at Calgary, Alberta this 30th day of May, 2011.

**BY ORDER OF THE BOARD OF DIRECTORS OF
COBALT COAL CORP.**

"Michael Crowder"

Chief Executive Officer

IMPORTANT

Only holders of the common shares of the Corporation (the "**Common Shares**") of record at the close of business on May 30, 2011 (the "**Record Date**") are entitled to notice of and to participate at the Meeting and only such persons or those who become holders of Common Shares of the Corporation after the Record Date and comply with the provisions of the *Business Corporations Act* (Alberta) are entitled to vote at the Meeting. If you are unable to attend in person, kindly fill in, sign and return the enclosed proxy in the envelope provided for that purpose.

Proxies, to be valid, must be deposited at the office of the registrar and transfer agent of the Corporation, Olympia Trust Company, 2300, 125 - 9 Avenue SW, Calgary, Alberta, T2G 0P6, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, preceding the Meeting or an adjournment thereof.

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INFORMATION CIRCULAR

PURPOSE OF SOLICITATION

THIS INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY THE MANAGEMENT OF COBALT COAL CORP. (THE "CORPORATION") FOR USE AT THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS OF THE CORPORATION ("SHAREHOLDERS") TO BE HELD ON WEDNESDAY JUNE 29, 2011, AT 1:00 P.M., CALGARY TIME (THE "MEETING"), AT THE REGISTERED OFFICE OF THE CORPORATION, 1600 DOME TOWER, 333 – 7th AVENUE S.W., CALGARY, ALBERTA, AND AT ANY ADJOURNMENT THEREOF FOR THE PURPOSES SET OUT IN THE ACCOMPANYING NOTICE OF MEETING. Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone or e-mail by directors or officers of the Corporation. Pursuant to National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with clearing agencies, brokerage houses and other financial intermediaries to forward proxy solicitation material to the beneficial owners of the common shares of the Corporation ("**Common Shares**"). The cost of any such solicitation will be borne by the Corporation.

VOTING OF PROXIES

All Common Shares represented at the Meeting by properly executed proxies will be voted and, where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy, the Common Shares represented by such proxy will be voted in accordance with such specifications. **IN THE ABSENCE OF ANY SUCH SPECIFICATIONS, THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, WILL VOTE IN FAVOUR OF ALL THE MATTERS SET OUT HEREIN.**

THE ENCLOSED INSTRUMENT OF PROXY CONFERS DISCRETIONARY AUTHORITY UPON THE MANAGEMENT DESIGNEES, OR OTHER PERSONS NAMED AS PROXY, WITH RESPECT TO AMENDMENTS TO OR VARIATIONS OF MATTERS IDENTIFIED IN THE NOTICE OF MEETING AND ANY OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING. AT THE DATE OF THIS INFORMATION CIRCULAR, THE CORPORATION IS NOT AWARE OF ANY AMENDMENTS TO, OR VARIATIONS OF, OR OTHER MATTERS WHICH MAY COME BEFORE THE MEETING. IN THE EVENT THAT OTHER MATTERS COME BEFORE THE MEETING, THE MANAGEMENT DESIGNEES INTEND TO VOTE IN ACCORDANCE WITH THE DISCRETION OF THE MANAGEMENT OF THE CORPORATION.

Proxies, to be valid, must be deposited at the office of the Registrar and Transfer Agent of the Corporation, Olympia Trust Company, 2300 – 125 9th Avenue SW, Calgary, Alberta, T2P 0G6, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, preceding the Meeting or an adjournment of the Meeting.

APPOINTMENT OF PROXY

A SHAREHOLDER HAS THE RIGHT TO DESIGNATE A PERSON (WHO NEED NOT BE A SHAREHOLDER OF THE CORPORATION) OTHER THAN AL KROONTJE AND ROBERT GILLIES, THE MANAGEMENT DESIGNEES, TO ATTEND AND ACT FOR IT AT THE MEETING. Such right may be exercised by inserting in the blank space provided in the accompanying form of proxy the name of the person to be designated and deleting the names of the management designees, or by completing another proper instrument of proxy and, in either case, depositing the instrument of proxy with the Registrar and Transfer Agent of the Corporation, Olympia Trust Company, 2300 – 125 9th Avenue SW, Calgary, Alberta, T2P 0G6, at any time, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, preceding the Meeting or an adjournment of the Meeting.

REVOCATION OF PROXIES

A Shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy.

A Shareholder may revoke a proxy:

- (a) by depositing an instrument in writing, executed by it or its attorney authorized in writing:
 - (i) at the offices of the Registrar and Transfer Agent of the Corporation, Olympia Trust Company, 2300 – 125 9th Avenue SW, Calgary, Alberta, T2P 0G6, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, preceding the Meeting or an adjournment of the Meeting;
 - (ii) at the registered office of the Corporation, 1600, 333 – 7th Avenue S.W., Calgary, Alberta, T2P 2Z1, at any time up to and including the last business day preceding the day of the Meeting, or an adjournment thereof, at which the proxy is to be used; or
 - (iii) with the chairman of the Meeting on the day of the Meeting or an adjournment of the Meeting; or
- (b) in any other manner permitted by law.

In addition, a proxy may be revoked by the Shareholder executing another form of proxy bearing a later date and depositing same at the offices of the registrar and transfer agent of the Corporation within the time period set out under the heading "Voting of Proxies", or by the Shareholder personally attending the Meeting and voting its Common Shares.

ADVICE TO BENEFICIAL HOLDERS OF COMMON SHARES ON VOTING COMMON SHARES

The information set forth in this section is of significant importance to many shareholders of the Corporation, as a substantial number of shareholders do not hold Common Shares in their own name. Shareholders who do not hold their shares in their own name (referred to in this Information Circular as "**Beneficial Shareholders**") should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a shareholder by a broker, then, in almost all cases, those Common Shares will not be registered in the shareholder's name on the records of the Corporation. Such Common Shares will likely be registered

under the name of the shareholder's broker or an agent of that broker. In Canada, the majority of such shares are registered under the name of CDS & Co. (the nominee of The Canadian Depository for Securities Limited, which acts as depository for many Canadian brokerage firms). Common Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, a broker and its agents and nominees are prohibited from voting shares for the broker's clients. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.**

Applicable regulatory rules require intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered Shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically prepares a Voting Information Form ("**VIF**") and mails the VIF to the Beneficial Shareholders and asks Beneficial Shareholders to return the VIF to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at a meeting. **A Beneficial Shareholder receiving a VIF from Broadridge cannot use that VIF to vote Common Shares directly at the Meeting. The VIF must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted at the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of its broker (or an agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered Shareholder and vote the Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered Shareholder should enter their own names in the blank space on the VIF provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of (non-voting) preferred shares, issuable in series. As at the date hereof 73,575,300 Common Shares and nil preferred shares are issued and outstanding and entitled to vote at the Meeting on the basis of one vote for each Common Share held.

The holders of Common Shares of record at the close of business on the record date, set by the directors of the Corporation to be **May 30, 2011** (the "**Record Date**"), are entitled to vote such Common Shares at the Meeting, except to the extent that:

- (a) such person transfers its Common Shares after the Record Date; and
- (b) the transferee of those Common Shares produces properly endorsed share certificates or otherwise establishes its ownership to the Common Shares, and makes a demand to the Registrar and Transfer Agent of the Corporation, not later than 10 days before the Meeting, that its name be included on the Shareholders' list;

in which case the transferee would be entitled to vote such Common Shares at the Meeting.

The by-laws of the Corporation provide that two (2) persons present in person, each being a Shareholder entitled to vote thereat or a duly appointed proxy or representative, and representing in the aggregate not

less than ten percent (10%) of the issued Common Shares entitled to vote at the Meeting constitute a quorum for the Meeting.

To the knowledge of the directors and executive officers of the Corporation, the only person who beneficially owns, controls or directs, directly or indirectly, Common Shares carrying ten percent (10%) or more of the voting rights of the outstanding Common Shares is as follows:

<u>Name and Municipality of Residence</u>	<u>Type of Ownership</u>	<u>Number of Common Shares</u>	<u>Percentage of Common Shares</u>
David M. Lewis Calgary, Alberta	Direct and indirect	17,053,342 ⁽¹⁾	23.18%

Note:

(1) Includes 9,278,342 Common Shares held by Mr. Lewis' spouse.

PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of the Board of Directors of the Corporation, the only matters to be placed before the Meeting are those matters set forth in the accompanying Notice of Meeting relating to: (i) the receipt of the audited financial statements for the year ended December 31, 2010; (ii) fixing the number of directors to be elected at the Meeting at three (3) and the election of directors until the next annual meeting of Shareholders; (iii) the appointment of auditors; (iv) the approval of the Corporation's stock option plan; (v) the approval of the proposed consolidation of the issued Common Shares; (vi) the approval of the proposed name change of the Corporation; and (vii) the approval of the proposed private placement financing and new control person of the Corporation.

I. Receipt of Financial Statements

The audited consolidated financial statements of the Corporation for the year ended December 31, 2010, together with the Auditors' Report thereon will be placed before the Meeting. No formal action will, or is required to, be taken in respect of the financial statements at the Meeting. The consolidated financial statements of the Corporation are also available on SEDAR at www.sedar.com.

II. Election of Directors

The board of directors of the Corporation (the "**Board of Directors**" or the "**Board**") currently consists of three (3) directors, all of whom are elected annually. The term of office for each of the present directors of the Corporation expires at the Meeting. It is proposed that the number of directors to be elected at the Meeting, for the ensuing year, be fixed at three (3). At the Meeting, the Shareholders will be asked to consider and, if thought fit, approve an ordinary resolution fixing the number of directors to be elected at the Meeting, at three (3). **Unless otherwise directed, it is the intention of the management designees, if named as proxy, to vote for the resolution setting the number of directors to be elected at the Meeting at three (3).**

It is proposed that the persons named below be nominated for election as directors at the Meeting. Each director elected will hold office until the next annual meeting of Shareholders or until his successor is duly elected or appointed pursuant to the by-laws of the Corporation unless his office is earlier vacated in accordance with the provisions of the *Business Corporations Act* (Alberta) (the "**ABCA**") or the Corporation's by-laws. **Unless otherwise directed, it is the intention of the management designees, if named as proxy, to vote for the election of said persons to the Board of Directors. Management does not contemplate that any of such nominees will be unable to serve as a director. However, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies in favour of management designees will be voted for another nominee in their discretion**

unless the Shareholder has specified in its proxy that its Common Shares are to be withheld from voting in the election of directors.

The following information relating to the nominees as directors is based on information received by the Corporation from said nominees:

Name, Municipality of Residence and Position	Present Occupation and Position During the Last Five Years	Director Since	Number of Common Shares
Al J. Kroontje ⁽¹⁾⁽²⁾⁽³⁾ Calgary, Alberta Director	President of Pellinore Holdings Inc., his private investment company. Currently, a director of several public companies listed on the Toronto Stock Exchange or TSX Venture Exchange, including Petro Frontier Corp., Novus Energy Inc., Polar Star Mining Corporation, Border Petroleum Corp., Galleria Opportunities Inc. and E.G. Capital Inc. President of Telford Services Group from May 1996 to August 2008.	October 2009	4,817,313
Michael O. Kehler ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Calgary, Alberta Director	Chief Operating Officer of AltaCorp Capital Inc. from September 2010 to present. Chief Operating Officer of Tristone Capital Inc. (" Tristone ") from January 2007 to January 2010. From May 2002 to January 2007, Chief Financial Officer of Tristone. From December 2000 to May 2002, the Chief Financial Officer of Jennings Capital Inc.	October 2009	707,444
Michael R. Crowder ⁽¹⁾⁽²⁾ Premier, West Virginia USA Director	Chief Executive Officer of the Corporation since November 2010. Vice-President of Cobalt Coal Corp Mining, Inc. since February 2010. Vice President of New Tech Mining, Inc since November 2007. Former owner of several private companies including computer consulting in telecommunications and banking, wholesale foods, and marketing sectors.	October 2010	1,551,840

Notes:

- (1) In addition, an aggregate of 3,300,000 Common Shares are issuable to directors upon the exercise of outstanding incentive stock options. See "Executive Compensation" below.
- (2) Member of the Audit Committee.
- (3) Member of the Corporate Governance, Compensation and Nominating Committee
- (4) Mr. Kehler's Common Shares are owned by his spouse.

Cease Trade Orders

To the knowledge of management no proposed director of the Corporation is, as of the date of this Information Circular, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation) that was subject to a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemption under securities legislation, that was in effect for a period of more than 30 days, that was issued (i) while that person was acting in such capacity, or (ii) after that person ceased to act in such capacity but which resulted from an event that occurred while that person was acting in such capacity except as disclosed below.

Al Kroontje was appointed a director of Kasten Energy Inc. (formerly Kasten Chase Applied Research Limited) on February 19, 2007, the day before the Alberta Securities Commission issued a cease trade order on February 20, 2007 for failure to file its unaudited financial statements for the periods ending June 30, 2006 and September 30, 2006. Mr. Kroontje was appointed a director as part of the implementation of a restructuring plan in order to seek restructuring alternatives for Kasten Energy Inc. and was not involved with the failure to file the required interim financial statements and corresponding cease trade order. The cease trade order was subsequently revoked on March 28, 2008 as a result of the restructuring initiatives completed by Mr. Kroontje and the rest of the new Board of Directors that were appointed on February 19, 2007.

Bankruptcies

To the knowledge of management, no proposed director of the Corporation is, as of the date of this Information Circular, or has been, within 10 years before the date hereof, a director or executive officer of any company (including the Corporation) that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

To the knowledge of management, no proposed director of the Corporation has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Penalties or Sanctions

To the knowledge of management, no proposed director of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

III. Appointment of Auditors

At the Meeting the Shareholders will be asked to appoint BDO Canada LLP of Calgary, Alberta as auditors of the Corporation to serve until the close of the next annual meeting of Shareholders of the Corporation and to authorize the Directors to fix their remuneration. BDO Canada LLP have been the auditors of the Corporation since September 18, 2009.

Unless otherwise directed, the management designees, if named as proxy, intend to vote the Common Shares represented by any such proxy for the appointment of BDO Canada LLP as auditors of the Corporation at a remuneration to be fixed by the board of directors.

IV. Approval of Incentive Stock Option Plan

The TSX Venture Exchange (the "**Exchange**") requires all listed companies proposing to grant stock options to its directors, employees and consultants adopt a stock option plan in accordance with the policies of the Exchange. Accordingly, Shareholders will be asked at the Meeting to vote on a resolution to adopt the stock option plan (the "**Stock Option Plan**") for the ensuing year, in the form attached as Schedule "A" hereto.

The Corporation's Stock Option Plan provides that the Board of Directors of the Corporation may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Corporation, or any subsidiary of the Corporation, the option to purchase Common Shares. The Stock Option Plan provides for a floating maximum limit of 10% of the outstanding Common Shares, as permitted by the policies of the Exchange. As at the date hereof, this represents 7,357,530 Common Shares available under the existing Stock Option Plan.

Unless disinterested Shareholder approval is obtained, the number of Common Shares reserved for any one person (other than technical consultants and individuals performing investor relations activities) may not exceed 5% of the outstanding Common Shares. The number of Common Shares reserved for issuance to technical consultants and individuals performing investor relations activities may not exceed 2% of the outstanding Common Shares. The Board of Directors determines the price per Common Share and the number of Common Shares that may be allotted to each director, officer, employee and consultant and all other terms and conditions of the options, subject to the rules of the Exchange. The price per Common Share set by the directors is subject to minimum pricing restrictions set by the Exchange.

Options may be exercisable for up to ten years from the date of grant, but the Board of Directors has the discretion to grant options that are exercisable for a shorter period. Options under the Stock Option Plan are non-assignable. If prior to the exercise of an option, the holder ceases to be a director, officer, employee or technical consultant, the option shall be limited to the number of Common Shares purchasable by him immediately prior to the time of his cessation of office or employment and he shall have no right to purchase any other Common Shares. Pursuant to the Stock Option Plan, options must be exercised within a reasonable period of termination of employment or cessation of the optionee's position with the Corporation, or such other period established by the board of directors, provided however, that if the cessation of office, directorship, consulting arrangement or employment was by reason of death or disability, the option must be exercised within one year, subject to the expiry date. Management of the Corporation believes that it would be in the best interest of the Corporation to adopt the Stock Option Plan to encourage the interest of directors, officers, employees and consultants of the Corporation and its affiliates in the growth and development of the Corporation and its affiliates by providing them with the opportunity through stock options to acquire an increased proprietary interest in the Corporation.

The Stock Option Plan is subject to approval by the Exchange and subject to approval by the Shareholders of the Corporation, as required by the policies of the Exchange.

At the Meeting, the shareholders will be asked to approve the following resolution:

"BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

- (a) the incentive stock option plan of the Corporation, as described in and attached as Schedule "A" to the Information Circular of the Corporation dated May 30, 2011 be and is hereby ratified and approved;
- (b) any one director or officer of the Corporation be authorized to make all such arrangements, to do all acts and things and to sign and execute all documents and instruments in writing, whether under the corporate seal of the Corporation or otherwise,

as may be considered necessary or advisable to give full force and effect to the foregoing;
and

- (c) the directors of the Corporation may revoke this resolution before it is acted upon without further approval of the shareholders."

The foregoing resolution must be approved by a simple majority of the votes cast at the meeting by the holders of Common Shares. If the Stock Option Plan is not approved by the Shareholders, the Corporation will have to consider other methods of compensating and providing incentives to directors, officers, employees and consultants. **The Board of Directors of the Corporation unanimously recommends that the Shareholders vote in favour of the resolution approving the Stock Option Plan.**

Unless otherwise directed, the management designees, if named as proxy, intend to vote such proxies in favour of the resolution approving the Stock Option Plan.

V. Consolidation

At the Meeting, or any adjournment thereof, Shareholders will be asked to consider, and if thought fit, pass with or without variation, a special resolution (the "**Consolidation Resolution**") authorizing the Corporation to amend the articles of the Corporation to effect a consolidation (the "**Consolidation**") of the Common Shares on the basis of ten (10) Common Shares into one (1) new common share in the capital of the Corporation (the "**Post Consolidation Shares**").

The following Consolidation Resolution will be presented to the Shareholders at the Meeting:

"BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

- (a) the Articles of the Corporation be amended to consolidate the issued and outstanding common shares on the basis of one (1) consolidated new common share of the Corporation (the "**Post Consolidation Shares**") for ten (10) issued and outstanding common shares of the Corporation (the "**Consolidation**");
- (b) any one director or officer of the Corporation be and is hereby authorized and directed to execute all documents and instruments and take all such other actions as may be necessary or desirable to implement this resolution and the matters authorized hereby;
and
- (c) the directors of the Corporation may, in their discretion, without further approval of the Shareholders, revoke this special resolution at any time before the issuance of a Certificate of Amendment in respect of the foregoing."

For the Consolidation to be completed, the Consolidation Resolution must be passed by two-thirds of the votes cast with respect to the Consolidation Resolution by the shareholders of the Corporation present in person or by proxy at the Meeting. The Consolidation is subject to Exchange approval. **Unless otherwise directed, the management designees, if named as proxy, intend to vote such proxies in favour of the resolution approving the Consolidation.**

The Board of Directors of the Corporation has reviewed the terms of the Consolidation and concluded that it is in the best interests of the Corporation to proceed with the Consolidation. **The Board of Directors of the Corporation unanimously recommends that the Shareholders vote in favour of the Consolidation Resolution.**

Irrespective of whether the Consolidation Resolution is passed by the shareholders of the Corporation, the directors of the Corporation may elect not to proceed with the Consolidation and other transactions contemplated in the Consolidation Resolution.

VI. Change of Name

At the Meeting, or any adjournment thereof, Shareholders will be asked to consider, and if thought fit, to pass with or without variation, a special resolution (the "**Name Change Resolution**"), to change the name of the Corporation (the "**Name Change**") to "Cobalt Coal Ltd." or such other required name as the directors may determine, such resolution to be substantially in the form set forth below.

"BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

- (a) the Corporation be authorized to undertake and complete the change of name and any one director or officer of the Corporation be authorized to negotiate and settle the form of documents required in respect thereof, including any supplements or amendments thereto and including, without limitation, the documents referred to below;
- (b) the name of the Corporation be changed from "Cobalt Coal Corp." to "Cobalt Coal Ltd.", or such other name as the directors may, in their sole discretion, determine, and that the Articles of the Corporation be amended to change the name of the Corporation to Cobalt Coal Ltd., or such other name as the directors may, in their sole discretion, determine;
- (c) notwithstanding the approval by the Shareholders of the Corporation of this special resolution, the directors of the Corporation are hereby authorized, by resolution at any time in its absolute discretion, to determine whether or not to proceed with the transactions contemplated by the Name Change without further approval, ratification or confirmation by the Shareholders of the Corporation; and
- (d) any one director or officer of the Corporation be and is hereby authorized for and on behalf of the Corporation to execute and deliver all such documents and instruments and take all such other actions as such director or officer may determine necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of such documents and instruments or the taking of such actions."

For the Name Change to be completed, the Name Change Resolution must be passed by two-thirds of the votes cast with respect to the Name Change Resolution by the shareholders of the Corporation present in person or by proxy at the Meeting. The Name Change is subject to Exchange approval. **Unless otherwise directed, the management designees, if names as proxy, intend to vote such proxies in favour of the resolution approving the Name Change.**

The Board of Directors of the Corporation has reviewed the terms of the Name Change and concluded that it is in the best interests of the Corporation to proceed with the Name Change. **The Board of Directors of the Corporation unanimously recommends that the Shareholders vote in favour of the Name Change Resolution.**

Irrespective of whether the Name Change Resolution is passed by the shareholders of the Corporation, the directors of the Corporation may elect not to proceed with the Name Change and other transactions contemplated in the Name Change Resolution.

VII. Approval of the Private Placement and New Control Person

At the Meeting, Shareholders will be asked to approve by ordinary resolution a private placement (the "**Private Placement**") offering to be completed after the proposed Consolidation for gross proceeds of up to \$8,000,000. The Private Placement will consist of the issuance of units ("**Units**") of the Corporation, with each Unit consisting of one Post Consolidation Share and up to one share purchase warrant (a "**Warrant**") at a price to be determined by the Board in the context of the market and in accordance with Exchange policies. Each Warrant will entitle the holder to purchase one additional Post Consolidation Share at a price to be determined in accordance with the Exchange policies. Shareholders are required to approve the Private Placement in accordance with Exchange policies as directors and officers of Corporation may subscribe for greater than 25% of the Units offered in the Private Placement to provide ongoing financial support for the Corporation and to continue its operations. As a result of the Private Placement, Al J. Kroontje, a director of the Corporation, may become a new "control person" of the Corporation, as such term is defined in Exchange policies. In accordance with Exchange policies, Shareholders are required to approve the creation of Mr. Kroontje as a control person of the Corporation and Mr. Kroontje's 4,817,313 Common Shares will be excluded from voting on the Private Placement Resolution (as defined below).

Shareholders will be asked to approve the Private Placement and all matters related thereto by passing the private placement resolution at the Meeting (the "**Private Placement Resolution**"), such resolution to be substantially in the form set forth below:

"BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

- (a) the Private Placement on such terms and conditions as the Board of Directors of the Corporation may determine in their sole discretion, be and the same is hereby approved;
- (b) the creation of Al J. Kroontje as a control person of the Corporation be and is hereby authorized and approved;
- (b) the completion of the Private Placement and all matters related thereto be and are hereby authorized and approved;
- (c) notwithstanding the approval by the Shareholders of the Corporation of these ordinary resolutions, the Board of Directors of the Corporation are hereby authorized, by resolution at any time in its absolute discretion, to determine whether or not to proceed with the transactions contemplated by the Private Placement Resolution without further approval, ratification or confirmation by the shareholders of the Corporation; and
- (d) any one director or officer of the Corporation be and is hereby authorized for and on behalf of the Corporation to execute and deliver all such documents and instruments and take all such other actions as such director or officer may determine necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of such documents and instruments or the taking of such actions."

For the foregoing to be completed, the Private Placement Resolution must be passed by a majority of the votes cast with respect to such resolution by the Shareholders present in person or by proxy at the Meeting. **Unless otherwise directed, Management intends to vote such proxies in favour of the resolution approving the Private Placement.**

The Board of Directors of the Corporation has reviewed the terms of the Private Placement Resolution and concluded that it is in the best interests of the Corporation to proceed with the Private Placement. The Private Placement is subject to Exchange approval. **The Board of Directors of the Corporation**

unanimously recommends that the Shareholders vote in favour of the Private Placement Resolution.

Irrespective of whether the Private Placement Resolution is passed by the Shareholders, the Directors of the Corporation may elect not to proceed with the Private Placement and the other transactions contemplated by such resolution.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

The Executive Compensation discussion contained in this Information Circular differs in format and content from disclosure in prior years. On December 19, 2008, the Canadian Securities Administrators implemented the new Form 51-102F6 *Statement of Executive Compensation*, which governs the disclosure of executive compensation for reporting issuers and applies in respect of financial years ending on or after December 31, 2008. Readers may find information for prior years presented in the previously required format in the Corporation's past information circulars, which are filed on SEDAR at www.sedar.com.

The new Form 51-102F6 *Statement of Executive Compensation*, defines "Named Executive Officers" as the Chief Executive Officer, the Chief Financial Officer and each of the Corporation's three most highly compensated executive officers other than the Chief Executive Officer and Chief Financial Officer, whose total compensation in the financial year ended December 31, 2010 was more than \$150,000.

Compensation Discussion and Analysis

The Corporation's only cash paid executives in 2010 were Michael Crowder, Chief Executive Officer from the date of his appointment on November 30, 2010 and Robert Gillies, Chief Financial Officer who provided his services on a part-time contract basis. Once the Corporation achieves consistent production levels, it is anticipated that the compensation program will be comprised of the following components: base salary, discretionary annual incentive and long-term incentives. Together, these components support the Corporation's long-term growth strategy and the following objectives:

- to align executive compensation with shareholders' interests;
- to attract and retain highly qualified management; and
- to focus performance by linking incentive compensation to the achievement of business objectives and financial results.

The compensation program is designed to pay for performance. Employees, including senior executives, are rewarded for the achievement of annual operating and financial goals, progress in executing the Corporation's long-term growth strategy and delivering strong total shareholder return performance.

The Corporation reviews industry compensation information and compares its level of overall compensation with those of comparable sized companies. Generally, the committee targets base salaries at levels approximating those holding similar positions in comparably sized companies in the industry and hopes to achieve comparable total compensation levels through the fixed and variable components.

The Corporation's total compensation mix places a significant portion of the executive's compensation at risk. The design takes into account individual and corporate performance. Compensation practices, including the mix of base salary, short-term incentives and long-term incentives, are regularly assessed to ensure they are competitive, take account of the external market trends, and support the Corporation's long-term growth strategies.

Base salary is compensation for discharging job responsibilities and reflects the level of skills and capabilities demonstrated by the executive. Annual salary adjustments take into account the market value of the role and the executive's demonstration of capability during the year.

Annual incentives, in the form of cash bonus payments, are designed to add a variable component of compensation based on overall corporate performance and the executive's individual performance.

The Corporation's Stock Option Plan is designed to provide an incentive to the optionees to achieve the longer-term objectives of the Corporation.

Option-Based Awards

Stock options are granted pursuant to the Stock Option Plan to provide an incentive to the directors, officers, employees and consultants of the Corporation to achieve the longer-term objectives of the Corporation; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation. Previous grants of incentive stock options are taken into account when considering new grants.

Implementation of a new incentive stock option plan and amendments to the existing Stock Option Plan are the responsibility of the Board of Directors.

Summary Compensation Table

The following table sets forth the total compensation paid to or earned by the Named Executive Officers during the financial years ended December 31, 2010 and 2009.

Name and Principal Position	Year Ended Dec. 31	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$) ⁽¹⁾	Non-Equity		All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plan Compensation (\$)			
Michael Crowder ⁽⁴⁾ President, Chief Executive Officer and Director	2010	72,442	nil	92,700	nil	nil	nil	165,142
	2009	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Al J. Kroontje ⁽⁵⁾ Interim President and Chief Executive Officer and Director	2010	nil	nil	nil	nil	nil	nil	nil
	2009	N/A	N/A	N/A	N/A	N/A	N/A	N/A
David M. Lewis ⁽²⁾ Former President, Chief Executive Officer and Director	2010	nil	nil	nil	nil	nil	nil	nil
	2009	nil	nil	75,000	nil	nil	nil	75,000
Dominic (Nick) Colvin ⁽²⁾ Former Executive Vice-President and Director	2010	nil	nil	nil	nil	nil	nil	nil
	2009	nil	nil	33,750	nil	nil	nil	33,750

Robert L. Gillies	2010	64,800 ⁽³⁾	nil	nil	nil	nil	nil	64,800
Chief Financial Officer	2009	18,000	nil	22,500	nil	nil	nil	40,500

Notes:

- (1) Based on the grant date fair value of the applicable awards. The fair value of options granted are estimated at the date of grant using the Black-Scholes option pricing model.
- (2) Resigned as a Director and executive officer effective September 16, 2010.
- (3) \$38,800 remains unpaid as of the date of this Information Circular.
- (4) Michael Crowder was appointed Chief Executive Officer on November 30, 2010.
- (5) Al Kroontje was appointed Interim President and Chief Executive Officer from September 16, 2010 to November 30, 2010. Mr. Kroontje received no compensation for serving in this role.

Incentive Plan Awards***Outstanding Option-Based Awards***

The following table sets forth the options granted to the Named Executive Officers to purchase or acquire securities of the Corporation outstanding at the end of the financial year ended December 31, 2010.

<u>Name</u>	<u>Number of securities underlying unexercised options</u> (#)	<u>Option exercise price</u> (\$)	<u>Option expiration date</u>	<u>Value of unexercised in-the-money options⁽¹⁾</u> (\$)
Michael Crowder ⁽²⁾	600,000	\$0.13	May 10, 2015	nil
	650,000	\$0.10	October 19, 2010	nil
Al J. Kroontje ⁽³⁾	1,000,000	\$0.10	June 12, 2012	nil
David M. Lewis ⁽⁴⁾	nil	nil	nil	nil
Dominic (Nick) Colvin ⁽⁴⁾	nil	nil	nil	nil
Robert L. Gillies	300,000	\$0.10	October 7, 2014	nil

Notes:

- (1) Calculated based on the difference between the closing price of the Common Shares on December 31, 2010, the last day during which the Common Shares traded in the financial year ended December 31, 2010, of \$0.09 and the exercise price of the options.
- (2) Michael Crowder was appointed Chief Executive Officer on November 30, 2010.
- (3) Al Kroontje was appointed Interim President and Chief Executive Officer from September 16, 2010 to November 30, 2010. Mr. Kroontje received no compensation for serving in this role.
- (4) Resigned as a director and executive officer effective September 16, 2010 and all of the holders' outstanding options have expired.

Incentive Plan Awards – Value Vested or Earned during the Year

The following table sets forth the value vested or earned during the year of option-based awards, share-based awards and non-equity incentive plan compensation paid to Named Executive Officers during the financial year ended December 31, 2010.

Name	Option-based awards - Value vested during the year⁽¹⁾ (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)	Equity incentive plan compensation – Value earned during the year (\$)
Michael Crowder ⁽²⁾	47,667	nil	65,000
Al J. Kroontje ⁽³⁾	nil	nil	nil
David M. Lewis ⁽⁴⁾	nil	nil	nil
Dominic Colvin ⁽⁴⁾	nil	nil	nil
Robert Gillies	nil	nil	nil

Notes:

- (1) Represents the aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date.
- (2) Michael Crowder was appointed Chief Executive Officer on November 30, 2010.
- (3) Al Kroontje was appointed Interim President and Chief Executive Officer from September 16, 2010 to November 30, 2010. Mr. Kroontje received no compensation for serving in this role.
- (4) Resigned as a director and executive officer effective September 16, 2010 and all of the holders' outstanding options have expired.

Termination and Change of Control Benefits

The Corporation has no termination or change of control benefits in any contracts with executive officers or employees.

Director Compensation

Director Compensation Table

The following table sets forth the value of all compensation provided to directors, not including those directors who are also Named Executive Officers, for the Corporation's during the financial year ended December 31, 2010.

Name	Fees earned (\$)	Option- based awards⁽¹⁾ (\$)	Non-equity annual incentive plan compensation (\$)	All other Compensation (\$)	Total (\$)
David E. T. Pinkman ⁽²⁾	nil	nil	nil	nil	nil

Michael O. nil nil nil nil nil
Kehler

Notes:

- (1) Based on the grant date fair value of the applicable awards. The fair value of options granted are estimated at the date of grant using the Black-Scholes option pricing model.
(2) Resigned as a director effective October 20, 2010 and all of the holder's outstanding options have expired.

Outstanding Option-Based Awards

The following table sets forth the options granted to the directors of the Corporation, not including those directors who are also Named Executive Officers, to purchase or acquire securities of the Corporation outstanding at the end of the financial year ended December 31, 2010.

<u>Name</u>	<u>Number of securities underlying unexercised options (#)</u>	<u>Option exercise price (\$)</u>	<u>Option expiration date</u>	<u>Value of unexercised in-the-money options⁽¹⁾ (\$)</u>
David E. T. Pinkman ⁽²⁾	250,000	0.10	January 18, 2011	nil
Michael O. Kehler	250,000	0.10	October 14, 2014	nil

Notes:

- (1) Calculated based on the difference between the closing price of the Common Shares on December 31, 2010, the last day during which the Common Shares traded in the financial year ended December 31, 2010, of \$0.09 and the exercise price of the options.
(2) Resigned as a director effective October 20, 2010 and all of the holder's outstanding options have expired.

Incentive Plan Awards – Value Vested or Earned during the Year

The following table sets forth the value vested or earned during the year of option-based awards, share-based awards and non-equity incentive plan compensation paid to directors of the Corporation, not including those directors who are also Named Executive Officers, during the financial year ended December 31, 2010.

<u>Name</u>	<u>Option-based awards - Value vested during the year⁽¹⁾ (\$)</u>	<u>Non-equity incentive plan compensation - Value earned during the year (\$)</u>
David E. T. Pinkman ⁽²⁾	7,813	nil
Michael O. Kehler	7,813	nil

Notes:

- (1) Represents the aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date.
(2) Resigned as a director effective October 20, 2010 and all of the holder's options have expired.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information regarding the Corporation's equity compensation plans as at December 31, 2010:

<u>Plan Category</u>	Number of Common Shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders, being the Stock Option Plan	4,420,000	\$0.10	2,587,530
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	4,420,000		2,587,530

CORPORATE GOVERNANCE

General

The Board believes that good corporate governance improves corporate performance and benefits all shareholders. The Canadian Securities Administrators (the "CSA") have adopted National Policy 58-201 *Corporate Governance Guidelines*, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Corporation. In addition, the CSA have implemented National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("**NI 58-101**"), which prescribes certain disclosure by the Corporation of its corporate governance practices. This disclosure is presented below.

Composition of the Board

The Board is currently comprised of three (3) directors. Only Michael O. Kehler is independent for the purposes of NI 58-101. Messrs. Crowder and Kroontje are not considered independent as they are or have been executive officers of the Corporation within the last three years.

The independent directors exercise their responsibilities for independent oversight of management and meet independently of management whenever deemed necessary.

Certain of the directors are also directors of other reporting issuers as follows:

<u>Director</u>	<u>Other Reporting Issuers</u>
Al Kroontje	PetroFrontier Corp. Border Petroleum Corp.

Galleria Opportunities Inc.

Polar Star Mining Corporation

Novus Energy Inc.

E.G. Capital Inc.

Orientation and Continuing Education of Board Members

New Board members receive an orientation package which includes reports on operations and results, and public disclosure filings by the Corporation. In addition, management of the Corporation makes itself available for discussion with all Board members.

Measures to Encourage Ethical Business Conduct

The Board has found that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation.

It is the policy of the Corporation to encourage employees and consultants, when based on their reasonable belief they have accounting and/or auditing concerns, including internal control issues or believe that a breach of conduct or potential violation may occur, to report these concerns to the Corporation's management (on an anonymous basis, if employees or consultants so desire) or to raise those concerns by e-mailing, sending a letter, calling directly or otherwise informing their immediate supervisor or the Corporation's Chief Financial Officer. All reports will be taken seriously and will be promptly investigated. The specific action taken in any particular case depends on the nature and gravity of the conduct or circumstances reported, and the quality of information provided. Where the reported matters are found to be accurate, those matters will be corrected and, if appropriate, the persons responsible will be disciplined.

Nomination of Directors

The Board is responsible for (i) establishing criteria for Board membership and considering the competencies and skills that the Board, as a whole, should possess; (ii) assessing the competencies and skills of each existing director and any new nominees; (iii) recommending Board composition; (iv) proposing annually the Board members who will stand for re-election and identify and recommend new nominees for the Board; (v) to ensure that there is in place an education and comprehensive orientation program for new members of the Boards and a continuing education program for all directors; and (vi) to periodically review the adequacy and form of compensation to the directors and to ensure the compensation realistically reflects the responsibilities and risks involved in being an effective director, and to report and make recommendations to the Board accordingly.

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of view and experience.

To date the Board has satisfied itself that the Board, the Audit Committee, the Compensation, Corporate Governance and Nominating Committee and individual directors are performing effectively.

Compensation

The Board of Directors has the responsibility for determining the compensation of the Corporation's Chief Executive Officer and does so with reference to industry standards and the Corporation's financial situation. The Board of Directors has the responsibility for determining the compensation of the directors who currently are not compensated in their capacity as directors but do receive stock options.

Other Board Committees

There were two committees of the Board – the Audit Committee and the Compensation, Corporate Governance and Nominating Committee.

The Compensation, Corporate Governance and Nominating Committee was responsible for: (i) overseeing and assessing the functioning of the Board and the committees of the Board and for the development, recommendation to the Board, implementation, and assessment of effective governance principles and for the nomination of appropriate candidates to serve the Board as directors, as chair of the board, as committee members and as committee chairs for the board of directors; (ii) undertaking on behalf of the Board such other governance initiatives as may be necessary or desirable to enable the Board to provide effective governance for the Corporation; and (iii) implementing and overseeing compensation policies and general human resources policies and guidelines concerning employee compensation benefits approved by the board of directors. This committee will also review and/or approve any other matters specifically delegated to the Compensation, Corporate Governance and Nominating Committee by the Board.

AUDIT COMMITTEE

The Audit Committee is a committee of the Board of Directors to which the Board delegates its responsibility for oversight of the financial reporting process. The Audit Committee is also responsible for managing, on behalf of the shareholders, the relationship between the Corporation and the external auditor.

Pursuant to National Instrument 52-110 — *Audit Committees* ("**NI 52-110**") the Corporation is required to disclose certain information with respect to its Audit Committee, as summarized below.

Audit Committee Mandate

The Corporation must, pursuant to NI 52-110, have a written charter which sets out the duties and responsibilities of its Audit Committee. The terms of reference of the Audit Committee are set out in Schedule "B" to this Information Circular.

Composition

The Audit Committee was comprised of three individuals, Michael Kehler, Al Kroontje and David Pinkman prior to his resignation and Michael Crowder, subsequently. All member of the Audit Committee are considered financially literate under NI 52-110. Messrs Kroontje and Crowder are not considered to be independent pursuant to NI 52-110 as they are or have been executive officer of the Corporation within the past three years.

Relevant Education and Experience

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is as follows:

Michael Kehler is a Chartered Accountant who acted as the Chief Financial Officer of Jennings Capital Inc. from December 2000 to May 2002. He assumed a similar role at Tristone Capital Inc. from May 2002 to January 2007 at which time he assumed the role of Chief Operating Officer until January 2010. Mr. Kehler has been Chief Operating Officer of AltaCorp Capital Inc. from September 2010 to present.

Al Kroontje has been involved in the oil and gas industry for over 25 years. He has also served as an audit committee member of several public companies.

Michael Crowder has owned and operated numerous businesses throughout his working career.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recent completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy to review and pre-approve any non-audit services to be provided to the Corporation by the external auditors and consider the impact on the independence of such auditors. The Committee may delegate to one or more independent members the authority to pre-approve non-audit services, provided that the member report to the Committee at the next scheduled meeting such pre-approval and the member comply with such other procedures as may be established by the Committee from time to time.

External Auditor Service Fees (By Category)

The following table provides information about the fees billed to the Corporation for professional services rendered by BDO Canada LLP, Chartered Accountants or its predecessor, Hudson LLP, Chartered Accountants, during the fiscal year ended December 31, 2010 and 2009.

	2010	2009
	(\$)	(\$)
Audit Fees ⁽¹⁾	23,000	104,874
Audit Related Fees	nil	nil
Tax Fees ⁽²⁾	2,550	9,265
All Other Fees	nil	nil
Total:	25,550	114,139

Notes:

- (1) Audit fees for professional services rendered for the audit of the Corporation's annual consolidated financial statements as well as services provided in connection with statutory and regulatory filings.
- (2) Tax fees for tax compliance, tax advice and tax planning.

Exemption

As the Corporation is listed on the Exchange, it is a "venture issuer" and may avail itself of exemptions from the requirements of Part 3 Composition of the Audit Committee and Part 5 Reporting Obligations of NI 52-110, which require the independence of each member of an audit committee and the disclosure of audit committee information in an annual information form, respectively. The Corporation has relied on

the exemption in Part 3 because not all members of its audit committee are independent and it has relied on the exemption in Part 5 because, as a venture issuer, it is not required to file an annual information form.

MANAGEMENT CONTRACTS

Management functions of the Corporation are performed by the directors and executive officers of the Corporation and are not to any substantial degree performed by any other person.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

No current or former executive officer, director or employee of the Corporation or of any of its subsidiaries is, or at any time since the beginning of the most recently completed financial year has been, indebted: (i) to the Corporation or any of its subsidiaries; or (ii) to another entity, where the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as set forth in this Information Circular, the management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer at any time since the beginning of the Corporation's last financial year or any proposed nominee for election as a director, or any associate or affiliate of any of the foregoing persons, in any matter to be acted upon at the Meeting other than the election of directors or the appointment of auditors. All of the directors and officers are entitled to receive options pursuant to the Stock Option Plan. See "Particulars of Matters to be Acted Upon - Approval of Incentive Stock Option Plan".

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth in this Information Circular, the management of the Corporation is not aware of any material interest, direct or indirect, of any informed person or proposed director of the Corporation or any associate or affiliate of any such persons in any transaction since the commencement of the financial year ended December 31, 2010 or in any proposed transaction, which has materially affected or would materially affect the Corporation or any of its subsidiaries.

For the purposes of this Information Circular, an "informed person" means (i) a director or officer of the Corporation, (ii) a director or officer of a person or company that is itself an informed person, or (iii) any person or company who beneficially owns, directly or indirectly, and/or exercises control or direction over voting securities of the Corporation carrying more than 10% of the voting rights attaching to all outstanding voting securities of the Corporation.

ADDITIONAL INFORMATION

Financial information is provided in the Corporation's audited annual financial statements and accompanying management's discussion and analysis ("**MD&A**") for the year ended December 31, 2010. The 2010 audited annual financial statements and MD&A will be mailed to registered Shareholders concurrently with this Information Circular.

Under National Instrument 51-102 *Continuous Disclosure Obligations*, any person or company who wishes to receive interim financial statements from the Corporation may deliver a written request for such material to the Corporation or the Corporation's agent, together with a signed statement that the person or company is the owner of securities of the Corporation. Shareholders who wish to receive interim financial statements are encouraged to send the enclosed mail card, together with the completed form of proxy, in the addressed envelope provided, to the Corporation's transfer agent, Olympia Trust Company,

2300 – 125 9th Avenue SW, Calgary, Alberta, T2P 0G6. The Corporation will maintain a supplemental mailing list of persons or companies wishing to receive interim financial statements.

Additional information relating to the Corporation is available on the SEDAR website at www.sedar.com or may be obtained by contacting the Corporation at 500, 1414 – 8th Street S.W., Calgary, Alberta, T2R 1J6, or by telephone at (403) 538-8455.

GENERAL

All matters referred to herein for approval by the shareholders require a majority of the shareholders voting, **other than the Change of Name and the Consolidation, which require a special majority of not less than two-thirds of the votes cast by shareholders in person or by proxy at the Meeting.**

The contents and sending of this Information Circular have been approved by the Board of Directors of the Corporation.

Unless otherwise stated, the information contained herein is given as of May 30, 2011.

THIS IS SCHEDULE A ATTACHED TO AND MADE A PART OF THE NOTICE OF MEETING AND INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL GENERAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF COBALT COAL CORP. TO BE HELD ON JUNE 29, 2011, AND ANY ADJOURNMENT THEREOF

**COBALT COAL CORP.
(the "Corporation")**

STOCK OPTION PLAN

1. Purpose

The purpose of the Plan is to provide an incentive to the directors, officers, employees, consultants and other personnel of the Corporation or any of its subsidiaries to achieve the longer-term objectives of the Corporation; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation; and to attract to and retain in the employ of the Corporation or any of its subsidiaries, persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation.

2. Definitions and Interpretation

When used in this Plan, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the respective meanings ascribed to them as follows:

- (a) **"Board of Directors"** means the Board of Directors of the Corporation;
- (b) **"Common Shares"** means common shares in the capital of the Corporation and any shares or securities of the Corporation into which such common shares are changed, converted, subdivided, consolidated or reclassified;
- (c) **"Corporation"** means Cobalt Coal Corp. and any successor corporation and any reference herein to action by the Corporation means action by or under the authority of its Board of Directors or a duly empowered committee appointed by the Board of Directors;
- (d) **"Discounted Market Price"** means the last per share closing price for the Common Shares on the Exchange before the date of grant of an Option, less any applicable discount under Exchange Policies;
- (e) **"Exchange"** means the TSX Venture Exchange Inc. or any other stock exchange on which the Common Shares are listed;
- (f) **"Exchange Policies"** means the policies of the Exchange, including those set forth in the Corporate Finance Manual of the Exchange;
- (g) **"Insider"** has the meaning ascribed thereto in Exchange Policies;

- (h) **"Option"** means an option granted by the Corporation to an Optionee entitling such Optionee to acquire a designated number of Common Shares from treasury at a price determined by the Board of Directors;
- (i) **"Option Period"** means the period determined by the Board of Directors during which an Optionee may exercise an Option, not to exceed the maximum period permitted by the Exchange, which maximum period is ten (10) years from the date the Option is granted;
- (j) **"Optionee"** means a person who is a director, officer, employee, consultant or other personnel of the Corporation or a subsidiary of the Corporation; a corporation wholly-owned by such persons; or any other individual or body corporate who may be granted an option pursuant to the requirements of the Exchange, who is granted an Option pursuant to this Plan; and
- (k) **"Plan"** shall mean the Corporation's incentive stock option plan as embodied herein and as from time to time amended.

Capitalized terms in the Plan that are not otherwise defined herein shall have the meaning set out in the Exchange Policy, including without limitation "Consultant", "Employee", "Director", "Insider", "Investor Relations Activities", "Management Company Employee", "Tier 1 Issuer" and "Tier 2 Issuer".

Wherever the singular or masculine is used in this Plan, the same shall be construed as meaning the plural or feminine or body corporate and vice versa, where the context or the parties so require.

3. **Administration**

The Plan shall be administered by the Board of Directors. The Board of Directors shall have full and final discretion to interpret the provisions of the Plan and to prescribe, amend, rescind and waive rules and regulations to govern the administration and operation of the Plan. All decisions and interpretations made by the Board of Directors shall be binding and conclusive upon the Corporation and on all persons eligible to participate in the Plan, subject to shareholder approval if required by the Exchange. Notwithstanding the foregoing or any other provision contained herein, the Board of Directors shall have the right to delegate the administration and operation of the Plan to a special committee of directors appointed from time to time by the Board of Directors, in which case all references herein to the Board of Directors shall be deemed to refer to such committee.

4. **Eligibility**

The Board of Directors may at any time and from time to time designate those Optionees who are to be granted an Option pursuant to the Plan and grant an Option to such Optionee. Subject to Exchange Policies and the limitations contained herein, the Board of Directors is authorized to provide for the grant and exercise of Options on such terms (which may vary as between Options) as it shall determine. No Option shall be granted to any person except upon recommendation of the Board of Directors. A person who has been granted an Option may, if he is otherwise eligible and if permitted by Exchange Policies, be granted an additional Option or Options if the Board of Directors shall so determine. Subject to Exchange Policies, the Corporation shall represent that the Optionee is a bona fide Employee, Consultant or Management Company Employee (as such terms are defined in Exchange Policies) in respect of Options granted to such Optionees.

5. Participation

Participation in the Plan shall be entirely voluntary and any decision not to participate shall not affect an Optionee's relationship or employment with the Corporation.

Notwithstanding any express or implied term of this Plan or any Option to the contrary, the granting of an Option pursuant to the Plan shall in no way be construed as conferring on any Optionee any right with respect to continuance as a director, officer, employee or consultant of the Corporation or any subsidiary of the Corporation.

Options shall not be affected by any change of employment of the Optionee or by the Optionee ceasing to be a director or officer of or a consultant to the Corporation or any of its subsidiaries, where the Optionee at the same time becomes or continues to be a director, officer or full-time employee of or a consultant to the Corporation or any of its subsidiaries.

No Optionee shall have any of the rights of a shareholder of the Corporation in respect to Common Shares issuable on exercise of an Option until such Common Shares shall have been paid for in full and issued by the Corporation on exercise of the Option, pursuant to this Plan.

6. Common Shares Subject to Options

The number of authorized but unissued Common Shares that may be issued upon the exercise of Options granted under the Plan at any time plus the number of Common Shares reserved for issuance under outstanding incentive stock options otherwise granted by the Corporation shall not exceed 10% of the issued and outstanding Common Shares on a non-diluted basis at any time, and such aggregate number of Common Shares shall automatically increase or decrease as the number of issued and outstanding Common Shares changes. The Options granted under the Plan together with all of the Corporation's other previously established stock option plans or grants, shall not result at any time in:

- (a) the number of Common Shares reserved for issuance pursuant to Options granted to Insiders exceeding 10% of the issued and outstanding Common Shares;
- (b) the grant to Insiders within a 12 month period, of a number of Options exceeding 10% of the outstanding Common Shares;
- (c) the grant to all Optionees performing investor relations services, whether Consultants or Employees, of a number of Options exceeding 2% of the issued and outstanding Common Shares; or
- (d) the number of Common Shares reserved for issuance pursuant to Options granted to Optionees resident in the United States exceeding 7,357,530, or such other number of Common Shares as shall be fixed and determined by the Board of Directors from time to time.

Unless disinterested shareholder approval is obtained, the aggregate number of Common Shares reserved for issuance to any one (1) Optionee under Options granted in any 12 month period shall not exceed 5% of the issued and outstanding Common Shares determined at the date of grant. The aggregate number of Common Shares reserved for issuance to an Optionee who is a Consultant shall not exceed 2% of the issued and outstanding Common Shares determined at the date of grant.

Appropriate adjustments shall be made as set forth in Section 14 hereof, in both the number of Common Shares covered by individual grants and the total number of Common Shares authorized to be issued hereunder, to give effect to any relevant changes in the capitalization of the Corporation.

If any Option granted hereunder shall expire or terminate for any reason without having been exercised in full, the unpurchased Common Shares subject thereto shall again be available for the purpose of the Plan.

7. Option Agreement

- (a) A written agreement will be entered into between the Corporation and each Optionee to whom an Option is granted hereunder, which agreement will set out the number of Common Shares subject to option, the exercise price and any other terms and conditions approved by the Board of Directors, all in accordance with the provisions of this Plan (herein referred to as the "Stock Option Agreement"). The Stock Option Agreement will be in such form as the Board of Directors may from time to time approve, and may contain such terms as may be considered necessary in order that the Option will comply with any provisions respecting options in the income tax or other laws in force in any country or jurisdiction of which the Optionee may from time to time be a resident or citizen or the rules of any regulatory body having jurisdiction over the Corporation.
- (b) The Board of Directors may require any Optionee to agree in the Stock Option Agreement that the Optionee, if so requested by the Corporation or any representative of the underwriters (the "Managing Underwriter") in connection with any registration of the offering of any securities of the Corporation under the United States Securities Act of 1933, as amended (the "1933 Act"), Optionee shall not sell or otherwise transfer any Common Share(s) or other securities of the Corporation for a period of up to 180 days (or such other period as may be requested in writing by the Managing Underwriter and agreed to in writing by the Corporation) following the effective date of a registration statement of the Corporation filed under the 1933 Act.

8. Option Period and Exercise Price

Each Option and all rights thereunder shall be expressed to expire on the date set out in the respective Stock Option Agreement, which shall be the date of the expiry of the Option Period (the "**Expiry Date**"), subject to earlier termination as provided in Sections 10 and 11 hereof.

Subject to Exchange Policies and any limitations imposed by any relevant regulatory authority, the exercise price of an Option granted under the Plan shall be as determined by the Board of Directors when such Option is granted and shall be an amount at least equal to the Discounted Market Price of the Common Shares.

9. Exercise of Options

An Optionee shall be entitled to exercise an Option granted to it at any time prior to the expiry of the Option Period, subject to Sections 10 and 11 hereof and to vesting limitations which may be imposed by the Board of Directors at the time such Option is granted. Subject to Exchange Policies, the Board of Directors may, in its sole discretion, determine the time during which an Option shall vest and the method of vesting, or that no vesting restriction shall exist.

The exercise of any Option will be conditional upon receipt by the Corporation at its head office of a written notice of exercise, specifying the number of Common Shares in respect of which the

Option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Common Shares with respect to which the Option is being exercised.

Common Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Common Shares pursuant thereto shall comply with all relevant provisions of applicable securities law, including, without limitation, the 1933 Act, the *United States Securities and Exchange Act of 1934, as amended*, applicable U.S. state laws, the rules and regulations promulgated thereunder, and the requirements of any stock exchange or consolidated stock price reporting system on which prices for the Common Shares are quoted at any given time. As a condition to the exercise of an Option, the Corporation may require the person exercising such Option to represent and warrant at the time of any such exercise that the Common Shares are being purchased only for investment and without any present intention to sell or distribute such Common Shares if, in the opinion of counsel for the Corporation, such a representation is required by law.

The certificates representing any Common Share(s) issued to a "U.S. person" (as defined in Rule 902 of Regulation S under the 1933 Act, which definition includes, but is not limited to, an individual resident in the United States, an estate or trust of which any executor or administrator or trustee, respectively, is a U.S. person, and any partnership or corporation organized or incorporated under the laws of the United States) shall, until such time as the same is no longer required under the applicable requirements of the 1933 Act or applicable U.S. state laws and regulations, bear a legend in substantially the following form:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"). THESE SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE 1933 ACT, (C) IN COMPLIANCE WITH THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE 1933 ACT PROVIDED BY RULE 144 OR RULE 144A THEREUNDER, IF AVAILABLE, AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE 1933 ACT OR ANY APPLICABLE STATE LAWS AND REGULATIONS GOVERNING THE OFFER AND SALE OF SECURITIES, AND THE HOLDER HAS, PRIOR TO SUCH SALE, FURNISHED TO THE CORPORATION AN OPINION OF COUNSEL, OF RECOGNIZED STANDING, OR OTHER EVIDENCE OF EXEMPTION, REASONABLY SATISFACTORY TO THE CORPORATION. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA. AT ANY TIME THE CORPORATION IS A "FOREIGN ISSUER" AS DEFINED IN REGULATION S UNDER THE 1933 ACT, A NEW CERTIFICATE, BEARING NO LEGEND, THE DELIVERY OF WHICH WILL CONSTITUTE "GOOD DELIVERY" MAY BE OBTAINED FROM THE APPLICABLE TRANSFER AGENT UPON DELIVERY OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN FORM SATISFACTORY TO THE CORPORATION AND THE APPLICABLE TRANSFER AGENT TO THE EFFECT THAT THE

SALE OF THE SECURITIES IS BEING MADE IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE 1933 ACT AT A TIME WHEN THE CORPORATION IS A "FOREIGN ISSUER" AS DEFINED IN REGULATION S UNDER THE 1933 ACT."

10. Ceasing to be a Director, Officer, Employee or Consultant

Unless otherwise determined by the Board of Directors, and subject to the rules and policies of the Exchange, if an Optionee ceases to be a director, officer, employee or consultant of the Corporation or its subsidiaries for any reason other than death, the Optionee may, but only within a reasonable period, to be set out in the applicable Stock Option Agreement at the time of the grant, following the Optionee's ceasing to be a director, officer, employee or consultant (or 30 days in the case of an Optionee engaged in Investor Relations Activities) or prior to the expiry of the Option Period, whichever is earlier, exercise any Option held by the Optionee, but only to the extent that the Optionee was entitled to exercise the Option at the date of such cessation. For greater certainty, any Optionee who is deemed to be an employee of the Corporation pursuant to any medical or disability plan of the Corporation shall be deemed to be an employee for the purposes of the Plan.

11. Death of Optionee

In the event of the death of an Optionee, the Option previously granted to him shall be exercisable within one (1) year following the date of the death of the Optionee or prior to the expiry of the Option Period, whichever is earlier, and then only:

- (a) by the person or persons to whom the Optionee's rights under the Option shall pass by the Optionee's will or the laws of descent and distribution, or by the Optionee's legal personal representative; and
- (b) to the extent that the Optionee was entitled to exercise the Option at the date of the Optionee's death.

12. Optionee's Rights Not Transferable

No right or interest of any Optionee in or under the Plan is assignable or transferable, in whole or in part, either directly or by operation of law or otherwise in any manner except by bequeath or the laws of descent and distribution, subject to the requirements of the Exchange, or as otherwise allowed by the Exchange.

Subject to the foregoing, the terms of the Plan shall bind the Corporation and its successors and assigns, and each Optionee and his heirs, executors, administrators and personal representatives.

13. Takeover or Change of Control

The Corporation shall have the power, in the event of:

- (a) any disposition of all or substantially all of the assets of the Corporation, or the dissolution, merger, amalgamation or consolidation of the Corporation with or into any other corporation or of such corporation into the Corporation, or
- (b) any change in control of the Corporation,

to make such arrangements as it shall deem appropriate for the exercise of outstanding Options or continuance of outstanding Options, including without limitation, to amend any Stock Option Agreement to permit the exercise of any or all of the remaining Options prior to the completion of any such transaction. If the Corporation shall exercise such power, the Option shall be deemed to have been amended to permit the exercise thereof in whole or in part by the Optionee at any time or from time to time as determined by the Corporation prior to the completion of such transaction.

14. Anti-Dilution of the Option

In the event of:

- (a) any subdivision, redivision or change of the Common Shares at any time during the term of the Option into a greater number of Common Shares, the Corporation shall deliver, at the time of any exercise thereafter of the Option, such number of Common Shares as would have resulted from such subdivision, redivision or change if the exercise of the Option had been made prior to the date of such subdivision, redivision or change;
- (b) any consolidation or change of the Common Shares at any time during the term of the Option into a lesser number of Common Shares, the number of Common Shares deliverable by the Corporation on any exercise thereafter of the Option shall be reduced to such number of Common Shares as would have resulted from such consolidation or change if the exercise of the Option had been made prior to the date of such consolidation or change;
- (c) any reclassification of the Common Shares at any time outstanding or change of the Common Shares into other shares, or in case of the consolidation, amalgamation or merger of the Corporation with or into any other corporation (other than a consolidation, amalgamation or merger which does not result in a reclassification of the outstanding Common Shares or a change of the Common Shares into other shares), or in case of any transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation, at any time during the term of the Option, the Optionee shall be entitled to receive, and shall accept, in lieu of the number of Common Shares to which he was theretofore entitled upon exercise of the Option, the kind and amount of shares and other securities or property which such holder would have been entitled to receive as a result of such reclassification, change, consolidation, amalgamation, merger or transfer if, on the effective date thereof, he had been the holder of the number of Common Shares to which he was entitled upon exercise of the Option.

Adjustments shall be made successively whenever any event referred to in this section shall occur. For greater certainty, the Optionee shall pay for the number of shares, other securities or property as aforesaid, the amount the Optionee would have paid if the Optionee had exercised the Option prior to the effective date of such subdivision, redivision, consolidation or change of the Common Shares or such reclassification, consolidation, amalgamation, merger or transfer, as the case may be.

15. United States Matters

- (a) Each option granted under the Plan to an option holder who is a citizen or resident of the United States (including its territories, possessions and all areas subject to the jurisdiction) (a "U.S. Optionee") will be designated in the Stock Option Agreement as either a non-qualified stock option or an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, of the United States (the "Code"), provided that the stock option complies with the following provisions. If not

designated in the Stock Option Agreement, the Option shall be an incentive stock option. No provisions of the Plan, as it may be applied to a U.S. Optionee who has been granted an incentive stock option within the meaning of Section 422 of the Code, shall be construed so as to be inconsistent with any provision of Section 422 of the Code. Notwithstanding anything in the Plan contained to the contrary, the following provisions shall apply to each U.S. Optionee who will be granted an incentive stock option within the meaning of Section 422 of the Code:

- (i) options shall only be granted to U.S. Optionees who are, at the time of grant, officers, key employees or directors (provided, for purposes of this Section 11 only, such directors are then also officers or key employees of the Corporation or a subsidiary). Any director of the Corporation who is a U.S. Optionee shall be eligible to vote upon the granting of such option;
 - (ii) the aggregate fair market value (determined as of the time the option is granted) of the Common Share(s) exercisable for the first time by a U.S. Optionee during any calendar year under the Plan and all other stock option plans, within the meaning of Section 422 of the Code, of the Corporation or any subsidiary shall not exceed US\$100,000;
 - (iii) the purchase price for Common Share(s) under each Option granted to a U.S. Optionee pursuant to the Plan shall be not less than the fair market value of such Common Share(s) at the time the option is granted, as determined in good faith by the directors at such time;
 - (iv) if any U.S. Optionee to whom an option is to be granted under the Plan at the time of the grant of such option is the owner of shares possessing more than ten percent (10%) of the total combined voting power of all classes of shares of the Corporation, then the following special provisions shall be applicable to the option granted to such individual:
 - (1) the purchase price per Common Share subject to such option shall not be less than one hundred and ten percent (110%) of the fair market value of one Common Share at the time of grant; and
 - (2) for the purposes of this Section 11 only the option exercise period shall not exceed five (5) years from the date of grant;
 - (v) no option may be granted hereunder to a U.S. Optionee following the expiry of five (5) years after the date on which the Plan is adopted by the Board or the date the Plan is approved by the shareholders of the Corporation, whichever is earlier;
 - (vi) no option granted to a U.S. Optionee under the Plan shall become exercisable unless and until the Plan shall have been approved by the shareholders of the Corporation; and
 - (vii) no incentive stock options may be granted under the Plan after ten (10) years after the adoption of this Plan by the Board of Directors of the Corporation.
- (b) At the discretion of the Board of Directors, Optionees may satisfy withholding obligations as provided in this paragraph. When an Optionee incurs tax liability in connection with an Option, which tax liability is subject to tax withholding under applicable tax laws (including, without limitation, income and payroll withholding taxes), and Optionee is obligated to pay the Corporation an amount required to be withheld

under applicable tax laws, Optionee may satisfy the tax withholding obligation by one or some combination of the following methods: (a) by cash payment, (b) out of Optionee's current compensation, (c) if permitted by the Board of Directors, in its discretion, by surrendering to the Corporation, Common Share(s) that (i) have been owned by Optionee for more than six (6) months on the date of surrender or such other period as may be required to avoid a charge to the Corporation's earnings, and (ii) have a Market Value on the date of surrender equal to (or less than, if other consideration is paid to the Corporation to satisfy the withholding obligation) Optionee's marginal tax rate times the ordinary income recognized, plus an amount equal to the Optionee's share of any applicable payroll withholding taxes, or (d) if permitted by the Board of Directors, in its discretion, by electing to have the Corporation withhold from the Common Share(s) to be issued upon exercise of the Option, if any, that number of Common Share(s) having a Market Value equal to the amount required to be withheld. For this purpose, the Market Value of the Common Share(s) to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined (the "Tax Date"). In making its determination as to the type of consideration to accept, the Board of Directors shall consider if acceptance of such consideration may be reasonably expected to benefit the Corporation or result in the recognition of compensation expense (or additional compensation expense) for financial reporting purposes.

16. Costs

The Corporation shall pay all costs of administering the Plan.

17. Termination and Amendment

- (a) The Board of Directors may amend or terminate this Plan or any outstanding Option granted hereunder at any time without the approval of the shareholders of the Corporation or any Optionee whose Option is amended or terminated, in order to conform this Plan or such Option, as the case may be, to applicable law or regulation or the requirements of the Exchange or any relevant regulatory authority, whether or not such amendment or termination would affect any accrued rights, subject to the approval of the Exchange or such regulatory authority.
- (b) The Board of Directors may amend or terminate this Plan or any outstanding Option granted hereunder for any reason other than the reasons set forth in Section 17(a) hereof, subject to the approval of the Exchange or any relevant regulatory authority and the approval of the shareholders of the Corporation if required by the Exchange or such regulatory authority. Subject to Exchange Policies, disinterested shareholder approval will be obtained for any reduction in the exercise price of an Option if the Optionee is an Insider of the Corporation at the time of the proposed amendment. No such amendment or termination will, without the consent of an Optionee, alter or impair any rights which have accrued to him prior to the effective date thereof.
- (c) The Plan, and any amendments thereto, shall be subject to acceptance and approval by the Exchange. Any Options granted prior to such approval and acceptance shall be conditional upon such approval and acceptance being given and no such Options may be exercised unless and until such approval and acceptance are given.

18. Applicable Law

This Plan shall be governed by, administered and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

19. Prior Plans

On the effective date (as set out in Section 20 hereof), subject to Exchange approval and, if required, shareholder approval:

- (a) the Plan shall entirely replace and supersede prior stock option plans, if any, enacted by the Corporation; and
- (b) all outstanding options shall be deemed to be granted pursuant to the Plan.

20. Effective Date

This plan shall become effective as of and from, and the effective date of the plan shall be June 29, 2011, upon receipt of all necessary shareholder and regulatory approvals.

THIS IS SCHEDULE B ATTACHED TO AND MADE A PART OF THE NOTICE OF MEETING AND INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL GENERAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF COBALT COAL CORP. TO BE HELD ON JUNE 29, 2011, AND ANY ADJOURNMENT THEREOF

COBALT COAL CORP.

(the "Corporation")

AUDIT COMMITTEE MANDATE

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 Corporation's internal audit function, if applicable;
- (d) the Corporation'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 Corporation 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, none of whom shall be officers or employees of the Corporation or any of the Corporation's affiliates except as provided under applicable securities laws. Each of the members of the Audit Committee shall satisfy the applicable independence and experience requirements of the laws governing the Corporation, 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 Corporation, 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 Corporation to be included in the Corporation'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 Corporation's annual and quarterly disclosures made in management's discussion and analysis,
 - approve any reports for inclusion in the Corporation's Annual Report, if any, as required by applicable legislation,
 - the Corporation'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 Corporation's financial statements,
 - any significant changes in the Corporation's selection or application of accounting principles,
 - any major issues as to the adequacy of the Corporation'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 Corporation'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 Corporation in accordance with Canadian generally accepted accounting principles.

FUNDING FOR THE INDEPENDENT AUDITOR AND RETENTION OF OTHER INDEPENDENT ADVISORS

The Corporation 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 Corporation.

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 Corporation 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.

