

FORM 51-102F3
Material Change Report

1. Name and Address of Company:

Cobalt Coal Ltd. ("Cobalt")
2000, 840 - 7th Avenue S.W.
Calgary, AB T2P 3G2

2. Date of Material Change(s):

March 2, 2012

3. News Release:

A news release relating to the material change described herein was released through the facilities of Filing Services Canada Inc. on March 8, 2012.

4. Summary of Material Change(s):

Cobalt Coal Ltd. is pleased to announce that it has entered into both an option agreement and a letter of intent which together contemplate the acquisition by Cobalt of the mining rights to five separate tracts of lands in Virginia, USA containing potentially significant quantities of metallurgical coal.

5. Full Description of Material Change:

5.1 Full Description of Material Change

Please see the press release attached as Schedule "A" hereto.

5.2 Disclosure for Restructuring Transactions

Not applicable.

6. Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102 *Continuous Disclosure Obligations*:

Not applicable

7. Omitted Information:

Not applicable

8. Executive Officer Knowledgeable of Material Change:

Robert Gillies
Chief Financial Officer
Cobalt Coal Ltd.
(403) 538-8455

9. Date of Report:

March 16, 2012

SCHEDULE "A"



NEWS RELEASE

Cobalt Coal Ltd. to Substantially Expand Property Holdings

March 8, 2012 – Calgary, Alberta - Cobalt Coal Ltd. (TSX-V: CCF) ("**Cobalt**" or the "**Corporation**") is very pleased to announce that it has entered into both an option agreement and a letter of intent which together contemplate the acquisition by Cobalt of the mining rights to five separate tracts of lands in Virginia, USA containing potentially significant quantities of metallurgical coal. These lands are permitted for both production and the construction of a coal preparation ("wash") plant.

Highlights of the Transactions:

- Cobalt will acquire the mining rights on 5 separate tracts of land covering a total of 4900 acres in Virginia, USA. Each tract, containing at least 4 seams of metallurgical coal, offers Cobalt the potential to commence multiple mines, as has been done historically in the immediate area.
- One tract (Mill Creek) is contiguous with the tract that was the subject of Cobalt's recent news release of February 26, 2012. This is a significant accomplishment as it means that Cobalt has secured the mining rights on the entire contiguous 1600 acre Mill Creek tract.
- The Mill Creek tract is already permitted for both production and the construction of a "wash plant".
- Cobalt will be working with the vendors to secure a lease on an existing rail load-out facility located nearby.
- Cobalt can immediately begin infrastructure improvements necessary at the Mill Creek tract, allowing metallurgical coal production to begin immediately upon the closing of these transactions.

Commenting on these recent developments, Cobalt's President and CEO, Mike Crowder, noted: "I am so very pleased that our efforts over the past number of months have been rewarded with the signing of these agreements. The agreement signed last week involving a part of the Mill Creek tract together with this signing means that Cobalt has now secured the entire Mill Creek tract and its permit that allows for production as well as for wash plant construction. One must keep in mind how difficult it is now to obtain regulatory approval for a wash plant and therefore how valuable this component of the acquisition is. We look forward to quickly putting the first of numerous mines into production on these new lands."

Details of the Transaction - Option Agreement

Cobalt has entered into an option agreement (the "**Option Agreement**") with Steinman Development Company (the "**Lessor**") providing Cobalt the option to acquire a lease (the "**Steinman Lease**") from the Lessor of certain deep mining rights on five non-contiguous tracts of coal minerals located in Dickenson County, Virginia, USA comprising the Mill Creek tract (900 acres), the Tarpon tract (900 acres), the Davis tract (1963 acres), the Stanley tract (337 acres) and the Fleming tract (803 acres) (collectively the "**Steinman Leased Lands**"). This option is exercisable on or before April 30, 2012 (the "**Closing Date**"), which may be extended in certain circumstances. Closing of the Option Agreement must take place simultaneously with closing the transactions contemplated in the Letter of Intent described below.

Cobalt has deposited US\$200,000 with the Lessor, which will be increased by US\$300,000 at closing. This sum of US\$500,000 will be an advance royalty credit to be applied against royalties payable to the Lessor for two years following the Closing Date (the “**Advance Royalty**”).

Details of the Transactions – Letter of Intent

Simultaneously with entering into the Option Agreement, Cobalt entered into a letter of intent (the “**Letter of Intent**”) with Norris Enterprises Co., Inc. (“**Norris**”), KDS Energy, LLC (“**KDS**”), KMH Energy Corporation (“**KMH**”), Kenneth Stanley and Kentucky Coal Partners International, LLC (“**KCPI**”) (collectively, Norris, KDS and KMH are the “**Vendors**”). Closing of the transactions (the “**Transactions**”) contemplated by the Letter of Intent must take place simultaneously with entering into the Steinman Lease contemplated by the Option Agreement described above.

1.) Surrender of Existing Mineral Lease

The Vendors will surrender a lease that they had previously been granted by the Lessor pertaining to coal mining and surface rights on portions of the Mill Creek tract, in exchange for an overriding royalty of two percent (2%) on production derived from the Steinman Leased Lands.

2.) Acquisition of Station Lease

The Vendors and the Lessor will assist Cobalt in obtaining a lease from the Lessor with respect to a rail loadout site to be located in Addington Station in Wise County, Virginia on terms to be mutually agreed between Cobalt and the Lessor.

3.) Acquisition of KMH

Cobalt will acquire all of the issued and outstanding shares of KMH, the holder of a valid mining permit covering portions of the Lessor's 900 acre Mill Creek tract (the “**KMH Permit**”). Prior to the Closing Date, KMH will allow Cobalt to conduct site preparation work on, and sell up to 14,000 tons of coal from, the KMH Permit lands.

4.) Letter of Intent Consideration

The consideration payable for the Transactions contemplated by the Letter of Intent is US\$15,000,000. Cobalt has paid a deposit in the amount of US\$500,000 to the Vendors, which is refundable in certain limited circumstances. Cobalt, in its sole discretion, may choose to pay the balance of the remaining consideration payable of US\$14,500,000 on the Closing Date or pay the Vendors in instalments pursuant to either of the following instalment payment terms:

- (a) US\$4,500,000 in cash on the Closing Date, with the remaining US\$10,000,000 plus interest at 5% per annum to be payable pursuant to a promissory note to be issued by Cobalt on the Closing Date requiring monthly instalments commencing nine months from the Closing Date from net revenues generated from coal sales to Cobalt from the Steinman Lease Lands.

or

- (b) US\$3,500,000 in cash due on the Closing Date, with the remaining US\$11,000,000 payable to KDS under a promissory note to be issued by Cobalt on the Closing Date (the “**Promissory Note**”). The Promissory Note shall bear interest at a rate of 5% per annum on the outstanding principal and shall be payable as to:

- (i) US\$4,000,000 on April 30, 2013, plus accrued interest; and
- (ii) US\$7,000,000 on April 30, 2014, plus accrued interest.

On the Closing Date, Cobalt shall inform KDS which of the two instalment schedules it has selected and Cobalt shall be bound to those terms unless the parties mutually agree in writing to modify those terms. In the event that Cobalt should default for more than sixty (60) days on any payment to KDS under its selected instalment payment schedule, KDS (or its designee) shall be entitled to an assignment of the Steinman Lease and the KMH Permit, subject to the consent of the Lessor to such assignment (the "**KDS Security**"). KDS has agreed that the KDS Security may be subordinated on a one-time basis to a senior lender to Cobalt in connection with the completion of the Transactions to a maximum amount of US\$4,500,000.

5.) Consulting, Finder's Fee and Employment Agreements

As a result of the significant effort provided by the principals of KCPI (Mr. Brett Scott and Mr. Chip Miller) in negotiating mutually acceptable purchase terms among the various parties to the Option Agreement and the Letter of Intent, Cobalt will pay a cash fee to KCPI in an amount equal to 3.95% of the purchase price of the assets, subject to TSX Venture Exchange approval. Messrs. Scott and Miller will also be engaged by Cobalt to assist in commissioning the Mill Creek mine under consulting contracts which will be replaced by employment agreements upon Closing of the Transactions.

Non-Arm's Length Parties

None of the parties to the Transactions are non-arm's length parties to the Corporation as set out in the rules of the TSX Venture Exchange.

Additional Funding

Cobalt will use its best efforts to secure additional funding by way of equity, debt or other industry participant financing for minimum gross proceeds of US\$10 million (the "Minimum Financing") on or before the Closing Date. Cobalt may engage third parties to act as finders or agents in connection with the Minimum Financing. The proceeds of the Minimum Financing will be used to complete the Transactions and develop the Steinman Leased Lands.

Conditions

Completion of the Transactions is subject to certain conditions including, without limitation: (a) completion of due diligence on the assets by Cobalt; (b) negotiation and completion of definitive documentation, including entering into a formal purchase agreement with the Vendors and a share purchase agreement with respect to KMH on or before March 31, 2012, subject to extension as agreed between the parties; (c) receipt of all necessary regulatory approvals, including the approval of the TSX Venture Exchange; (d) completion of the Minimum Financing by Cobalt; (e) approval of the Transactions by the Board of Directors of Cobalt; and (f) the Closing Date occurring on or before April 30, 2012, subject to extension as already agreed to amongst the parties.

NI 43-101 Compliant Report

Cobalt has already initiated the preparation of a NI 43-101 compliant report in respect of the acquisitions announced last week and will now expand the scope of that report to include certain of the seams contained in the Mill Creek tract for finalization in advance of formal closing of the Transactions.

About Cobalt

Cobalt is a publicly traded coal exploration and production company headquartered in Calgary, Alberta, Canada with a regional office in Welch, West Virginia. Cobalt is exclusively focused on growth opportunities in metallurgical grade coal and has entered into these transactions to advance its corporate objective of adding reserves of metallurgical coal and placing them into production.

Neither TSX Venture Exchange nor its Regulation Service Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

For more information, please contact:

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The securities of Cobalt being offered have not been, nor will be, registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons absent U.S. registration or an applicable exemption from U.S. registration requirements. This release does not constitute an offer for sale of securities in the United States.

READER ADVISORY

Statements in this news release may contain forward-looking information. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted, a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Corporation. These risks include, but are not limited to, the risks associated with the ability of Cobalt to close the Transactions on the terms negotiated, the ability of Cobalt to complete the Minimum Financing, the coal mining industry, commodity prices and exchange rate changes. Industry related risks could include, but are not limited to, operational risks in exploration, development and production, delays or changes in plans, risks associated to the uncertainty of reserve estimates, health and safety risks and the uncertainty of estimates and projections of production, costs and expenses. The reader is cautioned not to place undue reliance on this forward-looking information.