Forbes & Manhattan Coal Corp.
Management's Discussion and Analysis
For the three and nine months ended November 30, 2012

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", the "Company" or the "Corporation") for the three and nine months ended November 30, 2012 and should be read in conjunction with the Unaudited Condensed Interim Consolidated Financial Statements for the three and nine months ended November 30, 2012, as well as the Company's Audited Annual Consolidated Financial Statements and related Notes and Management's Discussion and Analysis for the periods ended February 29, 2012 and February 28, 2011. The financial statements and related notes have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain non-IFRS 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.

This MD&A reports our activities through January 11, 2013 unless otherwise indicated. References to Q1, Q2 and Q3 2013 or the 1st, 2nd and 3rd quarter of 2013 mean the three months ended May 31, 2012, August 31, 2012 and November 30, 2012, references to Q1, Q2, Q3 2012 or the 1st, 2nd and 3rd quarter of 2012 mean the three months ended May 31, 2011, August 31, 2011 and November 30, 2011.

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 have 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 Coal is a coal mining and supply company operating in South African. The Company is listed on the Toronto Stock Exchange ("TSX") and the securities exchange operated by the JSE Limited ("JSE"). Forbes Coal began trading under the symbol "FMC" on the TSX on September 27, 2010 and on the JSE on July 28, 2011.

In July 2010, the Company completed an agreement to acquire Forbes Coal (Pty) Ltd. (formerly known as Slater Coal (Pty) Ltd.) ("Forbes Coal Dundee"), a South African company, and its interest in its coal mines in South Africa ("Forbes Coal Dundee Properties"). The Forbes Coal Dundee Properties comprise the operating Magdalena bituminous mine (the "Magdalena Property") and the Aviemore anthracite mine (the "Aviemore Property"). Forbes Coal Dundee is engaged in open-pit and underground coal mining.

Forbes Coal Dundee indirectly holds a 70% interest in the Forbes Coal Dundee Properties through its 70% interest in Zinoju Coal (Pty) Ltd. ("Zinoju") which holds all of the mineral rights and prospecting permits with respect to the Forbes Coal Dundee 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 access by historically disadvantaged South Africans ("HDSA") to the South African economy by increasing HDSA ownership in South African enterprises.

FORBES COAL DUNDEE 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 have an estimated production capacity of 100,000 tonnes of bituminous coal per month. One of the Company's two processing plants is located on the Magdalena Property.

The Aviemore Property is located four 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 had an estimated production capacity of 25,000 tonnes of anthracite coal per month. Post the successful commissioning of the second production section underground at Aviemore, this capacity has increased to 45,500 tonnes per month.

Forbes Coal Dundee's head office is located in the town of Dundee and is known as the Coalfields site. The second processing plant is located at Coalfields, as well as the Company's rail siding.

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 Forbes Coal Dundee Properties.

2011 - Mineable in Situ Coal Resource for the Forbes Coal Dundee Project as at 31 March 2011												
Area	Full Extraction of Seam Width					1.7 Float Qualities						
	Seam	Coal Resource Category	Volume	SG	Tonnes	ASH	FC	GCV	H2O	TS	VOL	YIELD
			Mm³	t/m³	Mt	%	%	MJ/Kg	%	%	%	%
Magdalena Underground	Gus Seam	Measured	8.481	1.50	12.722	14.89	65.79	29.46	1.23	1.62	17.76	77.52
	Alfred Seam	Measured	10.840	1.50	16.260	15.61	66.18	30.20	1.39	1.49	16.80	79.10
	Combined Seam	Measured	14.884	1.50	22.326	14.78	67.61	29.26	1.40	1.56	15.55	82.98
	Total Measured		**34.206**	**1.50**	**51.308**	**15.07**	**66.71**	**29.61**	**1.35**	**1.55**	**16.49**	**80.40**
Area	Full Extraction of Seam Width					1.7 Float Qualities						
	Seam	Coal Resource Category	Volume	SG	Tonnes	ASH	FC	GCV	H2O	TS	VOL	YIELD
			Mm³	t/m³	Mt	%	%	MJ/Kg	%	%	%	%
Magdalena Opencast	Gus Seam	Measured	0.104	1.50	0.156	15.59	59.62	29.24	1.36	1.57	23.46	82.08
	Alfred Seam	Measured	0.137	1.50	0.206	15.16	62.15	29.23	1.48	1.47	21.22	80.92
	Total Measured		**0.241**	**1.50**	**0.362**	**15.35**	**61.06**	**29.23**	**1.43**	**1.51**	**22.18**	**81.42**
Area	Full Extraction of Seam Width					1.7 Float Qualities						
	Seam	Coal Resource Category	Volume	SG	Tonnes	ASH	FC	GCV	H2O	TS	VOL	YIELD
			Mm³	t/m³	Mt	%	%	MJ/Kg	%	%	%	%
Aviemore Mine	Gus Seam	Measured	1.055	1.50	1.583	13.45	77.68	30.12	1.81	2.04	7.20	74.02
	Total Measured		**1.055**	**1.50**	**1.583**	**13.44**	**77.68**	**30.13**	**1.81**	**2.03**	**7.20**	**74.04**
Leeuw Mining & Exploration *	Gus Seam	Indicated	9.719	1.50	14.579	13.55	77.53	29.00	2.21	1.80	6.73	63.51
Zinoju Coal	Gus Seam	Indicated	13.029	1.50	19.544	13.46	75.51	28.93	2.59	1.60	8.28	57.00
	Total Indicated		**22.748**	**1.50**	**34.123**	**13.50**	**76.37**	**28.96**	**2.43**	**1.69**	**7.62**	**59.78**
	Total Measured & Indicated		**23.803**	**1.50**	**35.706**	**13.50**	**76.43**	**29.01**	**2.40**	**1.70**	**7.60**	**60.41**
Leeuw Mining & Exploration *	Gus Seam	Inferred	1.087	1.50	1.631	14.97	74.78	27.29	1.77	1.41	8.50	55.98
Zinoju Coal	Gus Seam	Inferred	8.989	1.50	13.484	14.14	74.72	28.85	2.49	1.71	8.64	59.60
	Total Inferred		**10.076**	**1.50**	**15.115**	**14.23**	**74.73**	**28.68**	**2.41**	**1.68**	**8.63**	**59.21**

Notes:

Resource Statement: The Inferred Coal Resources have a large degree of uncertainty as to their existence and whether they can be mined economically or legally. It cannot be assumed that all or any part of the Inferred Resource will be upgraded to a higher confidence category. The current Coal Resource model is based on available sampling data collected over the history of the Project area. The Coal Resources model and estimation parameters were reviewed by R Barends who is independent of the Project. The independent QP who reviewed the Coal Resource estimates is Mr C Muller, Director of Minxcon (Pty) Ltd., who is a National Instrument 43-101 Qualified Person, with professional registration with SACNASP (SA). The technical aspects of the report were sourced from the 2010 Coal Resource estimation conducted by Minxcon, and these aspects have been reviewed by R Barends in 2011. 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 and Indicated and Measured Resource categories using the following and not limited thereto: data spacing, geological confidence, number of samples used to inform a block, etc. No environmental, permitting, legal, taxation, socio-political, marketing or other issues are expected to materially affect the above Coal Resource estimate and hence have not been used to modify the Coal Resource estimate. Only the Coal resource lying within the identified target areas are reported. These fall within the legal boundaries. All figures are in Metric Tonnenes. SG: 1.5t/m^3. A 0.8 m cut-off and geological loss factor of 15% was used in the declaration of the Magdalena and Aviemore Coal Resources. Effective Date: 31st March 2011.

* Subject to completion of acquisition of Leeuw Mining & Exploration's mining rights by Zinoju.

OVERVIEW & OUTLOOK

The demand for South African seaborne bituminous coal is largely driven by a continued increase in thermal coal imports from India and China. 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 high quality export bituminous coal at the Forbes Coal Dundee operations. The near term outlook for bituminous coal remains healthy on the domestic front, with continued softness in the export front. API4 FOB Richards Bay Spot Coal Thermal prices have remained soft at levels of between $80 and $90 per tonne. It is anticipated that prices will remain at these levels in the short to medium term.

The anthracite coal market is highly correlated with the metal industry as anthracite is used as a reductant. South Africa is one of the world's 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. Forbes Coal Dundee also exports its anthracite products to global steel producers.

In summary, in an uncertain global economic environment, the outlook for Forbes Coal remains 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. Domestic coal supply contracts are typically structured at a fixed coal price over a 12 month period. The Company is also constantly evaluating potential acquisitions in the region and is targeting to further increase its export port capacity. The Acquisition by Forbes Coal of 100% of the shares and shareholder claims of RHPL is in line with the Company's strategy of growth and consolidation in the Kwa-Zulu Natal region, its focus on high quality product and its target to increase export capacity.

FISCAL 2013 STRATEGY AND FUTURE PLANS

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

The Company's strategic goals in fiscal 2013 are to advance and expand production at the Forbes Coal Dundee Properties, as follows:

- Further development at Magdalena
  - Continuing exploration program on the recently granted Hilltop exploration licence
  - Increasing productivity and production capacity at Magdalena by further mechanisation, coupled with operational efficiency initiatives
  - Ramp-up saleable production up to 1,000,000 tonnes for the year
  - Extension of the Magdalena opencast life of mine by a number of months
  - Investigate regional possibilities for the relocation of the opencast at the end of the current extension
  - Introduce a third shift in mining sections
  - Estimated capital expenditure of $7 million

- Increase wash plant recovery rates
  - Improve from current level of 63% to 68%
  - Investigate product upgrade potential

- Further develop Aviemore anthracite operations
  - Achieve saleable production up to 300,000 tonnes for the year
  - Progress exploration program and feasibility study for the expansion of Aviemore to a 1,000,000 ROM tonnes per year producer
  - Estimated capital expenditure of $5 million

- Improve operational efficiencies
  - Further develop management team with international experience
  - Explore opportunities to increase sales and exports
  - Explore new market opportunities for the anthracite product
  - Increase rail and port allocation to further gain exposure to seaborne bituminous and anthracite export markets

As a result of labour disruptions experienced during the quarter, the Company has adjusted its targeted ROM production from 1.7 million tonnes for fiscal 2013 to 1.3 million tonnes for the period.

The Company plans to continue exploration programs at both mines to determine expansion potential:

- At Magdalena: drilling for potential opencast mine expansion has been completed. The Hilltop exploration drilling license has been recently granted.
- At Aviemore: a feasibility study for the expansion of Aviemore, will be undertaken.

The Company is also focused on the acquisition of further high quality bituminous and metallurgical coal projects (both greenfield and producing) in the Southern African region. Part of the acquisition strategy is to seek opportunities to increase rail and port allocation.

Proposed acquisition with Riversdale Mining Limited

On September 24, 2012, the Company and Rio Tinto PLC ("Rio Tinto") announced that they entered into a definitive agreement whereby the Company will acquire 100% ownership of the shares and shareholder claims of Riversdale Mining Limited in Riversdale Holdings (Proprietary) Limited ("RHPL") (the "Acquisition").

Forbes Coal will, as a result, acquire RHPL's 74% interest in the Zululand Anthracite Colliery ("ZAC"), a current producing anthracite mine, and RHPL's 74% interest in the Riversdale Anthracite Colliery ("RAC"), an undeveloped anthracite resource. The balance of 26% of each of ZAC and RAC is owned by BEE Partners. Both properties are located in the Kwa-Zulu Natal province of South Africa and are located approximately 230 kilometres from Forbes Coal Dundee's Properties.

The base consideration payable by the Company for the transaction is estimated to be ZAR 440 million (approximately $49.2 million), via a structured deal with a fixed payment of ZAR 315 million (approximately $35.2 million) payable on closing, and two additional variable payments each estimated to be ZAR 62.5 million (approximately $7.0 million each). The first variable payment will be based on saleable production levels for the twelve months ending June 30, 2013 and the second variable payment is based on saleable production levels for the twelve months ending June 30, 2014. In addition to these payments, Forbes Coal will also pay an annual revenue share of 10% on any incremental revenue above ZAR 850 million (approximately $95.0 million), to be adjusted for inflation, until June 30, 2025.

Pursuant to the terms of the agreement the Company is required to pay ZAR 440 million (approximately $49,192,000) in cash to Rio Tinto as follows:

- ZAR 5,000,000 deposit (approximately $559,000 paid on July 26, 2012);
- ZAR 40,500,000 deposit (approximately $4,527,900 paid on September 25, 2012);
- ZAR 269,500,000 (approximately $30,130,100) on closing;
- ZAR 62,500,000 (approximately $6,987,500) first variable payment;
- ZAR 62,500,000 (approximately $6,987,500) second variable payment;

The closing of this transaction is a subject to various regulatory and other conditions and approvals.

Loan facility

Investec is underwriting the funding for the Acquisition, by the way of the provision of guarantees of ZAR 394.5 million (approximately $44.1 million) to Riversdale Mining Limited, and ultimately by providing debt funding for the same amount, for the payment of the purchase consideration.

The debt has been structured as a loan facility to Forbes Coal Dundee which will then advance the funds to Bowwood, a newly incorporated entity, which is a wholly owned subsidiary of the Company, and will purchase the shares and claims in RHPL.

In terms of the agreement with Investec, various assets have been pledged as security for transaction guarantees. These include the following:

- Forbes Coal Dundee has pledged to Investec all its shares and ceded as a security to Investec all its secured property, in each case individually and collectively with all the other relevant secured property, as continuing general converting collateral security. The secured property means collectively, the bank accounts, insurances, trade receivables, any report provider claims, the relevant documents, the shares, the claims and the related rights and all of the cedent's rights and interests therein and thereto and claims against any person in respect thereof of whatsoever nature and howsoever arising, and , individually, any property forming part thereof. This therefore includes Forbes Coal Dundee's interests in Zinoju.
- Forbes & Manhattan (Coal) Inc. has pledged to Investec all the relevant shares and ceded as a security to Investec all the relevant secured property, in each case individually and collectively with all the relevant secured property, as continuing general covering collateral security. The secured property means collectively, the shares, the claims, the acquisition documents and the related rights and all of the pledgor's rights and interests therein and thereto and claims against any person in respect thereof whatsoever nature and howsoever arising, and individually, any property forming part thereof, where shares are defined as being all of the following shares and securities of which the pledgor is or becomes the legal or beneficial owner for time to time or which may be issued or transferred to it in future:
    - all the shares of any class in their share capital of each relevant subsidiary;
    - all other securities in the capital of each relevant subsidiary; and
    - any securities issued in substitution or exchange for the securities above.

- Zinoju has issued an undertakings letter in terms of which it has agreed to comply with its mining rights and to uphold and timeously comply in full with all its obligations to Forbes Coal Dundee under the mining contract between the parties. It has also undertaken to ensure that it takes all appropriate steps within its control or open to it which are required from time to time for the maintenance, care, preservation and protection of all mining rights held by it.
- The Company has agreed to grant as security for the secured obligations a pledge over its shares in Forbes & Manhattan (Coal) Inc. to Investec.
- A subordination agreement has been entered into in terms of which the various Company's legal entities subordinate any inter-group loans in favour of Investec.
- Bowwood has agreed to be an additional guarantor and to be bound by the terms of this agreement as an additional guarantor.

As at November 30, 2012, various regulatory conditions precedent to the acquisition agreement are still outstanding. Once the conditions are met Rio Tinto will be able to request payment under the transactions guarantees. Accordingly, no liability exists to Investec in respect of the transaction guarantees, other than in respect of the front–end fee. Pursuant to the loan agreement, the Company must pay to the lender a front–end fee equal to 4% of the guarantee facility amount. This fee of ZAR 15,780,000 (approximately $1,764,204) has been accrued in full on the closing date of the guarantee facility agreement.

As at November 30, 2012, the Company incurred the following costs related to the loan facility:

- Investec front-end fee - $1,764,204
- Consulting and legal fees - $123,453

See additional securities in respect of the Investec term loan facility and revolving loan facility as disclosed in the Investec loan section of this MD&A.

EXECUTIVE SUMMARY AND OPERATIONAL OVERVIEW FOR THE QUARTER

During the Q3 2013, the mining industry in South Africa experienced tense labour relation issues. Labour disruptions at the Forbes Coal Dundee Properties lasted 4.5 weeks of the 13 week quarter, which had a significant negative impact on the operations and financial results of the Company.

	Q2 2013	Q3 2013	Change Q2 2013 vs Q3 2013	Change % Q2 2013 vs Q3 2013	Q3 2012	Change Q3 2013 vs Q3 2012	Change % Q3 2013 vs Q3 2012
Financial results (CAD million):							
-Revenue	23.39	10.83	-12.56	-54%	31.15	-20.32	-65%
-Gross profit (loss)	2.35	-2.29	-4.64	-197%	6.79	-9.08	-134%
-Consolidated EBITDA	2.72	-3.39	-6.11	-224%	8.23	-11.62	-141%
-Forbes Coal Dundee stand alone EBITDA	3.34	-1.43	-4.77	-143%	9.04	-10.47	-116%
Production results(t):							
-Total ROM production	414,551	246,002	-168,549	-41%	354,003	-108,001	-31%
-Total saleable production of below:	289,529	176,949	-112,580	-39%	273,883	-96,934	-35%
- including own production	256,583	152,013	-104,570	-41%	233,841	-81,828	-35%
- including bought in coal	32,946	24,936	-8,010	-24%	40,042	-15,106	-38%
-Total sales	286,186	146,559	-139,627	-49%	331,296	-184,737	-56%
-Calculated yield on plant feed (%)	**62.2%**	**63.5%**	1.3%	2%	**67.7%**	-4.2%	-6%

SUMMARIZED FINANCIAL RESULTS OF FORBES COAL DUNDEE

	Three months ended			Nine months ended	
	August 31, 2012	November 30, 2012	November 30, 2011	November 30, 2012	November 30, 2011
Run of Mine (ROM) (t)	414,551	246,002	354,003	1,047,628	987,770
Run of Mine (ROM) coal purchased (t)	-	-	21,660	1,569	21,660
Saleable production (t)	256,583	152,013	246,570	653,201	672,483
Saleable coal purchased, including adjustment (t)	32,946	24,936	27,313	79,755	27,313
Plant feed (t)	412,718	239,450	364,358	1,032,088	995,171
Yield (%) on plant feed	62.2%	63.5%	67.7%	63.3%	67.6%
Inventory tonnes balance open	73,144	80,407	82,425	41,109	189,778
Inventory tonnes balance close	80,407	102,924	38,258	102,924	38,258
Sales (t)	286,186	146,559	331,296	667,742	861,925
Revenue 000,000's (CAD)	23.4	10.8	31.2	55.0	86.0
EBITDA 000,000's (CAD)	3.3	(1.4)	9.0	5.1	24.4
CAD: USD (average)	1.01	0.99	1.02	1.00	0.99
ZAR: CAD (average)	8.21	8.69	7.77	8.25	7.30
Selling price (average) / sold production tonnes (CAD)	81.73	73.91	94.03	82.40	99.78
Selling price (average) / sold production tonnes (USD)	80.85	74.81	92.56	82.45	101.30
Cash cost of sales and operating expenses 000,000's (CAD)	18.3	11.1	20.5	45.6	57.1
Cash cost of sales and operating expenses / sold production tonnes (CAD)	63.95	75.96	61.76	68.31	66.19
Cash cost of sales and operating expenses / sold production tonnes (USD)	63.26	76.89	60.79	68.35	67.20
Capital expenditures 000,000's (CAD)	1.91	1.77	13.49	5.64	17.45
Capital expenditures per t of saleable production (CAD)	7.45	11.65	54.69	8.63	25.95

Numbers in this chart are derived from the Forbes Coal Dundee stand alone financial statements (See non-IFRS measures).

OPERATIONAL HIGHLIGHTS

	Three months ended			Nine months ended	
	August 31, 2012	**November 30, 2012**	**November 30, 2011**	**November 30, 2012**	**November 30, 2011**
Sales from:					
-Aviemore operations (t)	54,384	39,558	64,084	150,007	120,269
-Calcine operations (t)	-	-	7,930	-	28,824
-Magdalena operations (t)	231,802	107,001	227,223	517,735	680,772
-Purchased coal (t)	-		24,009		24,009
-Sales adjustment (t)		-	8,050		8,050
Total sales (t)	**286,186**	**146,559**	**331,296**	**667,742**	**861,925**
Saleable production from:					
-Aviemore operations (t)	79,204	40,270	52,145	197,807	123,065
-Magdalena operations (t)	177,379	111,743	181,696	455,394	536,689
-Purchased, incl adjustment (t)	32,946	24,936	40,042	79,755	40,042
Total saleable production (t)	**289,529**	**176,949**	**273,883**	**732,956**	**699,796**
Run of Mine production from:					
-Aviemore operations (t)	130,601	61,742	78,102	317,002	193,003
-Magdalena operations (t)	283,950	184,260	275,901	730,626	794,767
Total ROM production (t)	**414,551**	**246,002**	**354,003**	**1,047,628**	**987,770**

Labour disruptions

During the quarter under review, the mining industry in South Africa experienced tense labor relation issues. Labour disruptions at the Forbes Coal Dundee Properties lasted 4.5 weeks of the 13 week quarter, from October 17, 2012 to November 16, 2012, representing one third of the working weeks in the quarter. This had a significant negative impact on the operations and financial results of the Company.

The strike action related to wage demands made by employees and their unions. Extensive negotiations were held over the period between Forbes Coal management and the unions representing employees, and an average unionized wage increase of 14.8% was ultimately agreed between the parties.

Regrettably, a tragic incident related to the labour disruption took place at the Forbes Coal mines during the strike period, where there were two fatalities of Forbes Coal employees. The Company extends its sincere condolences to the families of the deceased employees.

ROM Production

- Total ROM production from all operations for Q3 2013 was 246,002 tonnes, a 41% decrease compared to 414,551 tonnes produced in Q2 2013. The decrease in ROM production was primarily due to the labour disruptions as set out above.
- Total ROM production for Q3 2013 was below targeted ROM production of 555,500 tonnes primarily as a result of the labour disruptions, as well as difficult geology, interruptions in the power supply and high target tonnages for a stone section in Magdalena.
- ROM production from Magdalena operations, underground and open pit combined, for Q3 2013 was 184,260 tonnes, a 35% decrease compared to 283,950 tonnes produced in Q2 2013. The production for the quarter comprised 141,011 tonnes from the underground operations and 43,249 tonnes from the open pit.
- ROM production from Aviemore operations for Q3 2013 was 61,742 tonnes, a 53% decrease compared to 130,601 tonnes produced in Q2 2013.

Saleable Production

- Saleable coal production for Q3 2013 was 152,013 tonnes, a 41% decrease compared to 256,583 saleable tonnes in Q2 2013, as a result of the lower ROM production.
- Saleable coal bought in for Q3 2013 was 24,936 tonnes, compared to 32,946 tonnes in Q2 2013, resulting in total saleable tonnes of 176,949 in Q3 2013, a 39% decrease compared to 289,529 total saleable tonnes in Q2 2013. The Company used bought in coal to blend with lower volatile coal to increase the volatiles for certain customers.
- The total calculated yield from plant feed was 63.5% for Q3 2013, compared to 62.2% for Q2 2013. While yield did increase thinner coal seams and additional roof cutting in Magdalena sections 1 and 5 continued to result in increased contamination of coal from these sections during Q3 2013.

Sales

- Total sales of bituminous coal and anthracite products for Q3 2013 were 146,559 tonnes, a 49% decrease compared to 286,186 tonnes sold in Q2 2013. The decrease is as a result of the lower saleable tonnes available, as well as the impact of the labour disruptions on the Company's ability to load both trucks and trains from the Forbes Coal Dundee Properties.
- Export sales for Q3 2013 were 73,188 tonnes, a 59% decrease compared to 180,479 tonnes sold in Q2 2013.
- Domestic sales in Q3 2013 were 73,371 tonnes, a 31% decrease compared to 105,707 tonnes sold in Q2 2013.

Logistics

Coal is normally transported by rail and truck to domestic customers, while export coal is transported to the Richards Bay Coal Terminal (RBCT) and the Grindrod Navitrade terminal (Navitrade) by rail. A comprehensive review of the coal handling and processing plants at Magdalena and Coalfields was undertaken with a view to improving efficiency and capacity. The siding at Coalfields was included in this review.

Forbes Coal successfully negotiated an agreement with Navitrade for incremental capacity of up to 960,000 tonnes per annum over a three year period. Grindrod Terminals shall provide export capacity in the terminal for the shipment of coal products as follows:

- 2012 – 720 000 metric tonnes (m/t) per annum
- 2013 – 960 000 metric tonnes (m/t) per annum

Forbes Coal transported 54,305 tonnes of saleable product to Navitrade in Q3 2013, a decrease of 62% compared to Q2 2013 and shipped 86,896 tonnes during Q3 2013, a decrease of 38% compared to Q2 2013. Coal inventory at Navitrade at the end of Q3 2013 was 52,216 tonnes, a decrease of 38% compared to Q2 2013. The Company was charged approximately $0.18 million related to the take or pay penalty on the contract in the nine months ended November 30, 2012.

Social Development, Health and Safety

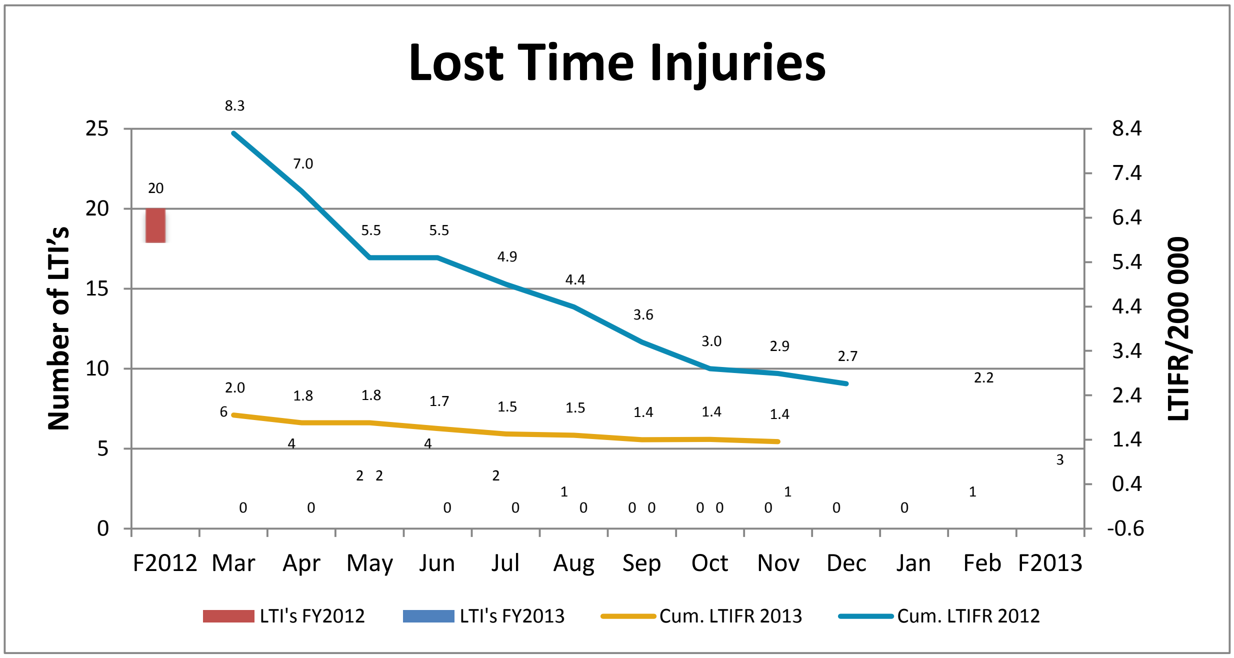
A key component of the Company's strategy involves Social Development, Health and Safety.

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, math literacy and the tertiary education bursary system are enjoying success. The first successful bursary student, a mine surveyor, has been engaged full time at the operations.

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. This review has resulted in the following focus areas:

- Identifying and eliminating at risk behaviour;
- Implementing an integrated Safety, Health and Environment ("SHE") management system;
- Demonstrating visible leadership in the workplace;
- Managing contract workers more effectively; and
- Transforming the safety culture.

In addition, the operations baseline risk assessment has been reviewed along with the code of practice for roof support. The effect on the operations HSE performance has been significantly improved as reflected in the chart below. Note that the Lost Time Injury Frequency Rate ("LTIFR") is measured as the number of incidents per 200,000 man hours worked:



RESULTS OF OPERATIONS

Total Comprehensive Income

The net loss before income taxes for the three and nine months ended November 30, 2012, was $6.13 million and $7.68 million respectively, compared to net income of $3.13 million and $3.77 million for the three and nine months ended November 30, 2011. Comprehensive loss for the three and nine months ended November 30, 2012, was $8.28 million and $18.77 million respectively, compared to $5.73 million and $8.34 million for the comparable periods ended November 30, 2011.

Revenue

Coal sales revenues during the three and nine months ended November 30, 2012 were $10.83 million and $55.02 million compared to $31.15 million and $86.00 million for the three and nine months ended November 30, 2011. Such decline in revenue is attributed to a decline in the coal price index over Q1 and Q2 2013 and labour disruptions.

During the nine months ended November 30, 2012, the Company's saleable production was 732,956 tonnes and sales were 667,742 tonnes compared to saleable production of 699,796 tonnes and sales of 861,925 tonnes for the nine months ended November 30, 2011.

The average selling price per coal tonne decreased in the nine months ended November 30, 2012 when compared to the nine months ended November 30, 2011 due to softening export coal sale pricing ($82.40 per tonne versus $99.78 per tonne).This also affected domestic coal sale pricing.

Cost of Sales and Operating Expenses

Operating expenses for the three and nine months ended November 30, 2012, were $11.13 million and $45.62 million ($75.96 and $68.31 per tonne) compared to $20.46 million and $57.05 million ($61.76 and $66.19 per tonne) for the three and nine months ended November 30, 2011. This amount includes transportation, rail and port handling costs. Amortization and depletion for the three and nine months ended November 30, 2012 amounted to $1.99 million and $7.54 million ($13.59 and $11.29 per tonne) and $3.91 million and $12.36 million ($11.79 and $14.33 per tonne) for the three and nine months ended November 30, 2011. Such decrease in per tonne depreciation for the nine months is directly attributable to production from newly added opencast coal portions. Included in $7.54 million amortization and depletion expense for the nine months ended November 30, 2012 are charges related to the property plant and equipment of $7.35 million, charges related to the intangible assets of $0.10 million and charges related to the coal and work in progress inventory movement of $0.09 million. Also $7.54 million of amortization and depletion expense includes $3.61 million related to the amortization and depletion of fair values adjustments made on the Forbes Coal Dundee acquisition.

The Magdalena underground and other production costs were higher on a per tonne basis in Q3 2013 when compared to Q3 2012 ($75.96 per tonne vs $61.76 per tonne). The major contributing factor was the labour disruption as previously discussed. The fixed cost allocation per tonne is higher as a result of the reduced production. Other contributing factors to the cost increase have been the redesign of roof support systems in order to eliminate fall of ground accidents and injuries. This has resulted in approximately 33% more roof support being installed. Additionally, and in order to create sufficient pit room for the increased number of sections a higher number of dykes have been negotiated.

During Q3 2013 beyond the labour disruptions, the major production challenges at Madgalena underground mine remain to be difficult geology, overloading of the underground conveyor system and interruptions in the power supply.

The Company is also seeing increased costs compared to prior years and periods as a result of new initiatives including increased supervisory oversight at the mine sites, implementation of health and safety initiatives and other enhanced mining and administrative standards.

In particularly and as a part of the health and safety initiatives and investigations undertaken over the last year, the Company focused on improving safety performance at Magdalena underground mine. It was established that the roof support system with the first 5cm layer of friable roof material could not be supported adequately to prevent fall of ground incidents occurring. As a result, this material is now cut down with the continuous miner and contributes to dilution of the ROM coal which has negatively affected washing plant yields.

Rail performance is steadily improving and off-take and throughput commitments are expected to be met.

Expenses

The Company recorded expenses of $3.17 million and $7.89 million during the three and nine months ended November 30, 2012 compared to $2.85 million and $10.14 during the three and nine months ended November 30, 2011. During the three and nine months ended November 30, 2012 the Company recorded $0.01 million and $0.04 million in stock based compensation related to vesting of previously granted options. Comparatively, the Company recorded $0.06 million and $1.78 million in stock based compensation during the three and nine months ended November 30, 2011 related to the estimated fair value of respectively nil and 962,500 options issued.

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 options to purchase shares of the Company to directors, officers, employees and consultants. 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 five 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 2011, the Company granted 825,000 stock options to directors, officers and consultants of the Company at an exercise price of $4.10 expiring five years from the date of grant. The value of these options was estimated using the Black-Scholes option pricing model under the following assumptions: expected dividend – 0%; risk-free interest rate of 2.15%; expected volatility – 63%; and time to expiry – 5 years from the date of grant. Management considered the estimated forfeiture rate and concluded that its effect would not have a material impact on the valuation of the stock options.
In June 2011, the Company granted 137,500 stock options to officers and consultants of the Company at an exercise price of $2.77-$3.00 expiring five years from the date of grant. 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 2.23-2.24%; expected volatility – 61%; and time to expiry – 5 years from the date of grant. No forfeiture rate consideration was applied.

No options have been granted during the nine months ended November 30, 2012.

Included in expenses are $1.91 million and $3.38 million respectively for the three and nine months ended November 30, 2012 for consulting and professional fees compared to $0.82 million and $3.85 million in consulting and professional fees for the three and nine months ended November 30, 2011. The primary reasons for the significant increase quarter over quarter results from bonuses paid during the Q3 2013 totaling $0.45 million, fees related to proxy solicitation in the amount of $0.58 million, as well as the inclusion of new staff hired in the Forbes Coal's South African office. The bonuses were paid in order to recognize certain milestones met during the year including the proposed acquisition of Riversdale Mining Limited, certain production, health and safety, integration and sales targets.

General and administrative expenses of $1.25 million and $4.46 million for the three and nine months ended November 30, 2012 were lower for three months and slightly higher for nine months when compared to general and administrative expenses of $1.78 million and $4.34 million for the three and nine months ended November 30, 2011. Of the $4.46 million and $4.34 million, $3.98 million and $3.46 million originate from the South African offices and $0.48 and $0.88 million are related to the head office in Toronto. General and administrative expenses from the South African offices increased as a result of new initiatives including, implementation of health and safety initiatives, facilitation of improved staff training and other enhanced mining and administrative standards. These initiatives impacted administration staff costs. Increased legal fees were also incurred in terms of the labour disruptions during the third quarter of the period under review.

Other items

During the three and nine months ended November 30, 2012 the Company recorded an expense from other items totaling $0.67 million and $1.66 million compared to $0.81 million and $2.46 respectively for the three and nine months ended November 30, 2011.

The Company recorded other income of $0.21 million and $0.70 million during the three and nine months ended November 30, 2012 compared to $0.33 million and $0.36 million during the three and nine months ended November 30, 2012. Other income and expense, results primarily from small scrap sales, discounts received, commissions paid and certain fair value adjustments.

The Company recorded business combination transaction costs for the proposed acquisition of Riversdale Mining Limited of $0.27 million and $0.27 during the three and nine months ended November 30, 2012. Business combination transaction costs reflect expenses and costs incurred by the Company in order to facilitate this transaction such as: management time costs, legal costs, travelling and accommodation expenses.

The Company also recorded $nil related to accretion with respect to the acquisition obligation for the three and nine months ended November 30, 2012 compared to $0.47 million and $1.54 million for the three and nine months ended November 30, 2011. The Company made its final payment on the Forbes Coal Dundee acquisition on February 29, 2012 and does not anticipate any accretion and change of estimate related expenses or recoveries to be recognized in the current financial year and going forward for this transaction.

The Company recorded a net interest expense of $0.59 million and $1.58 million during the three and nine months ended November 30, 2012 compared to a net interest expense of $0.31 million and $0.83 million for the three and nine months ended November 30, 2011. The Company incurred interest expense primarily on borrowings which totaled $0.58 million and $1.72 million for the three and nine months ended November 30, 2012 relating to the Investec loan facility and certain instalment sale agreements on certain equipment, compared to $0.48 million and $1.15 million for the three and nine months ended November 30, 2011 respectively. The expense was generated from a small line of credit with First National Bank as well a from certain installment sale agreements on certain equipment. The Company also generates interest income on cash balances held in financial institutions. The Company invested its excess cash in liquid low risk investments during the three and nine months ended November 30, 2012 and generated $0.08 million and $0.23 million respectively, compared to $0.15 million and $0.31 million generated during the three and nine months ended November 30, 2011.

The Company also recorded nominal foreign exchange loss during the three and nine months ended November 30, 2012 compared to a gain of $1.20 million and $1.13 million for the three and nine months ended November 30, 2011. As previously discussed, the Company had a liability of ZAR 140 million related to the Forbes Coal Dundee acquisition obligation, which was settled on February 29, 2012 this generated the majority of foreign exchange gains and losses in the year ended February 29, 2012. The foreign exchange gain recorded in Q1, Q2 and Q3 2013 is generated primarily through settlement and revaluation of accounts payable held in the head office in US dollars and South African rand.

The Company recorded income and other tax recovery of $1.16 million and $0.89 million during the three and nine months ended November 30, 2012. This amount includes $0.37 million and $0.87 million that was credited to income tax expense and is related to the income tax effect of the amortization and depletion of the fair value adjustments made with respect to the purchase price allocation on the Forbes Coal Dundee acquisition. Income tax is payable at a rate of 28% on taxable income earned in South Africa. Also a dividend tax expense of $0.38 million payable in South Africa was recorded due to an intercompany dividend of $7.60 million being declared and paid from Forbes Coal Dundee to head office.

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 and its functional currency is the South African rand. 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 three and nine months ended November 30, 2012 a loss of $3.30 million and $11.98 million has been recorded compared to a loss of $9.25 million and $9.44 million for the three and nine months ended November 30, 2011. There was significant movement in the value of South African rand in relation to Canadian dollar from 7.57 on February 29, 2012 to 8.95 on November 30, 2012.

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital deficiency of $2.63 million as at November 30, 2012, compared to positive working capital of $13.72 million at February 29, 2012 (see Non-IFRS Measures). Working capital decreased by $16.35 million as a result of a decrease in cash and amounts receivable in combination with an increase in accounts payable and current portion of other financial liabilities. The current portion of the Investec loan facility has increased as per the repayment schedule, along with an increase in the current portion of the Company's instalment sale agreements liability. Also a front-end fee in the amount of $1.76 million for the loan facility on the proposed acquisition is recorded in accounts payable. The Company also made investments in property, plant and equipment totaling $1.77 million and $5.64 million during the three and nine months ended November 30, 2012.

Investec loan facility

The Company, through its subsidiary Forbes Coal Dundee, has secured a ZAR 230 million (approximately $26 million) loan facility from Investec Bank Limited ("Investec"). The loan facility consists of a five year senior secured amortizing term loan facility of up to ZAR 200 million (approximately $22 million) and a revolving loan facility of up to ZAR 30 million (approximately $4 million). Both facilities are flexible in terms of drawdowns and repayments. The facilities are secured against the assets of Forbes Coal Dundee and bear interest at the 3 month JIBAR rate, plus 3%, compounded quarterly. The interest rate will increase by 1% if the earnings before interest, taxes, depreciation and amortization of Forbes Coal Dundee falls below ZAR 100 million annually (approximately $11 million).

Investec loan facility is issued under the following terms:

Facilities

- First ranking security over the assets of the Borrower, including but not limited to mortgage bonds over the Borrower's immovable property and special and general notarial bonds over the Borrower's movable property; (Forbes Coal Dundee assets only).
- Subordination of all claims by the Affiliates of the Borrower and the shareholder against the Borrower;
- Negative pledge over assets of the Borrower.

Cession in Security

- Secured property consists of bank account, insurances, trade receivables and related rights to the preceding.

Mortgage bond

- Secured bond over the property (land and buildings) within Forbes Coal Dundee. (Coal Fields)

General bond

- Secured bond over the property (movable) within Forbes Coal Dundee, including:
  a. all the plant, equipment, machinery, office furniture, fixtures and fittings, inventory and motor vehicles;
  b. every claim and indebtedness of whatever kind or nature;
  c. all the rights to quotas, permits, licenses and the like;
  d. all the contractual rights, including without limitation, rights in respect of insurance policies taken out by or in favor of the Mortgagor, franchise rights and rights under agency agreements or other agreements of a like nature and rights as lessee or lessor;
  e. all the goodwill of the business of the Mortgagor and all its rights to trademarks and trade names,

Special bond

- Secured bond over the property (movable) within Forbes Coal Dundee, that is currently used as security over the finance lease agreements.

The Company made the following drawdowns on the facility: in January 2012, the Company made a drawdown for ZAR 11,140,000 (approximately $1,250,000), in February 2012 for ZAR 142,000,000 (approximately $15,800,000) and in June 2012 for ZAR 46,860,000 (approximately $5,240,000). As at November 30, 2012, the Company had available for drawdown on the facility an amount of ZAR 30,000,000 (approximately $3,354,000).

Under terms of the loan the Company is paying a commitment fee for the available drawdown facility in the amount of ZAR 300,000 (approximately $36,000) on a quarterly basis which commenced in March 2012.

This loan is a subject to a Net Debt/EBIDA, EBITDA/Net Interest and Debt/Equity covenants. As at November 30, 2012, the Company was not in compliance with its Net Debt/EBIDA and EBITDA/Net Interest covenants. The bank has waived this breach.

As at November 30, 2012, an amount of $20,139,920 (ZAR 180,142,394) has been recorded as owed under this facility and repayable as follows:

Year		Amount
2013	$	4,845,426
2014		4,702,916
2015		4,737,554
2016		4,677,182
2017		1,176,842
	$	**20,139,920**

CASH FLOWS AND INVESTING ACTIVITIES

Cash and cash equivalents decreased from $9.48 million as at February 29, 2012, to $3.73 million as at November 30, 2012, representing a decrease of $5.75 million.

Operating activities during the three and nine months ended November 30, 2012 used $1.80 million and provided $2.09 million compared to $5.17 million and $20.00 million being provided during the three and nine months ended November 30, 2011. The net loss for the three and nine months ended November 30, 2012 was $4.97 million and $6.79 million compared to a net income of $3.52 million and $1.10 million for the three and nine months ended November 30, 2011 as discussed under the Results of Operations section of this MD&A. Non-cash items included in the net income and loss for the three and nine months ended November 30, 2012 were: amortization and depletion of $1.99 million and $7.54 million; gains on fair value adjustments on financial assets of $0.14 million and $0.47 million; deferred income taxes of $1.01 million and $1.77 million; accretion of $0.09 million and $0.13 million; foreign exchange gain of $0.07 million and $0.07 million and stock based compensation of $0.01 million and $0.04 million respectively, of which the material items were discussed under the Results of Operations section of this MD&A. The Company generated $2.28 million and $2.97 million during the three and nine months ended November 30, 2012 and $0.74 million and $6.53 million during the three and nine months ended November 30, 2011 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.

Investing activities used $7.73 million and $9.82 million during the three and nine months ended November 30, 2012 compared to $14.37 million and $19.33 million used in investing activities during the three and nine months ended November 30, 2011. The Company used $5.52 million as a deposit towards the proposed acquisition of Riversdale Mining Limited during the three months ended November 30, 2012 (see Proposed acquisition section). During the three and nine months ended November 30, 2012 the Company used $1.77 million and $5.64 million in property, plant and equipment related to the Magdalena and Aviemore operations related to sustaining capital. Also during the three and nine months ended November 30, 2012, $1.25 million was used and $0.30 million was provided by restricted cash due to release and subsequent re-allocation back to restricted cash of certain bank deposits held on Letter of Credit terms with certain South African service providers and release of lawyers trust accounts.

The Company also recovered $1.44 million from its endowment policies which are used to fund equipment instalment sale agreements in a tax effective manner. Uses during the prior periods related primarily to the additions to property, plant and equipment in the amount of $13.49 million and $17.45 million for the three and nine months ended November 30, 2011 as the Company engaged in mine development and its Siyathuthuka expansion project.

Financing activities used $1.72 million and generated $2.51 million during three and nine months ended November 30, 2012 and provided $0.58 million and used $0.24 million during the three and nine months ended November 30, 2011. During the three months ended November 30, 2012 the Company repaid its borrowings by $1.48 million primarily due to repayments made to its Investec loan facility. During the nine months ended November 30, 2011, the Company received proceeds from exercise of over-allotment option to purchase 1,200,000 common stock shares at $4.55 per share for net proceeds of $4.77 million and repaid its borrowings related to instalment sales agreements by $5.36 million.

The positive effect of $0.35 million and a negative effect of $0.54 million are recorded on the consolidated statement of cash flows and are related to the effect of foreign exchange on cash and cash equivalents for the three and nine months ended November 30, 2012 compared to negative $0.26 million and $0.35 million for the three and nine months ended November 30, 2011.

QUARTERLY INFORMATION

	Q3-2013	Q2-2013	Q1-2013	Q4-2012	Q3-2012	Q2-2012	Q1-2012	Q5-2011	Q4-2011
Revenue from mining operations (CAD 000's)	10,832	23,390	20,800	18,495	31,152	35,243	19,608	12,019	9,031
Mine operating expense (CAD 000's)	11,134	18,301	16,181	14,009	20,459	24,098	12,495	8,936	7,599
Amortization and depletion (CAD 000's)	1,993	2,739	2,807	3,427	3,907	5,521	2,928	1,540	179
Net income (loss) (CAD 000's)	(4,972)	(225)	(1,590)	1,193	3,523	(1,421)	(1,005)	1,836	(5,166)
Net income (loss) per share, basic and diluted $	(0.14)	(0.01)	(0.05)	0.03	0.10	(0.04)	(0.03)	0.07	(0.20)
Cash provided by (used in) operations (CAD 000's)	(1,800)	2,569	1,323	(1,830)	6,662	10,530	4,574	320	(2,378)
Tonnes of coal produced, ROM	246,002	414,551	387,075	303,029	354,003	322,765	311,002	190,278	228,157
Tonnes of coal sold	146,559	286,186	234,997	219,889	331,296	339,802	190,827	129,774	102,834
Average realized coal price per tonne (CAD)	74	82	89	84	94	104	103	93	88
Average realized coal price per tonne (USD)	75	81	89	83	93	107	106	93	87
Total Assets (CAD 000's)	118,374	128,902	128,180	140,551	140,922	155,894	154,954	149,405	142,655
Long term financial liabilities (CAD 000's)	15,518	22,492	18,389	20,031	8,333	9,966	10,187	11,728	8,307

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the period, the Company entered into the following transactions in the ordinary course of business with related parties:

	Sales of goods and services for the nine months ended		Purchases of goods and services for the nine months ended	
	November 30, 2012	November 30, 2011	November 30, 2012	November 30, 2011
2227929 Ontario Inc.	$ -	$ -	$ 540,469	$ 438,881
Forbes & Manhattan Inc	$ -	$ -	$ 305,100	$ 203,400
Stan Bharti	$ -	$ -	$ -	$ 101,700
Forbes Coal Dundee related parties	$ -	$ 1,944,935	$ -	$ 6,165,176

The Company shares office space with other companies who may have officers or directors in common with the Company. The costs associated with this space, certain consulting, professional and general and administration services are administered by 2227929 Ontario Inc.

Mr. Stan Bharti, a director of the Company, is the Executive Chairman of Forbes & Manhattan, Inc. An administration fee of $15,000 per month was previously charged by Forbes & Manhattan, Inc. pursuant to a consulting agreement. Effective September 1, 2011, the contract with Forbes & Manhattan, Inc. was increased to $30,000 per month.

The following balances were outstanding at the end of the reporting period:

	Amounts owed by related parties as at		Amounts owed to related parties as at	
	November 30, 2012	November 30, 2011	November 30, 2012	November 30, 2011
2227929 Ontario Inc.	$ 45,943	$ 97,376	$ -	$ -
Forbes Coal Dundee related parties	$ -	$ 1,125,703	$ -	$ 38,184

These amounts are unsecured, non-interest bearing with no fixed terms of repayment. 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.

Compensation of key management personnel

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.
The remuneration of directors and other members of key management personnel (officers) during the period were as follows:

	Nine months ended	
	November 30, 2012	November 30, 2011
Short-term benefits	$ 1,076,063	$ 1,517,103
Share-based payments	-	1,674,000
	$ 1,076,063	**$ 3,191,103**

OTHER

New Board of Directors

On October 16, 2012, the Company announced that it has implemented an amicable reconstitution of its board of directors following discussions between the Company and Resource Capital Fund V L.P. ("RCF"), one of Forbes Coal's major shareholders.

As a result of these discussions, Forbes Coal's board has been reconstituted, to include as follows: Mr. Stephan Theron, Mr. Stan Bharti, Mr. Bernard Wilson, Mr. Ryan Bennett, Mr. Mike Price, Mr. John Dreyer and Mr. Craig Wiggill.

As part of the board reconstitution, Mr. David Stein, Mr. David Gower and Mr. Grant Davey have resigned their board positions.

Mr. Stephan Theron (CEO, Executive Director) has over thirteen years of extensive financial management, project finance and equity analysis experience in the mining, energy and infrastructure sectors. Prior to joining Forbes Coal in November 2009, Mr. Theron was Sector Head, Materials and Energy at an independent investment research firm with a focus on emerging markets from September 2007 to October 2009. He also worked on various capital projects in Southern Africa for AMEC PLC from January 2002 to March 2004 and AMEC PLC from June 2004 to September 2007 in North America and Europe. Mr. Theron is a Certified General Accountant and has a Bachelor of Commerce degree from the University of Johannesburg.

Mr. Stan Bharti (Non-Executive Director) has over 25 years of experience in operations, public markets and finance. Over the last ten years Mr. Bharti has been involved in acquiring, restructuring and financing various mineral companies. He is a Professional Mining Engineer and holds a Masters Degree in Engineering from Moscow, Russia and University of London, England. From 2002 to April 2006, Mr. Bharti was a director and past president of Desert Sun Mining Corp. (which was acquired by Yamana Gold Inc. in 2006). Mr. Bharti is currently the President of Forbes & Manhattan, Inc. In addition, Mr. Bharti is a director of several public and private companies.

Mr. Ryan Bennett (Non-Executive Director) 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, he 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 the Colorado School of Mines and a Bachelors of Science degree in Geological Engineering and Mathematics from the University of Wisconsin - Madison.

Mr. John Dreyer (Non-Executive Director) is a qualified South African lawyer, previously MD of Shell South Africa, CEO of Tavistock Coal and executive director of Anglo American Platinum. He served as chairman of ASX listed Firestone Energy until 2011. Mr. Dreyer currently serves on the board of ASX listed Cobar Consolidated Resources where he also serves on the audit committee.
Mr. Craig Wiggill (Non-Executive Director) has held management, executive and directorship positions on several international mining and marketing companies in the coal sector and, as CEO of Coal Americas at Anglo American plc. was responsible for all of that company's coal activities in North and South America. He was previously Managing Director of Anglo Coal Marketing Ltd from 2000 to 2004 and is an engineer by profession (B.Sc. Engineering, University of the Witwatersrand, 1984).

Mr. Bernard Wilson (Non-Executive Director) is a senior financial professional with a wide array of working relationships with business executives in Canada, the United States and internationally. Mr. Wilson serves as an advisor in corporate finance and investment banking and has extensive experience in major financial restructurings and international trade and commerce issues. Some of Mr. Wilson's more notable leadership roles include serving as the Chairman of the Canadian Chamber of Commerce, the largest Canadian business organization with 175,000 members, Chairman of the Canadian Council for International Business, Chairman of the International Chamber of Commerce, as a member of the Canada/US Trade Committee and Chairman Founders Board of the Institute of Corporate Directors.

Mr. Mike Price (Non-Executive Director) has more than 35 years experience in mining and mining finance. He has BSc and Phd qualifications in mining engineering from University College Cardiff, UK, a Mine Managers Certificate of Competency (Coal Mines) South Africa and he is a European Engineer (FEANI) and Chartered Mining Engineer (CEng). After working for BP Coal, BP Minerals and BP Exploration in various mine management and business development roles Mr. Price moved into mining finance with NM Rothschild & Sons, Societe Generale and Barclays Capital where he structured, arranged and advised on the financing of mining projects worldwide. Mr. Price is now a Non-Executive Director of several mining companies and he is an independent adviser on mining finance as well as the London Representative of Resource Capital Funds.

On November 1, 2012 the Company announced that it appointed Craig Wiggill as chairman of its board of directors.

Normal course issuer bid ("NCIB")

On April 25, 2012, the Company instituted a Normal Course Issuer Bid ("NCIB"), in respect of its common shares. Pursuant to the terms of the NCIB, and in accordance with the policies of the TSX, during the period commencing April 30, 2012 and ending on April 29, 2013, the Company may purchase up to 5% of the issued and outstanding shares of the Company. Based on the 34,865,717 shares issued and outstanding as at April 24, 2012 the maximum number of shares may be purchased during the course of the NCIB are 1,743,285. All common shares purchased under the NCIB are to be cancelled.

During the three months ended November 30, 2012, the Company purchased and cancelled 90,356 common shares at an average price of $0.7489 per share under the NCIB approved by the TSX. Also the Company purchased and settled 265,898 common shares at an average price of $0.5551 per share and purchase and not settled 55,428 common shares at an average price of $0.6100 under the NCIB approved by the TSX. As at November 30, 2012, 321,326 common shares were held in treasury and 265,898 purchased and settled shares were subsequently cancelled (see Subsequent events section).

COMMITMENTS AND CONTINGENCIES

Management contracts

The Corporation is party to certain management contracts. These contracts require that additional payments of approximately $2,000,000 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 the condensed interim consolidated financial statements. Minimum commitments remaining under these contracts were approximately $420,000 all due within one year.

Instalment sale agreements obligations

The Company is committed to minimum amounts under instalment sale agreements for plant and equipment. Minimum commitments remaining under these leases were $2,558,688 over the following years:

Year		Amount
2013	$	2,335,191
2014		223,497
	$	**2,558,688**

Environmental contingency

The Company's mining and exploration activities are subject to various federal, provincial and international laws and regulations governing 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 condensed interim consolidated financial statements.

Existing Investec loan facility

Please refer to Investec loan section of this MD&A for details.

Sale, transfer and cession of a notarial mining right to Zinoju

Zinoju has entered into an agreement for the purchase of a prospecting right, for a total consideration of ZAR 14 million (approximately $1.6 million). A payment of ZAR 2 million (approximately $0.2 million) of the purchase consideration has been paid to the seller and has been capitalized. The seller holds an undivided 100% interest in the prospecting right and is in the process of applying for the effective conversion of the prospecting right into a mining right, by virtue of an application for a mining right.

In order for the sale agreement to be effective, two conditions need to be met, which are still outstanding as at November 30, 2012:

1. The granting of the mining right; and
2. Zinoju obtaining the written consent of the Minister as required by the Mineral and Petroleum Titles Registration Office contemplated in s2 of the Mining Titles Registration Act, 1967 (the "Assignment Approval")

Should the conditions not be met and no extension is applied, then the sale and assignment of the mining right as provided in the agreement shall cease forthwith to be any force or effect. Notwithstanding the above, if application for the mining right is approved but the sale agreement ceases to be of any force or effect in consequence of the assignment approval not being granted, the seller will appoint Zinoju as their contractor to undertake the mining operations in respect of the coal on the prospecting area in pursuance of the mining right, which extracted coal shall be sold exclusively, and on consignment, to Zinoju. The Company is currently in the process of achieving these conditions.

Should the sales agreement lapse in consequence of the non-fulfilment of the conditions above, the money deposited by Zinoju will be reimbursed to Zinoju. Where the contractorship and supply agreement comes into effect, the deposit will not be refundable to Zinoju but will be taken into account in determining the net amount payable per ton of coal extracted and sold pursuant to the contractorship and supply agreement.

SUBSEQUENT EVENTS

Subsequent to November 30, 2012, 265,898 common shares previously purchased and settled under the NCIB at an average price of $0.5551 per share were cancelled. Also subsequent to November 30, 2012 the Company purchased, settled and cancelled under the NCIB an additional 123,428 common shares.

Subsequent to November 30, 2012, 7,381 common stock share options expired.

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 November 30, 2012 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 accounting principles generally accepted in Canada.

There have been no significant changes to the Company's disclosure controls and procedures and internal controls over financial reporting that occurred during the period ended November 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's disclosure controls and procedures and internal control over financial reporting.

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 Committees of the Company have reviewed this MD&A, and the condensed interim consolidated financial statements for the three and nine months ended November 30, 2012, and the Company's board of directors approved these documents prior to their release.

SIGNIFICANT ACCOUNTING JUSDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Assets' carrying values and impairment charges
  In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- Capitalization of exploration and evaluation costs
  Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits.

- Mineral reserve estimates
  The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

- Impairment of mineral interests
  While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

- Estimation of decommissioning and restoration costs and the timing of expenditure
  The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

- Income taxes and recoverability of potential deferred tax assets
  In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by

applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- Share-Based Payments
  Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Allocation purchase price related to reverse acquisition, asset acquisition and business combination
  The fair value of assets acquired and liabilities assumed and the resulting goodwill, if any, requires that management make estimates based on the information provided by the acquiree. Changes to the provisional values of assets acquired and liabilities assumed, deferred income taxes and resulting goodwill, if any, will be retrospectively adjusted when the final measurements are determined (within one year of acquisition date).

- Contingencies
  Refer to Commitments and contingencies section of this MD&A.

Future accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after March 1, 2012 or later periods. Updates that are not applicable or are not consequential to the Company have been excluded thereof.

IFRS 9 Financial Instruments ("IFRS 9") was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Company is currently assessing the impact of IFRS 9 on its financial statements.

IFRS 10 Consolidated Financial Statements ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. This standard is effective for annual period annual period beginning on January 1, 2013. Earlier application is permitted. The Company has not yet determined the impact of the amendments to IFRS 10 on its financial statements.

IFRS 11 Joint Arrangements ("IFRS 11") replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 Investments in Associates and IAS 36 Impairment of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 11 on its financial statements.

IFRS 13 Fair Value Measurement ("IFRS 13") converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 13 on its financial statements.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine ("IFRIC 20") provides guidance on the accounting for costs related to stripping activity in the production phase of surface mining. When the stripping activity results in the benefit of useable ore that can be used to produce inventory, the related costs are to be accounted for in accordance with IAS 2 Inventories; when the stripping activity results in the benefit of improved access to ore that will be mined in future periods, the related costs are to be accounted for in accordance with IFRIC 20 as additions to non-current assets when specific criteria are met. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013, and permits early adoption. The Company is in the process of determining the impact on its consolidated financial statements.

IAS 1, Presentation of Financial Statements ("IAS 1"), has been amended to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted. The Company has not yet determined the impact of the amendments to IAS 1 on its financial statements.

FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 6 of the annual financial statements as at and for the year ended February 29, 2012.

The Company's financial assets and financial liabilities as at November 30, 2012 and February 29, 2012 were as follows:

	Cash, loans and receivables	Assets / (liabilities) at fair value through profit	Other financial assets/(liabilities)	Total
February 29, 2012				
Cash	$ 9,481,078	$ -	$ -	$ 9,481,078
Restricted cash	1,984,890	-	-	1,984,890
Accounts and other receivables	12,920,590	-	-	12,920,590
Other assets	630,928	6,327,393	-	6,958,321
Accounts payable and accrued liabilities	-	-	(9,233,830)	(9,233,830)
Other financial liabilities - current	-	-	(3,896,001)	(3,896,001)
Other financial liabilities - long term	-	-	(20,030,702)	(20,030,702)
Loan payable	$ -	$ -	$ (27,749)	$ (27,749)
November 30, 2012				
Cash	$ 3,729,429	$ -	$ -	$ 3,729,429
Restricted cash	50,000	-	-	50,000
Accounts and other receivables	6,481,516	-	-	6,481,516
Other assets	393,299	4,033,438	-	4,426,737
Long-term restricted cash	1,386,320	-	-	1,386,320
Accounts payable and accrued liabilities	-	-	(11,855,313)	(11,855,313)
Other financial liabilities - current	-	-	(7,180,617)	(7,180,617)
Other financial liabilities - long term	-	-	(15,517,991)	(15,517,991)
Loan payable	$ -	$ -	$ (24,014)	$ (24,014)

At November 30, 2012, there are no significant concentrations of credit risk for loans and receivables designated at fair value through the consolidated statement of operations and comprehensive income (loss). The carrying amount reflected above represents the Company's maximum exposure to credit risk for such loans and receivables.

CAPITAL MANAGEMENT

The capital of the Company consists of common shares, warrants, options and other financial liabilities.

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mining properties. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, seek debt financing, or acquire or dispose of assets. 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 with the exception as discussed in the Investec loan section of this MD&A.

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. There have been no significant changes in the risks, objectives, policies and procedures in the six months ended November 30, 2012 or 2011, except for the Investec loan as discussed in the Investec loan section of this MD&A.

As at November 30, 2012, the capital structure of the Company consists of equity attributable to the owners, reserves attributable to owners, directors, officers, employees and consultants of the company totaling $70,336,978 (February 29, 2012 -$89,375,435) and an interest bearing loan of $20,139,920 (February 29, 2012 - $20,280,178).

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 will purchase new South African Company in Rand and is required to make future payments in Rand. The Company's new Investec loan facility is also denominated 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 (decrease) in the period average foreign exchange rate between the South African rand and the Company's functional currency, the Canadian dollar, would have increased (decreased) the Company's income by approximately $800,000 for the nine months ended November 30, 2012. A 10% increase in the period average foreign exchange rate between the United States dollar and Forbes Coal Dundee's functional currency, the South African rand, would have increased (decreased) the Company's income by approximately $2,510,000 for the period ended November 30, 2012, as only export part of sales is denominated United States dollars.

A 10% change in the value of the Canadian dollar relative to the US dollar and South African rand would have an impact on net income of approximately $1,022,000 based on the net assets of the Company at November 30, 2012.

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

The following assets and liabilities are presented in Canadian dollar values and denominated in different currencies as at November 30, 2012 and February 29, 2012:

	Forbes Coal parent company balances (*) denominated in			Forbes Coal Dundee balances (**) denominated in		Total
	CAD	USD	ZAR	ZAR	USD	
Cash	$ 5,160,970	$ 240	$ 874,732	$ 3,445,136	$ -	$ 9,481,078
Restricted cash	50,000	296,850	1,638,040	-	-	1,984,890
Accounts and other receivables	420,939	-	32,672	8,675,692	3,791,287	12,920,590
Inventories	-	-	-	3,443,691	-	3,443,691
Prepaid expenses	89,393	-	6,220	-	-	95,613
Property, plant and equipment	-	-	-	81,956,437	-	81,956,437
Intangibles	-	-	-	5,414,498	-	5,414,498
Goodwill	-	-	-	17,506,375	-	17,506,375
Other assets	569,196	-	-	6,389,125	-	6,958,321
Long-term prepaid expenses	176,485	-	286,548	-	-	463,033
Deferred income taxes	-	-	-	326,754	-	326,754
Accounts payable and accrued liabilties	(484,725)	(1,237)	(765,460)	(7,982,408)	-	(9,233,830)
Other financial liabilities - current	-	-	-	(3,896,001)	-	(3,896,001)
Other financial liabilities - long term	-	-	-	(20,030,702)	-	(20,030,702)
Asset retirement obligation - current	-	-	-	(1,053,845)	-	(1,053,845)
Asset retirement obligation - long term	-	-	-	(1,981,829)	-	(1,981,829)
Loans payable	-	-	-	(27,749)	-	(27,749)
Deferred income taxes	-	-	-	(14,312,877)	-	(14,312,877)
Net exposure as at February 29, 2012	**$ 5,982,258**	**$ 295,853**	**$ 2,072,752**	**$ 77,872,297**	**$ 3,791,287**	**$ 90,014,447**
Cash	$ 1,383,658	$ 497	$ 1,307,317	$ 1,037,957	$ -	$ 3,729,429
Restricted cash	50,000	-	-	-	-	50,000
Accounts and other receivables	360,306	-	295,425	5,825,785	-	6,481,516
Inventories	-	-	-	6,919,684	-	6,919,684
Prepaid expenses	123,232	-	16,496	-	-	139,728
Property, plant and equipment	-	-	92,555	67,113,467	-	67,206,022
Intangibles	-	-	-	4,483,622	-	4,483,622
Goodwill	-	-	-	14,877,213	-	14,877,213
Other assets	56,920	-	-	4,369,817	-	4,426,737
Long-term restricted cash	-	-	1,386,320	-	-	1,386,320
Long-term prepaid expenses	290,055	-	301,983	-	-	592,038
Deferred income taxes	-	-	-	1,107,080	-	1,107,080
Deposit on proposed acquisition	-	-	5,086,900	-	-	5,086,900
Prepaid financing costs	123,453	-	1,764,204	-	-	1,887,657
Accounts payable and accrued liabilties	(661,660)	(2)	(22,237)	(11,171,414)	-	(11,855,313)
Other financial liabilities - current	-	-	-	(7,180,617)	-	(7,180,617)
Other financial liabilities - long term	-	-	-	(15,517,991)	-	(15,517,991)
Asset retirement obligation - current	-	-	-	(891,898)	-	(891,898)
Asset retirement obligation - long term	-	-	-	(1,798,831)	-	(1,798,831)
Loans payable	-	-	-	(24,014)	-	(24,014)
Deferred income taxes	-	-	-	(10,129,292)	-	(10,129,292)
Net exposure as at November 30, 2012	**$ 1,725,964**	**$ 495**	**$ 10,228,963**	**$ 59,020,568**	**$ -**	**$ 70,975,990**

(*) Functional currency of Forbes Coal parent company is the Canadian dollar
(**) Functional currency of Forbes Coal Dundee is the South African rand

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 additional expense of approximately $13,000 per month.

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 $5,500,000 for the six months ended November 30, 2012.

(b) Credit risk

The Company's credit risk is primarily attributable to cash and accounts and other receivables. Cash consist of deposits, which have been made with reputable financial institutions, from which management believes the risk of loss to be remote. Other receivables primarily consist of amounts owing from coal sales. Management believes that the credit risks concentration with respect to these amounts receivables are remote.

Restricted cash totaling $50,000 was in GIC investment with Royal Bank of Canada held as collateral against credit card limits used by the Company. Long-term portion of restricted cash totaling $1,386,320 was on deposit with First National Bank to be released to a supplier if payments are not made to them.

(c) Liquidity risk

As at November 30, 2012, the Company had net working capital deficiency of $2,631,485 (February 29, 2012 – net working capital of $13,714,437) which includes cash and restricted cash of $3,779,429 (February 29, 2012 – $11,465,968), accounts receivable and other receivables of $6,481,516 (February 29, 2012 – $12,920,590), and inventories of $6,919,684 (February 29, 2012 – $3,443,691), offset by current liabilities of $19,951,842 (February 29, 2012 – $14,211,425).

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.

(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 November 30, 2012, 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 November 30, 2012 and February 29, 2012:

November 30, 2012	Level 1	Level 2	Level 3
Endowment policy and investments	$ 56,920	$ -	$3,976,518

February 29, 2012	Level 1	Level 2	Level 3
Endowment policy and investments	$ 569,196	$ -	$5,758,197

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 Forbes Coal Dundee Agreement requires the Company to make deferred payments one and two years following the signing of the Forbes Coal Dundee Agreement. Although the Forbes Coal Dundee Properties are producing coal, such revenues may be inadequate to make the deferred payments pursuant to the Forbes Coal Dundee Agreement In addition, the continued development of the Forbes Coal Dundee 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 Forbes Coal Dundee 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. As a result, the Company depends primarily on rail and shipping ports to transport materials, supplies and products over long distances between its facilities and their final destination. In some cases these transport services may potentially constitute a logistical constraint to the Company's planned increased production rates. 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 conditions.

Power Supply

The Company's operations depend upon the reliable and continuous delivery of sufficient quantities of power to its mines and facilities. While the Company currently has power supply to its existing facilities, power supply disruptions and rolling blackouts risk interfering with the Company's operations. Failure to secure continuous power and electricity in the future could have a material adverse effect on the Company's business, operating results and financial position.

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. These risks may also result in 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

Forbes Coal Dundee requires licenses and permits from various governmental authorities. Forbes Coal Dundee believes that it holds all necessary licenses and permits under applicable laws and regulation in respect of the Forbes Coal Dundee 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

Insurance

The Company believes that it currently maintains insurance in such amounts as it considers to be reasonable to protect against certain risks and hazards related to its operations. However, no assurance can be given that the current insurance coverage will continue to be available at economically reasonable premiums in the future or that the current insurance coverage provides sufficient coverage against all potential losses. Any deficiency in insurance coverage could result in the Company incurring significant costs that could have a material adverse effect upon its financial performance and results of operations.

Reliance on Limited Number of Properties

Currently, the Company relies on a limited number of property interests. As a result, unless the Company acquires additional property interests, any adverse developments affecting any of the current properties could have a material adverse effect upon the Company and would materially and adversely affect the potential production, profitability, financial performance and results of operations.

Conflicts of Interest

Certain of the directors and officers of the Company may serve from time to time as directors, officers, promoters and members of management of other companies involved in natural resource exploration and development and therefore it is possible that a conflict may arise between their duties as a director or officers of the Company and their duties as a director, officer, promoter or member of management of such other companies.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with applicable laws and the directors and officers will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

NON-IFRS PERFORMANCE MEASURES

The Company has included in this document certain non-IFRS performance measures that are detailed below. These non-IFRS performance measures do not have any standardized meaning prescribed by IFRS 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 IFRS, 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 IFRS. The definition for these performance measure and reconciliation of the non-IFRS measure to reported IFRS measures are as follows:

Working Capital

	November 30, 2012	February 29, 2012
	$000's	$000's
Current Assets		
Cash and cash equivalents	3,729	9,481
Restricted cash	50	1,985
Accounts receivable and other receivables	6,482	12,921
Inventories	6,920	3,444
Prepaid expenses	140	96
	17,321	27,926
Current Liabilities		
Accounts payable and accrued liabilities	11,855	9,234
Other financial liabilities	7,181	3,896
Provisions	892	1,054
Loans payable	24	28
	19,952	14,211
Working capital (deficiency)		
Current assets less current liabilities	(2,631)	13,715

EBITDA - Forbes Coal consolidated

	Three months ended			Nine months ended	
	August 31, 2012	November 30, 2012	November 30, 2011	November 30, 2012	November 30, 2011
	$000's	$000's	$000's	$000's	$000's
Net income (loss) for the period	(226)	(4,972)	3,523	(6,788)	1,097
add back	-	-	-		0
Amortization and depletion	2,738	1,993	3,907	7,538	12,355
Income tax (recovery) expense	(10)	(1,161)	(396)	(893)	2,672
Foreign exchange (gain)	14	-	(1,203)	2	(1,131)
Fair value adjustment on endowment policy	(331)	(140)	-	(471)	-
Interest and dividend expense (income)	407	588	306	1,577	827
Change in estimates on contingent acquisition liability	-	-	120	-	120
Accretion	-	-	475	-	1,540
Business combination transaction costs	-	273	2	273	24
Stock based compensation	11	6	64	35	1,996
Loss on share-based payments	-	-	1,488	-	1,488
Unrealized (gain) on marked-to-market securities	117	27	(54)	512	(54)
EBITDA Forbes Coal Consolidated	2,720	(3,386)	8,232	1,785	19,500

EBITDA - Forbes Coal Dundee stand alone

	Three months ended			Nine months ended	
	August 31, 2012	November 30, 2012	November 30, 2011	November 30, 2012	November 30, 2011
	$000's	$000's	$000's	$000's	$000's
Net income (loss) for the period	(226)	(4,972)	3,523	(6,788)	1,097
add back					
Amortization and depletion	2,738	1,993	3,907	7,538	12,355
Income tax (recovery) expense	(10)	(1,161)	(396)	(893)	2,672
Foreign exchange (gain)	14	-	(1,203)	2	(1,131)
Fair value adjustment on financial assets	(331)	(140)	-	(471)	-
Interest and dividend expense (income)	407	588	306	1,577	827
Change in estimates on contingent acquisition liability	-	-	120	-	120
Accretion	-	-	475	-	1,540
Business combination transaction costs	-	273	2	273	24
Mineral properties investigation costs (Non FC Dundee)	7	2	190	16	190
Stock based compensation	11	6	64	35	1,996
Loss on share-based payments	-	-	1,488	-	1,488
Unrealized loss (gain) on marked-to-market securities	117	27	(54)	512	(54)
General and administration (Non FC Dundee)	608	1,957	615	3,255	3,320
EBITDA Forbes Coal Dundee	3,335	(1,427)	9,037	5,056	24,444

General and administration (Non Forbes Coal Dundee)

	Three months ended			Nine months ended	
	August 31, 2012	November 30, 2012	November 30, 2011	November 30, 2012	November 30, 2011
	$000's	$000's	$000's	$000's	$000's
Consulting, general and administration (Non FC Dundee)	(105)	48	(2)	(123)	(526)
Consulting and professional fees (Non FC Dundee)	713	1,909	617	3,378	3,846
General and administration (Non FC Dundee)	608	1,957	615	3,255	3,320

SUMMARY OF SECURITIES AS AT JANUARY 11, 2013

As at January 11, 2013 the following common shares, common shares purchase options, share purchase warrants and special performance shares were issued and outstanding:

- 34,386,035 common shares:
- 2,805,000 common share purchase options with exercise prices ranging from $1.80-$4.10 expiring between March 15, 2015 and January 25, 2017:
- 480,000 share purchase warrants with exercise price $4.55 expiring on February 22, 2013.
- 1,350,000 Special Performance Shares outstanding are deposited in escrow to be released when certain conditions are met.

Special Performance Shares

As at January 11, 2013 there were 1,350,000 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

Craig Wiggill	Director, Chairman of the Board of Directors
Stephan Theron	Director, President and Chief Executive Officer
Stan Bharti	Director
Mike Price	Director
Ryan Bennett	Director
John Dreyer	Director
Bernard Wilson	Director
Deborah Battiston	Chief Financial Officer
Neil Said	Corporate Secretary
Malcolm Campbell	Chief Operating Officer
Sarah Williams	Vice-President, Finance

January 11, 2013