

**Forbes & Manhattan Coal Corp.
Management's Discussion and Analysis
For the three and nine months ended November 30, 2011**

The following Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Forbes & Manhattan Coal Corp. ("we", "our", "us", "Forbes Coal", the "Company" or the "Corporation") for the three and nine months ended November 30, 2011 and should be read in conjunction with the Unaudited Condensed Interim Consolidated Financial Statements for the three and nine months ended November 30, 2011 and December 31, 2010. 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.

The Company has changed its year end to the last day of February in order to align with its South African subsidiaries. This MD&A reports our activities through January 12, 2011 unless otherwise indicated. References to Q1, Q2 and Q3 2012 or the 1st, the 2nd and the 3rd quarter of 2012 mean the three months ended May 31, 2011, the three ended August 31, 2011 and the three months ended November 30, 2011 and references to Q1, Q2 and Q3 2011 or the 1st, the 2nd and the 3rd quarter of 2011 mean the three months ended June 30, 2010, the three months ended September 30, 2010 and the three months ended December 31, 2010.

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

New Financial Year – March 1, 2011 – February 28, 2012:

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

Unless otherwise noted all amounts are recorded in Canadian dollars.

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Canadian Accounting Standards Board requires publicly accountable enterprises such as us to adopt IFRS for fiscal years beginning on or after January 1, 2011. Accordingly, the Company's condensed interim consolidated financial statements for the three and nine months ending November 30, 2011 have been prepared in accordance with IFRS as published by the International Accounting Standards Board.

For each reporting period in 2012, we will also present comparative information for 2011, both for condensed interim and annual financial statements, as applicable, on an IFRS basis. Our condensed interim consolidated financial statements for the year ending February 28, 2012, will be our first annual financial statements that comply with IFRS. As this will be our first year of reporting under IFRS, First time Adoption of IFRS (IFRS 1) is applicable. In accordance with IFRS 1, we have applied IFRS retrospectively as of January 1, 2010 (the Transition Date) for comparative purposes. In preparing our opening condensed interim consolidated statements of financial position in accordance with IFRS, we have adjusted amounts reported previously in our financial statements prepared in accordance with pre-conversion Canadian Generally Accepted Accounting Principles ("GAAP")(for detailed information see Changes in Accounting Policies).

For further information, please refer to the Company's condensed interim consolidated financial statements and notes for the three months ended May 31, 2011 and the three and nine months ended November 30, 2011.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

OVERVIEW OF THE COMPANY

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

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

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

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FORBES & MANHATTAN COAL'S STRATEGY

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

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

- Acquire an additional Continuous Miner for development at Magdalena
 - Double production capacity at Magdalena operation by further mechanising existing operations
 - Ramp-up saleable production up to 1,000,000 tonnes per year
 - Estimated capital expenditure of \$18 million

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

- Further develop Aviemore anthracite operations
 - Ramp-up saleable production up to 500,000 tonnes per year
 - Estimated capital expenditure of \$5 million

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

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

As of the date of this report, there has been significant progress in achieving some of the above goals. Most of the equipment ordered as part of Project Siyathuthuka has been delivered to site. As per the Project Program, the only equipment currently outstanding is that required for the last underground section to be commissioned at Magdalena during March 2012. This section is to replace the opencast section, which is nearing the end of its life. The modifications to the Eickhoff Continuous Miner to convert it to low seam capability were re-scheduled to take place during the December 2011 break. This was to allow the machine to continue producing over normal production time and effect the modifications whilst production had been halted during the holiday season. The modifications have since been successfully completed on time and the machine has been deployed and commissioned in a lower seam area of the mine.

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

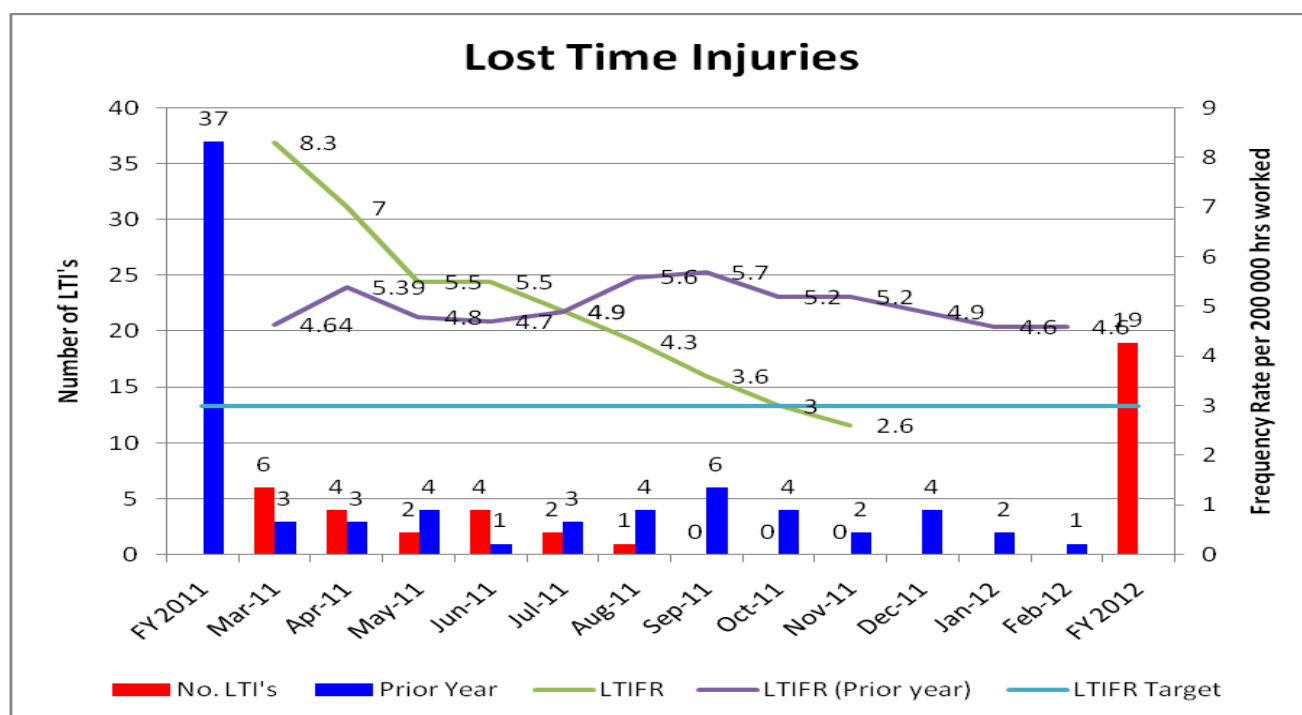
- Forbes Coal supports a number of Social Development projects through the activities of Zinoju Coal. These projects have had great impact on the local community, in particular projects related to water provision, farming, brick fabrication and math literacy are enjoying success.

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

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- Identifying and eliminating at risk behaviour;
- Implementing an integrated SHE management system;
- Demonstrating visible felt leadership in the workplace;
- Managing contract workers more effectively;
- 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 encouraging thus far 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:



EXECUTIVE SUMMARY AND OPERATIONAL OVERVIEW:

During the three months ended November 30, 2011, the Company:

- Reported revenue of \$31.15 million.
- Reported gross profit of \$6.79 million.
- Generated consolidated EBITDA of \$8.23 million and Slater Coal stand alone EBITDA of \$9.04 million. Slater Coal's stand alone EBITDA of \$9.04 million represents a 1.3% decrease from the second quarter of 2012 which generated \$9.16 million EBITDA and a 235% increase from the prior year stand alone EBITDA of \$2.7 million. (see Non-GAAP measures).
- Produced 354,003 t ROM combined which was 9.7% higher than the total ROM production during the three months ended August 31, 2011.
- Produced 275,901 t ROM at Magdalena operations, underground and open pit combined (Q2 2012 - 258,564 t).
- Produced 78,102 tonnes at Aviemore, with average monthly ROM for the same period of 26,034 tonnes. This is a 21.7% improvement from Aviemore's average monthly production for the three months ended August 31, 2011.
- Sold bituminous coal, anthracite and calcined products, totalling 331,296 tonnes.
- Average combined monthly sales were 110,432 tonnes, which was 2.5% lower than the average combined monthly sales for the previous quarter ended August 31, 2011.

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- Export sales for third quarter 2012 were 199,211 tonnes, 3.5% higher than the second quarter sales ended August 31, 2011.
- Domestic sales in third quarter 2012 were 132,085 tonnes, a 10.4% decrease when compared to the second quarter ended August 31, 2011.
- Forbes Coal transported 119,601 tonnes of saleable product to the Navitrade port between September and November 2011, a decrease of 23.1% as compared to the previous quarter and shipped 86,764 tonnes during this period a decrease of 48.2% as compared to the previous quarter. Total saleable product transported to Navitrade for the nine months ended November 30, 2011 was 357,233 tonnes. Coal inventory at the Navitrade terminal at the end of the third quarter stood at 67,717 tonnes, an increase of 32,836 tonnes over the quarter.
- Forbes Coal remains on track with the Project Siyathuthuka (Zulu for “together we are growing and improving”), the second phase of the ramp-up programme. All equipment, excluding the sixth section at Magdalena underground, which is scheduled for commissioning during March 2012, has been delivered and commissioned.
- On July 28, 2011, the Company started trading common shares on the Johannesburg Stock Exchange under the symbol “FMC”. Trading on the Johannesburg Exchange allows the Company to further raise its profile within the South African investment community and gives us further exposure to a growing coal market.

PURCHASE OF SLATER COAL

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

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

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

On April 13, 2010, the Company and the shareholders of Slater Coal agreed on the terms for the acquisition of all of the issued and outstanding common shares of Slater Coal. Pursuant to the finalized terms of the agreement the Company is required to pay ZAR 600,000,000 (approximately \$75,300,000) in cash and common stock to Slater Coal shareholders over a two year period:

- ZAR 5,000,000 deposit (\$722,500 paid on November 25, 2009);
- ZAR 22,500,000 (\$3,091,500 paid on June 29, 2010);
- ZAR 213,750,000 (\$30,006,792 paid on July 23, 2010);
- Issue common shares of the Company with a value of ZAR 78,750,000 (\$11,029,102) based on \$2.80 per share (issued on July 30, 2010);
- Cash payment of ZAR 119,000,000 (\$16,457,000 paid February 24, 2011); and
- Cash payment of ZAR 140,000,000 (approximately \$17,570,000) payable by March 1, 2012.

The Company currently holds 76.75% of the outstanding shares of Slater Coal and will receive shares equivalent to 23.25% of the issued and outstanding shares after the March 1, 2012 payment has been made. Given the fact that the final amount of the March 1, 2012 payment is subject to Slater Coal meeting certain production targets, the incumbent management team and a majority of the board of directors of Slater Coal have been given a certain amount of autonomy to be able to reach these targets. During the three months ended November 30, 2011 Slater Coal met the production targets and consequently an amount of ZAR 21 million has been added to the final payment, representing 15% premium.

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The March 1, 2012 payment of ZAR 140 million plus ZAR 21 million has been recorded on the condensed interim consolidated statements of financial position as a current acquisition obligation (Note 10 to the condensed interim consolidated financial statements).

The Company received approval from the South African Reserve Bank ("SARB") for the acquisition by Forbes Coal of all of the issued and outstanding shares of Slater Coal (Pty) Ltd. ("Slater Coal"). As part of granting the approval, Forbes Coal has agreed to undertake to list the common shares of the Company on the JSE within 12 months. As a result on July 28, 2011, the Company began trading on the JSE under the symbol "FMC".

Slater Coal Properties

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

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

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2011 - Mineable in Situ Coal Resource for the Slater Coal 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	
			Mm ³	t/m ³	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	
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	
	Aviemoire 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	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	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 Tonnes. SG: 1.5t/m³. A 0.8 m cut-off and geological loss factor of 15% was used in the declaration of the Magdalena and Aviemoire Coal Resources. Effective Date: 31st March 2011.

OVERVIEW & OUTLOOK

The bituminous coal market has been steadily improving since mid 2009. The demand for South African seaborne bituminous coal is largely driven by a continued increase in thermal coal imports from India. On the domestic industrial front, bituminous coal prices have remained steady, with marginal growth on a year-to-year basis over the past 4 years. South Africa relies heavily on coal fired power generation. The Company produces a very high quality export bituminous coal product at the Slater Coal operations. The near term outlook for bituminous coal remains healthy on both domestic and export fronts. API4 FOB Richards Bay Spot Coal Thermal prices softened slightly over the last quarter to a level of around \$105 per tonne during November, having started the quarter at around \$115 per tonne. The anthracite coal market is highly correlated

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with the metal industry as anthracite coal is used in a metallurgical coal application. South Africa is one of the world largest ferrochrome and ferroalloy producers and the domestic demand for anthracite remains good. South Africa is also a large steel producer and continues to be a net importer of metallurgical coal and coke products. As the global economy recovers, anthracite prices are expected to remain robust. Slater Coal also exports its anthracite products to global steel producers. The near term outlook in the export market remains strong and healthy.

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.

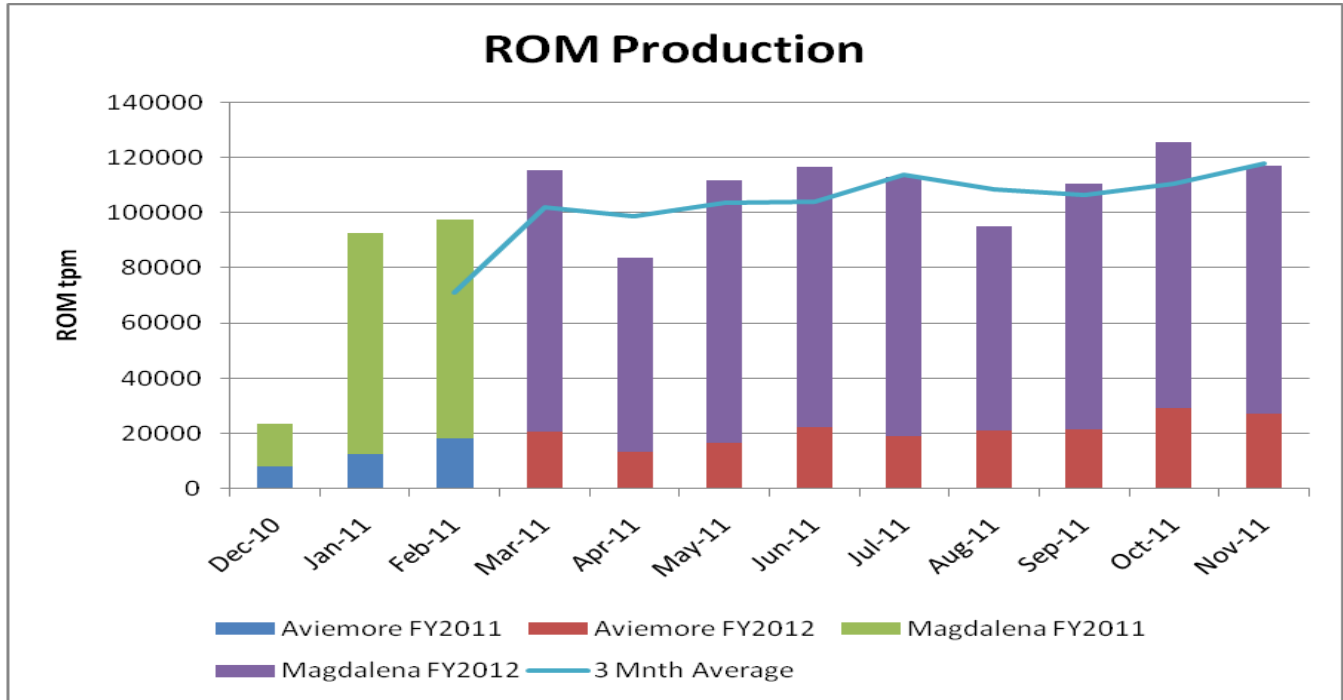
SUMMARIZED FINANCIAL RESULTS OF SLATER COAL

Summarized Financial Results (Actual)				
Slater Coal				
	Three months ended *		Nine months ended *	
	November 30, 2011	November 30, 2010	November 30, 2011	November 30, 2010
Run of Mine (ROM) (t)	354,003	290,278	987,770	720,240
Run of Mine (ROM) coal purchased (t)	18,207	-	21,660	-
Saleable production (t)	246,570	187,069	672,483	486,972
Saleable coal purchased (t)	27,313	-	27,313	-
Plant feed (t)	364,358	276,388	995,171	718,956
Yield (%) on ROM	66.2%	64.4%	66.6%	67.6%
Yield (%) on plant feed	67.7%	67.7%	67.6%	67.7%
Inventory tonnes balance open	82,425	129,269	189,778	86,742
Inventory tonnes balance close	38,258	220,728	38,258	220,728
Sales (t)	331,296	95,610	861,925	352,986
Revenue 000,000's (CAD)	31.2	8.4	86.0	30.3
EBITDA 000,000's (CAD)	9.0	2.7	24.4	10.4
CAD: USD (average)	1.02	1.02	0.99	1.03
ZAR: CAD (average)	7.77	6.86	7.30	7.14
Selling price (average) / sold production tonnes (CAD)	94.03	87.75	99.78	85.81
Selling price (average) / sold production tonnes (USD)	92.56	85.88	101.30	83.12
Cash cost of sales and operating expenses 000,000's (CAD)	20.5	5.3	57.1	19.1
Cash cost of sales and operating expenses / sold production tonnes (CAD)	61.76	55.47	66.19	54.12
Cash cost of sales and operating expenses / sold production tonnes (USD)	60.79	54.28	67.20	52.42
Capital expenditures 000,000's (CAD)	13.49	2.33	17.45	5.04
Capital expenditures per t of saleable production (CAD)	54.69	12.45	25.95	10.35
Numbers in this chart are derived from the Slater Coal stand alone financial statements				
these are not affected by the adjustments related to the purchase price allocation or consolidation adjustments				
See non GAAP measures				

(*) The Slater Coal results presented in the chart above for the three and nine months ended November 30, 2010 have not been reported in the consolidated financial statements of the Company in full. Only results for a period from the date of

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acquisition (July 29, 2010) have been consolidated. Also as described above the comparative period for reporting purposes is the three months ended December 31, 2010.



OPERATIONAL HIGHLIGHTS

Forbes Coal management team took control of the Slater Coal operations in August 2010. The first phase of the ramp-up programme, launched in the second quarter of fiscal 2011 under guidance of the previous management team, was concluded during this reporting period. The Company continues to build and strengthen its management team, having appointed a new General Manager, Mr. Kevern Mattisson, Mining Manager at Magdalena Underground, Mr. Ravi Govender as well as an experienced General Engineering Supervisor, Mr. Ronnie Mulligan. The following key points are noted:

ROM Production

- Total ROM production from all operations for the period September 2011 to November 2011 was 354,003 t ROM vs 402,346 t ROM target, and 9.7% higher than total ROM production during June 2011 to August 2011. Main factors attributing to the difference in ROM actual vs target production were: overloading the underground conveyor system, interruptions in the power supply, high target tonnages for a stone section in Magdalena.
- The second new Sandvik ABM30 Continuous Miner was commissioned during the quarter and the production tempo from this machine increased during the period under review. This section is expected to add up to 330,000 tonnes per year in saleable production. During the current period, the Eickhoff continuous miner will be modified so as to be able to mine in low seam areas.
- Produced 275,901 t ROM vs 323,244 t ROM planned for the period September 2011 to November 2011 at Magdalena operations, underground and open pit combined. The factors attributing to the difference are outlined above.
- Average monthly ROM production at Magdalena increased by 6.7% to 91,967 tonnes from 86,188 tonnes as compared to the previous quarter.
- Aviemore anthracite operation which was reopened in June 2010 is meeting targeted monthly output with an average of 26,034 t ROM produced per month between September 2011 and November 2011.

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- ROM production at Aviemore for the Q3 2012 was 78,102 tonnes, with average monthly ROM being 26,034 tonnes. This is a 21.7% improvement from Aviemore's average monthly production for the three months ended August 31, 2011.
- The production ramp-up is going according to plan and Phase 1, of the Forbes Coal initiated production ramp-up at the Magdalena and Aviemore operations is completed.
- Forbes Coal launched the Phase 2 of the ramp-up programme, named Project Siyathuthuka which is Zulu for "together we are growing and improving". All equipment, excluding the sixth section at Magdalena underground, which is scheduled for commissioning during March 2012, has been delivered and commissioned

Saleable Production and Sales

- Saleable coal production for September 2011 to November 2011 was 246,570 t. This is an increase of 12.7% compared to the three months ended August 31, 2011. The total calculated yield from plant feed was 67.7% for the quarter, as compared to 66.7% during the prior period.
- Total sales of bituminous coal, anthracite and calcined products from September 2011 to November 2011 were 331,296 t.
- Average combined monthly sales were 110,432 tonnes, 2.5% lower than average combined monthly sales for the three months ended August 31, 2011.
- Export sales for third quarter 2012 were 199,211 tonnes, 3.5% higher than the second quarter sales ended August 31, 2011.
- Domestic sales in third quarter 2012 were 132,085 tonnes, a 10.4% decrease when compared to the second quarter ended August 31, 2011.

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 by rail. During the quarter under review, a portion of the Navitrade product was transported by road in order to work down a large portion of bituminous coal stock. The use of road transportation to Navitrade was ceased in September 2011. 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 Grindrod Navitrade port terminal for incremental capacity of up to 960,000 tonnes per annum over a three year period.
 - Highlights include:
 - Grindrod Terminals shall provide export capacity in the terminal for the shipment of coal products as follows:
 - 2011 – 600 000 metric tons (m/t) per annum
 - 2012 – 720 000 metric tons (m/t) per annum
 - 2013 – 960 000 metric tons (m/t) per annum
 - At current coal spot prices, the increased throughput of coal could potentially lead to incremental cash flows of up to \$30 million per annum.
 - Grindrod terminals provide certain logistical, handling and stock piling services to shippers in connection with the shipment of bulk cargoes through the dry bulk coal terminal known as the Navitrade terminal (and its associated facilities), connected to berths in the Port of Richards Bay.
 - Grindrod terminals will provide up to 70,000 t in stockpile capacity to receive the coal at the terminal. Forbes Coal will deliver coal to the terminal by rail and road.
 - Forbes Coal transported 119,601 tonnes of saleable product to the Navitrade port between September and November 2011, and shipped 86,764 tonnes during this time.
 - Forbes Coal signed a three year off-take agreement for 1.75 million tonnes (total) with Vitol, a leading energy trading company. Vitol will be purchasing thermal coal produced at the Magdalena property at market related prices.

Forbes Coal's management team is mobilized at site and continue to integrate very well with the Slater Coal management team.

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RESULTS OF OPERATIONS

Total Comprehensive Income

The net income before income taxes for the three and nine months ended November 30, 2011, was \$3.13 million and \$3.77 million, compared to a net loss of \$5.15 million and \$18.04 million for the three and nine months ended December 31, 2010. Comprehensive loss for the three and nine months ended November 30, 2011, was \$5.73 million and \$8.34 million compared to the comprehensive loss of \$0.18 million and \$12.95 million for the comparable periods ended December 31, 2010. As described in the Overview of the Company section of this report Forbes & Manhattan (Coal) Inc. was incorporated in November 2009. Forbes & Manhattan Coal Corp. is the continuing combined entity following the September 2010 Transaction between Forbes & Manhattan (Coal) Inc. and Nyah whereby Nyah, a public company listed on the TSX-V, acquired all of the outstanding shares of the Company in exchange for common shares of Nyah. Also, the Company changed its year end to the end of February in order to align itself with its subsidiaries in South Africa. Consequently, the three and nine months ended December 31, 2010 is used for comparison. The results for the three and nine months ended December 31, 2010 contain only limited amounts of overhead expenses as the Company had recently been incorporated and contained only five months of operating activities for Slater Coal. Following completion of the Transaction, the Forbes & Manhattan (Coal) Inc. board and management team became the board and management team of the combined entity, which was renamed Forbes & Manhattan Coal Corp. Forbes & Manhattan Coal Corp. is listed on TSX and Johannesburg Stock Exchange ("JSE") under the symbol "FMC".

The Company completed the acquisition of Slater Coal at the end of July 2010. Consequently, only five months of Slater results are included in the comparative December 2010 statements.

Revenue

Coal sales revenues during the three and nine months ended November 30, 2011 were \$31.15 million and \$86.00 million compared to \$9.03 million and \$15.66 million for the three and nine months ended December 31, 2010. The summary of Slater Coal's physical tonnages included in these sales numbers along with production tonnage is outlined below:

	Three months ended		Nine months ended	
	November 30, 2011	December 30, 2010	November 30, 2011	December 30, 2010
Sales from:				
-Aviomore operations (t)	64,084	11,960	120,269	14,755
-Calcine operations (t)	7,930	7,020	28,824	7,835
-Magdalena operations (t)	227,223	83,864	680,772	159,318
-Purchased coal (t)	24,009	-	24,009	-
-Sales adjustment (t)	8,050	-	8,050	-
Total sales (t)	331,296	102,844	861,925	181,908
Saleable production from:				
-Aviomore operations (t)	52,145	33,198	123,065	63,686
-Magdalena operations (t)	181,696	116,390	536,689	216,442
-Purchased (t)	40,042	-	40,042	-
Total saleable production (t)	273,883	149,588	699,796	280,128
Run of Mine production from:				
-Aviomore operations (t)	78,102	53,426	193,003	99,099
-Magdalena operations (t)	275,901	174,731	794,767	303,857
Total ROM production (t)	354,003	228,157	987,770	402,956

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During the nine months ended November 30, 2011, the Company's salable production was 699,796 and sales were 861,925 t. The Company's initiatives to increase its export sales, port allocations and transportation capacity in order to move the backlogged inventory and provide increased capacity for the future has resulted in an increase of sales beyond production volumes for the nine months of the year.

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

Cost of Sales and Operating Expenses

Operating expenses for the three and nine months ended November 30, 2011 were \$20.46 million and \$57.05 million, respectively (\$61.76 and \$66.19 per tonne) compared to \$7.60 million and \$10.99 million, respectively (\$73.89 and \$60.41 per tonne) for the comparable periods ended December 31, 2010. This amount includes transportation, rail and port handling costs. Amortization and depletion for the three and nine months ended November 30, 2011 amounted to \$3.91 million and \$12.36 million and \$0.18 million and \$1.97 million for the three and nine months ended December 31, 2010. Included in \$12.36 million Amortization and depletion expense for the nine months ended November 30, 2011 are charges related to the property plant and equipment of \$10.03 million, charges related to the intangible assets of \$0.13 million and charges related to the coal and work in progress inventory movement of \$2.20 million.

As previously discussed, the Company purchased Slater Coal in July of 2010, consequently only three and five months respectively, of Slater Coal's results are included in the comparative results for the three and nine months ended December 31, 2010. The Company is 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 standards. Included in the new staff and initiatives are:

- Appointment and recruiting costs for a new General Manager.
- Appointment and recruiting costs of Human Resources Officer.
- Appointment and recruiting of a Health and Safety Officer.
- Appointment of a Training Officer.
- Recruiting costs related to two extra continuous miner crews, additional dyke crew and second section Aviemore crew.
- Increased roof support costs of approximately 20% due to increased support density.
- Consulting costs to rewrite roof support code of practice as well as training of operators and supervisors in competency.

The Company also experienced higher than expected transport costs as road transport was used to supplement the rail to in order to work down bituminous coal stock piles. Rail performance is steadily improving and we expect to continue to meet our off-take and throughput commitments.

Expenses

The Company recorded expenses of \$2.85 million and \$10.37 million during the three and nine months ended November 30, 2011 compared to \$6.95 million and \$15.79 million during the comparable periods of 2010. During the three and nine months ended November 30, 2011 the Company recorded \$0.06 million and \$2.00 million in stock based compensation related to the issuance and vesting of 825,000 options in March 2011 and 137,500 options in June 2011. Comparatively, the Company recorded \$5.80 and \$13.42 million in stock based compensation during the three and nine months ended December 31, 2010 related to the issuance of 260,000 options in March 2010, 2,175,000 options in October 2010 and 2,700,000 special performance shares in July 2010.

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

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Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. Options granted under the Plan will be for a term not to exceed 5 years. The Plan provides that, it is solely within the discretion of the Board to determine who should receive stock options, in what amounts, and determine vesting terms. The exercise price for any stock option shall not be lower than the market price of the underlying common shares, or at fair market value in the absence of a market price, at the time of grant.

In March 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 rates between 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 100,000 stock options to officers and consultants of the Company at an exercise price of -\$3.00 and 37,500 at an exercise price of \$2.77 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.

Included in expenses are \$0.82 million and \$3.85 million respectively for the three and nine months ended November 30, 2011 for consulting and professional fees. The second quarter of 2012 expense of \$2.26 million is significantly higher than the \$0.77 million recorded during the first quarter of 2012 and the \$0.82 million recorded during the third quarter of 2012. The primary reasons for the significant increase quarter over quarter results from bonuses and success fees paid during the second quarter totalling \$0.75 million as well as the inclusion of new staff hired in the Forbes South African office. The bonuses were paid in order to recognize certain milestones met during the year including the Johannesburg listing and certain production, integration and sales targets. The comparative expenses of \$0.75 million and \$1.27 million respectively for the prior year were somewhat on the lower end as the Company had just completed its acquisition of Slater Coal and had only five months of South African activities included in the consolidated results.

General and administrative expenses of \$1.78 million and \$4.34 million respectively for the three and nine months ended November 30, 2011 are also significantly higher than the \$0.76 million recorded during Q1 2012 and are in line with the expenses reported for the previous quarter. As previously discussed the Company acquired Slater Coal in July 2010, consequently the comparative expenses were relatively quite low. Of the \$1.78 and \$4.34 million, \$1.26 million and \$3.46 million originate from the South African offices and \$0.42 and \$1.12 million are related to the head office. The Company is building its team in South Africa in order to facilitate the expansion and acquisition plans which has and will result in higher general and administration and consulting expenses. We are seeing increased expenditures in all areas including listing and sustaining fees, staff, training fees, communication and travel.

Other items

During the three and nine months ended November 30, 2011 the Company recorded an expense from other items totalling \$0.81 million and \$2.46 respectively, compared to an income of \$0.54 million and an expense of \$4.95 million for the three and nine months ended December 31, 2010.

The Company recorded other income of \$0.33 and \$0.36 million during the three and nine months ended November 30, 2011. Other income and expense, results primarily from small scrap sales, discounts received, commissions paid and certain fair value adjustments.

The Company recorded a net interest expense of \$0.31 million and \$0.83 million during the three and nine months ended November 30, 2011. The Company incurs interest expense on borrowings which totaled \$0.48 million and \$1.15 million for the three and nine months ended November 30, 2011, the expense is generated from a small line of credit with First National Bank as well the Company has certain instalment sale agreements on certain equipment. The Company also generates interest income on cash balances held in financial institutions. The Company invests its excess cash in liquid low risk investments

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during the three and nine months ended November 30, 2011, the Company generated \$0.18 million and \$0.39 million respectively related to interest earned.

The Company also recorded a foreign exchange gain of \$1.20 and \$1.13 million during the three and nine months ended November 30, 2011 respectively. As previously discussed, the Company owes ZAR 140 million, payable in March 2012 related to the acquisition obligation. Movements in the South African Rand against the Canadian dollar related to the debt from February 28, 2011 to November 30, 2011 are the primary reason for the foreign exchange movements.

The Company also recorded \$0.47 million and \$1.54 million related to accretion with respect to the acquisition obligation during the three and nine months ended November 30, 2011.

The Company recorded an income tax expense of \$2.67 million during the nine months ended November 30, 2011. Income tax is payable at a rate of 28% on taxable income in South Africa.

On the acquisition of Slater Coal the Company recorded certain fair value adjustments. These adjustments created a deferred income tax liability which is being credited to the income statement as the related assets are being amortized or depleted. During the third quarter an amount of \$1.98 million was credited to income tax expense related to the income tax effect of the amortization and depletion of the fair value adjustments.

BEE Transaction

During the nine-months period ended November 30, 2011, Slater Coal assisted one of its BEE partners in the buying out of the interest in Zinoju held by its other BEE partner. To facilitate this buy-out, Slater Coal provided interest-free financing for the buy-out. The 18% shareholding in Zinoju that was the subject of the buy-out was valued at ZAR 20,000,000 on the date of the transaction. The financing is secured by the shareholding in Zinoju and will be repaid using dividends received from the 18% shareholding in Zinoju. For accounting purposes, the transaction represents a settlement of the original call option over the 18% interest in Zinoju with the original BEE partner and the issuance of a new call option over an 18% interest in Zinoju with the remaining BEE partner.

The estimated fair value of the option settled and the new option issued are the same on the settlement date. Key assumptions utilized in the valuation include a maximum maturity date of 8 years, assumption that financing repayments will be made solely from dividends declared by Zinoju under the terms of the BEE agreement within 8 years, volatility of 33% and a risk-free interest rate of 5.20%. The value of the new call option issued on the transaction date was ZAR 9,073,711 (\$1,245,529).

The cash payment of ZAR 20,000,000 made by the continuing BEE partner was first utilized to reduce the vending BEE partner's outstanding financing due to the Company as a result of the original BEE transaction (ZAR 9,158,917). The net cash of ZAR 10,841,083 paid to the vending BEE partner exceeded the original fair value of the option being settled.

The settlement of the original call option with the vending BEE partner represents the settlement of an equity-settled share-based payment transaction and is accounted for as a repurchase of an equity interest. 'Non-controlling interest' was debited for the fair value of the option settled in the amount of ZAR 9,073,711 (\$1,245,529). The difference between the cash paid and the original fair value of the original option of ZAR 1,767,372 (\$242,603) represents additional BEE expense and is recognized in 'loss on share-based payments' in fiscal 2012.

The issuance of the new call option to the continuing BEE partner represents the issuance of an equity-settled share-based payment. The value of the new call option on the date of issue of ZAR 9,073,711 (\$1,245,529) was reflected as an expense in the statement of comprehensive income in fiscal 2012 as part of 'loss on share based payments' and as a credit in the statement of changes in equity in the 'share-based payment reserves'.

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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, 2011 loss of \$9.25 and \$9.44 million has been recorded to other comprehensive income.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of \$2.46 million as at November 30, 2011, compared to working capital of \$29.64 million at February 28, 2011 (see non GAAP Measures). The primary reason for the working capital decrease is the reclassification of acquisition obligation from non-current to current liabilities, as \$19.74 million becomes payable within the next 12 months in March 2012. The Company also made significant investments in property plant and equipment totalling \$17.45 million.

Investec loan facility

The Company, through its subsidiary Slater Coal, has secured a ZAR 230 million (approximately \$29 million) loan facility from Investec Limited ("Investec"). The loan facility consists of a five year senior secured amortizing term loan facility of up to ZAR 200 million (approximately \$25 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 Slater Coal 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 Slater Coal falls below ZAR 100 million annually (approximately \$13 million). As at November 30, 2011, no amounts have been drawn under this facility.

CASH FLOWS AND INVESTING ACTIVITIES

Cash and cash equivalents increased from \$15.25 million as at February 28, 2011, to \$16.83 million as at November 30, 2011, representing an increase of \$1.58 million.

Operating activities during the three and nine months ended November 30, 2011 provided \$6.66 million and \$21.74 million respectively compared to a use of \$2.38 million and \$2.97 million during the three and nine months ended December 31, 2010. The net income for the three and nine months ended November 30, 2011 was \$3.52 million and \$1.10 million respectively compared to a net loss for the three and nine months ended December 31, 2010, \$5.17 million and \$18.85 million as discussed under the Results of Operations section of this report. Non-cash items included in the net income and loss for the three and nine months ended November 30, 2011 included: amortization and depletion of \$3.91 million and \$12.36 million; gains on fair value adjustments on financial assets of \$0.16 million and \$0.14 million; deferred income taxes of \$1.98 million and \$2.01 million; accretion of \$0.48 million and \$1.60 million; foreign exchange gain of \$1.46 million and \$1.49 million and stock based compensation of \$0.06 million and \$2.00 million, of which the material items were discussed under the Results of Operations section of this report. The Company generated \$0.74 million and \$6.78 million during the three and nine months ended November 30, 2011 and used \$2.38 and \$3.20 million during the three and nine months ended December 31, 2010 related to the net change in non-cash working capital. The net change in non-cash working capital reported on the cash flow statement identifies the changes in current assets and current liabilities that occurred during the period. An increase in a liability (or a decrease in an asset) is a source of funds; while a decrease in a liability (or an increase in an asset) account is a use of funds.

The Company used \$14.37 million and \$19.58 million in investing activities during the three and nine months ended November 30, 2011 and \$1.48 million and \$27.33 million respectively for comparative periods ended December 31, 2010. During the nine months ended November 30, 2011 the Company added \$17.45 million to property, plant and equipment with significant items being mine development and equipment purchased for the Magdalena and Aviemore operations under the Project Siyathuthuka expansion project. Items in this development included the delivery of the second ABM 30 continuous

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miner, three low profile coal scoops, a coal cutter machine, two roof bolting machines and a new horizontal face-drill. There were also infrastructure upgrades on the conveyer and ventilation systems to facilitate increased production and additional sections to be developed. The Company also made additional contributions of \$1.02 million into its endowment policy which is used to fund equipment leases in a tax effective manner. Forbes Coal also provided collateral for business credit cards in the amount of \$0.05 million. The Company also made a deposit into a trust account of \$0.30 million related to acquisition due diligence. The large use during the prior year related to the acquisition of Slater Coal.

Financing activities generated \$0.58 million and used \$0.24 million respectively during three and nine months ended November 30, 2011 and used \$1.05 million and generated \$34.20 million during the three and nine months ended December 31, 2010. 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 \$5.12 million and repaid loans and borrowings totalling \$5.36 million. During the nine months ended December 31, 2010, the Company completed a private placement totalling \$38.34 million.

Negative effects of \$0.26 million and \$0.35 million are recorded on the consolidated statement of cash flows related to the effect of foreign exchange on cash and cash equivalents for the three and nine months ended November 30, 2011, compared to a source of \$0.08 million and \$0.21 million recorded during comparative periods ended December 31, 2010.

QUARTERLY INFORMATION

	Q3-2012**	Q2-2012**	Q1-2012**	Q5-2011*	Q4-2011*	Q3-2011*	Q2-2011*	Q1-2011*
Revenue from mining operations (CAD 000's)	31,152	35,243	19,608	12,019	9,032	6,628		
Mine operating expense (CAD 000's)	20,459	24,098	12,495	8,936	7,599	3,390		
Amortization and depletion (CAD 000's)	3,907	5,521	2,928	1,540	179	1,791		
Net income (loss) (CAD 000's)	3,523	(1,421)	(1,005)	1,835	(5,166)	(10,986)	(345)	(379)
Net income (loss) per share, basic and diluted \$	0.10	(0.04)	(0.03)	0.07	(0.20)	(0.63)	(0.13)	(0.14)
Cash provided by (used in) operations (CAD 000's)	6,662	10,530	4,574	320	(2,378)	(316)	(279)	(264)
Tonnes of coal produced, ROM	354,003	322,765	311,002	190,278	228,157	174,799		
Tonnes of coal sold	331,296	339,802	190,827	129,774	102,834	79,074		
Average realized coal price per tonne (CAD)	94	104	103	93	88	84		
Average realized coal price per tonne (USD)	93	107	106	93	87	81		
Total Assets (CAD 000's)	140,922	155,894	154,954	149,405	142,655	135,279	4,093	1,030
Long term financial liabilities (CAD 000's)	8,333	9,966	10,187	32,029	58,769	29,605		

(*) Presented in Canadian GAAP

(**) Presented in IFRS

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

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

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

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

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The Company shares its premises with other companies that have common directors and officers and the Company reimburses the related companies for its proportional share of the expenses. At November 30, 2011 an amount of \$97,376 (February 28, 2011 - \$nil) was prepaid and \$nil (February 28, 2011 - \$33,718) was payable in relation to these expenses. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

As a result of the Nyah transaction, Forbes Coal acquired a receivable of \$1,015,574 which consisted primarily of a receivable from Valencia Ventures Inc. ("Valencia") in the amount of \$1,000,000 for the sale of the Agnew Lake Project. In October 2010, \$500,000 of this amount was received from Valencia and in July 2011 the second payment of \$250,000 was received in form of the shares of Valencia. Mr. Stan Bharti is a director of Valencia. Valencia and the Company have certain directors and or officers in common. Also as a result of the Nyah transaction Forbes Coal acquired a payable in the amount of \$100,000 payable to Forbes & Manhattan Inc., a company of which Stan Bharti is an officer and director, which was paid in full as at February 28, 2011.

As a result of Slater Coal acquisition Forbes Coal acquired receivables and payables in the net amount of \$121,394 owed from the former Slater Coal shareholders and their related parties to the Company. As at the date of the condensed interim consolidated financial statements an amount of \$38,184 in loans payable to directors and officers of Slater Coal was recorded. Also an amount of \$1,125,703 in loans receivable from directors and officers of Slater Coal was recorded.

Also as a result of Slater Coal acquisition business relationships with certain related parties were inherited which resulted in total transactions for three months being for services purchased being \$5,636,000 and for sales of goods being \$1,778,000.

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

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the period were as follows:

	Nine months ended	
	November 30, 2011	December 31, 2010
Short-term benefits	\$ 1,517,103	\$ 1,870,833
Share-based payments	1,674,000	4,374,000
	\$ 3,191,103	\$ 6,244,833

OTHER

On May 9, 2011, the Company announced that Malcolm Campbell has agreed to join the Company as Chief Operating Officer. The COO was officially appointed and commenced duty on June 13, 2011. He is based in South Africa and will oversee operations at the Magdalena and Aviemore mines. Mr. Campbell will be granted a total of 150,000 stock options.

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

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

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

On August 8, 2011, the Company announced that Kevern Mattison has joined the Company as General Manager of its Slater Coal operations, based in Dundee, Kwazulu-Natal, South Africa, effective August 1, 2011.

Previously, Mr. Mattison was with Anglo American, where he started his coal mining career at its New Denmark Colliery in 1989. He progressed through the ranks and worked at most of the Anglo American Thermal Coal operations. Most recently Mr. Mattison was Manager Mining at Kleinkopje Colliery. Mr. Mattison has experience in both underground as well as opencast operations and has managed operations covering a wide spectrum of mining methods.

Mr. Mattison has a National Higher Diploma Coal Mining from Witswatersrand Technikon and a Bachelors of Technology from the University of Johannesburg.

Mr. Johan Louw, VP Operations has resigned effective September 30, 2011 to pursue other opportunities.

COMMITMENTS AND CONTINGENCIES

Management contracts

The Corporation is party to certain management contracts. These contracts require that additional payments of approximately \$2,370,000 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 \$400,000 all due within one year.

Lease and instalment payment obligations

The Company is committed to minimum amounts under long-term capital lease and instalment payment agreements for plant and equipment. Minimum commitments remaining under these leases were \$8,447,756 over the following years:

<u>Year</u>	<u>Amount</u>
2012	\$ 384,566
2013	6,917,912
2014	1,013,901
2015	131,377
	\$ 8,447,756

Environmental contingency

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

Throughput, transportation and sales contracts

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

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SUBSEQUENT EVENTS

No material events occurred subsequent to the period end.

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, 2011 designed Disclosure and Control Procedures, ("DC&P") or caused it to be designed under their supervision, to provide reasonable assurance that:

- material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
- information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

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

Changes to accounting policies or business processes as a result of the IFRS conversion did not materially affect the Company's internal controls over financial reporting. 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, 2011 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, 2011, and the Company's board of directors approved these documents prior to their release.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated financial statements are as follows:

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- Asset carrying values and impairment charges
- Estimation of asset lives and related basis for depreciation, depletion and amortization
- Determination of ore reserve estimates
- Recognition of deferred taxes
- Capitalization of exploration, evaluation costs and development costs
- Contingencies
- Acquisitions and allocation of purchase price
- Determination of economic viability of a project
- Valuation of inventory
- Warrants and stock based compensation valuation
- Income tax accounts
- Loss on share-based payments

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, 2011 or later periods. Updates 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, 2013, with earlier adoption permitted. The Company is currently assessing the impact of IFRS 9 on its financial statements.

IFRS 7 Financial instruments - Disclosures ("IFRS 7") was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Company has not yet determined the impact of the amendments to IFRS 7 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 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

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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 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.

CHANGES IN ACCOUNTING POLICIES

TRANSITION TO IFRS

The Company's financial statements for the year ending February 28, 2012 will be the first annual financial statements that comply with IFRS and the condensed interim consolidated financial statements were prepared as described in Note 2 of the condensed interim consolidated financial statements, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Company will make this statement when it issues its 2012 annual financial statements.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be February 28, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

Initial elections upon adoption

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

IFRS Exemption Applied

- (a) *Share-based payments* - IFRS 2, Share-based Payments, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its Transition Date.
- (b) *Business combinations and consolidated and separate financial statements* - IFRS 1 provides the option to apply IFRS 3, Business Combinations, retrospectively or prospectively from the Transition Date. The Company has elected to apply IFRS 3 prospectively. The Company did not apply IFRS 3 retrospectively to business combinations that occurred prior to its Transition Date and such business combinations have not been restated. In accordance with IFRS 1, if a Company elects to apply IFRS 3 Business Combinations retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

IFRS Mandatory Exceptions

Estimates - Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

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Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile its equity, comprehensive income (loss) and cash flows for prior periods. The changes made to the condensed interim consolidated statements of financial position and condensed interim consolidated statements of comprehensive income (loss) have resulted in reclassifications of various amounts on the statements of cash flows. However, as there have been no changes to the net cash flows, no reconciliations have been presented.

Adjustments on transition to IFRS:

In addition to the exemptions and exceptions discussed above, the following narratives explain the significant differences between the previous historical Canadian GAAP accounting policies and the current IFRS policies applied by the Company. Please refer to the Company's May 31, 2011 condensed interim consolidated financial statements for a complete description of the accounting policies used.

(a) Share-based compensation - Forfeitures

Canadian GAAP - Forfeitures of awards are recognized as they occur.

IFRS – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. No adjustments were required.

(b) Reverse Acquisition

Canadian GAAP - The reverse acquisition was treated as a capital transaction with the cost of the transaction measured at the fair value of the consideration given or the assets acquired, whichever is more reliably measured. As the valuation of the consideration is calculated using the Black-Scholes option pricing model which requires assumptions to be used, the Company measured the transaction based on the fair value of the net assets acquired, which was in a deficit position and therefore, recorded the transaction directly into deficit.

IFRS – The substance of the transaction is a reverse acquisition of a non-operating company which does not constitute a business combination as Nyah does not meet the definition of a business. The transaction is accounted for as a capital transaction with the consideration paid by the Company measured with the excess over the fair value of the assets being recognized in the statement of operations and comprehensive (loss). As the purchase price paid exceeded the fair value of the identified net assets acquired, the difference was recorded in the statement of operations and comprehensive (loss).

Impact on Condensed Interim Consolidated Statements of Financial Position and Statements of Operations

	December 31, 2010	June 30, 2010
Share capital	\$ 2,537,221	\$ -
Loss on share-based payments	\$ (2,537,221)	\$ -

(c) Deferred Income Taxes

Canadian GAAP – Future income tax liabilities are presented as either current or long term.

IFRS – Deferred income tax liabilities are presented as long-term.

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Transitional reconciliations

The reconciliations between the previously reported financial results under Canadian GAAP and the current reported financial results under IFRS are provided as follows:

- (i) Reconciliation of the condensed interim consolidated statement of financial position as at December 31, 2010;
- (ii) Reconciliation of the condensed interim consolidated statement of operations and comprehensive (loss) for the nine months ended December 31, 2010;
- (iii) Reconciliation of the condensed interim consolidated statement of operations and comprehensive (loss) for the three months ended December 31, 2010;

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(i) **Reconciliation of the condensed interim consolidated statement of financial position and equity as at December 31, 2010**

Canadian GAAP accounts	Note 27	Canadian GAAP balances	IFRS adjustments	IFRS balances
ASSETS				
Current				
Cash and cash equivalents		\$ 4,390,062	\$ -	\$ 4,390,062
Restricted cash		1,872,400	-	1,872,400
Accounts and other receivables		8,461,750	-	8,461,750
Inventories		12,135,729	-	12,135,729
Prepaid expenses		68,082	-	68,082
		26,928,023	-	26,928,023
Property, plant and equipment		36,023,791	-	36,023,791
Mineral property and rights		72,694,776	-	72,694,776
Investment property		123,096	-	123,096
Goodwill		1,400,558	-	1,400,558
Other assets		5,363,209	-	5,363,209
Deferred income taxes		121,705	-	121,705
		\$ 142,655,158	\$ -	\$ 142,655,158
LIABILITIES				
Current				
Accounts payable and accrued liabilities		\$ 7,268,234	\$ -	\$ 7,268,234
Acquisition obligation		19,915,721	-	19,915,721
Other financial liabilities		1,393,428	-	1,393,428
Loans payable		616,406	-	616,406
		29,193,789	-	29,193,789
Acquisition obligation		21,515,392	-	21,515,392
Asset retirement obligation		1,881,044	-	1,881,044
Other financial liabilities		8,307,388	-	8,307,388
Deferred income taxes		27,065,470	-	27,065,470
		87,963,083	-	87,963,083
SHAREHOLDERS' EQUITY				
Share capital	b	58,266,624	2,357,221	60,623,845
Warrants		993,053	-	993,053
Contributed surplus		6,445,680	-	6,445,680
Deficit	b	(16,913,226)	(2,357,221)	(19,270,447)
Currency translation reserve		5,899,944	-	5,899,944
Equity attributable to the owners of the company		54,692,075	-	54,692,075
		\$ 142,655,158	\$ -	\$ 142,655,158

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(ii) Reconciliation of the condensed interim consolidated statement of operations and comprehensive (loss) for the nine months ended December 31, 2010

Canadian GAAP accounts	Note 27	Canadian GAAP balances	IFRS adjustments	IFRS balances
REVENUE		\$ 15,658,216	\$ -	\$ 15,658,216
COST OF SALES				
Operating expense		10,988,685	-	10,988,685
Amortization and depletion		1,969,312	-	1,969,312
		12,957,997	-	12,957,997
Gross profit		2,700,219	-	2,700,219
EXPENSES				
Consulting and professional fees		1,267,382	-	1,267,382
General and administration		1,107,085	-	1,107,085
Stock based compensation		13,418,096	-	13,418,096
		15,792,563	-	15,792,563
Net loss before other items		(13,092,344)	-	(13,092,344)
OTHER ITEMS				
Other income		207,914	-	207,914
Business combination transaction costs		(1,222,390)	-	(1,222,390)
Accretion		(1,615,365)	-	(1,615,365)
Change of estimates on contingent acquisition liability		2,724,711	-	2,724,711
Interest (expense)		(201,992)	-	(201,992)
Foreign exchange (loss)		(2,482,321)	-	(2,482,321)
NET LOSS before income tax		(15,681,787)	(2,357,221)	(18,039,008)
Income tax expense		(815,382)	-	(815,382)
NET LOSS for the period		(16,497,169)	(2,357,221)	(18,854,390)
Other comprehensive income items				
Unrealized gain on foreign currency translation		5,899,944	-	5,899,944
COMPREHENSIVE LOSS for the period		\$ (10,597,225)	\$ (2,357,221)	\$ (12,954,446)
Net loss per share - basic and diluted		(1.38)	(0.20)	(1.58)
Weighted average number of common shares outstanding - basic and diluted		11,949,521	11,949,521	11,949,521

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(iii) Reconciliation of the condensed interim consolidated statement of operations and comprehensive (loss) for the three months ended December 31, 2010

Canadian GAAP accounts	Note 27	Canadian GAAP balances	IFRS adjustments	IFRS balances
REVENUE		\$ 9,030,977	\$ -	\$ 9,030,977
COST OF SALES				
Operating expense		7,598,811	-	7,598,811
Amortization and depletion		178,617	-	178,617
		7,777,428	-	7,777,428
Gross profit		1,253,549	-	1,253,549
EXPENSES				
Consulting and professional fees		745,940	-	745,940
General and administration		407,004	-	407,004
Stock based compensation		5,795,596	-	5,795,596
		6,948,540	-	6,948,540
Net loss before other items		(5,694,991)	-	(5,694,991)
OTHER ITEMS				
Other income		56,805	-	56,805
Business combination transaction costs		(195,155)	-	(195,155)
Accretion		(976,329)	-	(976,329)
Change of estimates on contingent acquisition liability		2,724,711	-	2,724,711
Interest income		3,998	-	3,998
Foreign exchange (loss)		(1,073,650)	-	(1,073,650)
NET LOSS before income tax		(5,154,611)	-	(5,154,611)
Income tax expense		(10,970)	-	(10,970)
NET LOSS for the period		(5,165,581)	-	(5,165,581)
Other comprehensive income items				
Unrealized gain on foreign currency translation		4,989,070	-	4,989,070
COMPREHENSIVE LOSS for the period		\$ (176,511)	\$ -	\$ (176,511)
Net loss per share - basic and diluted		(0.20)	-	(0.20)
Weighted average number of common shares outstanding - basic and diluted		25,590,793	25,590,793	25,590,793

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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 condensed interim consolidated financial statements for the three months ended May 31, 2011.

The Company's financial assets and financial liabilities as at November 30, 2011 and February 28, 2011 were as follows:

	Cash, loans and receivables	Assets / (liabilities) at fair value through profit	Other financial assets/(liabilities)	Total
February 28, 2011				
Cash	\$ 15,252,651	\$ -	\$ -	\$ 15,252,651
Restricted cash	1,736,000	-	-	1,736,000
Receivables	12,410,375	-	-	12,410,375
Other assets	1,081,997	4,316,828	-	5,398,825
Accounts payable and accrued liabilities	-	-	(7,031,196)	(7,031,196)
Acquisition obligation	-	-	(20,300,925)	(20,300,925)
Other financial liabilities - current	-	-	(2,660,467)	(2,660,467)
Other financial liabilities - long term	-	-	(11,727,930)	(11,727,930)
Loan payable	\$ -	\$ -	\$ (261,934)	\$ (261,934)
November 30, 2011				
Cash	\$ 16,832,573	\$ -	\$ -	\$ 16,832,573
Restricted cash	1,912,290	-	-	1,912,290
Receivables	11,441,728	-	-	11,441,728
Other assets	1,595,900	5,234,367	-	6,830,267
Accounts payable and accrued liabilities	-	-	(10,517,667)	(10,517,667)
Acquisition obligation	-	-	(19,741,548)	(19,741,548)
Other financial liabilities - current	-	-	(474,163)	(474,163)
Other financial liabilities - long term	-	-	(8,333,077)	(8,333,077)
Loan payable	\$ -	\$ -	\$ (52,340)	\$ (52,340)

At November 30, 2011, there are no significant concentrations of credit risk for loans and receivables designated at fair value through the condensed interim 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 and options.

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.

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 fiscal 2011 or 2012.

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As at November 30, 2011, the capital structure of the Company consists of equity attributable to the owners, share based payment reserves attributable to directors, officers, employees and consultants of the company totalling \$83,851,008 (February 28, 2011 - \$84,116,342).

FINANCIAL RISK FACTORS

The Company is exposed to a variety of financial risks.

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

(a) Market risk

i. Foreign exchange risk

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

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

A 10% increase in the Rand against the Company's functional currency, the Canadian dollar would have increased (decreased) the Company's income by approximately \$900,000. A 10% increase in the United States Dollar would have increased (decreased) the Company's income by \$6,600,000.

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

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The following assets and liabilities are presented in Canadian dollar values and denominated in different currencies as at November 30, 2011 and February 28, 2011:

	Denominated in			Total
	CAD	ZAR	USD	
Cash and cash equivalents	13,786,713	1,455,408	10,530	15,252,651
Restricted cash	-	1,736,000	-	1,736,000
Amounts receivable	905,161	5,766,954	5,738,260	12,410,375
Inventories	-	10,526,681	-	10,526,681
Prepaid expenses	54,434	5,867	-	60,301
Property, plant and equipment	-	79,316,581	-	79,316,581
Mine properties	-	5,911,567	-	5,911,567
Goodwill	-	18,672,014	-	18,672,014
Other assets	-	5,398,825	-	5,398,825
Deferred income taxes	-	120,061	-	120,061
Accounts payable and accrued liabilities	(789,749)	(6,078,926)	(162,521)	(7,031,196)
Acquisition obligation	-	(20,300,925)	-	(20,300,925)
Other financial liabilities - current	-	(2,660,467)	-	(2,660,467)
Other financial liabilities - long term	-	(11,727,930)	-	(11,727,930)
Asset retirement obligation - current	-	(389,177)	-	(389,177)
Asset retirement obligation - long term	-	(2,665,329)	-	(2,665,329)
Loans payable	-	(261,934)	-	(261,934)
Deferred income taxes	-	(18,654,227)	-	(18,654,227)
Net balance sheet as at February 28, 2011	\$ 13,956,559	\$ 66,171,043	\$ 5,586,269	\$ 85,713,871
Cash and cash equivalents	5,948,230	10,773,480	110,863	16,832,573
Restricted cash	50,000	1,556,200	306,090	1,912,290
Amounts receivable	605,994	10,795,976	39,758	11,441,728
Inventories	-	3,237,454	-	3,237,454
Prepaid expenses	170,600	5,260	-	175,860
Property, plant and equipment	-	78,048,139	-	78,048,139
Mine properties	-	5,180,441	-	5,180,441
Goodwill	-	16,672,014	-	16,672,014
Other assets	303,571	6,526,696	-	6,830,267
Long-term prepaid expenses	42,664	418,229	-	460,893
Deferred income taxes	-	130,094	-	130,094
Accounts payable and accrued liabilities	(352,287)	(10,165,380)	-	(10,517,667)
Acquisition obligation	-	(19,741,548)	-	(19,741,548)
Other financial liabilities - current	-	(474,163)	-	(474,163)
Other financial liabilities - long term	-	(8,333,077)	-	(8,333,077)
Asset retirement obligation - current	-	(354,340)	-	(354,340)
Asset retirement obligation - long term	-	(2,602,132)	-	(2,602,132)
Loans payable	-	(52,340)	-	(52,340)
Deferred income taxes	-	(14,356,466)	-	(14,356,466)
Net balance sheet as at November 30, 2011	\$ 6,768,772	\$ 77,264,537	\$ 456,711	\$ 84,490,020

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 income of approximately \$37,000 per month.

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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 \$8,600,000 for the nine months ended November 30, 2011.

(b) *Credit risk*

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

Restricted cash totalling \$1,912,290 was primarily on deposit with the First National Bank, to be released to a supplier if payments are not made to them, in GIC investment with Royal Bank of Canada held as collateral against credit card limits used by the Company and in a lawyer's trust account.

(c) *Liquidity risk*

As November 30, 2011, the Company had net working capital of \$2,459,847 (February 28, 2011 – \$29,643,234) which included cash and cash equivalents and restricted cash of \$18,744,763 (February 28, 2011 – \$16,988,651), accounts receivable and other receivables of \$11,441,728 (February 28, 2011 – \$12,410,375), and inventories of \$3,237,454 (February 28, 2011 – \$10,526,681), offset by current liabilities of \$31,140,058 (February 28, 2011 – \$10,342,774).

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

(d) *Fair value of financial instruments*

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

The three levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at November 30, 2011, the carrying and fair value amounts of the Company's financial instruments are approximately the same due to the limited term of these instruments. The following table illustrates the classification of the Company's Financial Instruments within the fair-value hierarchy as at November 30, 2011 and February 28, 2011:

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<u>November 30, 2011</u>	Level 1	Level 2	Level 3
Endowment policy and investments	\$ 303,571	\$ -	\$4,930,796
<u>February 28, 2011</u>	Level 1	Level 2	Level 3
Endowment policy and investments	\$ -	\$ -	\$4,316,828

RISKS AND UNCERTAINTIES

Price of Coal

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

Additional Capital

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

Exploration and Development

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

Mineral Reserve and Mineral Resource Estimates

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

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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.

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Political Risks

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

Mineral Legislation

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

Hedging and Commodity Prices

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

Title to Mineral Holdings

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

Competition

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

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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:

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Working Capital

	November 30, 2011 \$000's	February 28, 2011 \$000's
Current Assets		
Cash and cash equivalents	16,832.57	15,252.65
Restricted cash	1,912.29	1,736.00
Accounts receivable and other receivables	11,441.73	12,410.38
Inventories	3,237.45	10,526.68
Prepaid expenses	175.86	60.30
	<u>33,599.90</u>	<u>39,986.01</u>
Current Liabilities		
Accounts payable and accrued liabilities	10,517.67	7,031.20
Acquisition obligation	19,741.55	-
Other financial liabilities	474.16	2,660.47
Provisions	354.34	389.18
Loans payable	52.34	261.93
	<u>31,140.06</u>	<u>10,342.78</u>
Working capital (deficiency)		
Current assets less current liabilities	<u>2,459.84</u>	<u>29,643.23</u>

EBITDA - Forbes Coal consolidated

	Three months ended November 30, 2011 \$000's	Nine months ended November 30, 2011 \$000's
Net income (loss) for the period	3,523	1,097
add back		
Amortization and depletion	3,907	12,355
Income tax (recovery) expense	(396)	2,672
Foreign exchange (gain)	(1,203)	(1,131)
Interest and dividend income	306	827
Change in estimates on contingent acquisition liability	120	120
Accretion	475	1,540
Business combination transaction costs	2	24
Stock based compensation	64	1,996
Loss on share-based payments	1,488	1,488
Unrealized (gain) on marked-to-market securities	(54)	(54)
EBITDA Forbes Coal Consolidated	<u>8,232</u>	<u>20,934</u>

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EBITDA - Slater Coal stand alone

	Three months ended November 30, 2011	Nine months ended November 30, 2011
	\$000's	\$000's
Net income (loss) for the period	3,523	1,097
add back		
Amortization and depletion	3,907	12,355
Income tax (recovery) expense	(396)	2,672
Foreign exchange (gain)	(1,203)	(1,131)
Interest and dividend income	306	827
Change in estimates on contingent acquisition liability	120	120
Accretion	475	1,540
Business combination transaction costs	2	24
Mineral properties investigation costs (Non-Slater)	190	190
Stock based compensation	64	1,996
Loss on share-based payments	1,488	1,488
Unrealized (gain) on marked-to-market securities	(54)	(54)
General and administration (Non Slater)	615	3,320
EBITDA Slater Coal	9,037	24,444

General and administration (Non Slater)

	Three months ended November 30, 2011	Nine months ended November 30, 2011
	\$000's	\$000's
Consulting, general and administration (Non Slater)	(2)	(526)
Consulting and professional fees (Non Slater)	617	3,846
General and administration (Non Slater)	615	3,320

SUMMARY OF SECURITIES AS AT JANUARY 12, 2012

As at January 12, 2012 the following common shares, common shares purchase options, share purchase warrants and special performance shares were issued and outstanding:

- 34,865,717 common shares:
- 3,085,298 common share purchase options with exercise prices ranging from \$2.39-\$13.93 expiring between February 27, 2012 and June 13, 2016:
- 1,243,887 share purchase warrants with exercise prices ranging from \$2.80-\$4.55 expiring between January 23, 2012 and 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 12, 2012 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.

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LIST OF DIRECTORS AND OFFICERS

Stephan Theron	Director, President and Chief Executive Officer
Stan Bharti	Director, Executive Chairman
David Stein	Director
Grant Davey	Director
Ryan Bennett	Director
David Gower	Director
Deborah Battiston	Chief Financial Officer
Neil Said	Corporate Secretary
Malcolm Campbell	Chief Operating Officer

January 12, 2012