FORBES & MANHATTAN COAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS

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for the periods ended February 29, 2012 and February 28, 2011

(presented in Canadian dollars)

McGovern, Hurley, Cunningham, LLP
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Forbes & Manhattan Coal Corp.

We have audited the accompanying consolidated financial statements of Forbes & Manhattan Coal Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at February 29, 2012, February 28, 2011 and January 1, 2010, and the consolidated statements of operations and comprehensive income (loss), consolidated statements of cash flows and consolidated statements of changes in equity for the periods ended February 29, 2012 and February 28 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Forbes & Manhattan Coal Corp. and its subsidiaries as at February 29, 2012, February 28, 2011 and January 1, 2010, and their financial performance and cash flows for the periods ended February 29, 2012 and February 28, 2011 in accordance with International Financial Reporting Standards.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
May 25, 2012

FORBES & MANHATTAN COAL CORP.
Consolidated Statements of Financial Position
As at,
(Presented in Canadian dollars)

	Notes	February 29, 2012	February 28, 2011 (Note 31)	January 1, 2010 (Notes 1 and 31)
ASSETS				
Current				
Cash		$ 9,481,078	$ 15,252,651	$ 52,177
Restricted cash		1,984,890	1,736,000	-
Accounts and other receivables		12,920,590	12,410,375	600
Inventories	17	3,443,691	10,526,681	-
Prepaid expenses		95,613	60,301	7,144
		27,925,862	39,986,008	59,921
Property, plant and equipment	15	81,956,437	79,316,581	-
Intangibles	14	5,414,498	5,911,567	-
Goodwill	13	17,506,375	18,672,014	-
Other assets	16	6,958,321	5,398,825	-
Long-term prepaid expenses		463,033	-	-
Deferred income taxes	30	326,754	120,061	-
Deferred charges		-	-	735,706
		$ 140,551,280	$ 149,405,056	$ 795,627
LIABILITIES				
Current				
Accounts payable and accrued liabilities	18	$ 9,233,830	$ 7,031,196	$ 32,355
Other financial liabilities	19	3,896,001	2,660,467	-
Asset retirement obligations	20	1,053,845	389,177	-
Loans payable	21	27,749	261,934	-
		14,211,425	10,342,774	32,355
Acquisition obligation	12	-	20,300,925	-
Asset retirement obligations	20	1,981,829	2,665,329	-
Other financial liabilities	19	20,030,702	11,727,930	-
Deferred income taxes	30	14,312,877	18,654,227	-
		50,536,833	63,691,185	32,355
SHAREHOLDERS' EQUITY				
Issued capital	22	98,792,926	93,672,871	800,160
Share-based payment reserves	24	11,208,323	8,413,283	-
Deficit		(14,519,284)	(17,434,614)	(36,888)
Currency translation reserve		(6,106,530)	(535,198)	-
Equity attributable to the owners of the Company		89,375,435	84,116,342	763,272
Non-controlling interest	8,9	639,012	1,597,529	-
		90,014,447	85,713,871	763,272
		$ 140,551,280	$ 149,405,056	$ 795,627

Commitments and contingencies 1, 27
Subsequent events 28

APPROVED ON BEHALF OF THE BOARD:

Signed *"Stephan Theron"*, Director

Signed *"David Stein"*, Director

The accompanying notes are an integral part of the consolidated financial statements.

FORBES & MANHATTAN COAL CORP.
Consolidated Statements of Operations and Comprehensive Income (Loss)
(Presented in Canadian Dollars)

	Notes		For the period ended February 29, 2012		For the period ended February 28, 2011 (Notes 1 and 31)
REVENUE		$	104,497,481	$	27,677,608
COST OF SALES					
Operating expenses			71,061,738		19,925,113
Amortization and depletion			15,782,660		3,509,727
Stock based compensation	24		223,000		-
			87,067,398		23,434,840
Gross profit			17,430,083		4,242,768
EXPENSES					
Consulting and professional fees			5,034,500		1,885,524
General and administration			6,226,315		2,729,598
Stock based compensation	24		2,362,755		13,522,096
Mineral properties investigation costs			317,008		111,686
			13,940,578		18,248,904
Net income (loss) before other items			3,489,505		(14,006,136)
OTHER ITEMS					
Other income			613,316		454,504
Business combination transaction costs			(24,223)		(1,340,196)
Accretion	12		316,467		(2,241,896)
Change in estimates on contingent acquisition liability	12		425,443		2,724,711
Interest (expense)	11		(722,326)		(576,753)
Foreign exchange gain			552,508		630,924
Unrealized gain on marked-to-market securities			69,196		-
Loss on share-based payments pursuant to BEE transaction	9		(1,461,550)		-
Loss on share-based payments pursuant to reverse take-over	31		-		(2,357,221)
NET INCOME (LOSS) before income tax			3,258,336		(16,712,063)
Income tax expense	30		(968,389)		(685,663)
NET INCOME (LOSS) for the period			2,289,947		(17,397,726)
Other comprehensive loss items					
Unrealized (loss) on foreign currency translation			(5,571,332)		(535,198)
COMPREHENSIVE (LOSS) for the period		$	(3,281,385)	$	(17,932,924)
Net income (loss) per share - basic and diluted			0.07		(1.23)
Headline earnings per share - basic and diluted			0.07		(1.23)
Weighted average number:					
of common shares outstanding-basic			34,859,160		14,187,763
of common shares outstanding-diluted			34,863,120		14,187,763

The accompanying notes are an integral part of the consolidated financial statements.

FORBES & MANHATTAN COAL CORP.
Consolidated Statements of Cash Flows
(Presented in Canadian Dollars)

	For the period ended February 29, 2012	For the period ended February 28, 2011 (Notes 1 and 31)
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net income (loss) for the period	$ 2,289,947	$ (17,397,726)
Adjustments:		
Amortization and depletion	15,782,660	3,509,727
Fair value adjustment on financial assets	(377,098)	(233,584)
Deferred income taxes	(3,376,458)	(408,503)
Accretion	(572,785)	2,241,896
Change in estimates	(425,443)	(2,724,711)
Foreign exchange	(634,851)	(677,381)
Unrealized gain on marked-to-market securities	(69,196)	-
Stock based compensation	2,585,755	13,522,096
Loss on share-based payments	1,461,550	2,357,221
	16,664,081	189,035
Net change in non-cash working capital	3,271,925	(3,105,739)
	19,936,006	(2,916,704)
INVESTING ACTIVITIES		
Change in accounts payable attributable to property exploration	-	(8,090)
Business combination	(18,494,000)	(48,474,470)
Cash acquired on business combination	-	3,832,045
Cash acquired on Nyah transaction	-	968,356
Long-term prepaid expenses	(468,924)	-
Additions to property, plant and equipment	(20,407,854)	(11,582,482)
Additional contribution to endowment policy	(1,342,504)	(392,921)
Investment in held for trading instruments	-	2,191,264
Restricted cash	(346,850)	(1,736,000)
	(41,060,132)	(55,202,298)
FINANCING ACTIVITIES		
Change in accounts payable attributable to share issue costs	351,673	(371,673)
Shares issued for cash	5,460,000	75,871,831
Shares issue costs	(691,618)	(6,153,174)
Loans payable	10,712,572	3,926,622
Payments to BEE partners	(123,849)	-
	15,708,778	73,273,606
Effect of exchange rate change on cash and cash equivalents	(356,225)	45,870
CHANGE IN CASH	(5,415,348)	15,154,604
CASH, beginning of the period	15,252,651	52,177
CASH, end of the period	$ 9,481,078	$ 15,252,651

The accompanying notes are an integral part of the consolidated financial statements.

FORBES & MANHATTAN COAL CORP.
Consolidated Statements of Cash Flows
(Presented in Canadian Dollars)

		For the period ended February 29, 2012		For the period ended February 28, 2011 (Notes 1 and 31)
SUPPLEMENTAL INFORMATION				
Shares issued on business combination	$	-	$	11,029,102
Shares issued on Nyah transaction into escrow	$	-	$	1,716,357
Performance shares issued into escrow	$	-	$	7,196,100
Broker warrants granted on private placements	$	-	$	2,149,853
Interest and dividend income	$	(722,326)	$	(576,753)
Income taxes received (paid)	$	(6,093,065)	$	3,268,748
Deferred charge payment made by Aberdeen	$	-	$	3,091,500
Settlement of amount due to Aberdeen	$	-	$	1,091,500
Deferred charges allocated to purchase price	$	-	$	735,706

The accompanying notes are an integral part of the consolidated financial statements.

FORBES & MANHATTAN COAL CORP.
Consolidated Statements of Changes in Equity
(Presented in Canadian dollars)

	Number of shares issued	Issued capital	Share-based payment reserves			Deficit	Currency translation reserve	Shareholders' equity
			Warrant reserve	Option reserve	BEE option reserve			
Balance as at January 1, 2010	**2,600,000**	**$ 800,160**	**$ -**	**$ -**	**$ -**	**$ (36,888)**	**$ -**	**$ 763,272**
Shares issued on public offering	23,072,368	72,297,784	-	-	-	-	-	72,297,784
Shares issued on business combination	3,938,965	11,029,102	-	-		-	-	11,029,102
Shares issued on Nyah transaction	1,279,384	4,073,578	-	-		-	-	4,073,578
Performance shares issued into escrow	2,700,000	7,196,100	-	-		-	-	7,196,100
Stock-based compensation	-	-	-	6,325,996	-	-	-	6,325,996
Options issued on Nyah transaction	-	-	-	119,684		-	-	119,684
Shares issued on exercise of options	75,000	426,000	-	(182,250)	-	-	-	243,750
Broker warrants granted on public offering	-	(2,149,853)	2,149,853	-	-	-	-	-
Other comprehensive loss for the period ended February 28, 2011	-	-	-	-	-	-	(535,198)	(535,198)
Net loss for the period ended February 28, 2011	-	-	-	-	-	(17,397,726)	-	(17,397,726)
Balance as at February 28, 2011	**33,665,717**	**$ 93,672,871**	**$ 2,149,853**	**$ 6,263,430**	**$ -**	**$(17,434,614)**	**$ (535,198)**	**$ 84,116,342**
Shares issued on public offering	1,200,000	5,120,055	-	-	-	-	-	5,120,055
Stock-based compensation	-	-	-	2,585,755	-	-	-	2,585,755
Stock options expired	-	-	-	(1,036,244)	-	1,036,244	-	-
Settlement of BEE option	-	-	-	-	1,245,529	(287,012)	-	958,517
Dividends declared to BEE partners	-	-	-	-	-	(123,849)	-	(123,849)
Other comprehensive loss for the year ended February 29, 2012	-	-	-	-	-	-	(5,571,332)	(5,571,332)
Net income for the year ended February 29, 2012	-	-	-	-	-	2,289,947	-	2,289,947
Balance as at February 29, 2012	**34,865,717**	**$ 98,792,926**	**$ 2,149,853**	**$ 7,812,941**	**$ 1,245,529**	**$(14,519,284)**	**$ (6,106,530)**	**$ 89,375,435**

The accompanying notes are an integral part of the consolidated financial statements.

1) NATURE OF OPERATIONS

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 Toronto 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, these 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 TSX and Johannesburg Stock Exchange ("JSE"). The Company's head office is located at 65 Queen Street West, Suite 815, Toronto, Ontario, Canada. These consolidated financial statements were approved and authorized for issue by the Board of Directors on May 25, 2012.

Forbes & Manhattan (Coal) Inc. was incorporated on November 12, 2009. In July 2010, Forbes & Manhattan (Coal) Inc. completed 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 Note 7. 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.

Slater Coal indirectly holds a 70% interest in the Slater Coal Properties through its 70% interest in Zinoju Coal (Pty) Ltd. ("Zinoju") which holds all of the mineral rights and prospecting permits with respect to the 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.

The Company changed its year end from December 31 to February 28, effective for the year ending February 28, 2011. The year end change was made to align the year end of the Company with that of its subsidiary, Slater Coal. The change in year end required the Company to have a transition year with a fourteen month period ending February 28, 2011 with comparatives for the period from inception (November 12, 2009) to December 31, 2009. As a result, the audited consolidated financial statements of the Company for the year ended February 29, 2012 are presented with comparatives for the fourteen months ended February 28, 2011.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations will result in profitable mining operations. The recoverability of the carrying value of property, plant and equipment, intangibles and goodwill and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, ability to transport and sell its coal, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs to the carrying values. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting its exploration, development and mining activities, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal land claims and non-compliance with regulatory and environmental requirements.

2) BASIS OF PREPARATION

These annual consolidated financial statements of the Company and its subsidiary were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). As these financial statements represent the Company's initial presentation of its results and financial position under IFRS, they were prepared in accordance with International Accounting Standard ("IAS") 1, Presentation of Financial Statements and by IFRS 1, First-time Adoption of IFRS. These annual consolidated financial statements have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

2) BASIS OF PREPARATION (Continued)

The Company's consolidated financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Canadian GAAP differs in some areas from IFRS. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 31 discloses the impact of the transition to IFRS on the Company's consolidated statements of financial position as at January 1, 2010 and February 28, 2011 and the consolidated statements of operations and comprehensive loss for the period ended February 28, 2011.

The preparation of financial statements in accordance with IAS 1 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

3) FUTURE ACCOUNTING CHANGES

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

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

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

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

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

IFRS 13 Fair Value Measurement 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.

3) FUTURE ACCOUNTING CHANGES (Continued)

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

4) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, Slater Coal, Zinoju, Nyah Resources Inc. and Forbes and Manhattan (Coal) Inc.

<u>Subsidiaries</u>

Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Generally, control is obtained when the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

<u>Business Combinations and Goodwill</u>

On the acquisition of a subsidiary, the purchase method of accounting is used to account for the acquisition as follows:

- cost is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange;
- directly attributable transaction costs are expensed rather than included in the acquisition purchase price;
- identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date except for non-current assets that are classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognized and measured at fair value less costs to sell;
- the excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill;
- if the acquisition cost is less than the fair value of the net assets acquired, the difference is recognized directly in profit or loss;
- the interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholder's fair value; and
- the measurement of contingent consideration at fair value on the acquisition date is performed with subsequent changes in the fair value recorded through the consolidated statement of operations.

All material intercompany transactions are eliminated in consolidation. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized and is tested for impairment annually. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The level at which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal purposes, but shall not be larger than an operating segment determined in accordance with IFRS 8 Operating Segments. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

<u>Transactions and non-controlling interests</u>

Transactions with non-controlling interests are treated as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between the consideration paid and the non-controlling share of the carrying value of net assets acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are similarly computed and also recorded in equity.

5) SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

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

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

5) SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

- Income taxes and recoverability of potential deferred tax assets
  In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

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

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

- Contingencies
  Refer to Note 27.

6) SIGNIFICANT ACCOUNTING POLICIES

a) Presentation currency

The Company's functional and presentation currency is the Canadian dollar ("$"). The functional currency of Slater Coal and Zinoju is the South African Rand ("ZAR").These consolidated financial statements have been translated to the Canadian dollar in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates. These guidelines require that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items be translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). All resulting exchange differences on translation to the presentation currency are included in the currency translation reserve.

6) SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (Foreign Currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in statement of operations in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of operations within "foreign exchange gain (loss)". All other foreign exchange gains and losses are also presented in the consolidated statement of operations within "foreign exchange gain (loss)".

c) Property, plant and equipment and mineral rights

Property, plant and equipment is stated at historical acquisition cost less accumulated depreciation and any accumulated impairment losses. Costs incurred subsequent to initial acquisition are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of operations during the financial period in which they are incurred.

Prospecting rights are recorded at cost. This includes costs incurred to acquire, explore, sample, drill and perform feasibility tests when incurred before the research proves the land to be technically feasible and commercially viable, at which point the costs are reclassified as mining assets. Expenditures on development of mining operations are capitalized as mining assets.

Land is not depreciated. Depreciation of mining assets and related entitlements is calculated using the units-of-production ("UOP") method based on total saleable tons of coal expected to be mined per the life-of-mine plan ("LOM"). Depreciation on the remaining assets is calculated using the straight-line method to allocate their cost or re-valued amounts to their residual values over their useful lives, as follows:

Item	**Average useful life**
Buildings	20 years
Heavy earth moving equipment and mining equipment	6 to 15 years
Fixtures and fittings	4 years
Motor vehicles	5 years
Office equipment	6 years
Radio equipment	3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the statement of operations.

6) SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to the cash generating units that are expected to benefit from the business combination from which the goodwill arose. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

e) Impairment of assets

When events or changes in circumstances suggest that the carrying amount of property, plant and equipment and intangible assets may not be recoverable, the carrying amounts are reviewed and tested. For impairment purposes, assets are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (cash generating units). If there are indications that impairment may have occurred, estimates of expected future cash flows for each group of assets are prepared. The impairment analysis compares the fair value of the cash generating unit to the carrying amount of the asset, including goodwill, if any. If the discounted cash flows are less than the carrying amount of the asset, any excess of fair value over carrying value is charged to operations.

Goodwill is not amortized; however it is subject to an annual assessment for impairment. The carrying amount of goodwill is evaluated to determine whether current events and circumstances indicate that such carrying amount may no longer be recoverable. To accomplish this, the estimated fair values of its cash generating units are compared to their carrying amounts. If the carrying value of the cash generating unit exceeds its estimated fair value, the implied fair value of the reporting unit's goodwill is compared to its carrying amount, and any excess of the carrying value over the fair value is charged to operations. The fair value estimates are based on numerous assumptions and it is possible that actual fair values will be significantly different from the estimates.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognised immediately in operations.

Management has assessed as at February 29, 2012, February 28, 2011 and January 1, 2010 that there are no impairments.

f) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first in, first out method. The cost of finished goods and work in progress comprises operating costs which are absorbed into the stock on hand based on the level of extraction during the period in which such stock was mined and the costs incurred during such period.

6) SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Deferred income taxes

Deferred income tax assets and liabilities
A deferred income tax liability is recognized for all taxable temporary differences. A deferred income tax asset is recognized for all deductible temporary differences.

Deferred income tax is recognized on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the Company.

The carrying amount of deferred income tax assets are reviewed at each reporting date and a valuation allowance is set up against future tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or deferred taxable profit.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting period date.

Tax expenses
Tax is recognized in profit or loss, except that a change attributable to an item of income or expense recognized as other comprehensive income is also recognized directly in other comprehensive income.

h) Accounts and other receivables

Accounts receivables are primarily comprised of amounts due from customers for stock sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability the debtor will enter bankruptcy or financial reorganization, and default or delinquency payments are considered indicators that the trade receivable is impaired.

i) Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payable are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method.

Short-term employee benefits
The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Defined contribution plans
A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

6) SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

k) Asset retirement obligations

Asset retirement obligations ("ARO's") are recognised when:
- the Company has an obligation at the reporting period date as a result of a past event;
- it is probable that the Company will be required to transfer economic benefits in settlement; and
- the amount of the obligation can be estimated reliably.

ARO's are not recognized for future operating losses. ARO's are measured at the present value of the amount expected to be required to settle the obligation using a risk-free rate that reflects the rate of interest on monetary assets that are essentially free of default risk, adjusted for the effect of an entity's credit standing.

Future costs to retire an asset including dismantling, remediation and ongoing treatment and monitoring of the site are recognized and recorded as a provision for close down rehabilitation costs at fair value in the accounting period in which the legal obligation arising from the disturbance occurs. The liability is accreted over time through periodic charges to operations. The fair value of the costs is capitalized as part of the assets' carrying value and amortized over the assets' useful lives.

l) Revenue recognition and other income

Revenue from the sale of coal is recognised when all of the following conditions have been satisfied (generally when delivery has occurred):
- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, this is when delivery of the goods has taken place;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

When the inflow of cash and cash equivalents is deferred, the fair value of the consideration receivable is the present value of all future receipts using the imputed rate of interest.

Interest is recognised, in operations, using the effective interest rate method.

m) Other financial liabilities

Other financial liabilities are recognized initially at the fair value, net of transaction costs incurred. Other financial liabilities are subsequently stated at amortized cost. Interest expense is recognized on the basis of the effective interest method and is included in interest (expense) income. Other financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, in which case they are classified as long-term liabilities.

6) SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Financial instruments

All financial assets and financial liabilities are measured at fair value on initial recognition and their subsequent measurement is determined by classification of each financial asset and liability. Financial assets and liabilities held for trading are measured at fair value with the changes in fair value reported in operations. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading are measured at amortized cost. Available-for-sale financial assets are measured at fair value with changes in fair value reported in other comprehensive income until the financial asset is disposed of or becomes impaired.

o) Leases

A lease is classified as a capital lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Capital leases are recognized as assets and liabilities on the consolidation statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included on the consolidated statements of financial position as another financial liability.

The lease payments are apportioned between interest expense and reduction of the outstanding liability. The interest expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The property, plant and equipment acquired under capital leases are depreciated over the estimated useful life of the asset.

p) Loss per share

Basic loss per common share has been computed by dividing the loss applicable to common shareholders by the weighted-average number of common shares outstanding during the representative periods. Diluted loss per common share is determined under the assumption that deemed proceeds on the exercise of stock options and other dilutive instruments are considered to be used to reacquire common shares at the average price for the period with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share. As at February 29, 2012 and February 28, 2011 only outstanding options and warrants referred to in Note 24 were excluded from the diluted loss per share calculation as they were anti-dilutive.

q) Stock-based compensation

The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of common shares issued as compensation is based on the most recent private placement value or the quoted market price. The fair value of stock options and compensation warrants is determined using the Black-Scholes option-pricing model. The compensation expense is recognized over the vesting period. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to common stock.

(Presented in Canadian dollars)

7) TRANSACTION WITH NYAH RESOURCES CORPORATION ("NYAH")

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

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

The Transaction was accounted for as a purchase of assets with Forbes & Manhattan (Coal) Inc. as the acquirer and Nyah as the acquired. The consolidated financial statements following the Transaction present a continuation of Forbes & Manhattan (Coal) Inc. and the acquisition of Nyah by Forbes & Manhattan (Coal) Inc.

The purchase price was allocated as follows:	
Common shares issued	$ 4,073,578
Replacement stock options issued	119,684
	$ 4,193,262
Allocation of purchase price:	
Cash and cash equivalents	$ 968,356
Amounts receivable	1,015,574
Prepaid expenses	9,738
Current liabilities	(157,627)
Loss on share-based payments	2,357,221
	$ 4,193,262

In accordance with IFRS 2, Share-Based Payments, any excess of the fair value of the shares issued by the Company over the value of the net monetary assets of Nyah is recognized in the statement of operations and comprehensive loss. As the estimated fair values of the identified net assets acquired from Nyah were less than the consideration paid, the difference has been charged to the statement of operations and comprehensive loss.

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

Nyah and Forbes & Manhattan (Coal) Inc. had certain directors and officers in common.

8) PURCHASE OF SLATER COAL

(a) 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 $79,260,000) 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 ($18,494,000 paid February 29, 2012).

The Company currently holds 100.00% of the outstanding shares of Slater Coal and have received shares equivalent to 23.25% of the issued and outstanding shares after the February 29, 2012 payment had been made.

The payments made on February 24, 2011 and February 29, 2012 were based on targeted production rates of 781,200 tonnes in 2011 and 782,400 tonnes in 2012 respectively. A variance of greater than 10% from such production targets shall either increase or decrease the amount payable by a corresponding percentage, subject to a maximum increase or decrease in payment of 15%. Cash payment of ZAR 119,000,000 was made on February 24, 2011 and was based on the greater than 10% variance from 781,200 tonnes production target and it was reduced by 15% from ZAR 140,000,000 to ZAR 119,000,000. The consideration for February 29, 2012 payment was initially valued using a probability-weighted approach and an amount of $18,887,787 was included in the purchase price.

As at December 31, 2010, based on revised estimates related to production targets (probability of 90%), the Company has adjusted the estimated fair value of the contingent consideration related to the payments. The current portion of the liability related to the February 24, 2011 payment was reduced by $3,150,154 and the long term portion of the liability related to the February 29, 2012 payment has been increased by $425,443. These adjustments have resulted in a net recovery on the estimated fair value of the contingent liability of $2,724,711 being recorded to the consolidated statements of operations, loss, comprehensive loss and deficit as at February 28, 2011.

As at November 30, 2011, based on revised estimates related to production targets (probability of 100%), the Company has adjusted the estimated fair value of the contingent consideration related to the payments. The current portion of the liability related to the February 29, 2012 payment was increased by $119,729. This adjustment resulted in an equivalent increase on the estimated fair value of the contingent liability being recorded to the consolidated statements of operations, loss, comprehensive loss and deficit as at November 30, 2011.

As at February 29, 2012, based on revised estimates related to production targets (probability of 0%), the Company has adjusted the estimated fair value of the contingent consideration related to the payments. The current portion of the liability related to the February 29, 2012 payment was reduced by $2,401,578. This adjustment resulted in a net recovery on the estimated fair value of the contingent liability of $741,910 being recorded to the consolidated statements of operations, loss, comprehensive loss and deficit as at February 29, 2012.

During the year ended February 29, 2012 Slater Coal did not meet the production target and subsequently there was no premium added to the final payment.

(Presented in Canadian dollars)

8) PURCHASE OF SLATER COAL (Continued)

(a) Purchase of Slater Coal (continued)

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".

The allocation of the purchase price has been finalized and is as follows:

The total cost of the shares acquired on July 29, 2010, was as follows:	
Cash payments ZAR241 million	$ 34,122,898
Common shares issued (3,938,965 shares valued at ZAR 79 million)	11,029,102
Estimated fair value of ZAR280 million (discounted and probability weighted to payment dates)	37,568,157
Estimated fair value of CNSTA ZAR14 million	2,062,437
	$ 84,782,594

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

(b) Slater Coal financial results

Reported revenue for the 2011 comparative period of $27,677,608 and related operating expense and amortization and depletion are for the period from the date of acquisition (July 29, 2010) to February 28, 2011, being an approximate seven month period.

(Presented in Canadian dollars)

9) BEE TRANSACTION

During the twelve-months period ended February 29, 2012, 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 original fair value of the option that was settled in the amount of $958,517. The difference between the cash paid on settlement 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'.

10) OPERATING SEGMENTS

The Company operates in Canada and South Africa. The Company's revenue from external customers and information about its assets by geographical location are detailed below:

	Current assets	Properties, plant and equipment	Intangibles	Other non-current assets	Total assets
January 1, 2010					
Canada	$ 59,921	$ -	$ -	$ 735,706	$ 795,627
South Africa	-	-	-	-	-
	$ 59,921	**$ -**	**$ -**	**$ 735,706**	**$ 795,627**
February 28, 2011					
Canada	$ 14,794,690	$ -	$ -	$ -	$ 14,794,690
South Africa	25,191,318	79,316,581	5,911,567	24,190,900	134,610,366
	$ 39,986,008	**$ 79,316,581**	**$ 5,911,567**	**$ 24,190,900**	**$ 149,405,056**
February 29, 2012					
Canada	$ 6,018,392	$ -	$ -	$ 745,681	$ 6,764,073
South Africa	21,907,470	81,956,437	5,414,498	24,508,802	133,787,207
	$ 27,925,862	**$ 81,956,437**	**$ 5,414,498**	**$ 25,254,483**	**$ 140,551,280**

All of the Company's coal revenues are earned from production in South Africa.

(Presented in Canadian dollars)

11) INTEREST (EXPENSE)

	Period ended February 29, 2012	Period ended February 28, 2011
Interest bearing borrowings	$ 1,924,964	$ 730,798
Unwinding discount on rehabilitation provision	28,317	96,962
Other	32	44
Interest expense	**1,953,313**	**827,804**
Dividend income	-	44,817
Cash and cash equivalents	876,595	97,562
Restricted cash	101,546	-
Unwinding discount on rehabilitation provision	252,846	-
Other	-	108,672
Interest income	**1,230,987**	**251,051**
Net interest (expense)	**$ (722,326)**	**$ (576,753)**

12) ACQUISITION OBLIGATION

	Current	Long-term
Balance as at January 1, 2010	**$ -**	**$ -**
Slater Coal acquisition obligation	18,680,370	18,887,787
Effect of foreign currency exchange difference	(371,473)	(375,598)
Accretion	1,076,875	1,165,021
Change in estimates	(3,150,154)	425,443
Effect of foreign currency exchange difference on accretion and change in estimates	221,382	198,272
Payment made on Slater Coal acquisition	(16,457,000)	-
Balance as at February 28, 2011	**$ -**	**$ 20,300,925**
Reclassification due to current maturity	20,300,925	(20,300,925)
Effect of foreign currency exchange difference	(1,145,552)	-
Accretion	(316,467)	-
Change in estimates	(425,443)	-
Effect of foreign currency exchange difference on accretion and change in estimates	80,537	-
Final payment made on Slater Coal acquisition	(18,494,000)	-
Balance as at February 29, 2012	**$ -**	**$ -**

See Note 8 (a) for details of Slater Coal acquisition.

13) GOODWILL

Balance as at January 1, 2010	**$ -**
Goodwill on Slater Coal acquisition	18,672,014
Balance as at February 28, 2011	**$ 18,672,014**
Effect of foreign currency exchange difference	(1,165,639)
Balance as at February 29, 2012	**$ 17,506,375**

(Presented in Canadian dollars)

14) INTANGIBLES

	Richards Bay Coal Terminal entitlements	Mineral and prospecting rights	Total
Cost as at January 1, 2010	$ -	$ -	$ -
Additions through Slater Coal acquisition	4,983,794	1,058,250	**6,042,044**
Effect of foreign currency exchange difference	(38,854)	(8,250)	**(47,104)**
Cost as at February 28, 2011	**4,944,940**	**1,050,000**	**5,994,940**
Effect of foreign currency exchange difference	(279,036)	(59,250)	**(338,286)**
Cost as at February 29, 2012	**$ 4,665,904**	**$ 990,750**	**$ 5,656,654**
Accumulated depreciation, depletion and impairment as at January 1, 2010	**$ -**	**$ -**	**$ -**
Charge for the period	(79,913)	(3,460)	**(83,373)**
Depreciation, depletion and impairment as at February 28, 2011	**(79,913)**	**(3,460)**	**(83,373)**
Effect of foreign currency exchange difference	4,509	195	**4,704**
Charge for the period	(157,772)	(5,715)	**(163,487)**
Depreciation, depletion and impairment as at February 29, 2012	**$ (233,176)**	**$ (8,980)**	**$ (242,156)**
Net book value as at January 1, 2010	**$ -**	**$ -**	**$ -**
Net book value as at February 28, 2011	**$ 4,865,027**	**$ 1,046,540**	**$ 5,911,567**
Net book value as at February 29, 2012	**$ 4,432,728**	**$ 981,770**	**$ 5,414,498**

15) PROPERTY, PLANT AND EQUIPMENT

	Mining assets	Office equipment, radio equipment, fixtures and fittings	Land and buildings	Development costs	Mining rights	Total
Cost as at January 1, 2010	$ -	$ -	$ -	$ -	$ -	**$ -**
Additions through Slater Coal acquisition	29,066,801	186,770	497,032	-	43,590,587	**73,341,190**
Effect of foreign currency exchange difference	(226,601)	(1,456)	(3,875)	-	(339,827)	**(571,759)**
Additions	8,817,437	14,540	57,425	2,433,150	-	**11,322,552**
Change in rehabilitation provision	1,471,197	-	-	-	-	**1,471,197**
Disposals	(72,331)	-	-	-	-	**(72,331)**
Cost as at February 28, 2011	**39,056,503**	**199,854**	**550,582**	**2,433,150**	**43,250,760**	**85,490,849**
Effect of foreign currency exchange difference	(2,203,903)	(11,277)	(31,069)	(137,299)	(2,440,579)	**(4,824,127)**
Additions	15,240,964	256,503	336,707	4,160,454	-	**19,994,628**
Change in rehabilitation provision	404,683	-	-	-	-	**404,683**
Cost as at February 29, 2012	**$ 52,498,247**	**$ 445,080**	**$ 856,220**	**$ 6,456,305**	**$ 40,810,181**	**$ 101,066,033**
Accumulated depreciation, depletion and impairment as at January 1, 2010	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Charge for the period	(4,238,477)	(49,126)	(19,595)	-	(1,867,070)	**(6,174,268)**
Depreciation and depletion as at February 28, 2011	**(4,238,477)**	**(49,126)**	**(19,595)**	**-**	**(1,867,070)**	**(6,174,268)**
Effect of foreign currency exchange difference	239,171	2,772	1,106	-	105,356	**348,405**
Charge for the period	(8,428,223)	(87,978)	(47,316)	(226,334)	(4,493,882)	**(13,283,733)**
Depreciation and depletion as at February 29, 2012	**$ (12,427,529)**	**$ (134,332)**	**$ (65,805)**	**$ (226,334)**	**$ (6,255,596)**	**$ (19,109,596)**
Net book value as at January 1, 2010	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Net book value as at February 28, 2011	**$ 34,818,026**	**$ 150,728**	**$ 530,987**	**$ 2,433,150**	**$ 41,383,690**	**$ 79,316,581**
Net book value as at February 29, 2012	**$ 40,070,718**	**$ 310,748**	**$ 790,415**	**$ 6,229,971**	**$ 34,554,585**	**$ 81,956,437**

Land and building includes a net book value balance of approximately $92,000 for a property that is not used in production and operations. Mining assets include a net book value balance of approximately $40,000 for a vehicle that is not used in production and mine operations.

(Presented in Canadian dollars)

16) OTHER ASSETS

		February 29, 2012		February 28, 2011		January 1, 2010
Endowment policy	$	4,967,278	$	3,478,609	$	-
Security investments		569,196		-		-
Long term investments		790,919		838,219		-
Long term receivables		630,928		1,081,997		-
	$	**6,958,321**	**$**	**5,398,825**	**$**	**-**

The other assets consist of an endowment policy held by the Company to fund payment requirements associated with its instalment sale agreement obligations. The total endowment policy consists of various individual policies managed in various investment funds. The investment in this financial asset is classified as level 3 on the fair value hierarchy as the inputs required to determine fair value of the investment are actuarially determined and not supported by market activity.

The table below sets forth the summary of changes in the endowment policy for the period ended February 29, 2012:

Balance as at January 1, 2010	**$**	**-**
Acquired as part of Slater transaction		2,892,627
Effect of exchange rate change		(22,551)
Current year contributions		861,498
Fair value adjustment		226,883
Policies matured		(479,848)
Balance as at February 28, 2011	**$**	**3,478,609**
Effect of exchange rate change		(196,292)
Current year contributions		1,321,410
Fair value adjustment		369,502
Policies matured		(5,951)
Balance as at February 29, 2012	**$**	**4,967,278**

17) INVENTORIES

		February 29, 2012		February 28, 2011		January 1, 2010
Consumables	$	332,536	$	267,631	$	-
Work in progress		358,917		154,899		-
Finished goods		2,752,238		10,104,151		-
	$	**3,443,691**	**$**	**10,526,681**	**$**	**-**

As at February 29, 2012 and February 28, 2011 all inventories were presented at cost.

18) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		February 29, 2012		February 28, 2011		January 1, 2010
Trade payables	$	5,291,967	$	5,129,462	$	-
Payroll and other statutory liabilities		667,381		389,042		-
Current tax payable		711,369		-		-
Other payables and accruals		2,563,113		1,512,692		32,355
	$	**9,233,830**	**$**	**7,031,196**	**$**	**32,355**

(Presented in Canadian dollars)

19) OTHER FINANCIAL LIABILITIES

	February 29, 2012	February 28, 2011	January 1, 2010
Capital lease agreements (*)	$ -	$ 97,579	$ -
Instalment sale agreements(*)	3,435,165	13,590,838	-
Third party institutional loans (**)	20,491,538	699,980	-
Total interest bearing borrowings	23,926,703	14,388,397	-
Less:			
Current portion of capital lease agreements	-	(97,579)	-
Current portion of instalment sale agreements	(556,513)	(2,460,583)	-
Current portion of third party institutional loans	(3,339,488)	(102,305)	-
Total current portion of interest bearing borrowings	(3,896,001)	(2,660,467)	-
Total long-term portion of interest bearing borrowings	**$ 20,030,702**	**$ 11,727,930**	**$ -**

(*) The lease and instalment sale agreements related liabilities are payable over periods from three to five years, at interest rates linked to prime. Instalment sale related liabilities are secured by mining assets and an endowment policy with a book value of approximately $3,600,000.

(**) The loans are repayable in monthly instalments over period of approximately five years. Investec loan of $20,280,178 (ZAR 153,521,404) issued under the following terms:

Facilities

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

Cession in Security

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

Mortgage bond

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

General bond

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

Special bond

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

The Company had two drawdowns in the period ended February 29, 2012. In January 2012, the Company made a drawdown for ZAR 11,140,000 (approximately $1,470,000) and in February 2012 for ZAR 153,140,000 (approximately $20,230,000). Also as at February 29, 2012, the Company had available for drawdown facility of ZAR 76,860,000 (approximately $10,150,000).

Under terms of the loan the Company is paying a commitment fee for the available drawdown facility in the amount of ZAR 300,000 (approximately $40,000) on a quarterly basis starting March 2012.

This loan is a subject to a Net Debt/EBIDA, EBITDA/Net Interest and Debt/Equity covenants, which were in full compliance as at February 29, 2012.

(Presented in Canadian dollars)

19) OTHER FINANCIAL LIABILITIES (Continued)

The other financial liabilities are repayable as follows:

Year		Amount
2013	$	3,896,001
2014		7,059,455
2015		4,395,261
2016		4,287,215
2017		4,288,771
	$	**23,926,703**

The interest rate exposure of borrowings of the Company was as follows:

Instalment sale agreements at floating rates	$	3,435,165
Investec loan at rates of 8.58% and 8.60%		20,280,178
Interest free loan		211,360
	$	**23,926,703**

20) ASSET RETIREMENT OBLIGATION

Balance as at January 1, 2010	$	-
Additions through Slater Coal acquisition		1,693,283
Effect of foreign currency exchange difference		(13,201)
Accretion expense		94,180
Net additional provision		1,280,244
Balance as at February 28, 2011	**$**	**3,054,506**
Effect of foreign currency exchange difference		(172,361)
Accretion recovery		(220,006)
Net additional provision		373,535
Balance as at February 29, 2012	**$**	**3,035,674**

The provision for close down rehabilitation costs reflects the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the consolidated statements of financial position date and is expected to be paid out over 5 to 10 years. South African mining companies are required by law to undertake rehabilitation works as part of their ongoing operations. These environmental rehabilitation costs are funded by contributions into endowment policies.

The expected timing of the cash outflows in respect of the provision is on the closure of the various mining operations. However, certain current rehabilitation costs are charged to this provision as and when incurred. The provision is calculated using the following rates:

	February 29, 2012	February 28, 2011	January 1, 2010
Discount rate	9.00%	9.50%	-
Inflation rate	5.10%	4.30%	-

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, management has estimated that, based on current environmental and regulatory requirements, the total cost for the mines, in current monetary terms, is approximately $5,200,000 (ZAR 39,400,000) (February 28, 2011 - $5,500,000 (ZAR 39,400,000)).

21) LOANS PAYABLE

		February 29, 2012		February 28, 2011		January 1, 2010
Slater Coal related parties	$	27,749	$	260,297	$	-
Other		-		1,637		-
	$	**27,749**	**$**	**261,934**	**$**	**-**

Loans are unsecured, non interest bearing, with no fixed terms of repayment.

(Presented in Canadian dollars)

22) ISSUED CAPITAL

Authorized unlimited number of common shares without par value:

Issued	Number of shares		Stated value
Balance as at January 1, 2010	**2,600,000**	**$**	**800,160**
Private placement (i)	100,000		500,000
Private placement (iii)	14,972,368		41,922,630
Public offering (vii)	8,000,000		36,400,000
Issue costs	-		(8,674,699)
Shares issued on business combination (iv)	3,938,965		11,029,102
Shares issued on Nyah transaction (ii and v)	1,279,384		4,073,578
Performance shares issued into escrow (vi)	2,700,000		7,196,100
Options exercised	75,000		243,750
Options exercised - valuation reallocation	-		182,250
Balance as at February 28, 2011	**33,665,717**		**93,672,871**
Public offering (vii)	1,200,000		5,460,000
Issue costs	-		(339,945)
Balance as at February 29, 2012	**34,865,717**	**$**	**98,792,926**

On July 16, 2010 the Company consolidated its share capital on the basis of ten existing common shares of the Company for one new common share of the Company. The number of outstanding common shares has been retroactively restated throughout these consolidated financial statements to reflect the consolidation.

(i) On March 15, 2010, the Company completed a private placement financing issuing 100,000 common shares of the Company at a price of $5.00 per share for gross proceeds of $500,000. The sole subscriber of this issuance was Aberdeen International Inc ("Aberdeen") (see Note 26 Related Party Disclosure).

(ii) Effective July 16, 2010, and in connection with the transaction with Nyah, the Company amended its articles to effect consolidation of its issued and outstanding common shares on the basis of ten existing common shares of the Company for one new common share of the Company.

(iii) In July and August, 2010, the Company completed an offering of special warrants ("Special Warrants") at a price of $2.80 per Special Warrant for gross proceeds of $41,922,630. Each Special Warrant converted automatically and without any further action on the part of the holder into one common share of the Company (each an "Underlying Share") on September 21, 2010 immediately prior to the completion of the acquisition of all of the issued and outstanding shares of the Company by Nyah (see Note 26 Related Party Disclosure).

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

(iv) In July 2010, the Company completed the next instalment for the acquisition of Slater Coal by making a cash payment of ZAR 213,750,000 ($30,006,792) and issuing 3,938,965 common shares of the Company at $2.80 per share valued at ZAR 78,750,000 ($11,029,102).

(v) On September 21, 2010, 1,279,384 common shares were issued upon the completion of the Transaction with Nyah. The common shares were assigned a value of $4,073,578 ($3.18 per share). (See Note 26 Related Party Disclosure).

22) ISSUED CAPITAL (Continued)

(vi) On September 21, 2010, 2,700,000 common shares were issued and put into escrow upon the completion of the transaction with Nyah. The common shares were assigned a value of $7,196,100 ($2.67 per share). The value was recorded in stock based compensation expense for the period.

(vii) On February 22, 2011, the Company closed a bought deal offering (the "Offering") of 8,000,000 common shares (the "Offered Shares") of the Company at a price of $4.55 per Offered Share for aggregate gross proceeds of $36,400,000. A syndicate of underwriters have also been granted an over-allotment option to purchase up to an additional 1,200,000 common shares of the Company at a price of $4.55 per common share which was exercised on March 3, 2011.

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

23) SHARES IN ESCROW

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

i) 50% of the Escrowed Shares (the "First Tranche Escrowed Shares") will be released once the Company achieves US$22,000,000 in EBITDA from the Slater Coal Properties over a 12 consecutive month period by July 20, 2013. During the period ended February 29, 2012 the US$22,000,000 in EBITDA from Slater Coal Properties was achieved and the above mentioned Escrowed Shares were released;

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

The model used to fair value the Performance Special Warrants applies standard Monte Carlo simulation techniques and is based on correlated one-factor geometric Brownian motions. The key inputs used in the model include:

ZAR/USD FX: 7.3194
ZAR/CAD FX: 7.0897
Equity value of a comparable company: 3.45
API4 Coal Price: 91.81
ZAR/USD FX Volatility: 11.6%
ZAR/CAD FX Volatility: 8.1%
Volatility of a comparable company: 64.3%

(Presented in Canadian dollars)

24) SHARE-BASED PAYMENT RESERVES

	No. of options	Weighted average exercise price	Value of options vested	No. of warrants	Weighted average exercise price	Value of warrants vested	Total value
Balance as at January 1, 2010	-	$ -	$ -	-	$ -	$ -	$ -
Granted	2,435,000	3.20	6,325,996	1,243,887	3.48	2,149,853	8,475,849
Issued on Nyah transaction	122,798	8.99	119,684	-	-	-	119,684
Grant of special performance warrants	-	-	-	2,700,000	2.80	7,196,100	7,196,100
Conversion of special performance warrants	-	-	-	(2,700,000)	2.80	(7,196,100)	(7,196,100)
Exercised	(75,000)	3.25	(182,250)	-	-	-	(182,250)
Balance as at February 28, 2011	**2,482,798**	**$ 3.49**	**$ 6,263,430**	**1,243,887**	**$ 3.48**	**$ 2,149,853**	**$ 8,413,283**
Granted and vested	1,475,000	3.27	2,585,755	-	-	-	2,585,755
Settlement of BEE option (Note 9)	-	-	1,245,529	-	-	-	1,245,529
Expired	(478,106)	4.86	(1,036,244)	-	-	-	(1,036,244)
Balance as at February 29, 2012	**3,479,692**	**$ 3.20**	**$ 9,058,470**	**1,243,887**	**$ 3.48**	**$ 2,149,853**	**$ 11,208,323**

Employee share options plan

The Company has an ownership-based compensation scheme, to be administered by the board of directors of the Company, for directors, officers, employees and consultants. The plan provides for the issuance of share options to acquire up to 10% of the Company's issued and outstanding capital. The number of shares reserved for issuance pursuant to the grant of share options will increase as the Company's issued and outstanding share capital increases. In accordance with the terms of the plan, as approved by shareholders at a previous annual general meeting, directors, officers, employees and consultants of the Company may be granted options to purchase common shares at an exercise price determined by the board of directors, but which shall not be lower than the market price of the underlying common shares at the time of grant.

Each employee share option converts into one common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

During the period ended February 29, 2012, 1,475,000 (period ended February 28, 2011 - 2,435,000) share options were granted to directors, officers, employees and consultants of the Company. These options had a grant date estimated fair value of $2,624,250 (period ended February 28, 2011 - $8,475,849), comprised of various option grants that vest immediately, over 4 quarters and over 8 quarters. The options expire five years from the date of issue, or 30 days after the resignation of the director, officer, employee or consultant.

(Presented in Canadian dollars)

24) SHARE-BASED PAYMENTS RESERVES (Continued)

The following share-based payment arrangements were in existence as at February 29, 2012:

Share options

Number of options outstanding	Number of options exercisable	Grant date	Expiration date	Exercise price	Grant date estimated fair value vested	Expected volatility	Expected life years	Expected dividend yield	Risk-free interest rate
36,432	36,432	20-Sep-10	31-May-12	$ 2.39	$ 65,512	100%	1.70	0.00%	1.54%
8,260	8,260	20-Sep-10	4-Jan-13	$ 7.96	$ 9,249	100%	2.29	0.00%	1.54%
235,000	235,000	15-Mar-10	15-Mar-15	$ 2.80	$ 940,674	100%	5.00	0.00%	2.39%
1,825,000	1,825,000	13-Oct-10	13-Oct-15	$ 3.25	$ 4,434,750	100%	5.00	0.00%	1.74%
725,000	725,000	24-Mar-11	24-Mar-16	$ 4.10	$ 1,616,750	63%	5.00	0.00%	2.15%
100,000	37,500	6-Jun-11	6-Jun-16	$ 3.00	$ 124,131	61%	5.00	0.00%	2.23%
150,000	112,500	13-Jun-11	13-Jun-16	$ 2.77	$ 217,875	61%	5.00	0.00%	2.24%
400,000	400,000	25-Jan-12	25-Jan-17	$ 1.80	$ 404,000	67%	5.00	0.00%	1.36%
3,479,692	**3,379,692**			**$ 3.20**	**$ 7,812,941**		**4.96**		

For the twelve months ended February 29, 2012, the diluted weighted average number of common shares outstanding excluded 2,943,260 options, as they were anti-dilutive.

Settlement of BEE option

Details of the transactions are provided in Note 9 – BEE Transaction.

Broker warrants

Number of warrants outstanding exercisable	Grant date	Expiration date	Exercise price	Grant date estimated fair value	Expected volatility	Expected life years	Expected dividend yield	Risk-free interest rate
763,887	23-Jul-10	20-Mar-12	$ 2.80	$ 993,053	100%	1.66	0.00%	1.53%
480,000	22-Feb-11	22-Feb-13	$ 4.55	$ 1,156,800	100%	2.00	0.00%	1.79%
1,243,887			**$ 3.48**	**$ 2,149,853**		**1.79**		

For the twelve months ended February 29, 2012, the diluted weighted average number of common shares outstanding excluded 1,243,887 warrants, as they were anti-dilutive.

Please refer to the Note 28 on warrants expiration subsequent to the February 29, 2012.

(Presented in Canadian dollars)

25) 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 these consolidated financial statements.

The Company's financial assets and financial liabilities as at February 29, 2012, February 28, 2011 and January 1, 2010 were as follows:

	Cash, loans and receivables	Assets / (liabilities) at fair value through profit	Other financial assets/(liabilities)	Total
January 1, 2010				
Cash	$ 52,177	$ -	$ -	$ 52,177
Accounts and other receivables	600	-	-	600
Accounts payable and accrued liabilities	$ -	$ -	$ 32,355	$ 32,355
February 28, 2011				
Cash	$ 15,252,651	$ -	$ -	$ 15,252,651
Restricted cash	1,736,000	-	-	1,736,000
Accounts and other 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)
February 29, 2012				
Cash	$ 9,481,078	$ -	$ -	$ 9,481,078
Restricted cash	1,984,890	-	-	1,984,890
Accounts and other receivables	12,920,590	-	-	12,920,590
Other assets	630,928	6,327,393	-	6,958,321
Accounts payable and accrued liabilities	-	-	(9,233,830)	(9,233,830)
Other financial liabilities - current	-	-	(3,896,001)	(3,896,001)
Other financial liabilities - long term	-	-	(20,030,702)	(20,030,702)
Loan payable	$ -	$ -	$ (27,749)	$ (27,749)

At February 29, 2012, there are no significant concentrations of credit risk for loans and receivables designated at fair value through the consolidated statement of operations and comprehensive income (loss). The carrying amount reflected above represents the Company’s maximum exposure to credit risk for such loans and receivables.

CAPITAL MANAGEMENT

The capital of the Company consists of common shares, warrants 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 with the exception as discussed in Note 19.

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 2012 or 2011, except for the Investec loan as discussed in Note 19.

25) FINANCIAL INSTRUMENTS (Continued)

CAPITAL MANAGEMENT (Continued)

As at February 29, 2012, 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 $89,375,435 and an interest bearing loan of $20,280,178 (February 28, 2011 - $84,116,342 and $nil).

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 minimize 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 (decrease) in the annual average foreign exchange rate between the South African rand and the Company's functional currency, the Canadian dollar, would have increased (decreased) the Company's income by approximately $900,000 for the period ended February 29, 2012. A 10% increase in the annual average foreign exchange rate between the United States dollar and Slater Coal's functional currency, the South African rand, would have increased (decreased) the Company's income by approximately $7,500,000 for the period ended February 29, 2012.

A 10% change in the value of the Canadian dollar relative to the US dollar and South African rand would have an impact on net income of approximately $230,000 based on the net assets of the Company at February 29, 2012.

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

25) FINANCIAL INSTRUMENTS (Continued)

FINANCIAL RISK FACTORS (Continued)

(a) Market risk (continued)

The following assets and liabilities are presented in Canadian dollar values and denominated in different currencies as at February 29, 2012, February 28, 2011 and January 1, 2010:

	Forbes Coal parent company balances (*) denominated in			Slater Coal balances (**) denominated in		Total
	CAD	USD	ZAR	ZAR	USD	
Cash	$ 52,177	$ -	$ -	$ -	$ -	$ 52,177
Accounts and other receivables	600	-	-	-	-	600
Prepaid expenses	7,144	-	-	-	-	7,144
Deferred charges	735,706	-	-	-	-	735,706
Accounts payable and accrued liabilties	(23,553)	(8,802)	-	-	-	(32,355)
Net balance sheet as at January 1, 2010	**$ 772,074**	**$ (8,802)**	**$ -**	**$ -**	**$ -**	**$ 763,272**
Cash	13,786,713	10,530	104,387	1,351,021	-	15,252,651
Restricted cash	-	-	1,736,000	-	-	1,736,000
Accounts and other receivables	905,161	37,852	31,938	5,735,016	5,700,408	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
Intangibles	-	-	-	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 liabilties	(789,749)	(162,521)	(496,204)	(5,582,722)	-	(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**	**$ (114,139)**	**$(18,918,937)**	**$ 85,089,980**	**$ 5,700,408**	**$ 85,713,871**
Cash	5,160,970	240	874,732	3,445,136	-	9,481,078
Restricted cash	50,000	296,850	1,638,040	-	-	1,984,890
Accounts and other receivables	420,939	-	32,672	8,675,692	3,791,287	12,920,590
Inventories	-	-	-	3,443,691	-	3,443,691
Prepaid expenses	89,393	-	6,220	-	-	95,613
Property, plant and equipment	-	-	-	81,956,437	-	81,956,437
Intangibles	-	-	-	5,414,498	-	5,414,498
Goodwill	-	-	-	17,506,375	-	17,506,375
Other assets	569,196	-	-	6,389,125	-	6,958,321
Long-term prepaid expenses	176,485	-	286,548	-	-	463,033
Deferred income taxes	-	-	-	326,754	-	326,754
Accounts payable and accrued liabilties	(484,725)	(1,237)	(765,460)	(7,982,408)	-	(9,233,830)
Other financial liabilities - current	-	-	-	(3,896,001)	-	(3,896,001)
Other financial liabilities - long term	-	-	-	(20,030,702)	-	(20,030,702)
Asset retirement obligation - current	-	-	-	(1,053,845)	-	(1,053,845)
Asset retirement obligation - long term	-	-	-	(1,981,829)	-	(1,981,829)
Loans payable	-	-	-	(27,749)	-	(27,749)
Deferred income taxes	-	-	-	(14,312,877)	-	(14,312,877)
Net balance sheet as at February 29, 2012	**$ 5,982,258**	**$ 295,853**	**$ 2,072,752**	**$ 77,872,297**	**$ 3,791,287**	**$ 90,014,447**

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

25) FINANCIAL INSTRUMENTS (Continued)

FINANCIAL RISK FACTORS (Continued)

(a) Market risk (continued)

ii. Interest rate risk

The Company's interest rate risk arises from deposits held with banks and interest-bearing liabilities. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash held at variable rates. A 1% increase in interest rates would create additional expense of approximately $4,000 per month.

iii. Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities including governmental reserves and stability of exchange rates can all cause significant fluctuations in commodities prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. A 10% change in the market price of coal would have resulted in a corresponding change in revenues of approximately $10,450,000 for the period ended February 29, 2012.

(b) Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and accounts and other receivables. 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. Other receivables 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 totaling $1,984,890 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 February 29, 2012, the Company had net working capital of $13,714,437 (February 28, 2011 – $29,643,234) which included cash and restricted cash of $11,465,968 (February 28, 2011 – $16,988,651), accounts receivable and other receivables of $12,920,590 (February 28, 2011 – $12,410,375), and inventories of $3,443,691 (February 28, 2011 – $10,526,681), offset by current liabilities of $14,211,425 (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).

(Presented in Canadian dollars)

25) FINANCIAL INSTRUMENTS (Continued)

FINANCIAL RISK FACTORS (Continued)

(d) Fair value of financial instruments (continued)

As at February 29, 2012, the carrying and fair value amounts of the Company's financial instruments are approximately the same due to the limited term of these instruments. The following table illustrates the classification of the Company's Financial Instruments within the fair-value hierarchy as at February 29, 2012, February 28, 2011 and January 1, 2010:

February 29, 2012	Level 1	Level 2	Level 3
Endowment policy and investments	$ 569,196	$ -	$5,758,197
February 28, 2011	**Level 1**	**Level 2**	**Level 3**
Endowment policy and investments	$ -	$ -	$4,316,828
January 1, 2010	**Level 1**	**Level 2**	**Level 3**
Endowment policy and investments	$ -	$ -	$-

26) RELATED PARTY DISCLOSURE

In March 2010, a company with common directors solely participated in two private placements of common shares of the Company (Note 22 (i)).

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 (Note 21 (iii)) certain directors, officers and a company with common directors subscribed to Special Warrants, which subsequently were converted into common shares of the Company.

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 and February 2012 the second payment of $500,000 was received in two parts 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.

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

	Sales of goods and services for period ended		Purchase of goods and services for period ended	
	February 29, 2012	February 28, 2011	February 29, 2012	February 28, 2011
2227929 Ontario Inc.	$ -	$ -	$ 576,865	$ 341,581
Forbes & Manhattan Inc	$ -	$ -	$ 322,050	$ 84,750
Slater Coal related parties	$ 2,207,410	$ 852,000	$ 8,723,084	$ 2,458,000

The Company shares office space with other companies who may have officers or directors in common with the Company. The costs associated with this space are administered by 2227929 Ontario Inc.

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

(Presented in Canadian dollars)

26) RELATED PARTY DISCLOSURE (Continued)

As a result of Slater Coal acquisition, business relationships with certain related parties were inherited.

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

	Amounts owed by related parties as at		Amounts owed to related parties as at	
	February 29, 2012	February 28, 2011	February 29, 2012	February 28, 2011
2227929 Ontario Inc.	$ 41,584	$ -	$ -	$ 33,718
Slater Coal related parties	$ 42,572	$ 708,288	$ 27,749	$ 260,297

Also as a result of Slater Coal acquisition, Forbes Coal acquired receivables and payables owed from the former Slater Coal shareholders and their related parties to the Company.

These amounts are unsecured, non-interest bearing with no fixed terms of repayment. The related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Compensation of key management personnel

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

	Period ended	
	February 29, 2012	February 28, 2011
Short-term benefits	$ 1,787,633	$ 2,347,167
Share-based payments	1,699,300	5,355,410
	$ 3,486,933	**$ 7,702,577**

27) COMMITMENTS AND CONTINGENCIES

Management contracts

The Company is party to certain management contracts. These contracts require that additional payments of approximately $2,400,000 be made upon the occurrence of a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements. Minimum commitments remaining under these contracts were approximately $420,000 all due within one year.

Instalment sale agreements payment obligations

The Company is committed to minimum amounts under instalment sale agreements for plant and equipment. Minimum commitments remaining under these leases were $3,435,165 over the following years:

Year	Amount
2013	$ 556,513
2014	2,771,423
2015	107,229
	$ 3,435,165

Environmental contingency

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

(Presented in Canadian dollars)

27) COMMITMENTS AND CONTINGENCIES (Continued)

Throughput, transportation and sales contracts

The Company 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 these consolidated financial statements.

Investec loan facility

Please refer to Notes 19 and 29.

28) SUBSEQUENT EVENTS

On March 26, 2012 the Company announced that Mrs. Sarah Williams is joining the Company as Vice President Finance, effective April 1, 2012. Mrs. Williams is a Chartered Accountant (SA) with nine years experience in the corporate finance industry. Prior to joining Forbes Coal, Mrs. Williams was with Sasfin Bank, a South African bank listed on the Johannesburg Stock Exchange. Upon entering into the contract with Mrs. Williams the Company disclosed additional contingent liabilities under the Management contracts as discussed in Note 27.

Subsequent to the February 29, 2012, 763,887 broker warrants expired unexercised.

29) INVESTEC LOAN FACILITY

The Company, through its subsidiary Slater Coal, has secured a ZAR 230 million (approximately $30 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 $26 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 February 29, 2012, an amount of $20,280,178 (ZAR 153,521,404) has been recorded as owed under this facility.

The Investec loan liability is repayable as follows:

Year		Amount
2013	$	3,128,128
2014		4,288,032
2015		4,288,032
2016		4,287,215
2017		4,288,771
	$	**20,280,178**

(Presented in Canadian dollars)

30) INCOME TAXES

a) Provision for income taxes

The major items causing the Company's income tax expense to differ from the Canadian statutory rate of approximately 28% (2011 - 31%) were:

		2012		2011
Income (loss) before income taxes	$	3,258,336	$	(16,712,063)
Expected income tax (recovery) at statutory rates		912,334		(5,180,740)
Adjustments resulting from:				
Benefits of tax losses not recognized		3,987,332		7,982,290
Permanent differences		(23,396)		(25,013)
Foreign exchange		(921,533)		-
Other temporary differencies		(3,027,237)		(2,134,590)
Secondary tax on companies		40,890		43,716
Income tax expense	**$**	**968,389**	**$**	**685,663**

Income tax expense is comprised as follows:

		2012		2011
Current tax on profits - South Africa	$	4,884,784	$	1,477,480
Deferred taxes - South Africa		(3,916,395)		(791,817)
Income tax expense	**$**	**968,389**	**$**	**685,663**

b) Deferred income tax balances

The tax effect of temporary differences that give rise to deferred income tax assets and liabilities at February 29, 2012, February 28, 2011 and January 1, 2010 are as follows:

		2012		2011		2010
Property, plant and equipment and other long-term assets	$	(14,557,801)	$	(18,771,114)	$	-
Other		571,678		236,948		-
Deferred income tax (liability)	**$**	**(13,986,123)**	**$**	**(18,534,166)**	**$**	**-**

All recognized tax assets and liabilities arise from the Company's South Africa subsidiaries.

c) The Company has approximately $9,700,000 of Canadian non-capital operating losses as at February 29, 2012 which under certain circumstances can be used to reduce the taxable income of future years. The Canadian non-operating losses have expiry dates between 2026 and 2032.

31) TRANSITION TO IFRS

These consolidated financial statements for the year ending February 29, 2012 are the first annual financial statements that comply with IFRS and were prepared as described in Note 2, including the application of IFRS 1.

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. 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.

31) TRANSITION TO IFRS (Continued)

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.

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 consolidated statements of financial position and 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 Note 6 of these 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).

(Presented in Canadian dollars)

31) TRANSITION TO IFRS (Continued)

Impact on Consolidated Statements of Financial Position and Statements of Operations

	February 28, 2011	January 1, 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.

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 consolidated statements of financial position as at February 28, 2011;
(ii) Reconciliation of the consolidated statements of operations and comprehensive (loss) for the period ended February 28, 2011;
(iii) Reconciliation of the statements of financial position as at January 1, 2010;

(Presented in Canadian dollars)

31) TRANSITION TO IFRS (Continued)

(i) Reconciliation of the consolidated statements of financial position as at February 28, 2011

Canadian GAAP accounts	Note 31	Canadian GAAP balances	IFRS adjustments	IFRS balances
ASSETS				
Current				
Cash and cash equivalents		$ 15,252,651	$ -	$ 15,252,651
Restricted cash		1,736,000	-	1,736,000
Accounts and other receivables		12,410,375	-	12,410,375
Inventories		10,526,681	-	10,526,681
Prepaid expenses		60,301	-	60,301
		39,986,008	-	39,986,008
Property, plant and equipment		79,316,581	-	79,316,581
Intangibles		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
		$ 149,405,056	$ -	$ 149,405,056
LIABILITIES				
Current				
Accounts payable and accrued liabilities		$ 7,031,196	$ -	$ 7,031,196
Other financial liabilities		2,660,467	-	2,660,467
Deferred income taxes	c	2,200,000	-	2,200,000
Asset retirement obligation		389,177	-	389,177
Loans payable		261,934	-	261,934
		12,542,774	-	12,542,774
Acquisition obligation		20,300,925	-	20,300,925
Asset retirement obligation		2,665,329	-	2,665,329
Other financial liabilities		11,727,930	-	11,727,930
Deferred income taxes		16,454,227	-	16,454,227
		63,691,185	-	63,691,185
SHAREHOLDERS' EQUITY				
Share capital	b	91,315,650	2,357,221	93,672,871
Warrants		2,149,853	-	2,149,853
Contributed surplus		6,263,430	-	6,263,430
Deficit	b	(15,077,393)	(2,357,221)	(17,434,614)
Currency translation reserve		(535,198)	-	(535,198)
Equity attributable to the owners of the company		84,116,342	-	84,116,342
Non-controlling interest		1,597,529	-	1,597,529
		85,713,871	-	85,713,871
		$ 149,405,056	$ -	$ 149,405,056

(Presented in Canadian dollars)

31) TRANSITION TO IFRS (Continued)

(ii) Reconciliation of the consolidated statements of operations and comprehensive (loss) for the period ended February 28, 2011

Canadian GAAP accounts	Note 31	Canadian GAAP balances	IFRS adjustments	IFRS balances
REVENUE		$ 27,677,608	$ -	$ 27,677,608
COST OF SALES				
Operating expense		19,925,113	-	19,925,113
Amortization and depletion		3,509,727	-	3,509,727
		23,434,840	-	23,434,840
Gross profit		4,242,768	-	4,242,768
EXPENSES				
Consulting and professional fees		1,885,524	-	1,885,524
General and administration		2,729,598	-	2,729,598
Stock based compensation		13,522,096	-	13,522,096
Mineral properties investigation costs		111,686	-	111,686
		18,248,904	-	18,248,904
Net loss before other items		(14,006,136)	-	(14,006,136)
OTHER ITEMS				
Other income		454,504	-	454,504
Business combination transaction costs		(1,340,196)	-	(1,340,196)
Accretion		(2,241,896)	-	(2,241,896)
Change of estimates on contingent acquisition liability		2,724,711	-	2,724,711
Interest (expense)		(576,753)	-	(576,753)
Foreign exchange (loss)		630,924	-	630,924
Loss on share-based payments	b	-	(2,357,221)	(2,357,221)
NET LOSS before income tax		(14,354,842)	(2,357,221)	(16,712,063)
Income tax expense		(685,663)	-	(685,663)
NET LOSS for the period		(15,040,505)	(2,357,221)	(17,397,726)
Other comprehensive income items				
Unrealized gain on foreign currency translation		(535,198)	-	(535,198)
COMPREHENSIVE LOSS for the period		$ (15,575,703)	$ (2,357,221)	$ (17,932,924)
Net loss per share - basic and diluted		(1.06)	(0.17)	(1.23)
Weighted average number of common shares outstanding - basic and diluted		14,187,763	14,187,763	14,187,763

(Presented in Canadian dollars)

31) TRANSITION TO IFRS (Continued)

(iii) Reconciliation of the statement of financial position as at January 1, 2010

Canadian GAAP accounts	Note 31	Canadian GAAP balances	IFRS adjustments	IFRS balances
ASSETS				
Current				
Cash and cash equivalents		$ 52,177	$ -	$ 52,177
Accounts and other receivables		600	-	600
Prepaid expenses		7,144	-	7,144
		59,921	-	59,921
Deferred charges		735,706	-	735,706
		$ 795,627	$ -	$ 795,627
LIABILITIES				
Current				
Accounts payable and accrued liabilities		$ 32,355	$ -	$ 32,355
		32,355	-	32,355
SHAREHOLDERS' EQUITY				
Share capital		800,160	-	800,160
Deficit		(36,888)	-	(36,888)
		763,272	-	763,272
		$ 795,627	$ -	$ 795,627