Forbes & Manhattan Coal Corp.
Management's Discussion and Analysis
For the fourteen months ended February 28, 2011

The following Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Forbes & Manhattan Coal Corp. ("we", "our", "us", "Forbes Coal", or the "Company") for the fourteen months ended February 28, 2011 and should be read in conjunction with the Audited Consolidated Financial Statements for the periods ended February 28, 2011 and December 31, 2010. The financial statements and related notes have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Certain non-GAAP measures are discussed in this MD&A which are clearly disclosed as such. Additional information and press releases have been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and are available online under the Forbes & Manhattan Coal Corp., profile at www.sedar.com.

The Company has changed its year end to the last day of February in order to align with its' South African subsidiaries. This MD&A reports our activities through May 25, 2011 unless otherwise indicated. References to Q1, Q2, Q3, Q4 and Q5 2011 or the 1st , 2nd , 3rd , 4th and 5th quarters of 2011 mean the three months ended March 31, June 30, September 30, December 31, 2010 and two months ended February 28, 2011 respectively. The period ended February 28, 2011 will include the 2 months ended February 28, 2011 which will result in a 14 month period for 2011.

The following table sets forth the length of the periods and the ending date of the periods, including the comparative periods, for the Company's interim and annual financial statements to be filed during its transition period and its new financial year.

Transition Period – January 1, 2010 – February 28, 2011:

Financial Statements to File	Comparison Financial Statements
3 months ended March 31, 2010	N/A
6 months ended June 30, 2010	N/A
9 months ended September 30, 2010	N/A
12 months ended December 31, 2010	from inception November 12, 2009 to December 31, 2009
14 months ended February 28, 2011 (annual audited financial statements)	from inception November 12, 2009 to December 31, 2009

New Financial Year – March 1, 2011 – February 29, 2012:

Financial Statements to File	Comparison Financial Statements
3 months ended May 31, 2011	3 months ended June 30, 2010
6 months ended August 31, 2011	6 months ended September 30, 2010
9 months ended November 30, 2011	9 months ended December 31, 2010
12 months ended February 29, 2012 (annual audited financial statements)	14 months ended February 28, 2011 (annual audited financial statements)

Unless otherwise noted all amounts are recorded in Canadian dollars.

NJ Odendaal B.Sc. (Geol.), B.Sc. (Hons) (Min. Econ.), M.Sc. (Min. Eng.) Pr. Sci. Nat., FSAIMM, GSSA, MAusIMM and D Van Heerden B.Ing. (Min. Eng.), M.Comm. (Bus. Admin.), are qualified persons as defined in National Instrument 43-101 and has reviewed the technical information in the MD& A.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact relating to Forbes Coal certain information contained herein constitutes forward-looking information. Forward-looking information includes, but is not limited to, statements with respect to the development potential of the Company's properties; the future price of coal; the estimation of coal reserves and coal resources; conclusions of economic evaluation; the realization of reserve estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may" "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward - looking information is based on the opinions and estimates of management as of the date such statements are made, and they are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Forbes Coal to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during construction, expansion and start-up; variations in quality and recovery rates; delay or failure to receive government approvals; timing and availability of external financing on acceptable terms; actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of coal; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.

OVERVIEW OF THE COMPANY

Forbes & Manhattan Coal Corp. (individually, or collectively with its subsidiaries, as applicable, "Forbes Coal" or the "Company") is a coal mining company. Forbes Coal is the continuing combined entity following a September 2010 transaction between Forbes & Manhattan (Coal) Inc. and Nyah Resources Corp. ("Nyah") whereby Nyah, a public company listed on the TSX Venture Exchange ("TSX-V"), acquired all of the outstanding shares of the Company in exchange for common shares of Nyah (the "Transaction"). The Transaction was accounted for as a purchase of assets with Forbes & Manhattan (Coal) Inc. as the acquirer and Nyah as the acquiree. As such, the consolidated financial statements are a continuation of the consolidated financial statements of Forbes & Manhattan (Coal) Inc. Following the Transaction, the combined company is now known as Forbes & Manhattan Coal Corp. and is listed on the Toronto Stock Exchange ("TSX"). Forbes Coal began trading under the symbol "FMC" on September 27, 2010. Additional details regarding the Transaction are provided below under the section entitled, "Transaction with Nyah Resources Corp ("NYAH")".

Forbes & Manhattan (Coal) Inc. was incorporated on November 12, 2009. In July 2010, Forbes & Manhattan (Coal) Inc. entered into an agreement to acquire Slater Coal (Pty) Ltd. ("Slater Coal"), a South African company, and its interest in its coal mines in South Africa ("Slater Coal Properties"), as more fully described in below under the section "Acquisition of Slater Coal". The Slater Coal Properties comprise the operating Magdalena bituminous mine (the "Magdalena Property") and the Aviemore anthracite mine (the "Aviemore Property"). Slater Coal is engaged in open-pit and underground coal mining.

Forbes Coal holds a 76.75% interest in Slater Coal. Slater Coal indirectly holds a 70% interest in the Slater Coal Properties through its 70% interest in Zinoju Coal (Pty) Ltd. ("Zinoju Coal") which holds all of the mineral rights and prospecting permits with respect to the Slater Coal Properties. The remaining 30% interest in Zinoju Coal (Pty) Ltd. is held by the South African Black Economic Empowerment ("BEE") partners. BEE is a statutory initiative on behalf of the South African government, enacted to increase African access to the South African economy by increasing African ownership in new South African enterprises.

FORBES & MANHATTAN'S STRATEGY

Forbes Coal's vision is to build a high quality bituminous and metallurgical coal company with potential capacity in excess of 10M t/year. Future production growth is set to be twofold, firstly through expansion of the existing Slater Coal operation and secondly through acquisition.

The Company's strategic goals are to advance and expand production at the Slater Coal Properties, as follows:

- Acquire an additional Continuous Miner for development at Magdalena
  - Double production capacity at Magdalena operation by further mechanising existing operations
  - Ramp-up saleable production up to 1,000,000 tonnes per year
  - Estimated capital expenditure of $15 million

- Increase wash plant recovery rates
  - Improve from current level of 68% to 70%
  - Investigate product upgrade potential

- Further develop Aviemore anthracite operations
  - Ramp-up saleable production up to 500,000 tonnes per year
  - Examine feasibility to further increase the Calcine plant throughput from the current level of 72,000 tonnes per annum
  - Estimated capital expenditure of $5 million

- Improve operational efficiencies
  - Develop management team with international experience
  - Explore opportunities to increase sales and exports
  - Increase rail and port allocation to further gain exposure to seaborne bituminous and anthracite export markets

Furthermore, the Company intends to acquire high quality bituminous and metallurgical coal projects (both Greenfield and early stage production) assets in the Southern African region. Part of the acquisition strategy is to seek opportunities to increase rail and export port allocation.

A key component of the Company's strategy involves Social Development and Health and Safety

- Forbes Coal supports a number of Social Development projects through the activities of Zinoju Coal. These projects have had great impact on the local community, in particular projects related to water provision, farming, brick fabrication and math literacy are enjoying success.

- Forbes Coal has implemented a revision of the Health, Safety and Environment management system including the provision of resources to support risk awareness and education campaigns. Management is confident that the results from these campaigns will support the Company's objective to achieve an Incident and Injury Free ("IIF") workplace at all our operations.

EXECUTIVE SUMMARY AND OPERATIONAL OVERVIEW:

During the fourteen months ended February 2011, the Company:

- completed an offering of Special Warrants at a price of $2.80 per Special Warrant led by Canaccord Genuity Corp. for gross proceeds of $41.9 million
- completed an offering of Common Shares at a price of 4.55 per share co-led by GMP Securities L.P. and Canaccord Genuity Corp for gross proceeds of $36.4 million
- completed the acquisition of 76.75% of Slater Coal in July with the majority of benefits and risks of Slater Coal transferring to Forbes Coal
- completed a NI 43-101 technical report for Slater Coal
- completed the Transaction (defined hereunder) with Nyah
- graduated from the TSX-V to the TSX and began trading under the symbol FMC on September 27, 2010
- integrated the Forbes & Manhattan Coal and Slater Coal management teams
- reopened the Aviemore anthracite operation in June 2010, regularly exceeding targeted output of 22,000 t ROM per month, with an average of 20,339 t ROM produced per month between August and February 2011, but excluding the December shut down period
- successfully started the anthracite Calcine unit at the end of August and reached production target with 33,790 t anthracite peas calcined between September 2010 and February 2011
- took delivery of a new Continuous Miner for new section developed at Magdalena underground (will add up to 330,000 tonnes per year in saleable production)
- halted mining production on December 10, 2010 for year-end maintenance and the production team holiday break
- produced 463,068 t ROM vs 558,138 t ROM planned for the period August 2010 to February 2011 at Magdalena operations, underground and open pit combined with an average of 74,621 t ROM produced per month between August and February 2011, but excluding the December shut down period
- produced 593,234 t ROM vs 702,094 t ROM planned from all operations for the period August 2010 to February 2011
- produced 933,993 t ROM vs 1,040,000 t ROM originally planned for the financial year March 2010 to February 2011
- completed an agreement with Grindrod port terminal for incremental capacity of up to 960,000 tonnes per annum over a three year period

  Highlights include:
  - Grindrod Terminals shall provide export capacity in the terminal for the shipment of coal products as follows:
    - 2011 – 600 000 metric tons (m/t) per annum
    - 2012 – 720 000 metric tons (m/t) per annum
    - 2013 – 960 000 metric tons (m/t) per annum
  - At current coal spot prices, the increased throughput of coal could potentially lead to incremental cash flows of up to $30 million per annum.
  - Grindrod Terminals provide certain logistical, handling and stock piling services to shippers in connection with the shipment of bulk cargoes through the dry bulk coal terminal known as the Navitrade terminal (and its associated facilities), connected to berths in the Port of Richards Bay.
  - Grindrod Terminals will provide up to 70,000 t in stockpile capacity to receive the coal at the terminal. We can deliver coal to the terminal either by road or rail.
- railed 42,301 tonnes of saleable coal to the Navitrade port by the end of February in preparation of the first shipment

- signed a three year off-take agreement for 1.75 million tonnes (total) with Vitol S.A. ("Vitol"), a leading energy trading company. Vitol will be purchasing thermal coal produced at the Magdalena property at market related prices
- produced 648,048 t of saleable coal from the two mines for the financial year, March 2010 to February 2011.

TRANSACTION WITH NYAH RESOURCES CORP ("NYAH")

On September 20, 2010, following the receipt of regulatory and shareholder approval, Forbes & Manhattan (Coal) Inc. and Nyah completed a three-cornered amalgamation pursuant to which a wholly-owned subsidiary of Nyah amalgamated with Forbes & Manhattan (Coal) Inc., and all of the holders of common shares of Forbes & Manhattan (Coal) Inc. received one common share of Nyah (on a post-consolidation basis) for each one common share of Forbes & Manhattan (Coal) Inc. held (the "Transaction"). Following the completion of the Transaction, the newly amalgamated company held all of Forbes & Manhattan (Coal) Inc.'s assets and is a wholly-owned subsidiary of Forbes & Manhattan Coal Corp. (formerly, Nyah).

Prior to the effective time of the Transaction, Nyah consolidated its issued and outstanding common shares on the basis of one new Nyah common share for 39.8 Nyah common shares (the "Consolidation"). Following the Consolidation, Nyah had 1,279,384 issued and outstanding common shares on a non-diluted basis immediately prior to the Transaction. Upon completion of the Transaction, the number of common shares of Forbes Coal (on a non-diluted basis) was 25,590,723 with Forbes & Manhattan (Coal) Inc. shareholders owning approximately 95% of the Company and the Nyah shareholders owning approximately 5% of the Company.

The Transaction was accounted for as a purchase of assets with Forbes & Manhattan (Coal) Inc. as the acquirer and Nyah as the acquired. The consolidated financial statements following the Transaction present a continuation of Forbes & Manhattan (Coal) Inc. and the acquisition of Nyah by Forbes & Manhattan (Coal) Inc. The total consideration for Nyah was $1,836,041 comprised primarily of the value of the Nyah shares converted to Forbes Coal shares. The value of the shares issued, on a consolidated basis, was $1,716,357 ($1.34 per share), which was based on the fair value of Nyah's net assets on the date of the Transaction.

The purchase price was allocated as follows:

Common shares issued	$	1,716,357
Replacement stock options issued		119,684
	$	1,836,041

Net assets acquired:

Cash and cash equivalents	$	968,356
Amounts receivable		1,015,574
Prepaid expenses		9,738
Current liabilities		(157,627)
	$	1,836,041

Following the completion of the Transaction, the board and management of Forbes & Manhattan (Coal) Inc. became the board and management of the combined entity which was renamed Forbes & Manhattan Coal Corp. and began trading on the TSX under the symbol "FMC" on September 27 2010.

The Transaction was a related party transaction as Nyah and Forbes & Manhattan (Coal) Inc. had certain directors and officers in common.

PURCHASE OF SLATER COAL

In November 2009, the Company entered into an agreement to acquire a 100% interest in Slater Coal. A deposit of $722,500 (ZAR 5,000,000) was made under the terms of this agreement. Slater Coal is a private South African coal mining company.

Slater Coal indirectly holds a 70% interest in the Slater Coal Properties through Zinoju which holds all of the mineral rights and prospecting permits with respect to the Slater Coal Properties. The remaining 30% interest in Zinoju is held by the South African Black Economic Empowerment partners. BEE is a statutory initiative on behalf of the South African government, enacted to increase African access to the South African economy by increasing African ownership in new South African enterprises.

The funding the BEE received to purchase the shares was sourced from Slater Coal. For accounting purposes BEE holds an option to acquire its 30% interest in Zinoju, and a non-controlling interest has been recorded to reflect this option related to BEE's interest upon repayment of the loan utilized to acquire the interest in Zinoju. The loan is being repaid from dividends issued by Zinoju.

On April 13, 2010, the Company and the shareholders of Slater Coal agreed on the terms for the acquisition of all of the issued and outstanding common shares of Slater Coal. Pursuant to the finalized terms of the agreement the Company is required to pay ZAR 600,000,000 (approximately $84,000,000) in cash and common stock to Slater Coal shareholders over a two year period:

- ZAR 5,000,000 deposit ($722,500 paid on November 25, 2009);
- ZAR 22,500,000 ($3,091,500 paid on June 29, 2010);
- ZAR 213,750,000 ($30,006,792 paid on July 23, 2010);
- Issue common shares of the Company with a value of ZAR 78,750,000 ($11,029,102) based on $2.80 per share (issued on July 30, 2010);
- Cash payment of ZAR 119,000,000 ($16,457,000 paid February 24, 2011); and
- Cash payment of ZAR 140,000,000 (approximately $21,140,000) payable by March 1, 2012.

The Company currently holds 76.75% of the outstanding shares of Slater Coal and will receive shares equivalent to 23.25% of the issued and outstanding shares after March 1, 2012 payment has been made. The March 2011 and 2012 payments are based on targeted production rates of 781,200 tonnes in 2011 and 782,400 tonnes in 2012.

A variance of greater than 10% from such production targets shall either increase or decrease the amount payable by a corresponding percentage, subject to a maximum increase or decrease in payment of 15%. Cash payment of ZAR 119,000,000 was made before March 1, 2011and was based on the greater than 10% variance from 781,200 tonnes production target and it was reduced by 15% from ZAR 140,000,000 to ZAR 119,000,000. The consideration for March 1, 2012 payment was valued using a probability-weighted approach and an amount of $18,887,787 has been included in the purchase price. The resulting liability related to this consideration has been recorded on the consolidated balance sheet.

As at December 31, 2010, based on revised estimates related to production targets, the Company adjusted the estimated fair value of the contingent consideration related to the payments. The current portion of the liability related to the March 1, 2011 payment was reduced by $3,150,154 and the long term portion of the liability related to the March 1, 2012 was increased by $425,443. These adjustments have resulted in a net recovery on the estimated fair value of the contingent liability of $2,724,711 being recorded to the consolidated statements of operations, loss, comprehensive loss and deficit.

The purchase price is also subject to an adjustment pursuant to variations on the consolidated net short term assets ("CNSTA") of the Company to the extent that they exceed or fall short of ZAR14.9 million. An amount of $2,062,437 has been included the purchase price and included in accounts payable related to the CNSTA adjustment. This amount was paid on February 24, 2011.

Given the fact that the final amount of the March 1, 2011 and March 1, 2012 payments are subject to Slater Coal meeting certain production targets, the incumbent management team and a majority of the board of directors of Slater Coal have been given a certain amount of autonomy to be able to reach these targets. As such, at the balance sheet date, Forbes Coal did not yet have the unilateral ability to control the strategic operating, investing and financing policies of Slater Coal. However, the Company determined that Slater Coal is a variable interest entity ("VIE") where the Company is the primary beneficiary as the Company will absorb the majority of Slater Coal's expected losses and receive the majority of Slater Coal's expected residual returns. Consequently, under CICA accounting guideline AcG-15, the Company has consolidated 100% of Slater Coal as variable interest entity.

The March 1, 2012 payment of ZAR 140 million has been recorded on the balance sheet as long term acquisition obligations.

The Company received approval from the South African Reserve Bank ("SARB") for the acquisition by Forbes Coal of all of the issued and outstanding shares of Slater Coal. As part of granting the approval, Forbes Coal has agreed to undertake to list the common shares of the Company on the Johannesburg Stock Exchange within 12 months of the date hereof.

The allocation of the purchase price has been substantially finalized, however management is in the process of concluding the fair values of identifiable assets acquired and liabilities assumed and measuring the associated future income tax assets and liabilities. A provisional allocation of the purchase price is as follows:

The total cost of the shares acquired on July 29, 2010, was as follows:

Cash payments ZAR241 million	$ 34,122,898
Common shares issued (3,938,965 shares valued at ZAR 79 million)	11,029,102
Estimated fair value of ZAR280 million (discounted and probability weighted to payment dates)	37,568,157
Estimated fair value of CNSTA ZAR14 million	2,062,437
	$ 84,782,594

Fair value of net assets acquired was allocated as follows:

Cash and cash equivalents	$ 3,832,045
Other current assets	8,208,408
Inventories	6,341,912
Property, plant and equipment	73,341,190
Intangibles	6,042,044
Other long-term assets	6,726,162
Goodwill on acquisition	18,672,014
Current liabilities	(8,250,646)
Other long-term liabilities	(7,647,196)
Asset retirement obligation	(1,693,283)
Future income taxes	(19,192,527)
Non-controlling interest	(1,597,529)
	$ 84,782,594

Slater Coal Properties

The Magdalena Property is located 22 kilometers from the town of Dundee in KwaZulu-Natal and encompasses approximately 1,844 hectares. The Magdalena Property which consists of the Magdalena underground mine and the Magdalena opencast pit, has an estimated measured and indicated mineral resource of 54.2 million tonnes of *in situ* coal with an estimated volume of 36.1 million cubic metres. A specific gravity of 1.5 tonnes per cubic metre was applied for the volume-tonnage conversion. The Magdalena opencast pit and underground mine has an estimated production capacity of 100,000 tonnes of bituminous coal per month. The Aviemore Property is located 4 kilometers from the town of Dundee in KwaZulu-Natal and encompasses approximately 5,592 hectares. The Aviemore Property consists of the Aviemore underground mine and has an estimated measured and indicated mineral resource of 35.9 million tonnes of *in situ* coal with an estimated volume of 23.9 million cubic metres. A specific gravity of 1.5 tonnes per cubic metre was applied for the volume-tonnage conversion. The Aviemore underground mine has an estimated inferred mineral resource of approximately 16.8 million tonnes of *in situ* coal with an estimated volume of 11.2 million cubic metres. A specific gravity of 1.5 tonnes per cubic metre was applied for the volume-tonnage conversion. The Aviemore underground mine has an estimated production capacity of 25,000 tonnes of anthracite coal per month.

Mr. C J Muller: B.Sc. (Hons) (Geol.), Pr. Sci. Nat (P.Geo) is a qualified person as defined in National Instrument 43-101 and has read and approved the scientific and technical information included in this table. The following table sets forth the resource estimate for the Slater Coal Properties.

Magdalena Property – April 30, 2010												
Coal Resources (2)												
Bituminous Coal		**Full Extraction of Seam Width**			**1.7 Float Qualities**							
Seam	**Resource Category**	**Volume**	**SG**	**Tonnes**	**ASH**	**FC**	**GCV**	**H2O**	**TS**	**VOL**	**YIELD**	**Area**
		Mm³	**t/m³**	**Mt**	**%**	**%**	**MJ/Kg**	**%**	**%**	**%**	**%**	
Lower Gus	Measured	8.4	1.5	12.6	14.9	65.6	29.5	1.2	1.6	17.9	77.3	**Magdalena Underground**
Upper Gus	Measured	10.6	1.5	15.9	15.7	66.1	30.7	1.4	1.5	16.8	79.5	
Joined Seam	Measured	13.8	1.5	20.7	14.7	67.3	29.3	1.3	1.6	16.0	82.8	
Joined Seam	Indicated	2.8	1.5	4.2	15.0	67.5	29.4	1.5	1.7	16.0	84.3	
Lower Gus	Measured	0.2	1.5	0.3	15.7	59.2	29.2	1.4	1.6	23.6	81.4	**Magdalena Opencast**
Upper Gus	Measured	0.3	1.5	0.5	15.1	61.9	29.3	1.5	1.5	21.5	81.0	
Total	**Measured & Indicated**	**36.1**	**1.5**	**54.2**								**Magdalena Underground & Opencast**

Aviemore Property – April 30, 2010													
Coal Resources[2]													
Anthracite Coal		Full Extraction of Seam Width			1.7 Float Qualities								Area
Seam	Resource Category	Volume	SG	Tonnes	ASH	FC	GCV	H2O	TS	VOL	YIELD		
		Mm³	t/m³	Mt	%	%	MJ/Kg	%	%	%	%		Aviemore Underground
Gus	Measured	1.2	1.5	1.8	13.5	77.7	30.1	1.8	2.0	7.2	73.9		Aviemore Mine
Gus	Indicated	9.7	1.5	14.6	13.6	77.5	29.0	2.2	1.8	6.7	63.5		Leeuw Mining & Exploration [3]
Gus	Indicated	13.0	1.5	19.5	13.5	75.5	28.9	2.6	1.6	8.3	57.0		Zinoju Coal
Total	**Measured & Indicated**	**23.9**	**1.5**	**35.9**									**Aviemore Underground**
Gus	Inferred	1.1	1.5	1.7	15.0	74.8	27.3	1.8	1.4	8.5	56.0		Leeuw Mining & Exploration
Gus	Inferred	10.1	1.5	15.2	14.1	74.7	28.9	2.5	1.7	8.6	59.6		Zinoju Coal
Total	**Inferred[1]**	**11.2**	**1.5**	**16.8**									**Aviemore Underground**

Notes:

1. The inferred coal resources are conceptual in nature and have a large degree of uncertainty as to their existence and whether they can be mined economically or legally, as there has been insufficient exploration to define a mineral resource. It cannot be assumed that all or any part of the inferred resource will be upgraded to a higher confidence category.
2. The current coal resource model is based on available sampling data collected over the history of the project's area. The coal resources estimation was carried out by Mr. Q.C. Antunes, who is independent and a "Qualified Person" (as such term is defined in NI 43-101). Mr. C. Muller, Director of Minxcon (Pty) Ltd. And an independent "Qualified Person" (as such term is defined in NI 43-101) reviewed the coal resource estimate and is responsible for the technical aspects of coal resources set forth above. The resource estimate is based on a 2D computer block model with estimation parameters estimated into 100X100 metre blocks using full seam width composite data. The qualities models were constructed from inverse square distance estimates. The coal resource estimates were not diluted. The quality models were verified by visual and statistical methods and deemed to be globally unbiased. The blocks were classified into inferred, indicated and measured resource categories using the following and not limited thereto: data spacing, geological confidence, number of samples used to inform a block and other factors, etc. No environmental, permitting, legal, title, taxation, socio-political, marketing or other issues were taken into account to estimate the coal resource estimate. Only the coal resource lying within the identified target areas are reported. These fall within the legal boundaries. A 0.8 m seam width cut-off was used in the declaration of the Magdalena and Aviemore coal resources. Numbers may not add up due to rounding.
3. Forbes Coal is in the process of finalizing the acquisition of prospecting right 38 from Leeuw Mining & Exploration. It is anticipated that once this acquisition is finalized the Company will apply for a Section 11 transfer under the MPRDA of the farms encompassed the prospecting right from Leeuw Mining & Exploration.

OVERVIEW & OUTLOOK

The Bituminous coal market has been steadily improving since mid 2009. The demand for South African seaborne bituminous coal is largely driven by a continued increase in thermal coal imports from India. On the domestic industrial front, bituminous coal prices have remained steady, with marginal growth on a year to year basis over the past 4 years. South Africa relies heavily on coal fired power generation. The Company produces a very high quality export bituminous coal product at the Slater Coal operations. The Company continues to pursue opportunities to acquire high quality coal assets and increase port allocation. The near term outlook for bituminous coal remains healthy on both domestic and export front. API4 FOB Richards Bay Spot Coal Thermal prices have recently reached $120 per tonne. Severe weather conditions in Australia have resulted in further pressure on both Thermal and Metallurgical coal prices. The Anthracite coal market is highly correlated with the metal industry as Anthracite coal is used in a metallurgical coal application. South Africa is one of the world largest ferrochrome and ferroalloy producers and the domestic demand for Anthracite remains good. South Africa is also a large steel producer and continues to be a net importer of metallurgical coal and coke products. As the global economy recovers, Anthracite prices are expected to remain robust. Slater Coal also exports its Anthracite products to global steel producers. The near term outlook in the export market remains strong and healthy. Slater Coal also produces a high quality calcine product that is in high demand in the domestic and export metallurgic market.

In summary, the outlook for Forbes Coal is positive as the Company has a portfolio of high quality products and services both in the domestic and the global thermal and metallurgical coal markets. The Company is also constantly evaluating potential acquisitions in the region and is targeting to further increase its export port capacity.

SUMMARIZED FINANCIAL RESULTS OF SLATER COAL

Summarized Financial Results (Actual)

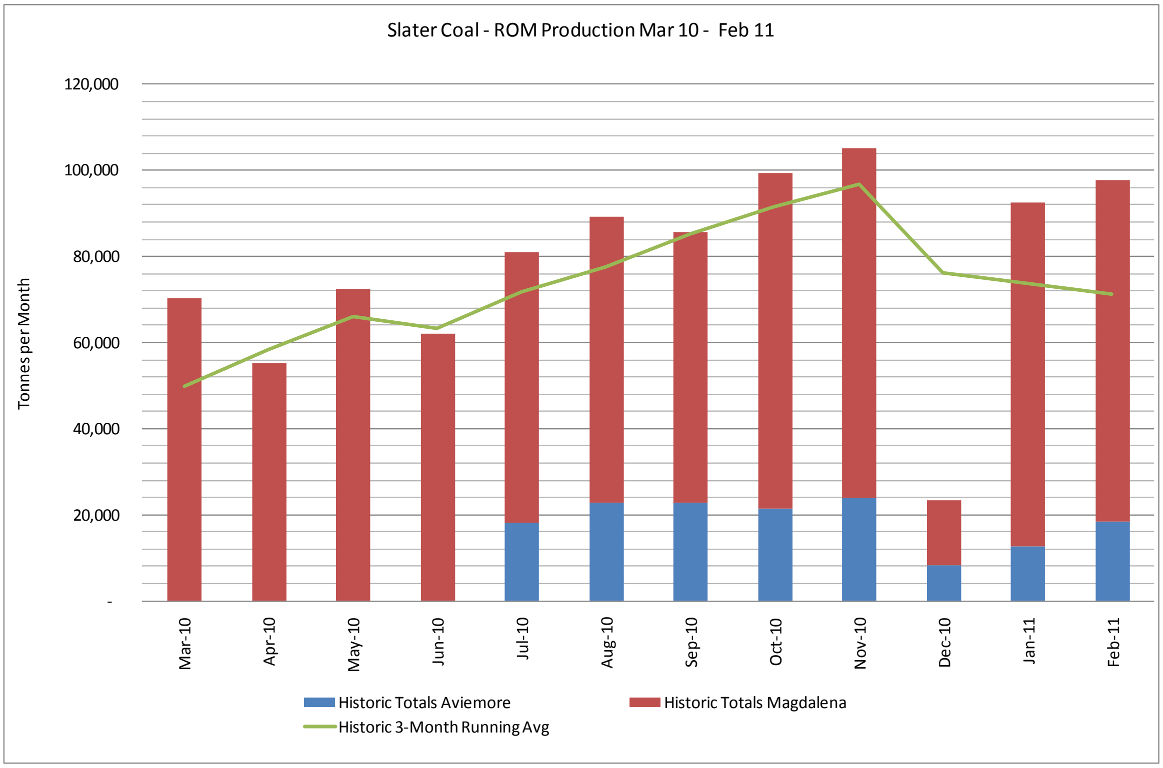
Slater Coal

	January 1, 2011 February 28, 2011 2 months	Date of acquisition to February 28, 2011 7 months	March 1, 2010 February 28, 2011 12 months
Run of Mine (ROM) (t)	190,278	593,234	933,993
Saleable production (t)	137,576	418,437	648,048
Plant feed (t)	187,312	589,812	938,148
Yield (%) on ROM	72.3%	70.5%	69.4%
Yield (%) on Plant feed	73.4%	70.9%	69.1%
Inventory tonnes balance open	173,791	86,742	74,704
Inventory tonnes balance close	189,778	189,778	189,778
Sales (t)	129,774	311,682	529,256
Revenue 000,000's ($)	12.0	27.7	46.7
EBITDA 000,000's ($)	5.5	9.8	16.5
CDN$: US$ (average)	0.99	1.01	1.02
ZAR: CDN (average)	7.13	6.94	7.09
Selling price (average) / sold production t (CAD$)	92.62	88.81	88.31
Selling price (average) / sold production t (US$)	93.48	87.57	86.50
Cash cost of sales and operating expenses CAD 000,000's ($)	5.4	16.4	28.6
Cash cost of sales and operating expenses / sold production t (CDN$)	41.54	52.56	53.98
Cash cost of sales and operating expenses / sold production t (US$)	41.93	51.83	52.88
Capital expenditures 000,000's (CAD$)	9.22	11.68	14.84
Capital expenditures per t of saleble production $	67.02	27.91	22.90

Numbers in this chart are derived from the Slater Coal stand alone financial statements

these are not affected by the adjustments related to the purchase price allocation or consolidation adjustments

See non GAAP measures



OPERATIONAL HIGHLIGHTS

Forbes Coal management team took control of the Slater Coal operations in August 2010. The ramp-up programme, launched in the second quarter under guidance of the previous management team, continued to gain momentum. The following key points are noted:

ROM Production

- Magdalena underground took delivery of new Sandvik ABM30 Continuous Miner for the development of the new Section 4. This section will add up to 330,000 tonnes per year in saleable production.
- Start-up activities for the new section commenced December 2010, and continued throughout January and February 2011. Production from this new section was in line with realistic expectations during the ramp-up period.
- Additional staffing and equipment were deployed at Magdalena U/G to support the ramp-up programme, including the successful commissioning of a new 2,500 KVA power supply to Magdalena U/G operations.
- Mining production halted on December 10, 2010 for year-end maintenance and the production team holiday break. Production recommenced during Week 1 of 2011 for Magdalena and Week 2 for Aviemore.
- Aviemore anthracite operation, reopened in June 2010, regularly exceeded targeted output of 22,000 t ROM per month, with an average of 20,339 t ROM produced per month between August and February 2011, but excluding the December shut down period. The daily running rates during the short January and February months remain in line with targets.

- A total of 130,166 t ROM was produced at Aviemore between August 2010 and February 2011vs 143,956 t ROM planned.
- Anthracite Calcine unit was successfully started at the end of August and operates near production targets with 33,790 t anthracite peas calcined between September 2010 and February 2011. Calcine yield performance remains consistent at 84%.
- Magdalena operations, underground and open pit combined, produced 463,068 t ROM vs 558,138 t ROM planned for the period August 2010 to February 2011. The average is 74,621 t ROM produced per month between August and February 2011, but excluding the December shut down period.
- Total ROM production from all operations for the period August 2010 to February 2011 was 593,234 t ROM vs 702,094 t ROM planned.
- Total production from March 2010 to February 2011 is 933,993 t ROM vs 1,040,000 t ROM originally planned for the financial year.
- The production for the last two months is 27.9% higher than the monthly average for the financial year to date preceding this period (March 2010 to December 2010).
- The production ramp-up is generally going according to plan and is nearing the completion of the first phase, Phase 1, of the Forbes Coal initiated production ramp-up at the Magdalena and Aviemore operations. A delay in the delivery and commissioning of the new Section 4 Continuous Miner as well as unplanned maintenance on the original Section 1 Continuous Miner, significantly contributed to the downward adjustment in production for the period ending February 2011.

<u>Saleable Production and Sales</u>

- Saleable coal production for August 2010 to February 2011 was 418,437 t. The total calculated yield from plant feed was 70.9% in this period.
- Total saleable production for the financial year, March 2010 to February 2011 was 648,048 t from the two mines. This equates to 69.4% yield on ROM production and 69.1% yield on Feed-to-Plant.
- Yield performance was above expectations and reflects well on ongoing interventions to improve process plant throughput and yield performance.
- Total reconciled sales of bituminous coal, anthracite and calcined products from March 2010 to February 2011 is 529,256 t, with 176,270 t moved in the last three months. The average sales for January and February reflect a 63% increase in monthly sales compared to the monthly average for 10 months preceding this period.
- Coal is transported by rail and truck to domestic customers, while export coal reports to the Richards Bay Coal Terminal (RBCT) and the Grindrod Navitrade terminal by rail.
- Forbes Coal successfully negotiated an agreement with Grindrod Navitrade port terminal for incremental capacity of up to 960,000 tonnes per annum over a three year period.

  Highlights include:
  - Grindrod Terminals shall provide export capacity in the terminal for the shipment of coal products as follows:
    - 2011 – 600 000 metric tons (m/t) per annum
    - 2012 – 720 000 metric tons (m/t) per annum
    - 2013 – 960 000 metric tons (m/t) per annum
  - At current coal spot prices, the increased throughput of coal could potentially lead to incremental cash flows of up to $30 million per annum.
  - Grindrod terminals provide certain logistical, handling and stock piling services to shippers in connection with the shipment of bulk cargoes through the dry bulk coal terminal known as the Navitrade terminal (and its associated facilities), connected to berths in the Port of Richards Bay.
  - Grindrod terminals will provide up to 70,000 t in stockpile capacity to receive the coal at the terminal. We can deliver coal to the terminal either by road or rail.

- Forbes Coal railed 42,301 tonnes of saleable product to the Navitrade port by the end of February in preparation of the first shipment.
- Forbes Coal signed a three year off-take agreement for 1.75 million tonnes (total) with Vitol, a leading energy trading company. Vitol will be purchasing thermal coal produced at the Magdalena property at market related prices.

Forbes Coal's management team is mobilized at site and have integrated very well with the Slater Coal management team.

RESULTS OF OPERATIONS

Total Comprehensive Income

The net income and net loss for the two and fourteen months ended February 28, 2011, was net income of $1.84 million and a net loss $15.04 million, respectively, compared to a net loss of $0.04 million for the period ended December 31, 2009. Comprehensive loss for the two and fourteen months ended February 28, 2011, was $4.60 million and $15.58 million respectively compared $0.04 million for the period ended December 31, 2009. As described in the "Overview of the Company" section of this report Forbes & Manhattan (Coal) Inc., was incorporated in November 2009. Forbes & Manhattan Coal Corp, is the continuing combined entity following the September 2010 Transaction between Forbes & Manhattan (Coal) Inc. and Nyah whereby Nyah, a public company listed on the TSX-V, acquired all of the outstanding shares of the Company in exchange for common shares of Nyah. Also the, Company changed its year end to the end of February in order to align itself with its subsidiaries in South Africa. Consequently, there is no two month period for comparison in 2009, also the 2009 results contain only minimal overhead expenses as the Company had recently been incorporated. Following completion of the Transaction, the Forbes & Manhattan (Coal) Inc board and management team became the board and management team of the combined entity, which was renamed Forbes & Manhattan Coal Corp. Forbes and Manhattan Coal Corp. began trading on the TSX under the symbol "FMC" as of September 27, 2010.

The Company completed the acquisition of Slater Coal at the end of July 2010. Consequently seven months of results for Slater Coal have been consolidated into Forbes & Manhattan Coal Corp.

Revenue

Coal sales during the two and fourteen months ended February 28, 2011 was $12.02 million and $27.68 million. The summary of Slater Coal's physical tonnages included in these sales numbers along with production tonnage outlined below:

	January 1, 2011 February 28, 2011 2 months	Date of acquisition to February 28, 2011 7 months
Sales from:		
-Aviemore operations (t)	8,411	23,166
-Calcine operations (t)	2,915	10,750
-Magdalena operations (t)	118,449	277,767
Total sales (t)	129,774	311,682
Run of Mine production from:		
-Aviemore operations (t)	31,067	130,166
-Magdalena operations (t)	159,211	463,068
Total ROM production (t)	190,278	593,234
Saleable production from:		
-Aviemore operations (t)	20,493	84,179
-Magdalena operations (t)	117,083	334,258
Total saleable production (t)	137,576	418,437

The Company experienced a logistics backlog which generated stockpiles at February 28, 2011. The Company acquired 86,742 tonnes of stockpile as at the acquisition date in July, 2011 and produced 418,437 saleable tonnes while only 311,682 tonnes were sold during the seven months since the acquisition.

The production target for Slater Coal for its fiscal year, twelve months ending February 2011 was an estimated 650,000 tonnes of salable coal. Slater produced 648,044 tonnes of salable coal during the period or 95.3% of target. Historically Slater Coal had conducted the majority of its coal sales in the domestic market.

The Company has taken initiatives to increase its' export sales and port allocations in order to move the backlogged inventory and provide increased capacity for the future.

The Company has entered into agreements with Transnet Freight Rail ("TFR"), and Grindrod Terminals Richards Bay, a division of Grindrod South Africa (PTY) Ltd., to export coal produced by Forbes Coal from the Slater Coal operations in Dundee through the Port of Richards Bay. The Company has also signed a three year off-take agreement for 1.75 million tonnes (total) with Vitol, a leading energy trading company. Vitol will be purchasing thermal coal from the Slater Coal properties at market prices.

Highlights include:

- Grindrod Terminals shall provide export capacity in the Terminal for the shipment of coal products as follows:
    - 2012 – 720 000 metric tons (m/t) per annum
    - 2013 – 960 000 metric tons (m/t) per annum
- At current coal spot prices, the increased throughput of coal could potentially lead to incremental cash flows of up to $30 million per annum.
- Grindrod Terminals provide certain logistical, handling and stock piling services to shippers in connection with the shipment of bulk cargoes through the dry bulk coal Terminal known as the Navitrade Terminal (and its associated facilities), connected to berths in the Port of Richards Bay.

- Grindrod Terminals will provide up to 70,000 t in stockpile capacity to receive the coal at the terminal. We can deliver coal to the Terminal either by road or rail.

Cost of Sales and operating expenses

Operating expense for the two and fourteen months ended February 28, 2011, was $8.94 million and $19.93 million respectively ($68.86 per tonne and 63.92 per tonne). This amount includes transportation, rail and port handling costs. Amortization and depletion amounted to $1.54 million and $3.51 million respectively for the two and fourteen months. Cash cost of sales also includes the fair value adjustment to the inventory purchased at July 31, 2010 totaling $2.49 million. The Company purchased the stockpile at July 31, 2010 when it acquired Slater Coal. The margin on the sale of the 86,742 tonnes acquired was essentially $nil, consequently cash cost of sales was increased related to these acquired tonnes by $2.49 million.

Excluding the adjustment related to the fair value of the acquired inventory, the cash cost of sales and operating expenses per tonne were lower during the two months due to for the following reasons:

- lower downtime on the continuous miner,
- higher monthly sales compared to the previous period.

Expenses

The Company recorded expenses of $2.08 million during the two months and $18.25 million during the fourteen months ended February 28, 2011, respectively. During the fourteen months ended February 28, 2011 the Company recorded $13.52 million in stock based compensation comprised of $6.32 million related to the issuance of 2,435,000 options and $7.20 million related to issuance of 2,700,000 performance special warrants (the "Performance Special Warrants").

On July 20, 2010, the shareholders of the Company were issued the 2,700,000 performance special warrants. Each Performance Special Warrant automatically exercised into one common share of the Company (each "Performance Share" and, collectively, the "Performance Shares") for no additional consideration immediately prior to the completion of the Nyah acquisition, provided that such Performance Shares shall be deposited in escrow with an escrow agent (the "Escrowed Shares"), to be released as follows:

i) 50% of the Escrowed Shares (the "First Tranche Escrowed Shares") will be released once the Company achieves US$22,000,000 in EBITDA from the Slater Coal Properties over a 12 consecutive month period by July 20, 2013. In the event of not achieving US$22,000,000 in EBITDA from Slater Coal Properties, the above mentioned Escrowed Shares will be cancelled;

ii) The remaining Escrowed Shares will be released once the Company achieves US$35,000,000 in EBITDA from the Slater Coal Properties over a 12 consecutive month period within a three year period following the release of the First Tranche Escrowed Shares. For further clarity, EBITDA generated from the Slater Coal Properties will exclude any gains or losses generated by the combined company from the disposition of the Slater Coal Properties. In the event of not achieving US$35,000,000 in EBITDA from Slater Coal Properties, the above mentioned Escrowed Shares will be cancelled. (EBITDA is a non-GAAP measure and defined as earnings before interest, taxes, depreciation and amortization).

The Company adopted a stock option plan (the "Plan") to be administered by the directors of the Company. Under the Plan, the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10%

of the Company's issued and outstanding capital. The Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. Options granted under the Plan will be for a term not to exceed 5 years. The Plan provides that, it is solely within the discretion of the Board to determine who should receive stock options, in what amounts, and determine vesting terms. The exercise price for any stock option shall not be lower than the market price of the underlying common shares, or at fair market value in the absence of a market price, at the time of grant.

In March 2010, the Company granted 260,000 stock options to directors, officers and consultants of the Company at an exercise price of $5.00 expiring five years from the date of grant. The options were subsequently re-priced with an exercise price of $2.80 and a total value of $1.04 million was estimated to be the fair value of these options, and was recorded in Stock based compensation expense. In October 2010, the Company granted 2,175,000 options at an exercise price of $3.25 and an estimated fair value of $5.29 million was recorded to stock based compensation during the 4th quarter.

The value of these options was estimated using the Black-Scholes option pricing model under the following assumptions: expected dividend – 0%; risk-free interest rates between 1.74%– 2.52%; expected volatility – 100%; and time to expiry – 5 years from the date of grant.

The Company also recorded $0.43 million and $1.81 million in consulting and professional fees and $1.61 million and $2.73 million related to general and administrative expenses for the two and fourteen months ended February 28, 2011 respectively. The general and administrative expense appears high for the two month period. Upon acquisition of Slater the Company underwent a review of all cost categories and classifications and determined that certain expenses related to administration had been included in operating expenses. The Company adjusted the classification in order to provide more accurate historical information for comparative purposes. The Company has been steadily building its management team and engaging professionals as it embarks on its new coal operations.

Other items

During the two and fourteen months ended February 28, 2011 the Company recorded a gain of $2.24 million and a loss of $0.35 million in other items.

Included in these amounts are the transaction costs associated with the Slater Coal purchase and the Nyah Transaction totaling $1.34 million. The Company has adopted CICA handbook section 1582 and consequently the transaction costs related to Slater Coal have been expensed to the consolidated statements of operational loss and comprehensive loss and deficit.

The Company has also recorded the estimated fair value of the two cash payments of ZAR 140 million (approximately $21.14 million) payable by March 1, 2011 and ZAR 140 million (approximately $21.14 million) payable by March 1, 2012 as described under the "Acquisition of Slater Coal" section of this report. The estimated fair value of these payments was calculated using a Random Walk method. Probabilities were assigned to the amounts as described in the "Purchase of Slater Coal" section of this report based on various scenarios and management's and other expert's expectations of the scenarios materializing. The results were present valued using a discount rate of 10%. As a result an amount of $0.63 million and $2.24 million has been accreted during the two and fourteen months ended February 28, 2011 respectively related to the current and long term portion of the amounts due which are included on the consolidated balance sheets under acquisition obligations. In Q4 2011, based on revised estimates related to production targets, the Company adjusted the estimated fair value of the contingent consideration related to the payments. The current portion of the liability related to the March 1, 2011 payment was reduced by $3.15 million and the long term portion of the liability related to the March 1, 2012 was increased by $0.43 million. These adjustments have resulted in a net recovery on the estimated fair value of the contingent liability of $2.72 million being recorded.

The Company recorded other income of $0.25 million and $0.45 million during the two and fourteen months ended February 28, 2011 respectively. Other income, results from small scrap sales, discounts received and certain fair value adjustments.

The Company recorded interest income of $0.03 million and $0.14 during the two and fourteen months ended February 28, 2011 respectively and interest expense of $0.40 million and $0.72 during the two and fourteen months ended February 28, 2011 respectively. Investment revenue results primarily from interest bearing deposits held in banks. The Company invests its excess cash in liquid low risk investments.

The Company has also recorded foreign exchange gains of $3.11 million and $0.63 million respectively for the two and fourteen months ended February 28, 2011. As previously discussed, the Company owed ZAR 280 million, payable in March 2011 (paid on February 24, 2011) and March 2012. Movements in the South African Rand against the Canadian dollar from July 31, 2010 to February 28, 2011 have generated significant foreign exchange gains.

The Company recorded an income tax recovery of $0.13 million and an income tax expense of $0.69 million during the two and fourteen months ended February 28, 2011.

Other comprehensive income items

The functional currency of the Company is the Canadian dollar. The Company's foreign subsidiary is considered to be a self-sustaining operation in accordance with Section 1651 *Foreign Currency Translation* of the CICA handbook. Accordingly, the results are translated to Canadian dollars using the current method. Under this method, the assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date, the revenue and expense items are translated at the exchange rate in effect on the dates on which such items are recognized in income, and exchange gains and losses arising from the translation are recognized in other comprehensive income. Accordingly, for the two and fourteen months ended February 28, 2011 losses of $6.43 million and $0.54 million respectively, have been recorded to other comprehensive income.

LIQUIDITY AND CAPITAL RESOURCES

On July 23, 2010, the Company completed an offering of special warrants ("Special Warrants") at a price of $2.80 per Special Warrant for gross proceeds of $41.9 million. Each Special Warrant converted automatically and without any further action on the part of the holder into one common share of the Company (each an "Underlying Share") on September 21, 2010 immediately prior to the completion of the acquisition of all of the issued and outstanding shares of the Company by Nyah.

As compensation for its services rendered in connection with the Forbes Coal financing, the underwriters were paid a cash commission equal to 6% of the gross proceeds of the brokered portion of the Forbes Coal financing and were issued 763,887 broker warrants exercisable to acquire the same number of common shares of the Company at a price of $2.80 per common share for a period of 18 months following the closing of the Slater Coal acquisition. The Company utilized much of these funds to complete the ZAR 213.7 million (approximately $30.0 million) payment for the Slater properties and to complete the Nyah Transaction. The Company also paid a bonus to certain directors, officers and consultants of the Company totalling $1.52 million related to their efforts with respect to the financing which was recorded to the cost of issue.

On February 22, 2011, the Company closed bought deal offering (the "Offering") of 8,000,000 common shares (the "Offered Shares") of the Company at a price of $4.55 per Offered Share for aggregate gross proceeds of $36,400,000. A syndicate of underwriters co-led by GMP Securities L.P. and Canaccord Genuity Corp. and including Fraser Mackenzie Limited, have also been granted an over-allotment option to purchase up to an additional 1,200,000 common shares of the Company at a price of $4.55 per common share for a period of 30 days from the date hereof.

As compensation for its services rendered in connection with the Forbes Coal Offering, the underwriters were paid a cash commission equal to 6% of the gross proceeds and were issued 480,000 broker warrants exercisable to acquire the same number of common shares of the Company at a price of $4.55 per common share for a period of 24 months following the closing of the Slater Coal acquisition.

Subsequent to the period ended February 28, 2011, on March 4, 2011 the Company announced that over-allotment option was exercised in full and additional 1,200,000 common shares (the "Optioned Shares") of the Company were purchased at a price of $4.55 per common share for aggregate gross proceeds of $5,460,000 and bringing total gross proceeds of the Offering to $41,860,000. The underwriters were paid a cash commission equal to 6% of the gross proceeds of the over-allotment.

The Company used the net proceeds from the offering for the repayment of its currently outstanding vendor note from the acquisition of the Company's assets, and intends to use for expansion capital expenditures at the Company's Magdalena and Aviemore coal mines in South Africa and for general corporate purposes.

The Company had working capital of $27.44 million as at February 28, 2011, compared to working capital of $0.03 million at December 31, 2009. The primary contributors to the working capital increase is the buildup of inventory and the increase in receivables related to Slater Coal as well as the increase in cash as a result of the recently completed private placement.

CASH FLOWS AND INVESTING ACTIVITIES

Cash and cash equivalents increased from $0.05 million as at December 31, 2009, to $15.25 million as at February 28, 2011, representing an increase of $15.20 million.

Operating activities during the two and fourteen months ended February 28, 2011 provided $0.32 million and used $2.92 million respectively. The net income for the two months ended February 28, 2011 was $1.84 million and the net loss for the fourteen months ended February 28, 2011 was $15.04 million as discussed under the Results of Operations section of this report. Non-cash items calculated into the net income and loss for the two and fourteen months ended February 28, 2011 included: amortization and depletion of $1.54 million and $3.51 million; gains on fair value adjustments on financial assets of $0.08 million and $0.23 million; future income taxes of $0.37 million and $0.41 million; accretion of $0.56 million and $2.24 million; foreign exchange gains of $3.24 and $0.68 million; stock based compensation of $nil million and $13.52 million and a gain on change in estimate of $nil and $2.72 respectively, of which the material items were discussed under the Results of Operations section of this report. The Company generated $0.08 million and used $3.11 million related to the net change in non-cash working capital. The net change in non-cash working capital reported on the cash flow statement identifies the changes in current assets and current liabilities that occurred during the period. An increase in a liability (or a decrease in an asset) is a source of funds; while a decrease in a liability (or an increase in an asset) account is a use of funds.

The Company used $27.87 million and $55.20 million in investing activities during the two and fourteen months ended February 28, 2011. Of the $55.20 million, $48.47 million was used to acquire Slater Coal. The Company also acquired $3.83 million in cash from Slater Coal and $0.97 million in cash from Nyah through the Slater Coal and the Nyah transactions. The Company added $11.58 million to Property, plant and equipment with significant items being mine development and equipment purchased at Slater Coal in South Africa for the Magdalena and Aviemore operations. Significant acquisitions included in the $11.58 million consisted of a new continuous miner, 3 shuttle cars, rebuilds of LHD356's, an FLP Demako transformer, buffalo feeders, rescue trailer, mini – transformers, electrical switchbanks and feeder breakers. The Company also completed $2.4 million in mine development.

The Company also provided a letter of credit in the amount of $1.74 million (ZAR 12.4 million) to TFR and Grindrod Terminals Richards Bay, a division of Grindrod South Africa (PTY) Ltd South Africa, in order to facilitate new transportation and logistics agreements for coal transportation and export through the port at Richards Bay. As well, the Company disposed of investments held for trading to support operations in the amount of $2.19 million.

The Company generated $38.58 million, and $73.27 million from financing activities during the two and fourteen months ended February 28, 2011 respectively. During the fourteen months ended February 28, 2011, the Company completed its offering of Special Warrants at a price of $2.80 per Special Warrant for gross proceeds of $41.92. Each Special Warrant converted automatically and without any further action on the part of the holder into one common share of the Company (each an "Underlying Share") on September 21, 2010 immediately prior to the completion of the acquisition of all of the issued and outstanding shares of the Company by Nyah. The Company also completed an offering of common shares at a price of $4.55 per common share for gross proceeds of $36.40 million as previously discussed and a small private placement of $0.5 million during the first quarter of 2011 of 100,000 units at a price of $5.00. $0.24 million was also generated from the exercise of options during the period.

As compensation for services rendered in connection with the Forbes Coal financings, the underwriters were paid a cash commission equal to 6% of the gross proceeds of the brokered portion of the Forbes Coal financings and were issued 763,887 broker warrants exercisable to acquire the same number of common shares of the Company at a price of $2.80 per common share for a period of 18 months following the closing of the Proposed Acquisition and were issued 480,000 broker warrants exercisable to acquire the same number of common shares of the Company at a price of $4.55 per common share for a period of 24 months following the closing date.

The Company also paid a bonus to certain directors, officers and consultants of the Company totalling $1.52 million related to their efforts with respect to the financing which was recorded to the cost of issue.

An amount of ($0.16) and $0.05 million is recorded on the consolidated statement of cash flows related to the effect of exchange on cash and cash equivalents for the two and fourteen months ended February 28, 2011 respectively.

ANNUAL INFORMATION

	2011	2009	2008
Revenue from mining operations (CAD $000's)	27,678	-	-
Mine operating expense (CAD $000's)	19,925	-	-
Amortization and depletion (CAD $000's)	3,510	-	-
Net income (loss) (CAD $000's)	(15,041)	(37)	-
Net income (loss) per share, basic and diluted $	(1.06)	(0.02)	-
Cash provided by (used in) operations (CAD$ 000's)	(2,917)	(20)	-
Tonnes of coal produced, ROM	593,234	-	-
Tonnes of coal sold	311,682	-	-
Average realized coal price per tonne (CAD$)	93	-	-
Average realized coal price per tonne ($USD)	93	-	-
Total Assets (CAD $000's)	149,405	796	-
Long term financial liabilities (CAD $000's)	32,029	-	-

QUARTERLY INFORMATION

	Q5-2011	Q4-2011	Q3-2011	Q2-2011	Q1-2011	Q4-2009
Revenue from mining operations (CAD $000's)	12,019	9,032	6,628			
Mine operating expense (CAD $000's)	8,936	7,599	3,390			
Amortization and depletion (CAD $000's)	1,540	179	1,791			
Net income (loss) (CAD $000's)	1,835	(5,166)	(10,986)	(345)	(379)	(37)
Net income (loss) per share, basic and diluted $	0.07	(0.20)	(0.63)	(0.13)	(0.14)	(0.02)
Cash provided by (used in) operations (CAD$ 000's)	320	(2,378)	(316)	(279)	(264)	(20)
Tonnes of coal produced, ROM	190,278	228,157	174,799			
Tonnes of coal sold	129,774	102,834	79,074			
Average realized coal price per tonne (CAD$)	93	88	84			
Average realized coal price per tonne ($USD)	93	87	81			
Total Assets (CAD $000's)	149,405	142,655	135,279	4,093	1,030	796
Long term financial liabilities (CAD $000's)	32,029	58,769	29,605			

The Company was incorporated in November 2009 and completed the acquisition of Slater Coal at the end of July 2010. Consequently there are only six quarters/periods shown in the table above, and seven months of consolidated information incorporating the results of Slater Coal.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

In November 2009, certain directors, officers and consultants of the Company subscribed to 1,600,000 common shares of the Company.

In November 2009 and March 2010, a company with common directors solely participated in two private placements of common shares of the Company.

The Transaction with Nyah was a related party transaction because at the time of the Transaction certain directors and officers of the Company were also directors, officers and shareholders of Nyah.

During Special Warrants offering certain directors, officers and a company with common directors subscribed to Special Warrants, which subsequently were converted into common shares of the company.

The Company shares its premises with other companies that have common directors and officers and the Company reimburses the related companies for its proportional share of the expenses. At February 28, 2011 an amount of $nil (December 31, 2009 - $nil) was prepaid and $33,718 (December 31, 2009 –$7,698) was payable in relation to these expenses. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

As a result of the Nyah transaction, Forbes Coal acquired a receivable of $1,015,574 which consisted primarily of a receivable from Valencia Ventures Inc. ("Valencia") in the amount of $1,000,000 for the sale of the Agnew Lake Project. In October 2010, $500,000 of this amount was received from Valencia. Mr. Stan Bharti is a director of Valencia. Valencia and the Company have certain directors and or officers in common Also as a result of the Nyah transaction Forbes Coal acquired a payable in the amount $100,000 payable to Forbes & Manhattan Inc., a company of which Stan Bharti is an officer and director, which was paid in full as at February 28, 2011.

As a result of Slater Coal acquisition Forbes Coal acquired receivables and payables in the net amount of $121,394 owed from the former Slater Coal shareholders and their related parties to the Company. As at the date of these consolidated financial statements an amount of $260,297 in loans payable to directors and officers of Slater Coal was recorded.

Also as a result of Slater Coal acquisition business relationships with certain related parties were inherited which resulted in total transactions for seven months being for services purchased being $ 2,458,000 and for sales of goods being $852,000.

The related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties

OTHER

On October 21, 2010, the Company announced that it appointed Ryan T. Bennett to the Board of Directors of the Company effective October 21, 2010. Mr. Bennett is a Senior Partner with Resource Capital Funds, a private equity group of funds that invests in development and growth stage mining companies. From 1992 to 1998, Mr. Bennett held various positions within NM Rothschild & Sons in Denver and Rothschild Australia Limited in Sydney, where he was principally responsible for the technical analysis of mining projects seeking debt finance. Prior to joining Rothschilds, Mr. Bennett worked as a geologist for the United States Bureau of Mines and a private exploration company focused on Alaska, as well as a mining engineering consultant for Caterpillar. Mr. Bennett has a Masters of Science degree in Mining Engineering from Colorado School of Mines and a Bachelors of Science degree in Geological Engineering and Mathematics from the University of Wisconsin – Madison.

On April 13, 2010, the Company accepted the resignation of Mr. Anthony Wonnacott as a director and appointed Mr. Grant Davey as a member of the Board of Directors.

On April 1, 2010, the Company appointed Ms. Deborah Battiston as Chief Financial Officer.

On April 1, 2010, the Company accepted the resignation of Mr. Julian Bharti as a director and appointed Mr. David Stein as a member of the Board of Directors.

On April 1, 2010, the Company accepted the resignation of Mr. Anthony Wonnacott from previously held position of President and Chief Executive Officer of the Company and appointed Mr. Stephan Theron to provide services to the Company in the capacity as President and Chief Executive Officer of the Company. Simultaneously Mr. Theron was also appointed as a member of the Board of Directors.

On March 1, 2010, the Company entered into a management contract with Mr. Charles Mostert to provide services in the capacity of Vice President – Corporate Development. Following the Transaction with Nyah, Mr. Mostert continued to provide consulting services to the Company but ceased acting in the capacity of Vice President – Corporate Development. The contract has now terminated.

On February 1, 2010, the Company entered into a management contract with Mr. Gottlieb Johan Louw to provided services in the capacity of Vice President – Africa Operations of the Company.

Following the Transaction with Nyah the Company appointed David Gower to the Board of Directors

COMMITMENTS AND CONTINGENCIES

Management contracts

The Corporation is party to certain management contracts. These contracts require that additional payments of approximately $2,110,000 be made upon the occurrence of a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements. Minimum commitments remaining under these contracts were approximately $375,000 all due within one year.

Lease and installment payment obligations

The Company is committed to minimum amounts under long-term capital lease and installment payment agreements for plant and equipment. Minimum commitments remaining under these leases were $13,688,417 over the following years:

Year	Amount
2012	$ 2,558,162
2013	8,111,696
2014	2,324,076
2015	694,483
	$ 13,688,417

Environmental contingency

The Company's mining and exploration activities are subject to various federal, provincial and international laws and regulations governing of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Throughput, transportation and sales contracts

The Corporation is party to certain throughput, transportation and sales contracts. As the likelihood of full non performance by the Company on these contracts is not determinable, the contingent payments have not been reflected in the consolidated financial statements.

Stock exchange listing

As part of the South African regulatory approval process in connection with the purchase of Slater Coal (Note 4), the Company agreed to complete a listing of the Company's common shares on the Johannesburg Stock Exchange by August 2011.

SUBSEQUENT EVENTS

On March 4, 2011 the Company announced that over-allotment option was exercised in full and additional 1,200,000 common shares (the "Optioned Shares") of the Company were purchased at a price of $4.55 per common share for aggregate gross proceeds of $5,460,000 and bringing total gross proceeds of the Offering to 41,860,000. The underwriters were paid a cash commission equal to 6% of the gross proceeds of the over-allotment.

In March 2011, the Company granted 825,000 options to acquire commons shares of the Company to certain directors, offices and consultants of the Company.

On May 9, 2011 the Company announced that Malcolm Campbell has agreed to join the Company as Chief Operating Officer effective August 1, 2011. He will be based in South Africa and will oversee operations at the Magdalena and Aviemore mines. Mr Malcolm will be granted 150,000 on his start date.

Mr. Campbell is a Professional Certified Mining Engineer with 25 years industry experience and was most recently Chief Operating Officer for an exploration and development joint venture operating in Botswana. Prior to this, he spent more than twenty years with Anglo Coal, a wholly-owned subsidiary of Anglo American.

With Anglo Coal, Mr. Campbell spent time as the Regional Manager for New Business Development and Strategy where he headed up the team developing conceptual, pre-feasibility and feasibility studies for all Southern African greenfields projects as well as brownfield expansions at existing operations. He also oversaw the company's strategy for coal in Africa. Mr. Campbell was also General Manager at a number of collieries, both opencast and underground, for Anglo Coal, including Kriel Colliery, Bank Colliery, Greenside Colliery and Kleinkopje Colliery which produced thermal coal for domestic and export markets and produces approximately seven million tonnes run of mine per annum.

Mr. Campbell received his B.Sc. in Mining Engineering from the University of Witwatersrand in 1985 and is currently a member of the South African Institute of Mining and Metallurgy and the South African Colliery Managers Association - having served on the Council for two terms. Malcolm has also completed a number of career enhancing courses at globally recognized institutions in both the engineering and business fields.

The Company also signed a three year off-take agreement for 1.75 million tonnes (total) with Vitol S.A. ("Vitol"), a leading energy trading company. Vitol will be purchasing thermal coal produced at the Magdalena property at market related prices

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Subject to the limitations, if any, described below, the Company's CEO and CFO, have as at the end of the period ended February 28, 2011 designed Disclosure and Control Procedures, ("DC&P") or caused it to be designed under their supervision, to provide reasonable assurance that:

- material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

- information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

Internal control over financial reporting has been designed, based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Management, under the supervision of the CEO and CFO, has evaluated the effectiveness of our internal control over financial reporting using the framework designed as described above and based on this evaluation, the CEO and CFO have concluded that internal control over financial reporting was effective as of February 28 2011.

Because of inherent limitations, internal control over financial reporting and disclosure controls can provide only reasonable assurances and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Audit and Governance Committee's of the Company have reviewed this MD&A, and the consolidated financial statements for the fourteen months ended February 28 2011, and the Company's board of directors approved these documents prior to their release.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's Consolidated Financial Statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and reported amounts of revenues and expenses during the reported period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of stock based compensation, amortization and depletion, warrants, income tax accounts and the allocation of the Slater Coal purchase price to the net assets of Slater Coal. The determination of the Company's coal reserves and resources are also subject to significant judgment. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

Changes in accounting policy and disclosures

The Company has adopted the following new accounting standards prospectively as at January 1, 2010 that were issued by the Canadian Institute of Chartered Accountants ("CCA"): Handbook Section 1582 - Business Combinations, Handbook Sections 1601 and 1602 – Consolidated Financial Statements and Non-Controlling Interests. Early adoption of these sections is permitted as long as all three sections are adopted concurrently. The early adoption of these sections had no material input on the consolidated financial statements of the Company.

In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations ("Section 1582"), 1601 – Consolidated Financial Statements ("Section 1601") and 1602 – Non-controlling Interests ("Section 1602") which replace CICA Handbook Sections 1581 – Business Combinations ("Section 1581") and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that are equivalent to the business combination accounting standards under International Financial Reporting Standards ("IFRS").

Sections 1601 and 1602 establish standards for the preparation of consolidated financial statements and the accounting for non-controlling interests in financial statements that are equivalent to the standards under IFRS. Section 1582 is required for the Company's business combinations with acquisition dates on or after January 1, 2011.

Under Section 1582, business combinations are accounted for using the "acquisition method", compared to the "purchase method" required under Section 1581. The significant changes that result from applying the acquisition method of Section 1582 include: (i) the definition of a business is broadened to include development stage entities, and therefore more acquisitions are accounted for as business combinations rather than asset acquisitions; (ii) the measurement date for equity interests issued by the acquirer is the acquisition date instead of a few days before and after terms are agreed to and announced, which may significantly change the amount recorded for the acquired business if share prices at the agreement and announcement date and the acquisition date differ; (iii) all future adjustments to income tax estimates are recorded as income tax expense or recovery, whereas under Section 1581, certain changes in income tax estimates were recorded to goodwill; (iv) acquisition-related costs, other than costs to issue debt or equity securities, of the acquirer, including investment banking fees, legal fees, accounting fees, valuation fees, and other professional or consulting fees are expensed as incurred, whereas under Section 1581, these costs were capitalized as part of the cost of the business combination; (v) assets acquired and liabilities assumed are recorded at 100% of their fair values even if less than 100% is obtained, whereas under Section 1581, only the controlling interest's portion of assets and liabilities acquired were recorded at fair value; and (vi) non-controlling interests are recorded at their proportionate share of fair value of identifiable net assets acquired, whereas under Section 1581, non-controlling interests were recorded at their proportionate share of carrying value of net assets acquired.

Under Section 1602, non-controlling interests are measured at their proportionate share of the fair value of identifiable net assets acquired on initial recognition. For presentation and disclosure purposes, non-controlling interests are classified as a separate component of equity. In addition, Section 1602 changes the manner in which increases and decreases in ownership percentages are accounted for. Changes in ownership percentages are recorded as equity transactions and no gain or loss is recognized as long as the parent retains control of the subsidiary. When a parent company deconsolidates a subsidiary but retains a non-controlling interest, the non-controlling interest is re-measured at fair value on the date control is lost and a gain or loss is recognized at that time. Under Section 1602, accumulated losses attributable to non-controlling interests are no longer limited to the original carrying amount, and therefore non-controlling interests could have a negative carrying amount.

Future accounting changes

International Financial Reporting Standards ("IFRS")
On February 13, 2008, the AcSB confirmed January 1, 2011 as the mandatory changeover date to IFRS for all Canadian publicly accountable enterprises. This means that the Company will prepare IFRS consolidated financial statements for the interim periods and fiscal year ends beginning March 1, 2011 with comparative information for 2011 restated under IFRS. Adoption of IFRS as Canadian GAAP will require the Company to make certain accounting policy choices and could materially impact the reported financial position and results of operations. The Company is currently evaluating the impact that the adoption of these new standards will have on the Company's consolidated financial statements. Slater Coal currently prepares its consolidated financial statements in accordance with IFRS as required under South African regulatory requirements. The Company does not anticipate any issues with respect to reporting under IFRS during the first quarter of its 2012 fiscal year.

CAPITAL MANAGEMENT

The capital of the Company consists of common shares, warrants, options and certain debt obligations.

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and operation of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is not subject to any externally imposed capital requirements.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

FINANCIAL RISK FACTORS

The Company is exposed to a variety of financial risks.

The Company's overall management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments, such as forward exchange contracts, to hedge certain exposures.

(a) Market risk

i. Foreign exchange risk

The Company's functional currency is the Canadian dollar. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the South African Rand ("Rand") and the US dollar. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. The Company purchased its South African Company in Rand and is required to make future payments in Rand. In addition, coal is priced on international markets in United States Dollars and converted to Rand to support operations in South Africa.

Management has set up a policy to require its companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

A 10% increase in the Rand against the Company's functional currency, the Canadian dollar would have increased (decreased) the Company's income by approximately ($25,000). A 10% increase in the United States Dollar would have increased (decreased) the Company's income by $1,130,000.

The Company does not currently use derivative financial instruments such as forward exchange contracts to hedge currency risk exposures.

ii. Interest rate risk

The Company's interest rate risk arises from deposits held with banks and interest-bearing liabilities. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash held at variable rates. A 1% increase in interest rates would create an additional income of approximately $70,000.

iii. Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities including governmental reserves and stability of exchange rates can all cause significant fluctuations in commodities prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. A 10% change in the market price of coal would have resulted in a corresponding change in revenues of approximately $2,700,000.

(b) Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. Cash equivalents consist of guaranteed investment certificates and bankers acceptances, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Amounts receivable primarily consist of goods and services tax due from the Federal Government of Canada and amounts owing from coal sales. Management believes that the credit risks concentration with respect to these amounts receivables are remote.

(c) Liquidity risk

As February 28, 2011, the Company had net working capital of $27,443,234 (2009 – $27,566) which included cash and cash equivalents and restricted cash of $16,988,651 (2009 - $52,177), accounts receivable and other receivables of $12,410,375 (2009 - $600) and inventories of $10,526,681 (2009 – nil), offset by current liabilities of $12,542,774 (2009 - $32,355).

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through credit facilities. The Company aims to maintain flexibility in funding by keeping committed credit lines available in its operating entities Undrawn committed borrowing are available at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

(d) Fair value of financial instruments

The Company has designated its cash equivalents, investments and certain other assets as held-for-trading, measured at fair value. Accounts receivable, other receivables, restricted cash and cash are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, acquisition obligation, loans payable and other financial liabilities are classified as other financial liabilities, which are measured at amortized cost.

The three levels of the fair value hierarchy are as follows:
Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at February 28, 2011, the carrying and fair value amounts of the Company's financial instruments are approximately the same due to the limited term of these instruments. The following table illustrates the classification of the Company's Financial Instruments within the fair-value hierarchy as at February 28, 2011:

	Level 1	Level 2	Level 3
Cash and cash equivalents	$13,208,183	$ -	$-
Other assets – endowment policy	$ -	$ -	$3,478,609

RISKS AND UNCERTAINTIES

Price of Coal

The Company's profits are directly related to the volume and price of coal sold. Price volatility could have a significant impact on the future revenues and profitability of the Company. Coal demand and price are determined by numerous factors beyond the control of the Company including the demand for electricity:

the supply and demand for domestic and foreign coal; interruptions due to transportation delays; air emission standards for coal-fired power plants, furnaces and boilers; regulatory, administrative and judicial decisions; the price and availability of alternative fuels, including the effects of technology developments; the effect of worldwide energy conservation efforts, future limitations on utilities' ability to use coal as an energy source due to the regulation and/or taxation of greenhouse gases; proximity to, capacity of, and cost of transportation facilities; and political and economic conditions and production costs in major coal producing regions. The combined effects of any or all of these factors on coal price or volume are impossible for the Company, to predict. If realized coal prices fall below the full cost of production of any of the Company's operations and remain at such level for any sustained period, the Company will experience losses, which may be significant, and may decide to discontinue affected operations forcing the Company to incur closure or care and maintenance costs, as the case may be.

Additional Capital

The Slater Coal Agreement requires the Company to make deferred payments one and two years following the signing of the Slater Coal Agreement. Although the Slater Coal Properties are producing coal, such revenues may be inadequate to make the deferred payments pursuant to the Slater Coal Agreement In addition, the continued development of the Slater Coal Properties, including the expansion of mining operations, will require additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of development or production on the Slater Coal Properties or even a loss of a property interest. Additional financing may not be available when needed or if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to then existing shareholders. Failure to raise capital when needed would have a material adverse effect on the Company business, financial condition and results of operations.

Exploration and Development

The exploration and development of coal deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of a mineable deposit may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Company will result in profitable commercial mining operations, and significant capital investment is required to achieve commercial production from successful exploration efforts. There is no certainty that exploration expenditures made by the Company will result in discoveries of commercial mineable quantities.

Mineral Reserve and Mineral Resource Estimates

Mineral reserve and mineral resource estimates are imprecise and depend partially on statistical inference drawn from drilling and other data, which may prove to be unreliable. Future production could differ dramatically from mineral reserve estimates.

Production

The Company currently has two operating mines. No assurance can be given that the intended or expected production schedules or the estimated direct operating cash costs will be achieved at the two mines or any future mining operations. The Company's level of production will be dependent on a number of factors including the grade of reserves and recovery. The cash cost of production at any particular mining location is frequently subject to great variation from one year to the next due to a number of factors such as changing grades, labour costs, and the cost of supplies and services, such as electricity and fuel. Many factors may cause delays or cost increases including labour issues, disruptions in power and mechanical failures. These variances can have a negative impact on the profitability of operations.

Depletion of Mineral Reserves

The Company must continually replace mining reserves depleted by production to maintain production levels over the long term. There is no assurance that the Company's exploration programs will result in any new commercial mining operations or yield new reserves to replace or expand current reserves.

Remote Locations

The Company operates in remote locations and will depend on an uninterrupted flow of materials, supplies and services to those locations. Any interruptions to the procurement of equipment or the flow of materials, supplies and services to the Company's properties could have an adverse impact on its future cash flows, earnings, results of operations and financial condition.

Environmental Risks and other Hazards

All phases of the Company's operations will be subject to environmental regulation in South Africa. Environmental legislation in many countries is evolving and the trend has been toward stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and increasing responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations may require significant capital outlays on behalf of the Company and may cause material changes or delays in the Company's intended activities. There can be no assurance that future changes in environmental regulations will not adversely affect the Company's business, and it is possible that future changes in these laws or regulations could have a significant adverse impact on some portion of the Company's business, causing the Company to re-evaluate those activities at that time.

Mining involves various other types of risks and hazards, including: industrial accidents; processing problems; unusual or unexpected rock formations; structural cave-ins or slides; flooding; fires; and periodic interruptions due to inclement or hazardous weather conditions. These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury, delays in mining, increased production costs, monetary losses and possible legal liability.

Political Risks

The operations of the Company are subject to risks normally associated with the conduct of business in South Africa. Risks may include, among others highlighted herein, problems relating to labour disputes, delays or invalidation of governmental orders and permits, corruption, uncertain political and economic environments, civil disturbances and crime, arbitrary changes in laws or policies, foreign taxation and exchange controls, opposition to mining from environmental or other non-governmental organizations or changes in the political attitude towards mining, limitations on foreign ownership, limitations on repatriation of earnings, infrastructure limitations and increased financing costs. There have been recent calls in South Africa for the nationalization and expropriation without compensation of domestic mining assets. Any such development would have a significant adverse effect on the Company. In addition, HIV is prevalent in Southern Africa. Employees of the Company may have or could contract this potentially deadly virus. The prevalence of HIV could cause substantial lost employee man-hours and may make finding skilled labour more difficult. The above risks may limit or disrupt the Company's business activities. Also, the Company's mining operations must remain compliant with South African mining laws and the Black Economic Empowerment ("BEE") participation requirements. However, no assurance can be given that the Company will be able to meet the objectives of South African mining laws going forward, including the 26% historically disadvantaged South Africans ownership objective. There is also no guarantee that the interests of the Company will be wholly aligned with the interests of its (direct or indirect) BEE shareholders.

Mineral Legislation

The business of mineral exploration, development, mining and processing is subject to various national and local laws and plans relating to permitting and maintenance of title, environmental consents, taxation, employee relations, health and safety, royalties, land acquisitions and other matters. There is a risk that the necessary permits, consents, authorizations and agreements to implement planned exploration, development or mining may not be obtained under conditions or within the time frames that make such plans economic, that applicable laws, regulations or the governing authorities will change or that such changes will result in additional material expenditures or time delays.

Hedging and Commodity Prices

The profitability of the Company is directly related to the market price of the commodities it produces. The Company can reduce price risk by using hedging tools for a portion or all of its coal production. The main hedging tools available to protect against price risk are forward contracts and put options. Various strategies are available using these tools. Slater does not currently have any hedging arrangements in place.

Title to Mineral Holdings

Slater Coal requires licenses and permits from various governmental authorities. Slater Coal believes that it holds all necessary licenses and permits under applicable laws and regulation in respect of the Slater Coal Properties and that it is presently complying in all material respects with the terms of such licenses and permits. Such licenses and permits, however, are subject to change in various circumstances. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop or mine its properties. The validity of ownership of property holdings can be uncertain and may be contested. Although the Company has attempted to acquire satisfactory title to its properties, risk exists that some titles, particularly titles to undeveloped properties, may be defective.

Competition

The mining industry is intensely competitive. Significant competition exists for the acquisition of properties producing or capable of producing coal. The Company may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company. The Company may also encounter increasing competition from other mining companies in its efforts to hire experienced mining professionals. Increased competition could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

Dependence on Key Personnel

The Company is dependent on a relatively small number of key personnel. The Company currently does not have key person insurance on these individuals. Due to the Company's relatively small size, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees required for the operation of the Company's activities may have a material adverse effect on the Company's business or future operations

NON-GAAP PERFORMANCE MEASURES

The Company has included in this document certain non-GAAP performance measures that are detailed below. These non-GAAP performance measures do not have any standardized meaning prescribed by GAAP and, therefore, may not be comparable to similar measures presented by other companies. The

Company believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use this information to evaluate the Company's performance. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared with GAAP. The definition for these performance measure and reconciliation of the non-GAAP measure to reported GAAP measures are as follows:

Working Capital

	February 28, 2011 $000's	December 31, 2009 $000's
Current Assets		
Cash and cash equivalents	15,252.65	52.18
Restricted cash	1,736.00	-
Accounts receivable and other receivables	12,410.38	0.60
Inventories	10,526.68	-
Prepaid expenses	60.30	7.14
	39,986.01	59.92
Current Liabilities		
Accounts payable and accrued liabilities	7,031.20	32.36
Other financial liabilities	2,660.47	-
Future income taxes	2,200.00	-
Provisions	389.18	-
Loans payable	261.93	-
	12,542.78	32.36
Working capital (deficiency)		
Current assets less current liabilities	27,443.23	27.57

EDITDA

	Two months ended February 28, 2011 $000's	Fourteen months ended February 28, 2011 $000's
Net income (loss) for the period	1,836	(15,041)
add back		
Amortization and depletion	1,540	3,510
Consolidation amortization and depletion adjustment	1,050	1,050
Operating expense related to inventory Fair Value adjustment	2,494	2,494
Income tax expense	(130)	686
Foreign exchange gain/loss	(3,114)	(631)
Interest and dividend income	375	577
Change in estimates on contingent acquisition liability	-	(2,725)
Accretion	627	2,242
Business combination transaction costs	118	1,340
Mineral properties investigation costs	-	112
Stock based compensation	-	13,522
General and administration (Non Slater)	221	786
Directors' fees (Non Slater)	30	73
Consulting and professional fees (Non Slater)	433	1,813
EBITDA Slater Coal	5,480	9,808

SUMMARY OF SECURITIES AS AT MAY 25, 2010

Common Shares

The Company is authorized to issue an unlimited number of preferred and common shares without par value and as at May 25, 2011 a total of 34,865,717 common shares are issued and outstanding.

Options

As at May 25, 2011 there were 3,307,798 options outstanding as summarized below.

Expiration date	Exercise price	Number of options	Potential proceeds
March 15, 2015	$ 2.80	260,000	$ 728,000
May 31, 2012	$ 2.39	36,432	$ 87,072
February 27, 2012	$ 7.96	17,662	$ 140,590
February 27, 2012	$ 7.96	2,405	$ 19,144
May 31, 2012	$ 13.93	55,276	$ 769,995
January 4, 2013	$ 7.96	11,023	$ 87,743
October 13, 2015	$ 3.25	2,100,000	$ 6,825,000
March 24, 2016	$ 4.10	825,000	$ 3,382,500
		3,307,798	$ 12,040,044

Warrants
As at May 25, 2011, there were 1,243,887 warrants outstanding as summarized below

Expiration date	Exercise price	Number of options	Potential proceeds
		-	
January 23, 2012	$ 2.80	763,887	$ 2,138,884
February 22, 2013	$ 4.55	480,000	$ 2,184,000
		1,243,887	$ 4,322,884

Special Performance Shares
At May 25, 2011 there were 2,700,000 Special Performance Shares outstanding. The Special Performance Shares were deposited in escrow to be released when certain conditions are met.

LIST OF DIRECTORS AND OFFICERS

Stephan Theron	Director, President and Chief Executive Officer
Stan Bharti	Director, Executive Chairman
David Stein	Director
Grant Davey	Director
Ryan Bennett	Director
David Gower	Director
Johan Louw	Vice President, Africa Operation
Deborah Battiston	Chief Financial Officer
Jennifer Wagner	Corporate Secretary

May 25, 2011