BUFFALO COAL CORP.

(formerly known as Forbes & Manhattan Coal Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and ten months ended December 31, 2014

(Presented in South African Rands)

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Contents

BASIS OF PREPARATION

The following Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Buffalo Coal Corp. (formerly known as Forbes & Manhattan Coal Corp.) and its subsidiaries ("we", "our", "us", "BC Corp", the "Company" or collectively the "Group") for the three and ten months ended December 31, 2014 and should be read in conjunction with the audited annual consolidated financial statements for the years ended December 31, 2014 and February 28, 2014. The financial statements and related notes have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain non-IFRS measures are discussed in this MD&A which are clearly disclosed as such. Additional information and press releases have been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and are available online under the Buffalo Coal Corp. profile at www.sedar.com.

From March 1, 2014, the Company and its subsidiaries changed their financial year-ends from February 28 to December 31.

This MD&A reports our activities through March 26, 2015 unless otherwise indicated. References to CY2014 and PY2014 mean the financial years ended December 31, 2014 and February 28, 2014, respectively. References to CYQ3 2014, CYQ2 2014 and CYQ1 2014 mean the three, three and four months ended December 31, 2014, September 30, 2014 and June 30, 2014, respectively and references to PYQ4, PYQ3, PYQ2 and PYQ1 2014, mean the three months ended February 28, 2014, November 30, 2013, August 31, 2013 and May 31, 2013. A reference to CY2015 means the future year ending December 31, 2015.

As of March 1, 2014, BC Corp has changed its functional currency from Canadian Dollars to Rands and the Group's presentation currency from Canadian Dollars to Rands. A convenience rate translation has been provided in the annual consolidated financial statements which represents supplementary information solely for the convenience of the reader.

Unless otherwise noted all amounts are recorded in South African Rands ("R" or "Rands"). References to "C$" mean Canadian Dollars and to "US$" mean United States Dollars. Amounts stated in Canadian Dollars or US Dollars are translated at the date of transaction, unless otherwise stated. These other amounts stated in Canadian Dollars were translated at C$1:R9.9837 and amounts in US Dollars were translated at US$1:R11.6088.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information under Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to the Company's expected production from, and further potential of, the Company's properties; financial and operational planning and strategic goals; the Company's ability to raise additional funds; the timing and amount of advances under existing loan facilities; the future price of minerals, particularly coal and overall market conditions for resource issuers; the estimation of mineral reserves and mineral resources; conclusions of economic evaluations; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; labour relations and future collective agreements; and environmental risks. In general, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the opinions, estimates and assumptions of management as of the date such statements are made and the Company can give no assurance that such opinions, estimates and assumptions are correct. Estimates regarding the anticipated timing, amount and cost of exploration, and development and production activities are based on assumptions underlying mineral reserve and mineral resource estimates and the realization of such estimates. Capital and operating cost estimates are based on extensive research of the Company, purchase orders placed by the Company to date, recent mining costs and other factors.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include: risks relating to the requirement for additional capital; production estimate risks; the price of coal; labour and employment risks; cost estimate risks; mineral legislation risks; title to mineral holdings risks; power supply risks; risks relating to the depletion of mineral reserves; litigation risks; South Africa country risks; infrastructure risks; environmental risks and other hazards; risks relating to dependence on key personnel; dependence on outside parties; exploration and development risks; risks relating to foreign mining tax regimes; insurance and uninsured risks; competition risks; the Company's securities may experience price volatility; risks relating to owning foreign assets; currency fluctuation risks; and the Company's directors and officers may have conflicts of interests. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

OVERVIEW OF THE COMPANY

BC Corp is a coal mining and supply company operating in South Africa. The Company is listed on the Toronto Stock Exchange ("TSX") and the securities exchange operated by the JSE Limited ("JSE"). BC Corp trades under the symbol "BUF" on the TSX and "BUC" on the JSE.

In July 2010, the Company completed an agreement to acquire Buffalo Coal Dundee Proprietary Limited (formerly Forbes Coal Proprietary Limited) ("BC Dundee"), a South African company, with an interest in coal mines in South Africa ("BC Dundee Properties"). The BC Dundee Properties comprise the operating Magdalena bituminous mine, ("Magdalena") and the Aviemore anthracite mine ("Aviemore"). BC Dundee is engaged in opencast and underground coal mining.

BC Dundee indirectly holds a 70% interest in the BC Dundee Properties through its 70% interest in Zinoju Coal Proprietary Limited ("Zinoju"), which holds all of the mineral rights with respect to the BC Dundee 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 access by historically disadvantaged South Africans ("HDSA") to the South African economy by increasing HDSA ownership in South African enterprises.

Magdalena is located 22 kilometers from the town of Dundee in KwaZulu-Natal, South Africa and encompasses approximately 1 844 hectares. As reported in the National Instrument 43-101 report as at October 1, 2012, Magdalena, which consists of the Magdalena underground mine and the Magdalena opencast operation, had a mineable coal resource, all in the measured resource category, of an estimated 50.29 million tons of *in situ* coal with an estimated volume of 33.52 million cubic meters. From October 1, 2012 to December 31, 2014, 2.28 million tons of run of mine was extracted from Magdalena at an average extraction rate of 50%.

The Magdalena opencast operation (which will be closed down in March 2015) and Magdalena underground mines have an estimated total production capacity of 100 000 tons of bituminous coal per month. One of the Company's two processing plants is located on the Magdalena property.

Aviemore is located four kilometers from the town of Dundee in KwaZulu-Natal and encompasses approximately 5 592 hectares. As reported in the National Instrument 43-101 report as at October 1, 2012, Aviemore consists of the Aviemore underground mine and had a mineable measured and indicated coal resource of 35.35 million tons of *in situ* coal with an estimated volume of 23.57 million cubic meters. From October 1, 2012 to December 31, 2014, 0.98 million tons of run of mine was extracted from Aviemore at an average extraction rate of 55%. The Aviemore underground mine has an estimated production capacity of 45 500 tons of anthracite per month.

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

BC CORP RESOURCES

Mr. NJ Odendaal B.Sc. (Geol.), B.Sc. (Hons) (Min. Econ.), M.Sc. (Min. Eng.) Pr. Sci. Nat., FSAIMM, GSSA, MAusIMM is a qualified person as defined in National Instrument 43-101 and has read and approved the scientific and technical information included in this table. The following table sets forth the mineable coal resource estimate effective October 1, 2012 for the BC Dundee Properties.

Mineable Coal Resources for the BC Dundee Operations as at October 1, 2012														
Area	Seam	Resource Seam Width	Resource Classification	Seam Width	Volume	RD	Tonnage	Ash	Fixed Carbon	CV	Inherent moisture	Sulphur	Volatiles	Yield
		Cut-Off m	Category	m	Mm³	t/m³	Mt	%	%	MJ/Kg	%	%	%	%
Magdalena														
Magdalena Underground	Gus	0.8	Measured	1.90	8.48	1.5	12.72	14.89	65.79	29.46	1.23	1.62	17.76	77.52
	Alfred	0.8	Measured	2.10	10.72	1.5	16.08	15.62	66.21	30.16	1.39	1.48	16.76	79.02
	Combined	0.8	Measured	4.10	13.98	1.5	20.97	14.77	67.84	29.25	1.39	1.55	15.27	82.98
	Total Measured				33.18	1.5	49.77	15.08	66.79	29.60	1.35	1.55	16.39	80.31
Magdalena Opencast	Gus	0.8	Measured	1.90	0.10	1.5	0.16	22.35	54.28	25.63	1.83	1.68	21.52	89.01
	Alfred	0.8	Measured	2.00	0.24	1.5	0.36	26.58	51.97	23.53	1.93	1.90	19.51	95.04
	Total Measured				0.34	1.5	0.52	25.30	52.67	24.16	1.90	1.83	20.12	93.22
Hilltop	Gus	0.8	Inferred	1.50	1.97	1.5	2.96	21.24	-	22.11	0.98	1.84	13.19	100
	Alfred	0.8	Inferred	1.60	5.64	1.5	8.46	21.07	-	22.24	0.94	1.86	13.47	100
	Total Inferred				7.61	1.5	11.42	21.11	-	22.21	0.95	1.85	13.40	100
Aviemore														
Aviemore Mine	Gus	0.8	Measured	1.80	0.82	1.5	1.23	13.34	77.76	30.15	1.84	2.01	7.19	74.31
	Total Measured				0.82	1.5	1.23	13.34	77.76	30.15	1.84	2.01	7.19	74.31
Leeuw Mining & Exploration	Gus	0.8	Indicated	1.72	9.72	1.5	14.58	13.55	77.53	29.00	2.21	1.80	6.73	63.51
Zinoju Coal	Gus	0.8	Indicated	1.72	13.03	1.5	19.54	13.46	75.51	28.93	2.59	1.60	8.28	57.00
	Total Indicated				22.75	1.5	34.12	13.50	76.37	28.96	2.43	1.69	7.62	59.78
	Total Measured & Indicated				23.57	1.5	35.35	13.49	76.42	29.00	2.41	1.70	7.60	60.29
Leeuw Mining & Exploration	Gus	0.8	Inferred	1.72	1.09	1.5	1.63	14.97	74.78	27.29	1.77	1.41	8.50	55.98
Zinoju Coal	Gus	0.8	Inferred	1.72	8.99	1.5	13.48	14.14	74.72	28.85	2.49	1.71	8.64	59.60
	Total Inferred				10.08	1.5	15.11	14.23	74.75	28.69	2.41	1.68	8.63	59.23

Notes:

1. Coal Resources are inclusive of Coal Reserves.
2. Coal Resources are inclusive of tons mined since effective date.
3. Tons and qualities have been rounded and this may result in minor adding discrepancies.
4. The coal qualities are stated for the ash content ("Ash"), fixed carbon, calorific value ("CV"), inherent moisture, sulphur content ("Sulphur"), volatile matter ("Volatiles") and yield.
5. The coal qualities assays were determined on an air-dried moisture basis.
6. A 15% geological loss has been applied to the Gross *in situ* tons.
7. The declared tabulation of coal resources prepared by Minxcon has been prepared in accordance with the NI 43-101 reporting code and is compliant with this Code.
8. A cut-off seam thickness of 0.8 m has been applied to the Gross *in situ* Coal Resource statements.
9. The Coal Resources for the Magdalena and Aviemore Areas are calculated on 1.7 t/m^3 float density coal quality values and the Hilltop Coal Resources are calculated on Raw coal quality values.
10. The coal density for all areas is 1.5 t/m^3.
11. The Hilltop data received from the Client did not include fixed carbon values.
12. The mining right to Leeuw Mining & Exploration properties has been transferred to Zinoju.

BC CORP RESOURCES (continued)

The following table depicts the amount of coal mined since the date of the previous NI Resource and Reserve statement dated October 1, 2012. The information in this table was read and approved by Mr SP Müller B.Eng (Mining), M.Eng (Project Management), Pr.Eng, SAIMM, a qualified person as defined in National Instrument 43-101.

From October 1, 2012 to December 31, 2014, the following run of mine ("ROM") was extracted ([1]):

- Magdalena opencast (t): 615 494
- Magdalena underground (t): 1 665 534
- Aviemore (t): 980 537

[1] At an average extraction factor of 50% for Magdalena and 55% for Aviemore mine.

CONSOLIDATED OPERATIONAL AND FINANCIAL HIGHLIGHTS FOR THE FISCAL YEAR AND THE FINAL QUARTER OF CY2014

The operational highlights and summarized financial results for CY2014 and the final quarter of CY2014 are presented below as compared to PY2014, PYQ4 2014 and CYQ2 2014. The Group achieved ROM production of 1,2Mt, saleable production (excluding calcine) of 744kt and sales of 845kt in CY2014.

	10 months ended	12 months ended	3 months ended		
Operational results	**December 31, 2014**	**February 28, 2014**	**December 31, 2014**	**February 28, 2014**	**September 30, 2014**
ROM (t)	**1 234 126**	1 562 187	**366 066**	308 880	377 266
- Aviemore (t)	**386 659**	486 929	**110 647**	101 509	118 989
- Magdalena (t)	**847 467**	1 075 258	**255 419**	207 371	258 277
Saleable production (excluding calcine) (t)	**743 983**	922 274	**210 097**	184 858	227 318
- Anthracite (t)	**233 740**	304 256	**64 459**	59 751	71 175
- Bituminous (t)	**510 243**	618 018	**145 638**	125 107	156 143
Yield on plant feed (excluding calcine) (%)	**59.9%**	58.8%	**58.8%**	62.0%	61.0%
Sales (t)	**844 510**	955 401	**258 177**	223 174	270 838
- Anthracite (t)	**269 529**	279 930	**114 426**	97 351	75 288
- Bituminous (t)	**534 315**	639 482	**133 363**	116 580	179 057
- Calcine (t)	**40 666**	35 990	**10 388**	9 243	16 493
Inventory tons	**41 984**	115 966	**41 984**	115 966	69 304

CONSOLIDATED OPERATIONAL AND FINANCIAL HIGHLIGHTS FOR THE FISCAL YEAR AND THE FINAL QUARTER OF CY2014 (continued)

	10 months ended	12 months ended	3 months ended		
Financial results	**December 31, 2014**	**February 28, 2014**	**December 31, 2014**	**February 28, 2014**	**September 30, 2014**
Revenue (R'millions)	**593.8**	688.4	185.2	163.3	188.5
EBITDA (R'millions) (*)	**(23.4)**	12.0	3.1	(11.9)	(21.0)
Average selling price per ton sold (R)	**703**	721	717	732	696
Cash cost of sales per ton (R)	**666**	639	636	702	704
Cash (utilized in)/ generated from operating activities (R'millions)	**(24.6)**	(3.1)	5.3	(42.1)	(19.7)
Cash utilized in investing activities (R'millions)	**(113.8)**	(39.2)	(57.6)	(10.2)	(56.8)
Cash generated from financing activities (R'millions)	**136.0**	35.7	59.1	51.2	72.4
CAD:ZAR (average)	**9.80**	9.54	9.88	9.87	9.89
USD:ZAR (average)	**10.83**	9.98	11.22	10.74	10.76

(*) See *Non-IFRS Performance Measures* section of this MD&A.

OVERVIEW OF THE PERIOD AND OUTLOOK FOR THE GROUP

Markets

The Group supplies high quality bituminous coal and anthracite to both the export and domestic markets.

Bituminous

The API 4 coal index was at US$65.88 per ton at the end of December 2014 and has further declined to around US$61.00 per ton at the date of this MD&A. Over the past three years, between 45% and 55% of the Group's sales have comprised export bituminous sales which have been priced against the API 4 coal price index. The Group has significantly mitigated its exposure to this index based risk through the restructuring of one of its major bituminous export contracts to a fixed price contract during PY2014, however, there still remains a risk on future export sales to current and new potential customers. The short- to medium-term outlook for the API 4 coal price index still remains in backwardation.

On the domestic front, the bituminous coal market has remained steady, with marginal growth and a continued healthy outlook for the upcoming year. Domestic coal supply contracts are typically structured at a negotiated coal price over a twelve month period.

OVERVIEW OF THE PERIOD AND OUTLOOK FOR THE GROUP (continued)

Markets (continued)

Anthracite

The anthracite market is highly correlated with the metals industry where anthracite is primarily used as a reductant. Anthracite supply contracts are typically structured at a negotiated price.

Export anthracite markets have picked up slightly with a very profitable contract signed with a customer in CYQ2 2014 which resulted in 27kt of anthracite being shipped in the last quarter of CY2014, with possible future parcels to be negotiated. Furthermore, the Group has entered into an agreement with a major export customer in CY2015 for the sale of anthracite duff.

South Africa is one of the world's largest ferrochrome and ferroalloy producers and the domestic demand for anthracite remains strong. South Africa is also a large steel producer and continues to be a net importer of metallurgical coal and coke products.

Operational

Flooding incident at Magdalena Underground

On September 16, 2014 the continuous miner, operating in Section 5 of the Magdalena underground mine, cut into old and abandoned underground workings (previously unknown and unrecorded), which resulted in an ingress of water into the current workings. The emergency procedures were initiated and the entire mine was safely evacuated. The water flooded into the Section 5 panel and proceeded to flow into other areas of the underground workings. Immediate plans were effected to start pumping water out and by September 29, 2014, sufficient water had been pumped out, and power restored to allow Section 1 to be brought back into production. Section 4 was restarted on October 1 and Section 5 on October 7, 2014.

The cash costs of the flooding incident were approximately R10,0 million, comprising mainly pumps, pipes, and repair costs of equipment. A process has been initiated with the Company's insurers and underwriters to recover all or a portion of these amounts, the outcome of which is still unknown.

The effect of the incident on Magdalena underground production was a loss of approximately one month's production. September 2014 sales levels were largely maintained as a result of the sale of the existing stockpiles, but stockpiles were depleted thereafter and the Magdalena processing plant operated "hand to mouth" for the remainder of CY2014.

Fatality at Aviemore

On September 20, 2014, a tragic incident occurred at Aviemore underground mine, where an employee passed away from injuries sustained in a blasting incident.

A full investigation of the incident was undertaken by mine management, the Department of Mineral Resources ("DMR") and the Association of Mineworkers and Construction Union ("AMCU"). The mine was shut-down and production halted during the investigation and, as a result of this unfortunate incident, a week's production was lost.

OVERVIEW OF THE PERIOD AND OUTLOOK FOR THE GROUP (continued)

Restructuring of Business

Over the past two years, BC Dundee has been operating under increasingly difficult financial circumstances. This has been as a result of a number of factors, but principally arising from the underperformance by Magdalena underground, together with the increasing uncertainty of continued operations at Magdalena opencast, and the reduction in export coal prices over this period.

BC Corp has undertaken a number of restructuring initiatives to support and turn-around the current financial position of the business. This restructuring has taken place throughout the Group, and has included the following initiatives:

- The effective closure of the entire Canadian head office and the termination of service contracts with a large number of senior management staff in both Canada and Johannesburg resulting in net savings of approximately R15,0 million per annum.
- Raising a total of approximately R290,2 million from Resource Capital Fund V L.P. ("RCF"), to support the Group's working capital requirements and to implement a capital expenditure program to replace old and unreliable equipment.
- Restructuring of BC Dundee's debt facilities with Investec Bank Limited ("Investec") to provide cash relief to BC Dundee in terms of servicing and covenant reporting requirements until December 2015.
- An attempt to move Magdalena underground onto full calendar operations ("FULCO"), in order to increase production levels to support the high fixed cost base. In March 2015 there was a change back from the three shift system to two 10 hour shifts, which will increase production and equipment maintenance time.
- Ongoing cost cutting initiatives implemented in all aspects of the Group over the past two years as markets have deteriorated.
- The appointment, by Zinoju, of STA Coal Mining Proprietary Limited ("STA"), a contract mining company, to increase volumes at Magdalena underground at a fixed rate per ton, to assist in sustaining the Group's production and sales levels and contribute towards the overall fixed costs. BC Dundee does not currently have the ability to fund the capital requirements for additional mining sections.

Despite these considerable efforts, the Group remained in severe financial difficulty which necessitated a further restructuring, including dismissals in terms of Section 189A of the LRA, in order to ensure the continuation of employment for the majority of its staff whilst enabling the sustainability of the business. The total cost of the restructuring was estimated at R13,7 million and has been fully provided for at December 31, 2014. The restructuring was concluded in March 2015 with an approximate 25% reduction in the labour complement.

On March 20, 2015, AMCU brought an application against BC Dundee and Zinoju in the Labour Court of South Africa pertaining to the Section 189A restructuring process in terms of the Labour Relations Act ("LRA") which the Company implemented, as announced on March 11, 2015. The matter has been set down to be heard on an urgent basis on March 31, 2015, and BC Dundee and Zinoju have engaged with legal representatives and will oppose the application.

OVERVIEW OF THE PERIOD AND OUTLOOK FOR THE GROUP (continued)

Other (continued)

In March 2014, the Group reached a settlement agreement with Riversdale Mining Limited ("RML") in respect of the disputes between the parties.The disputes arose due to the cancellation of a purchase agreement between BC Corp and RML to purchase 100% of the shares in Riversdale Holdings Proprietary Limited ("Riversdale Acquisition"), as a result of which, the Company would have acquired a 74% interest in the Zululand Anthracite Colliery ("ZAC"), a producing anthracite mine, and a 74% interest in the Riversdale Anthracite Colliery ("RAC"), an undeveloped anthracite resource.

A deposit of R45,5 million was paid into an escrow account to be applied against the purchase consideration for the Riversdale Acquisition (the "Escrow Funds"). There was a material deterioration in the performance of ZAC, which in the Group's opinion, constituted a breach of certain provisions of the agreement. Following the cancellation of the Riversdale Acquisition, two disputes were declared with the Company seeking the return of the Escrow Funds and RML seeking damages in the amount of R299,5 million resulting from the cancellation of the Riversdale Acquisition. The claim by the Company against RML for the return of the Escrow Funds, and the claim by RML against the Company for damages in the amount of R299,5 million were settled by way of the Escrow Funds (including interest) being shared between the parties as to R19,4 million to RML and the balance of R29,3 million to the Company. Pursuant to the terms of the settlement, neither party shall have any further claim, right, liability and/or duty of any kind towards the other party in respect of either claim.

The agreement between BC Dundee, Zinoju and Ikwezi Mining Proprietary Limited ("Ikwezi"), in respect of the proposed acquisition by Zinoju of a mining right from Ikwezi, lapsed on June 30, 2014 as a result of not receiving regulatory consent from the Minister of Mineral Resources within the expected timelines (in terms of Section 102 of the Mineral and Petroleum Resources Development Act 28 of 2004 ("MPRDA")). The negotiations between the parties have ceased.

In September 2014, the Group entered into an agreement with STA (as mentioned above) to mine one section at Magdalena underground at a fixed rate per ton to increase volumes of production. To date, STA has significantly improved production since October 2014 and a second section will be introduced in early April 2015.

Group Restructuring and Rebranding

The Group concluded its restructuring of various aspects of the business, both corporate and operational, which began towards the end of PY2014 year, as discussed above. This included changing the name of the Company from Forbes and Manhattan Coal Corp. to Buffalo Coal Corp., along with its subsidiaries. Forbes Coal Proprietary Limited was changed to Buffalo Coal Dundee Proprietary Limited and Bowwood and Main No 33 Proprietary Limited was changed to Buffalo Coal Proprietary Limited.

From March 1, 2014, the Company and its subsidiaries changed their financial year-ends from February 28 to December 31.

BC Corp changed its functional currency from Canadian Dollars to Rands and the Group's presentation currency from Canadian Dollars to Rands as from March 1, 2014. BC Corp is effectively managed in South Africa, the majority of the transactions are conducted in Rands by its major subsidiary, and monthly reporting to management and the Board of Directors is reflected in Rands.

OVERVIEW OF THE PERIOD AND OUTLOOK FOR THE GROUP (continued)

RCF Loan Facilities

On July 3, 2014, after receiving shareholder approval at the special and annual general meeting held on June 27, 2014, BC Corp closed the final tranche of the US$25,0 million convertible loan facility with RCF which was being advanced thereafter in tranches as per the amended and restated loan agreement with RCF ("Amended RCF Agreement"). Furthermore, the RCF bridge loan facility of US$4,0 million ("RCF Bridge Loan"), the original RCF convertible loan facility of US$6,0 million ("RCF Original Convertible Loan") and the third tranche were rolled up into one facility ("RCF Convertible Loan"), which is convertible at a price of C$0.1446 per common share of the Company ("Common Share") and matures on June 30, 2019.

There were two types of advances per the Amended RCF Agreement in respect of the advance of the third tranche of US$15,0 million:

- scheduled advances of funds by RCF to BC Corp of approximately US$4,8 million (approximately R48,5 million); and
- equipment advances of approximately US$10,2 million (approximately R103,0 million), whereby funds would be advanced by RCF directly to equipment suppliers on behalf of the Company.

As of December 31, 2014, the Company had received a total of US$5,2 million (approximately R55,6 million) in scheduled advances from RCF and a total of US$7,6 million (approximately R83,9 million) in equipment advances which were advanced by RCF directly to the equipment suppliers, on behalf of BC Dundee, for the acquisition of assets and equipment as specified in the Amended RCF Agreement.

Due to the two incidents at the mine in September 2014 and the continued financial constraints, RCF agreed that the remaining funds under the facility be used to purchase the remaining assets as per the Amended RCF Agreement and for working capital purposes.

Subsequent to December 31, 2014, the Company drew the remaining US$2,2 million (approximately R25,6 million) under the RCF Convertible Loan facility which was used to purchase additional equipment and for the restructuring of BC Dundee in March 2014 (as discussed above under *Restructuring of Business* section of this MD&A).

In terms of the Amended RCF Agreement, the Company was released from the security previously provided to RCF which included a special notarial bond over the anthracite stockpile at July 31, 2013, the cession of a specified bank account into which all the proceeds from the sale of such anthracite stockpile were transferred and security over the BC Dundee shares.

Effective July 3, 2014 and in terms of the Amended RCF Agreement, RCF has taken a first ranking special notarial bond from the Company over the new equipment as specified in the Amended RCF Agreement and acquired using the proceeds of the RCF Convertible Loan. Furthermore, RCF has taken second ranking security over BC Dundee's shares and all other moveable and immovable assets of BC Dundee.

OVERVIEW OF THE PERIOD AND OUTLOOK FOR THE GROUP (continued)

RCF Loan Facilities (continued)

On January 30, 2015, the Company signed a term sheet with RCF (the "Term Sheet") to secure an additional US$4,0 million loan facility from RCF. Under the terms set out in the Term Sheet, the US$4,0 million will be advanced as a bridge loan (the "2015 Bridge Loan") and, subject to receiving regulatory and shareholder approvals as required, will roll over into the RCF Convertible Loan, under the same terms and conditions except for the proposed amendments to the interest rate and conversion price and increased amount available under the loan. Refer to the *Subsequent events* section of this MD&A for further detail.

Restructured Investec Borrowings

On July 3, 2014, BC Dundee finalized a restructuring of the Investec loan facilities and entered into an amended and restated agreement with Investec ("Amended Investec Agreement"), on the following terms:

- five-year senior secured amortizing term loan facility of R90,0 million. The term loan facility accrues interest monthly at JIBAR plus 4%, with only interest payable on a quarterly basis up to December 2015. The first principal payment is due in December 2015 and thereafter, including interest, on a quarterly basis. The Amended Investec Agreement requires BC Dundee to make payments if excess cash is available during the 18 month grace period up to a maximum of R4,5 million on a quarterly basis;
- five-year senior secured loan facility of R50,0 million (the "Bullet Facility") repayable by way of a bullet repayment at the end of the facility life. The Bullet Facility accrues interest at JIBAR plus 4% with the first interest payment due in December 2015 and thereafter BC Dundee will make quarterly repayments of interest only; and
- five-year senior secured revolving credit facility of R30,0 million repayable on the final maturity date being July 3, 2019. Interest accrues at prime plus 0.5%, payable monthly.

The Amended Investec Agreement provides for certain covenants to be maintained, however, as part of the restructuring, BC Dundee is only required to report covenants to Investec commencing December 2015.

Investec subscribed for 34 817 237 warrants in the Company with a strike a price of C$0.1446, the proceeds of which, if exercised, will be applied against the settlement of the Bullet Facility. RCF has the right to acquire the warrants from Investec at agreed pricing during the period, ending on July 3, 2019.

The restructured Investec loan facilities are secured by first ranking security over the BC Dundee shares and all the moveable and immovable assets of the Company, and second ranking security over all new equipment acquired using the proceeds of the RCF Convertible Loan.

TSX Delisting Review

In PY2014, the TSX informed the Company that it was to be placed under remedial delisting review in connection with the Company's application for reliance on the financial hardship exemption from shareholder approval in respect of the RCF Bridge Loan. On July 11, 2014, the TSX informed the Company that it satisfies the TSX's continued listing requirements.

OVERVIEW OF THE PERIOD AND OUTLOOK FOR THE GROUP (continued)

South African Market

The labour climate in South Africa remains volatile, with a five-month union strike in the platinum industry, in early CY2014, having been followed by another strike at certain of the platinum producers, and thereafter a month long union strike in the steel and engineering industries, which ended at the end of July 2014. The Group's negotiations with the unions were concluded amicably during CYQ2 2014. Subsequent to December 31, 2014, a constructive consultation process was held with the unions in terms of Section 189A of the LRA, resulting in the retrenchment of approximately 25% of the labour complement.

On March 20, 2015, AMCU brought an application against BC Dundee and Zinoju in the Labour Court of South Africa pertaining to the Section 189A restructuring process in terms of the Labour Relations Act which the Company implemented, as announced on March 11, 2015. The matter has been set down to be heard on an urgent basis on March 31, 2015, and BC Dundee and Zinoju have engaged with legal representatives and will oppose the application. (Refer to *Subsequent Events* section).

Change in Directors and Officers

On May 1, 2014, Mr. Malcolm Campbell, former Chief Operating Officer, was appointed as Chief Executive Officer.

On June 12, 2014, the Company announced the appointment of Mr. David Thomas to the Board of Directors. The appointment of Mr. Thomas followed the resignation of Mr. Thomas Quinn Roussel who stepped down as a director of the Company.

Mr. Neil Said resigned from his position as Corporate Secretary following the closing of the funding transactions with RCF on July 3, 2014 and the Company appointed Ms. Lorraine Harrison to the position of Corporate Secretary on the same day.

On July 18, 2014, the Company announced the resignation of Mr. Bernard Wilson from the Board of Directors with effect from July 7, 2014.

STRATEGY AND FUTURE PLANS FOR THE DECEMBER 2015 FINANCIAL YEAR

The Group's long term vision is to build a high quality bituminous and metallurgical coal mining and supply company. Future production growth is set to be twofold, firstly through expansion and optimization of the existing BC Dundee operations and secondly through acquisition in the Southern African region.

In the current economic climate, compounded by the impact of the events of the past year, including the flooding incident at Magdalena underground, the tragic fatality at Aviemore and the necessity of having to initiate a restructuring process at the end of CY2014, the short term strategy of the Group is an internal focus on a turn-around back to profitability to ensure the creation of a sustainable foundation to take forward.

The Group will continue to pursue attractive expansion opportunities where it is believed that such opportunities will be synergistic and value enhancing to the existing business, while not removing the focus on the existing Dundee operations. In particular, the Magdalena opencast reserve will reach the end of its life of mine during the 2015 year, and the Company continues to seek replacement tonnages in the area. The Company's key strategic goals for the year ending December 31, 2015 are summarized below:

STRATEGY AND FUTURE PLANS FOR THE DECEMBER 2015 FINANCIAL YEAR (continued)

General

- Finalize the restructuring process in order to create and sustain a reduced cost base, and a return to profitability and positive cash generation;
- Focus on achieving production targets through forward planning and improvement of operational efficiencies;
- Continued focus on cost containment at both an operational and corporate level;
- Explore opportunities to increase revenue;
- Explore new market opportunities for the anthracite product; and
- Increase rail and port allocation to further gain exposure to seaborne bituminous and anthracite export markets, where feasible.
- Increasing the awareness of safety to reduce the number of lost time injuries ("LTI").

Magdalena

- Achieve saleable production of 725kt;
- Increase productivity and production capacity at Magdalena through operational efficiency initiatives;
- Replacement of the Magdalena opencast resource which will reach the end of its life of mine in Q2 2015, through the acquisition of opencastable resources in the area or replacement of the opencast tonnages with additional underground sections.

Aviemore

- Achieve saleable production of 335kt;
- Progress the exploration program and feasibility study for the expansion of Aviemore to a 1Mt per year producer ("Aviemore 2"); and
- Estimated stay in business capital expenditure of R12 million.

Wash plants

- Improve wash plant recovery rates from current levels by improving efficiencies of the wash plant and reducing contamination at source;
- Investigate product upgrade potential; and
- Estimated stay in business capital expenditure of R6 million.

Expansion opportunities

- An internal scoping study for the expansion of Aviemore has been completed, the results of which appear favourable and management recommends the study to proceed to the next stage.
- The Company is exploring various opportunities to secure additional opencast reserves in the northern KwaZulu-Natal region.
- The Company will also continue to explore the potential for acquisition of further high quality bituminous and metallurgical coal projects (both greenfield and producing) in the Southern African region.

The ability of the Company to increase production amounts has not been the subject of a feasibility study and there is no certainty that any expansion proposals will be economically feasible.

OPERATIONAL RESULTS

The operational results are for the ten month period ended December 31, 2014 compared to the twelve month period ended February 28, 2014.

ROM Production

Total ROM production for CY2014 was 1.2Mt compared to 1.6Mt produced in PY2014. The monthly average ROM production for CY2014 was 123kt compared to 130kt produced in PY2014, down by 5.2%.

ROM production from Magdalena operations, underground and opencast combined, for CY2014 was 847kt, compared to 1.1Mt produced in PY2014. ROM production comprised 633kt from the underground operations and 214kt from the opencast as compared to 773kt and 302kt in PY2014, respectively. The monthly average ROM production from Magdalena for CY2014 was 85kt compared to 90kt produced in PY2014, down by 5.4%. The underground operations have underperformed primarily as a result of the flooding incident which occurred at the mine in September 2014, the fall of ground in October 2014 as well as difficult geology in the area. (Refer to *Overview of the Period and Outlook for the Group* section for further detail).

ROM production from Aviemore for CY2014 was 387kt compared to 487kt produced in PY2014. The monthly average ROM production for CY2014 was 39kt compared to 41kt produced in PY2014, down by 4.7%. Aviemore continues to perform in line with historic and budgeted performance levels, however, production in September 2014 was down due to the fatality at the mine, which resulted in production being halted for a week. (Refer to *Overview of the Period and Outlook for the Group* section for further detail).

Saleable Production

Saleable coal production for CY2014 was 744kt (excluding calcine) compared to 922kt in PY2014. The monthly average saleable production for CY2014 was 74kt compared to 77kt produced in PY2014, down by 3.2% in line with a decrease in ROM production, offset by a slight improvement in yields. Saleable calcine product was 30kt for CY2014 compared to 40kt in PY2014, a 27.3% decrease from PY2014, due to continual problems with hotspots in the kiln which resulted in shut-downs during the year.

The total calculated yield from plant feed was 59.9% for CY2014, compared to 58.8% for PY2014. Density control and discard scales were installed to increase control over yields. Towards the end of CY2014, the yields at Magdalena mine had deteriorated due to the thin seam which caused increased contamination of the coal.

Sales

Total sales of bituminous coal and anthracite products for CY2014 were 845kt compared to 955kt sold in PY2014. The monthly average sales for CY2014 were 84kt compared to 80kt in PY2014 an increase of 6.1%.

Bituminous sales for CY2014 were 534kt, of which 52.5% were export sales and 47.5% were domestic sales. This compares to 639kt sold in PY2014 of which 53.9% were export sales and 46.1% were domestic sales. The monthly average sales for CY2014 were 53kt compared to 53kt in PY2014, relatively flat year on year.

Anthracite sales for CY2014 were 270kt, of which 54.8% were export sales and 45.2% were domestic sales. This compares to 280kt sold in PY2014 of which 49.1% were export sales and 50.9% were domestic sales.

OPERATIONAL RESULTS (continued)

Sales (continued)

The average monthly sales for CY2014 were 27kt compared to 23kt in PY2014, up by 15.5%. As discussed above under the *Overview of the Period and Outlook for the Group* section, the Company entered into various contracts with export customers which increased anthracite export sales during CY2014.

Logistics

Coal is normally transported by rail and truck to domestic customers, while export coal is transported to the Richards Bay Coal Terminal ("RBCT") and the Navitrade Terminal by rail.

The Company has 204 500 tons of export allocation at RBCT. The contract with Grindrod Terminal Richards Bay, a division of Grindrod South Africa Proprietary Limited ("Grindrod") in respect of the Navitrade allocation terminated on December 31, 2013 and was not renewed. The Company will utilize the Navitrade Terminal only on a spot basis or alongside other strategic marketing partners, when profitable.

Health and Safety

The Company runs an integrated Safety, Health and Environment ("SHE") management system and fully supports the co-existence of safety, occupational health and the environment within which the Company operates, in order to ensure compliance and achieve zero harm. The Company values the contribution of a safe and healthy workforce into its overall productivity and believes that an incident and injury free workplace is possible. The Company embarks on various training and development initiatives and related ventures in order to improve individual outlook on safety, health and the environment. The Company employs more than 1 200 employees, including contractors. The Company used the OHSAS18001 framework to establish its integrated SHE management system as well as minimum standards.

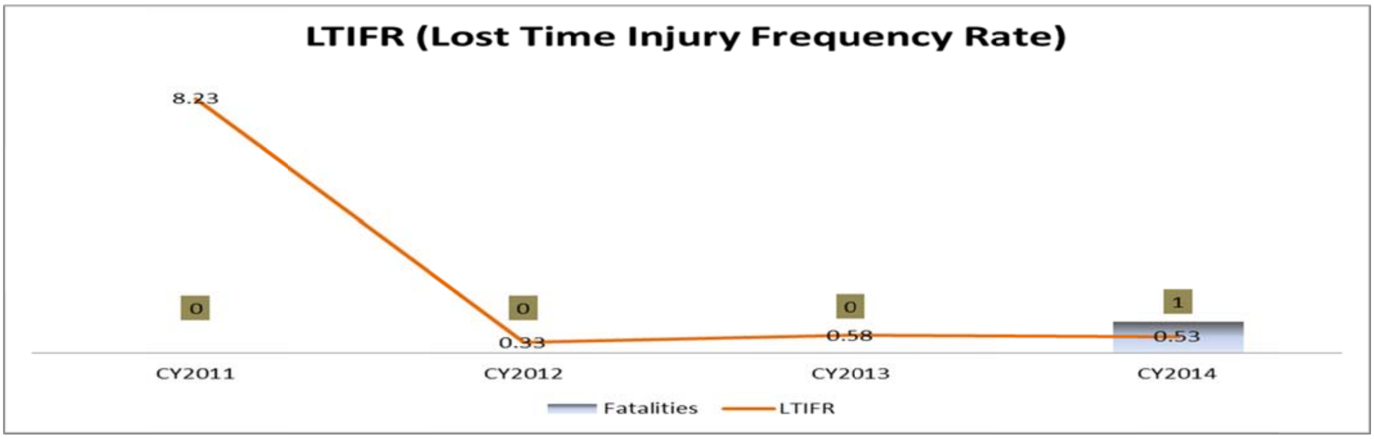
Safety

The Group had gone more than seven years without a fatality, however, unfortunately, one fatal incident occurred during September 2014 (as further described above under *Overview of the Period and Outlook for the Group* section). There have been continued pockets of excellence where Coalfields processing plant has achieved 1 340 days without an LTI and Magdalena opencast mine 1 300 days without an LTI.

The main challenge is at the underground operations: Aviemore suffered a fatality in September 2014 and Magdalena underground where nine LTIs occurred during CY2014.

OPERATIONAL RESULTS (continued)

Health and Safety (continued)



Occupational Health

The health and wellness of BC Corp employees plays a pivotal role in the Company's safety performance as well as productivity. The main aim of the Company and policy commitment is to ensure that industry milestones for occupational health are achieved and that the Company continues to strive towards improving the health of its employees as well as interested and affected parties.

The Company has established a medical surveillance link between exposure and medical examinations by running an integrated SHE system. The pre-employment periodical as well as exit medical surveillance is linked to the occupational health programs for noise, airborne pollutants and thermal stress, which are directly linked to minimum standards of fitness to work. Other occupational hygiene factors are duly considered.

The Company operates its own occupational health facilities, which are staffed with highly qualified and experienced professionals who render a high level service to direct as well as indirect clients, whilst ensuring legal compliance as well as compliance with in-house standards.

Environmental Management

The Company endeavors to conduct its business in a manner that depicts understanding of the fact that the environment is borrowed from future generations and as such must be conserved. The Company aims to leave the environment in a better state than it was prior to the start of operations. Compliance with legal and other requirements, environmental management plans and requirements on water use licenses as well as managing all environmental aspects and impacts is one of the key principles of the Company.

Minerals Royalty

All operations at BC Dundee are subject to South African law, including the Mineral and Petroleum Resources Royalty Act, 28 of 2008 ("Royalty Act"). In terms of the Royalty Act, all companies extracting minerals in South Africa are required to pay royalties at a rate of between 0.5% and 7% based on gross sales, less their allowable deductions, depending on the refined condition of the mineral resources.

OPERATIONAL RESULTS (continued)

Minerals Royalty (continued)

Coal is classified as an unrefined mineral and the percentage royalty payable is therefore calculated according to the following formula:

% royalty payable = 0.5 + [Earnings before interest and tax/(Gross sales x 9)] x 100

Social Development

A key component of the Company's strategy involves social development and the enrichment of the local community, which is carried out through the Company's Social and Labour Plan.

The development of people, both employees and local community is the fundamental principle in the business strategy. The Company provides opportunities and resources for the employees to be fully developed in job disciplines that form part of the occupational structures of the Company.

The Company's human resource development includes:

- portable skills training for both employees and the community;
- the Adult Education and Training ("AET") project which aims to improve the literacy rate of employees and the members of the community. AET learners are offered the opportunity to become functionally literate and numerate;
- a Mathematics, Science and Accounting project which offers tutoring to Grade 12 learners in the mining community. The Company recruits competent educators through the Department of Education to offer tuition. Through this intervention, Grade 12 results have improved;
- An internship program for unemployed graduates;
- a bursary program in the mining related field. The Bursars are given the opportunity to do vacation work, to gain experience and do in-service training to meet the graduation requirements; and
- an engineering and mining learnership program.

The Company's local economic development projects include:

- advancement of Small, Medium and Micro-sized Enterprises ("SMMEs") within the local community including the development of a sewing project and various agricultural projects such as poultry farming;
- the construction of a crèche near the Magdalena mine; and
- the renovation of a primary school in the district.

FINANCIAL RESULTS

Revenue

Coal revenues earned during CY2014 were R593,8 million compared to R688,4 million earned during PY2014. The average revenue per month was R59,4 million in CY2014 compared to R57,4 million in PY2014. During CY2014, the Group's sales were 845kt compared to sales of 955kt for PY2014. The monthly average sales tons for CY2014 were 84kt compared to 80kt in PY2014.

FINANCIAL RESULTS (continued)

Revenue (continued)

Bituminous sales on average per month for CY2014 were R16,6 million for domestic (25kt per month) and R20,0 million for export (28kt per month), compared to an average per month of R15,6 million for domestic (25kt per month) and R21,5 million for export (29kt per month) in PY2014.

Anthracite sales (including calcine) on average per month for CY2014 were R8,5 million for domestic (12kt per month) and R9,1 million for export (15kt per month), compared to an average per month of R8,8 million for domestic (12kt per month) and R7,6 million for export (11kt per month) in PY2014.

Average selling prices for CY2014 were R703 per ton compared to an average selling price of R721 per ton for PY2014.

Average revenue per month has increased marginally in CY2014 compared to PY2014 primarily due to a relative increase in sales tons during CY2014, offset by a slightly lower selling price per ton on export products. Certain off-take contracts with export customers were restructured from a free on board to a free on rail price structure resulting in lower reported revenue per ton and lower related logistics costs. Export bituminous selling price, based on a lower API 4 coal price index as compared to the prior year, was offset by a weakening in the Rand during the year.

Cost of Sales

Cost of sales for CY2014 was R638,0 million (cash cost of sales of R666 per ton sold) compared to R711,0 million (cash cost of sales of R639 per ton sold) for PY2014. The average cost of sales per month in CY2014 was R63,8 million compared to R59,2 million in PY2014, an increase of 7.7% year on year. Cost of sales includes mining and processing costs, salaries and wages, depreciation and amortization, transportation, railage, port handling and wharfage costs.

Since PYQ3 2014, difficult mining conditions have been experienced, particularly at Magdalena underground, where geological faults were encountered as well as poor roof conditions in one of the continuous miner sections. The difficult geological conditions have resulted in additional mining costs which have offset the operational cost reduction initiatives. Furthermore, additional expenses were incurred during the period due to the ingress of water in Magdalena underground (refer to *Overview of the Period and Outlook for the Group* section for further detail).

Salaries and wages for CY2014 amounted to R192,7 million (R228 per ton sold) compared to R208,0 million (R218 per ton sold) which was as a result of the increase in headcount from 934 in PY2014 to 950 in CY2014, as well as salary and wage increases. The Group's negotiations with the unions were concluded amicably during CYQ2 2014. The average salaries and wages per month was R19,3 million in CY2014 compared to R17,3 million in PY2014, an increase of 11.1%.

Depreciation and amortization for CY2014 amounted to R75,5 million (R89 per ton sold) compared to R100,4 million (R105 per ton sold) for PY2014. The average depreciation and amortization per month was R7,5 million in CY2014 compared to R8,4 million in PY2014, a decrease of 7.3%. The decrease is mainly due to a majority of the fair value adjustments on the acquisition of BC Dundee being fully depreciated during the first half of CY2014.

During CY2014 the Company recorded a write-down of inventory to net realizable value of R23,2 million compared to R9,9 million recorded in PY2014.

FINANCIAL RESULTS (continued)

Cost of Sales (continued)

During CY2014 railage, handling and wharfage expense amounted to R46,7 million (R109 per export ton sold) compared to R129,3 million (R268 per export ton sold). The average expense per month was R4,7 million in CY2014 compared to R10,8 million in PY2014, a decrease of 56.6% year on year. In CY2014, the Group restructured certain contracts with export customers from a free on board to free on rail contract which reduced the expense significantly. Furthermore, the contract with Grindrod, in respect of the Navitrade allocation, was terminated on December 31, 2013, which resulted in a further reduction in demurrage and related costs.

General and administration expenses

The Company recorded expenses of R60,0 million (R71 per ton sold) during CY2014 compared to R81,9 million (R86 per ton sold) during PY2014. The average expense per month was R6,0 million in CY2014 compared to R6,8 million in PY2014, a 12.1% decrease year on year. The expenses include general and administration expenses relating to BC Dundee's head office at Coalfields and the Company's corporate office in Johannesburg including Canadian expenses. The reduction in general and administration expenses is due to the closure of the Canadian office and various cost cutting initiatives at the corporate office.

Of the R60,0 million incurred, R48,8 million originated from the South African offices, in both Dundee and Johannesburg, and R11,2 million related to Canadian expenses. The majority of the expenditure in the corporate office consists of payroll and TSX and JSE listing related costs.

Other (Expense)/Income - net

During CY2014, the Group recorded net other expenses amounting to R22,6 million compared to net other expenses of R171,9 million for PY2014. Other income and expense is primarily as a result of impairment losses, profit on sale of assets, foreign exchange gains/losses, small scrap sales, discounts received, commissions paid and certain fair value adjustments on financial assets and conversion option liabilities.

During CY2014, the Group recorded as income a fair value adjustment of R67,0 million in relation to the valuation of the conversion option liability (RCF Convertible Loan) and the warrant liability (Investec warrants) compared to R2,1 million in PY2014 relating to the conversion option liability only. The RCF Convertible Loan was recognized in two parts, a component liability and a conversion option liability due to the conversion option embedded in the loan. Furthermore, an embedded derivative exists due to the convertible loan facility being denominated in US Dollars and the functional currency of the Company being Rands. The Bullet Facility was recognized in two parts, a component liability and a warrant liability. The Bullet Facility and the warrants were treated as a compound financial instrument, as the Bullet Facility could effectively be settled through the issuance of the Common Shares. Furthermore, an embedded derivative exists due to the warrants being denominated in Canadian Dollars and the functional currency of the Company being Rands.

During CY2014, the Company recorded an impairment loss of R90,9 million of which R11,2 million related to the Magdalena opencast reserve reaching the end of its life and R79,7 million which arose as a result of management's impairment review The impairment loss was allocated to certain intangible assets and property, plant and equipment. In PY2014, the Group recorded an impairment loss of R152,0 million which included the write-off the Group's goodwill and a portion of the RBCT entitlements. Furthermore, the Group recorded an impairment of R19,4 million in PY2014 relating to the Escrow Funds with regards to the Riversdale Acquisition.

FINANCIAL RESULTS (continued)

Other (Expense)/Income - net (continued)

The Group recorded a net foreign currency exchange loss during CY2014 amounting to R7,0 million compared to a R16,6 million loss recorded in PY2014. The foreign exchange loss recorded in CY2014 and PY2014 was generated primarily from the revaluation of US Dollar denominated revenues and the RCF Convertible Loan.

Finance Costs/Income-net

The Group recorded net interest and accretion expense of R36,4 million during CY2014 compared to a net interest expense of R21,1 million for PY2014. The average expense per month was R3,6 million in CY2014 compared to R1,8 million in PY2014, an increase of 106,7%.

The Company incurred interest of R11,9 million during CY2014 on the Investec loan facilities and certain instalment sale agreements compared to R17,3 million in PY2014. The decrease in the interest expense is mainly attributable to the restructuring of the Investec loan facilities (Refer to *Overview of the Period and Outlook for the Group* section for further detail). Furthermore, the remaining instalment sale agreements came to an end in April 2014.

Interest and accretion on the RCF Convertible Loan was R17,2 million during CY2014 compared to R2,9 million in PY2014. The increase is mainly as a result of an increase in drawdowns under the RCF Convertible Loan facility. To date, all of the interest incurred has been settled by way of the issuance of Common Shares to RCF. The loan accretion expense relates to the unwinding of the RCF Convertible Loan and Investec Bullet facility to their respective face values. The expense has increased from R2,4 million in PY2014 to R7,7 million in CY2014 mainly as a result of the increase in the RCF Convertible Loan from PY2014 to CY2014.

The Company generates interest income on cash balances held in financial institutions. The Company's restricted cash is invested in interest bearing accounts and any excess cash is invested in low risk liquid investments. The Company generated R1,1 million during CY2014 compared to R3,2 million in PY2014.

Taxation

The Company recorded income and other tax recovery of R54,6 million during CY2014 compared to R19,4 million during PY2014.

The amount in CY2014 includes R8,1 million for the over provision of taxes in prior years, furthermore, the amount includes R5,8 million in CY2014 compared to R10,8 million in PY2014 that was credited to income tax expense/benefit and is related to the income tax effect of the depreciation and amortization of the fair value adjustments made with respect to the purchase price allocation on the BC Dundee acquisition. Also an amount of R19,2 million was included in income tax expense in PY2014 in relation to a reversal of a tax recovery recorded in the prior year resulting from the effect of a foreign currency fluctuation on the net book values of fair value adjustments recorded at the BC Dundee acquisition date. Income tax is payable at a rate of 28% on taxable income earned in South Africa.

FINANCIAL RESULTS (continued)

Net loss for the period

The net loss for CY2014 was R108,4 million, compared to a net loss of R278,1 million for PY2014. Contributing to the net loss position for CY2014 were low tons produced due to the geological problems encountered as well as the two incidents which occurred (refer to *Overview of the Period and Outlook for the Group* section for further detail), resultant low sales tons, an increase in interest expense relating to the RCF loan facilities, an impairment loss on property, plant and equipment and intangible assets offset by a positive fair value adjustment recorded relating to the valuation of the RCF conversion option liability and the Investec warrant liability.

Other comprehensive income items ("OCI")

The functional currency of BC Corp changed from Canadian Dollars to Rands from March 1, 2014. The current year's results were translated accordingly with the effect of the change in functional currency being accounted for prospectively from March 1, 2014. All assets and liabilities were translated into Rands using the exchange rate at the date of change. The presentation currency of the Group was changed from Canadian Dollars to Rands on the same date and was accounted for retrospectively. The restated OCI balance relates to the translation of the Canadian parent company to Rands as if the presentation currency had always been Rands. Due to the functional currency of BC Corp and the Group's presentation currency being Rands, there will no longer be movements in OCI. There was RNil recorded in OCI in CY2014 compared to R79,7 million for PY2014.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

	CYQ3 2014	CYQ2 2014	CYQ1 2014	PYQ4 2014	PYQ3 2014	PYQ2 2014	PYQ1 2014
Revenue (R'000)	**185 194**	188 477	220 170	163 316	160 305	179 704	185 090
Cost of sales (excl depreciation and amortization) (R'000)	**164 279**	190 843	205 300	156 711	138 949	163 290	151 608
Depreciation and amortization (R'000)	**19 442**	20 527	37 602	25 940	21 071	22 862	30 553
EBITDA (R'000)*	**3 075**	(21 034)	(5 486)	(11 894)	5 190	508	18 177
Net loss for the period (R'000)	**(248)**	(70 080)	(38 113)	(200 187)	(23 506)	(54 190)	(182)
Net loss per share - Basic and Diluted	**(0.00)**	(1.41)	(0.97)	(5.65)	(0.67)	(1.55)	(0.01)
Cash generated from/(utilized in) operating activities (R'000)	**5 314**	(19 710)	(10 251)	(42 118)	(12 413)	34 794	16 666
Total ROM production (t)	**366 066**	377 266	490 794	308 880	359 557	446 284	447 466
Total sales tons (t) (excluding calcine)	**258 177**	270 838	315 495	223 174	216 138	255 055	261 035
Average selling price per ton sold (R)	**717**	696	698	732	742	705	709
Cash cost of sales per ton (R)	**636**	704	651	702	643	640	581
Total Assets (R'000)	**770 027**	804 859	763 863	836 928	1 027 458	1 073 738	1 060 837
Long-term borrowings (R'000)	**327 497**	352 023	188 471	149 944	141 771	105 263	115 789

(*) See *Non-IFRS Performance Measures* section of this MD&A.

SUMMARY OF QUARTERLY FINANCIAL RESULTS (continued)

The movement in total assets from PYQ4 2014 to CYQ2 2014 related mainly to the impairment of goodwill and certain intangible assets of R152,0 million recorded in PYQ4 2014. From CYQ2 2014, the Group purchased additional capital items which were funded by RCF. In the final quarter of CY2014 an impairment of property, plant and equipment for an amount of R11,2 million and R79,7 million was recorded, refer to *Financial Results for further information*.

The increase in long-term borrowings is as a result of the RCF Convertible Loan of US$22,8 million (approximately R265,0 million), (refer to *Overview of the Period and Outlook for the Group* section for further detail).

ANNUAL INFORMATION

	December 31, 2014	February 28, 2014	February 28, 2013
Revenue (R'000)	**593 841**	688 415	572 844
Cost of sales (excl depreciation and amortization) (R'000)	**562 679**	610 558	489 944
Depreciation and amortization (R'000)	**75 315**	100 426	75 050
EBITDA (R'000)*	**(23 445)**	11 982	(6 615)
Net loss for the period (R'000)	**(108 441)**	(278 065)	(84 877)
Net loss per share - Basic and Diluted	**(2.11)**	(7.97)	(2.43)
Cash generated from/(utilized in) operating activities (R'000)	**(24 648)**	(3 072)	3 720
Total ROM production (t)	**1 234 126**	1 562 187	1 411 773
Total sales tons (t) (excluding calcine)	**844 510**	955 401	836 655
Average selling price per ton sold (R)	**703**	721	685
Cash cost of sales per ton (R)	**666**	639	586
Total Assets (R'000)	**770 027**	836 928	-
Long-term borrowings (R'000)	**327 497**	149 944	146 648

(*) See *Non-IFRS Performance Measures* section of this MD&A.

FINANCIAL CONDITION REVIEW

A summary of the statements of financial position is shown below:

	December 31, 2014 R'000	February 28, 2014 R'000
Property, plant and equipment and intangible assets	**561 404**	586 727
Other long-term receivables	**58 869**	27 494
Cash and cash equivalents	**12 120**	14 583
Trade and other receivables	**95 475**	77 597
Other short-term receivables	**3 924**	39 760
Inventories	**27 035**	73 376
Restricted cash	**11 200**	17 391
Total assets	**770 027**	836 928
Trade and other payables	**170 507**	170 161
Total borrowings	**146 866**	156 806
RCF loan facilities	**186 631**	99 439
Other liabilities	**21 422**	81 798
Total liabilities	**525 427**	508 204
Total equity	**244 600**	328 724

Assets

Total assets were R770,0 million at December 31, 2014 compared to R836,9 million at February 28, 2014, an 8% decrease from PY2014.

Property, plant and equipment and intangible assets decreased by R25,3 million due to the following: acquisition of approximately R90,0 million of mining equipment purchased using the funds received from RCF (Refer to *Overview of the Period and Outlook for the Group* section for further detail on the RCF Convertible Loan) as well as stay in business capital, offset by the impairment of R11,2 million of assets relating to Magdalena opencast (due to the reserve reaching the end of its life) and R79,7 million which arose as a result of management's impairment review (see *Financial Results* section). In PY2014, the Group impaired goodwill and intangible assets amounting to R152,0 million.

As of December 31, 2014, other long-term receivables include deposits paid for mining equipment to be delivered in 2015, which have been funded by RCF subsequent to December 31, 2014, as well as a net deferred tax asset which arose due to the assessed losses relating to BC Dundee offset by a deferred tax liability relating to the acquisition fair value adjustments. The most significant movement in other short-term receivables related to the Escrow Funds of R29,3 million which were received in March 2014 with regards to the settlement of the Riversdale Acquisition dispute.

Inventories are down by R46,3 million from February 28, 2014 to December 31, 2014, mainly as a result of a decrease in production towards the end of the financial year and the depletion of stock piles resulting from the incidents which occurred in the latter part of 2014. BC Dundee has struggled to increase production, following the ingress of water in Magdalena underground in September 2014 (refer to *Overview of the Period and Outlook for the Group* section for further detail).

FINANCIAL CONDITION REVIEW (continued)

Liabilities

Total liabilities were R525,4 million at December 31, 2014 compared to R508,2 million at February 28, 2014, a 3.4% increase.

The most significant movement related to the closing of the third tranche of the RCF Convertible Loan (refer to *Overview of the Period and Outlook for the Group* section for further detail). The Company has drawn down US$12,8 million (approximately R139,6 million) of the total US$15,0 million facility as of December 3, 2014.

The Investec borrowings decreased from February 28, 2014 to December 31, 2014 due to payments made against the working capital facility (R24,5 million) and the Bullet Facility (R9,75 million) using the funds received from RCF, offset by subsequent drawdowns from the working capital facility.

Other liabilities decreased by R60,4 million due to a write-down of the asset retirement obligation as a result of adjusting certain underlying inputs in the calculation of the provision.

Loans and Borrowings

At December 31, 2014, the Group had outstanding debt with Investec of R162,2 million and approximately R265,0 million outstanding on the RCF Convertible Loan. The Investec debt consists of R90,0 million outstanding on the term loan facility, R42,2 million on the Bullet Facility and R30,0 million outstanding on the working capital facility, of which there is RNil available for drawdown. Refer to *Overview of the Period and Outlook for the Group* section for further detail regarding the terms of the Amended Investec Agreement.

At February 28, 2014, the RCF loan facilities consisted of the US$6,0 million Original RCF Convertible Loan and the US$4,0 million RCF Bridge Loan, being the first portion of the RCF US$25,0 million facility which was entered into on February 4, 2014, which was later modified on July 3, 2014.

The repayment schedule for the Investec loan facilities, the RCF Convertible Loan and trade and other payables, as of December 31, 2014, excluding the effect of the fair value of the conversion liability and warrant liability, is as follows:

	Not later than 1 year	Between 1 and 5 years	Greater than 5 years
At December 31, 2014			
Borrowings[1]	**6 000 000**	**96 000 000**	**60 228 930**
RCF loan facilities [2]	**-**	**264 970 212**	**-**
Trade and other payables [3]	**170 506 885**	**-**	**-**

[1] Borrowings include future capital and interest payments. As per the Amended Investec Agreement, the Company is only required to make interest payments on the term loan facility, with the first capital payment of R6,0 million due on December 31, 2015. Refer to *Overview of the Period and Outlook for the Group* section for further detail).

FINANCIAL CONDITION REVIEW (continued)

Loans and Borrowings (continued)

[2] The RCF Convertible Loan includes only the capital amount outstanding as of December 31, 2014. Interest is settled in Common Shares and has therefore been excluded. At RCF's option, interest shall be paid in cash provided that for as long as the Investec loan remains outstanding, RCF may demand payment of interest in cash, only to the extent that BC Corp has cash available to make such payment.

[3] Trade and other payables exclude non-financial liabilities.

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital deficit of R38,0 million as at December 31, 2014 compared to a working capital deficiency of R58,4 million at February 28, 2014 (see *Non-IFRS Performance Measures*). Working capital has improved as a result of receiving the settlement of the Escrow Funds relating to the Riversdale Acquisition dispute of R29,3 million and the settlement of the outstanding Grindrod take-or-pay penalty of R24,5 million using funds received from RCF, as well as the restructuring of the Investec facilities and the Bridge Loan being rolled into the RCF Convertible Loan, resulting in current liabilities moving into non-current liabilities.

The condensed consolidated statements of cash flows are summarized below:

	10 months ended December 31, 2014 R'000	12 months ended February 28, 2014 R'000
Net cash utilized in operating activities	**(24 648)**	(3 072)
Net cash utilized in investing activities	**(113 781)**	(39 205)
Net cash generated from financing activities	**135 966**	35 714
Exchange losses on cash and cash equivalents	**-**	(5 559)
Change in cash and cash equivalents	**(2 462)**	(12 122)

Operating activities

Cash utilized in operating activities during the ten month period ended December 31, 2014 was R24,7 million compared to R3,1 million utilized during the twelve month period ended February 28, 2014.

The net loss for CY2014 was R108,4 million compared to a net loss of R278,1 million for PY2014 as discussed under the *Results of Operations* section of this MD&A. Non-cash items included in the net loss for ten month period were: depreciation and amortization of R75,5 million; net gains on the fair value adjustment on financial assets, conversion option liability and warrant liability of R68,7 million; write-down of inventory to net realizable value of R23,2 million, impairment of property, plant and equipment and intangible assets of R90,9 million and net foreign exchange losses of R7,0 million of which the material items were discussed under the *Results of Operations* section of this MD&A.

LIQUIDITY AND CAPITAL RESOURCES (continued)

Operating activities (continued)

The Group's net working capital decreased by R14,1 million for the year ended December 31, 2014, in comparison to a R10,0 million decrease for the financial year ended February 28, 2014.

The net change in working capital reported on the cash flow statement identifies the changes in current assets and current liabilities that occurred during the period. An increase in a liability (or a decrease in an asset) is a source of funds; while a decrease in a liability (or an increase in an asset) is a use of funds.

Investing activities

Investing activities utilized R113,8 million in cash during the ten months ended December 31, 2014 compared to cash utilized of R39,2 million in the twelve months ended February 28, 2014.

During the ten month period ended December 31, 2014, the Group received the settlement of the Escrow Funds with regards to the Riversdale Acquisition dispute of R29,3 million and spent R138,2 million on property, plant and equipment relating to sustaining capital and the purchase of additional equipment with the RCF funds (refer to *Financing Activities* below). Property, plant and equipment expenditure during PY2014 was R60,7 million.

Financing activities

Financing activities generated R136,0 million in cash during the ten months ended December 31, 2014 and generated R35,7 million during the twelve months ended February 28, 2014. During CY2014, the Group made payments of R8,7 million against the Investec loan facility and withdrew approximately R11,0 million from the working capital facility as compared to payments of R63,5 million made against the Investec loan facility in PY2014. The Company received approximately R139,6 million from RCF under the convertible loan facility which was used to purchase additional equipment for working capital, as well as, to make payments against the Investec loan facilities, as compared to R105,8 million received in PY2014.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

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

	December 31, 2014	February 28, 2014
Payments for services rendered		
2227929 Ontario Inc. [1]	-	5 728 540
Forbes & Manhattan Inc. [2]	-	2 744 704
RCF [3]	**2 966 708**	2 394 772
Total	**2 966 708**	10 868 016

RELATED PARTY TRANSACTIONS (continued)

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

	December 31, 2014	February 28, 2014
Related party payables		
2227929 Ontario Inc. [1]	-	2 357 756
Forbes & Manhattan Inc. [2]	-	58 424
RCF [3]	**2 758 777**	2 028 774
Total	**2 758 777**	4 444 954

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

[1] The Company historically shared office space in Toronto, Canada with other companies which may have had officers or directors in common with BC Corp. The costs associated with this space, certain consulting, professional and general and administration services are administered by 2227929 Ontario Inc. These common directors and officers are no longer part of the Group and 2227929 Ontario Inc is not considered to be a related party, as defined, for the financial year ended December 31, 2014.

[2] Mr. Stan Bharti, a former director of BC Corp, is the Executive Chairman of Forbes & Manhattan Inc. The Company previously had consulting agreements with Mr. Stan Bharti and Forbes & Manhattan Inc. which were terminated on May 1, 2013 and November 7, 2013 respectively. Forbes & Manhattan Inc. is no longer considered to be a related party, as defined, for the financial year ended December 31, 2014.

[3] RCF is a related party to the Company as a result of owning more than 10% of the issued and outstanding Common Shares and having a representative, Mr. David Thomas on the Board of Directors of the Company. As set out in the Amended RCF Agreement, RCF has invoiced the Company for costs incurred relating to the facilities, which are disclosed above. In addition to these costs, the Company settled interest on the RCF Convertible Loan in Common Shares during the financial year ended December 31, 2014, which amounted to R17,2 million (PY2014: R2,9 million).

Compensation of key management personnel

In accordance with IAS 24 - *Related-Party Disclosures*, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

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

	December 31, 2014	February 28, 2014
Short-term benefits	**13 007 957**	13 524 250
Share-based payments	**302 734**	3 207 401
Total	**13 310 691**	16 731 651

RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel (continued)

During the current financial year, 375 000 share options were granted to directors of the Company, vesting over a two-year period, with a portion vesting immediately. The fair value of these share options was estimated to be R0,3 million using the Black-Scholes option pricing model.

As of December 31, 2014, C$100 000 (R1,0 million) worth of restricted stock units ("RSUs") were granted to a director but not issued under the plan. These amounts were accrued as of December 31, 2014 and February 28, 2014. Amounts owing to directors and other members of key management personnel were R1,5 million as of December 31, 2014 as compared to R2,7 million at February 28, 2014.

OTHER

There are no significant other items as at December 31, 2014.

COMMITMENTS AND CONTINGENCIES

Management Contracts

Certain management contracts, as discussed in the PY2014 annual consolidated financial statements, require that payments of approximately R12,5 million be made upon the occurrence of a change of control, other than a change of control attributable to RCF. As no triggering event has taken place, no provision has been recognized as of December 31, 2014.

Capital Commitments

Capital expenditures contracted for at the statement of financial position date but not recognized in the consolidated financial statements are as follows:

	December 31, 2014	February 28, 2014
Property, plant and equipment	27 378 909	8 271 945

Included in the R8,3 million disclosed in PY2014 was a commitment to purchase a mining right from Ikwezi Mining Proprietary Limited ("Ikwezi"). The agreement between BC Dundee, Zinoju and Ikwezi, lapsed on June 30, 2014 as a result of not receiving regulatory consent from the Minister of Mineral Resources within the expected timelines (in terms of Section 102 of the Mineral and Petroleum Resources Development Act 28 of 2004 ("MPRDA")) and is no longer considered a commitment of the Group. Included in the R27,4 million disclosed as of December 31, 2014 are commitments relating to the purchase of machinery and equipment which will be funded by equipment advances from RCF.

Environmental Contingency

The Company's mining and exploration activities are subject to various 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.

COMMITMENTS AND CONTINGENCIES (continued)

Environmental Contingency

The Company has made, and expects to make in the future, expenditures to continue to comply with such laws and regulations.

Outstanding Legal Proceedings

On August 29, 2014 the Company reached a settlement agreement with Sasfin Bank Limited ("Sasfin") with regards to Sasfin's claim for advisory fees in relation to the Riversdale Acquisition agreement. The settlement agreement requires the Company to pay R2,1 million in two instalments of which the first instalment of R1,0 million was paid in September 2014 and the second of R1,1 million is payable in September 2015. This amount has been provided for as of December 31, 2014. Pursuant to the terms of the settlement agreement, such payment is in full and final settlement of all claims which either party may have against each other.

An appeal was lodged in terms of Section 96 of the MPRDA, by the Avemore Trust, challenging the DMR in relation to the grant of Mining Right 174 to Zinoju. Zinoju lodged its replying submission to the DMR. On September 23, 2014 the DMR informed Zinoju of the decision taken by the Minister to grant the necessary approvals which rendered the appeal against Zinoju unsuccessful.

SUBSEQUENT EVENTS

Issuance of Share Capital

Subsequent to December 31, 2014, the Company issued additional shares to RCF in settlement of interest owing on the RCF Convertible Loan for the periods ending December 31, 2014, January 31, 2015 and February 28, 2015. An additional 2 722 704, 3 752 803 and 3 972 281 Common Shares were issued at prices of C$0.0962, C$0.0812 and C$0.0752, respectively.

Bridge Loan from RCF

On January 30, 2015, the Company signed a Term Sheet to secure an additional US$4,0 million loan facility from RCF. As discussed previously under *Overview of the Period and Outlook for the Group* section, the US$4,0 million will be advanced as a bridge loan and, subject to receiving regulatory and shareholder approvals as required will roll over in the RCF Convertible Loan, under the same terms and conditions except for the proposed amendments to the interest rate and conversion price on the full US$29,0 million (the "2015 RCF Convertible Loan").

The 2015 Bridge Loan will be used for working capital and to implement an employment restructuring plan at BC Dundee. Funds from the 2015 Bridge Loan will be available upon satisfaction of the conditions precedent set out in the Term Sheet and will be drawn on an as needed basis. The 2015 Bridge Loan will bear interest at a rate of 15% per annum, payable on the maturity date which is the earlier of the date on which all approvals are received or June 30, 2015. Subject to receipt of the approvals, interest will be payable in Common Shares at a price per share equal to the 20-day volume weighted average price ("VWAP") as at the date the payment is due. No establishment fees will be incurred on the 2015 Bridge Loan. If the approvals are not received by June 30, 2015, the 2015 Bridge Loan and all accrued but unpaid interest due to RCF will be immediately due and payable in cash.

SUBSEQUENT EVENTS (continued)

Convertible Loan

The 2015 RCF Convertible Loan will have the same terms and conditions as the RCF Convertible Loan, except for the following changes to the interest rate, conversion price and the increased amount available under the loan. The interest rate on the 2015 RCF Convertible Loan will be increased to 15% per annum and the conversion price will be decreased to C$0.0469, a 25% discount to the 5-day VWAP as at January 30, 2014.

Restructuring of mining operations

On March 11, 2015, the Company commenced with implementation of the restructuring of its operational and cost structures at BC Dundee, as announced on December 22, 2014. The consultation process in South Africa with organised labour and relevant stakeholders was completed as required in terms of Section 189A of the LRA, and as a consequence, the Company commenced with the retrenchments of mine employees. As a result, the Company's workforce will be reduced by 25% once implementation of this process has been completed.

Legal Matter

On March 20, 2015, AMCU brought an application against BC Dundee and Zinoju in the Labour Court of South Africa pertaining to the Section 189A restructuring process in terms of the LRA which the Company implemented, as announced on March 11, 2015. The matter has been set down to be heard on an urgent basis on March 31, 2015, and BC Dundee and Zinoju have engaged with legal representatives and will oppose the application.

Other Matters

Except for the matters discussed above, no other matters which management believes are material to the financial affairs of the Company have occurred between the statement of financial position date and the date of approval of the financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has evaluated the design and effectiveness of the Company's internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") as of December 31, 2014, pursuant to the requirements of Multilateral Instrument 52-109. Management follows the Integrated Framework (COSO 2013 Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company has designed appropriate ICFR and DC&P for the nature and size of its business, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable accounting standards.

There have been no significant changes to the Company's ICFR and DC&P that occurred during the financial year ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR and DC&P. The functions historically conducted from the Company's Toronto office are now managed from South Africa.

As of December 31, 2014, management believes that the Company's ICFR and DC&P were operating effectively throughout the financial year.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING (continued)

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

The Audit Committee of the Company has reviewed this MD&A, and the audited annual consolidated financial statements for the financial year ended December 31, 2014. The Company's Board of Directors approved these documents prior to their release.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the annual consolidated financial statements in conformity with International Financial Reporting Standards ("IFRS") requires the Group's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the annual consolidated financial statements and related notes thereto. Although these estimates are based on management's best knowledge of the amounts, events 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 the carrying values and amounts include, but are not limited to:

Provisions

Significant judgment and use of assumptions is required in determining the Group's provisions. Management uses its best estimates based on current knowledge in determining the amount to be recognized as a provision. Key assumptions utilized in the determination of the rehabilitation provision, which is measured at fair value, include the estimated life of mine, estimates of reserves and discount rates. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of the liability 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.

The Group's restructuring provision is based on management's best estimate of the number of employees to be retrenched and the severance pay which the Group reasonably expects to incur in the forthcoming financial year.

Property, plant and equipment, mineral rights and other intangible assets

The Group makes use of experience and assumptions in determining the useful lives and residual values of property, plant and equipment, mineral rights and other intangible assets (other than goodwill). Management reviews annually whether any indications of impairment exist. Information that the Group considers includes changes in the market, economic and legal environment in which the Group operates as well as internal sources of information. 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, depreciation of the US Dollar relative to the Rand, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics could result in a write-down of the carrying amounts of the Group's assets.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Property, plant and equipment, mineral rights and other intangible assets (continued)

As of December 31, 2014, based on management's estimate of the recoverable amount of the BC Dundee properties, an impairment loss of R79,7 million was recorded, which was in addition to the impairment of Magdalena opencast assets amounting to R11,2 million. The impairment loss resulted in the write down of certain intangible assets and property, plant and equipment. If the discount rate had been 1% higher than management's estimates, the Group would have recorded a further impairment of approximately R34,0 million. If the API 4 coal price index had been 5% lower than management's estimates, the Group would have recognized a further impairment of R90 million. An impairment loss of R152,0 million was recorded at February 28, 2014 as a result of management's review, which resulted in the impairment of goodwill and certain intangible assets.

Capitalization of exploration and evaluation costs

Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geological 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.

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing deferred 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 forecast cash flows from operations and the application of existing tax laws in South Africa.

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 could materially affect the fair value estimates.

Compound financial instruments

The Group has entered into agreements in the form of foreign-currency-denominated convertible loans and warrants which are accounted for as compound financial instruments. The fair value of the embedded derivative liabilities (conversion option liability and warrant liability) are determined at the date of the transaction and are fair valued at each reporting date through profit or loss using generally accepted valuation techniques. Assumptions are made and judgments are used in applying valuation techniques.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Compound financial instruments (continued)

These assumptions and judgments including estimating the future volatility of the stock price, expected dividend yield and risk free rate of return. Such judgments and assumptions are inherently uncertain. Changes in these assumptions could materially affect the fair value estimates.

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 Group'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 coal prices, foreign exchange rates and market conditions could have a material effect on the Group's reserves and resources, and as a result, could also have a material effect on the Group's financial position and results of operation.

Going concern assumption

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Group will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. If the going concern assumption was not appropriate for these consolidated financial statements then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications. Such adjustments could be material.

NEW ACCOUNTING POLICIES

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board ("IASB") or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2014 or later periods.

Amendments to IAS 32 – 'Financial Instruments: Presentation'
The IASB has issued amendments to the application guidance in IAS 32 that clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from United States Generally Accepted Accounting Practice ("US GAAP"). This amendment has not had a significant impact on the Group.

IASB issues narrow-scope amendments to IAS 36 – 'Impairment of assets'
These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. This amendment has not had a significant impact on the Group.

NEW ACCOUNTING POLICIES (continued)

Amendments to IAS 39 – 'Financial instruments: Recognition and Measurement'
The IASB issued amendments to IAS 39 in June 2013 to clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. This amendment has not had a significant impact on the Group.

Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12, 'Disclosures of interest in other entities' and IAS 27, 'Separate financial statements' for investment entities
The amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make. This amendment has had no impact on the Group.

Future Accounting Changes

IFRS 9 -*'Financial Instruments' – effective January 1, 2018*
IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

All recognized financial assets that are within the scope of IAS 39, *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortized cost or fair value. In addition, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

NEW ACCOUNTING POLICIES (continued)

Future Accounting Changes (continued)

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Group anticipates that the application of IFRS 9 in future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review.

IFRS 10 – *'Consolidated Financial Statements'* and IAS 28 – *'Investments in Associates and Joint Ventures' – effective January 1, 2016*
IFRS 10 and IAS 28 were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The Group does not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

IFRS 11 – *'Joint Arrangements' – effective January 1, 2016*
IFRS 11 was amended in May 2014 to require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The Group does not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

IFRS 15 – *'Revenue from Contracts with Customers' – effective January 1, 2017*
IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18, *Revenue*; IAS 11*, Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Group anticipates that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

NEW ACCOUNTING POLICIES (continued)

Future Accounting Changes (continued)

IAS 1 – *'Presentation of Financial Statements' – effective January 1, 2016*
IAS 1 was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The Group does not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

IAS 27 – *'Separate Financial Statements' – effective January 1, 2016*
IAS 27 was amended in August 2014 to reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The Group does not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 16 – *'Property, Plant and Equipment', and IAS 38 – 'Intangible Assets' - Clarification of Acceptable Methods of Depreciation and Amortization – effective January 1, 2016*
The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. The presumption can only be rebutted in the following two limited circumstances: when the intangible asset is expressed as a measure of revenue; or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

Currently, the Group uses the straight-line or units of production method for depreciation and amortization of its property, plant and equipment, and intangible assets respectively. The Group does not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 19 – *'Defined Benefit Plans' - Employee Contributions – effective July 1, 2014*
These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
The Group does not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle – effective July 1, 2014

IFRS 2, '*Share-based Payments'* - The amendments clarify the definition of a 'vesting condition' and separately define 'performance condition' and 'service condition'.

IFRS 3, '*Business Combinations'* – The amendments clarify that a contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognized in profit or loss.

NEW ACCOUNTING POLICIES (continued)

Future Accounting Changes (continued)

IFRS 8, '*Operating Segments'* - The amendments require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

IFRS 13, '*Fair Value Measurements'* - The amendments to the basis for conclusions of IFRS 13 and consequential amendments to IAS 36 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

IAS 16 and IAS 38 - The amendments remove perceived inconsistencies in the accounting for accumulated depreciation/ amortization when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortization is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

IAS 24, '*Related Party Disclosure'* - The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Group does not anticipate that the application of these amendments will have a significant impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle – effective July 1, 2014

IFRS 3 - The amendment clarifies that the standard does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

IFRS 13 – The amendment clarifies that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40, '*Investment Property'* - The amendment clarifies that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

The Group does not anticipate that the application of these amendments will have a significant impact on the Group's consolidated financial statements.

FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses of the Group) for each class of financial asset and financial liability are disclosed in Note 2 of the annual consolidated financial statements for the years ended December 31, 2014 and February 28, 2014.

The Company's financial assets and financial liabilities as at December 31, 2014 and February 28, 2014 were as follows:

FINANCIAL INSTRUMENTS (continued)

Financial instruments	Loans and receivables	Fair value through profit or loss	Liabilities at fair value through profit or loss	Other liabilities at amortized cost	Total
December 31, 2014					
Trade and other receivables (excluding non-financial assets)	**78 553 015**	**-**	**-**	**-**	**78 553 015**
Investments in financial assets	**-**	**29 134 182**	**-**	**-**	**29 134 182**
Cash (excluding restricted cash)	**12 120 081**	**-**	**-**	**-**	**12 120 081**
Non-interest bearing receivables	**1 587 766**	**-**	**-**	**-**	**1 587 766**
Investec borrowings	**-**	**-**	**(8 818 534)**	**(138 047 902)**	**(146 866 436)**
RCF loan facilities	**-**	**-**	**(54 088 555)**	**(132 542 252)**	**(186 630 807)**
Trade and other payables (excluding non-financial liabilities)	**-**	**-**	**-**	**(151 541 253)**	**(151 541 253)**

Financial instruments	Loans and receivables	Fair value through profit or loss	Liabilities at fair value through profit or loss	At amortized cost	Total
February 28, 2014					
Investments in financial assets	-	23 586 751	-	-	23 586 751
Cash (excluding restricted cash)	14 582 999	-	-	-	14 582 999
Non-interest bearing receivables	1 504 434	-	-	-	1 504 434
Investec borrowings	-	-	-	(155 997 480)	(155 997 480)
RCF loan facilities	-	-	(7 828 422)	(91 610 592)	(99 439 013)
Trade and other payables (excluding non-financial liabilities)	-	-	-	(122 709 966)	(122 709 966)

CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statements of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statements of financial position plus net debt.

The gearing ratios at December 31, 2014 and February 28, 2014 were as follows:

	December 31, 2014	February 28, 2014
Total borrowings	**333 497 243**	256 245 384
Less: cash and cash equivalents	**(12 120 081)**	(14 582 999)
Net debt	**321 377 162**	241 662 385
Total equity	**244 600 498**	328 723 841
Total capital	**565 977 660**	570 386 226
Gearing ratio	**57%**	42%

Included within total borrowings is a convertible loan of R265,0 million (PY2014: R64,4 million). The Company's capital management objectives, policies and processes have remained unchanged during the year end December 31, 2014 except for the Investec loan and the RCF loan facilities. The Company is not subject to any externally imposed capital requirements with the exception of the RCF loan facilities and Investec facilities and with regards to Section 710 of the TSX Company Manual which requires adequate working capital or financial resources such that, in the opinion of the TSX, the listed issuer will be able to continue as a going concern. The TSX will consider, among other things, the listed issuer's ability to meet its obligations as they come due, as well as its working capital position, quick asset position, total assets, capitalization, cash flow and earnings as well as accountant's or auditors' disclosures in financial statements regarding the listed issuer's ability to continue as a going concern. Management has concluded that the Company has met the requirements of the TSX at December 31, 2014.

FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks such as currency risk, price risk, cash flow interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by head office management under policies approved by the Board of Directors. The Group identifies, evaluates and manages financial risks in close co-operation with the Group's subsidiaries.

FINANCIAL RISK FACTORS (continued)

Market risk

(a) Foreign exchange risk

The Company's functional currency is the Rand. BC Corp's functional currency was changed on March 1, 2014 from Canadian Dollars to Rands. This change reduces the exposure of foreign exchange risk on the consolidated financial statements. The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures with respect to the US Dollar and Canadian Dollar. The Group's foreign exchange risk arises primarily from the sale of coal, based on the API 4 coal price index in US Dollars to foreign customers, external loans denominated in US Dollars and translation differences arising from the translation of share capital and other equity items.

At December 31, 2014, a 10% increase/(decrease) in the period average foreign exchange rate between the Canadian Dollar and the Rand, would have increased/(decreased) the Group's profit or loss by approximately R4,1 million (PY2014: R7,0 million).

A 10% increase/(decrease) in the period average foreign exchange rate between the US Dollar and the Rand, would have increased/(decreased) the Group's income by approximately R28,1 million (PY2014: R4,1 million).

(b) Price risk

The Group is exposed to commodity price risk, primarily due to fluctuations in the API 4 coal price index, by which foreign coal sales are priced. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Group'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 rate can all cause significant fluctuations in commodity prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

At December 31, 2014, 10% change in the API 4 coal price index would have resulted in a corresponding change in export coal revenue of approximately R13,9 million (PY2014: R30,9 million).

(c) Cash flow interest rate risk

The Group's interest rate risk arises from deposits held with banks and interest-bearing liabilities. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During CY2014 and PY2014 the Group's borrowings at variable rates were denominated in South African Rands.

Based on the simulations performed, the impact on profit or loss of a 1% shift of interest rates on borrowings would have been a maximum increase/(decrease) in profit or loss of R1,4 million (PY2014: R1,6 million).

Credit risk

Credit risk is managed at a Group level, except in respect of trade receivables which are managed at an operational level.

FINANCIAL RISK FACTORS (continued)

Credit risk (continued)

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group only transacts with high quality financial institutions.

Risk control assesses the credit quality of customers, taking into account financial position, past experience and other factors. The utilization of credit limits is regularly monitored. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

Restricted cash totaling R11,2 million is on deposit with First National Bank ("FNB") to be released to the relevant counterparties if payments are not made to them.

Liquidity risk

Cash flow forecasting is performed by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt/equity financing plans, covenant compliance and external legal requirements.

Below is an analysis of the Group's non-derivative financial liabilities disclosed in maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Not later than 1 year	Between 1 and 5 years	Greater than 5 years
At December 31, 2014			
Borrowings	**6 000 000**	**96 000 000**	**60 228 930**
RCF loan facilities	**-**	**264 970 212**	**-**
Trade and other payables	**170 506 885**	**-**	**-**
At February 28, 2014			
Borrowings	65 577 920	91 228 070	-
RCF loan facilities	42 922 389	64 383 572	-
Trade and other payables	170 161 398	-	-

Fair value estimation

Financial instruments carried at fair value are assigned to different levels of the fair value hierarchy, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

FINANCIAL RISK FACTORS (continued)

Fair value estimation (continued)

The following table presents the group's financial assets and liabilities that are measured at fair value at December 31, 2014 and February 28, 2014:

	Level 1 R	Level 2 R	Level 3 R
December 31, 2014			
Investment in financial assets	**29 134 182**	**-**	**-**
Conversion option liability		**54 088 555**	**-**
Warrant liability	**-**	**8 818 534**	**-**
February 28, 2014			
Investment in financial assets	23 586 748	-	-
Conversion option liability	-	7 828 422	-

GOING CONCERN

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Group will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company closed the third tranche of funding of US$15,0 million with Resource Capital Fund V L.P ("RCF") on July 3, 2014, which has been used to finance new capital items and for working capital purposes. The Company continues to incur operating losses and is dependent upon reaching profitable levels of operation in the future to support working capital needs. The Company suffered from two significant incidents during September 2014 which halted production at Magdalena and Aviemore for a period of time. Furthermore, the performance at Magdalena has deteriorated significantly over the past financial year which has resulted in the Company implementing a restructuring at the mine. Subsequent to December 31, 2014, the Company has signed a term sheet for an additional US$4,0 million bridge loan from RCF which will be used for the restructuring and for working capital purposes. The Company believes that, barring any further unforeseen incidents and subject to meeting the current forecasts, the current steps the Company is and has taken (including obtaining additional funding from RCF, the restructuring of loss making contracts and restructuring of the mine operations) will enable it to operate profitably in the foreseeable future and generate positive cash flows. The current material uncertainties cast significant doubt as to whether the various steps being taken will be completed as expected and whether or when the Company can attain profitability and positive cash flow from operations.

The mining industry in South Africa has been experiencing tense labour relation issues including labour disruptions. During fiscal year 2013, the Company experienced labour disruptions which negatively impacted its financial results. The Group's negotiations with the unions were concluded amicably during CYQ2 2014. Subsequent to December 31, 2014, a constructive consultation process was held with the unions in terms of Section 189A of the LRA, resulting in the retrenchment of approximately 25% of the labour complement. Apart from the application brought against the Company by AMCU in respect of this process, there are currently no other significant labour issues at BC Dundee, if new labour disruptions were to take place at the Company's mines, they could have further and significant negative impacts on the operations and financial results of the Company.

GOING CONCERN (continued)

If the going concern assumption was not appropriate for the audited annual consolidated financial statements of the Group then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used. Such adjustments could be material.

OTHER RISKS AND UNCERTAINTIES

Investing in the Company involves risks that should be carefully considered. The business of the Company is speculative due to the high-risk nature of coal mining and exploration. Investors should be aware that there are various risks, including those discussed below, that could have a material adverse effect on, among other things, the operating results, earnings, properties, business and condition (financial or otherwise) of the Company.

Additional Capital

The continued sustainability of the BC Dundee Properties, including the expansion of mining operations and the continued sustainability of the Group, may require additional working capital and capital expenditures and therefore require additional financing. Failure to obtain sufficient financing may result in a delay or indefinite postponement of development or production on the BC Dundee Properties. Additional financing may not be available when needed or if available, the terms of such financing might not be favorable and might involve substantial dilution to shareholders. Failure to raise capital when needed may have a material adverse effect on the Company's business, financial condition and results of operations.

Production Estimates

BC Corp has prepared estimates of future coal production for its existing and future mines. BC Corp cannot give any assurance that it will achieve its production estimates. The failure by BC Corp to achieve its production estimates could have a material adverse effect on any or all of its future cash flows, profitability, results of operations and financial conditions. The realization of production estimates is dependent on, among other things, the accuracy of mineral reserve and resource estimates, the accuracy of assumptions regarding coal quality and recovery rates, ground conditions (including hydrology), the physical characteristics of the coal, the presence or absence of particular metallurgical characteristics, and the accuracy of the estimated rates and costs of mining and processing.

Actual production may vary from estimates for a variety of reasons, including the actual coal mined varying from estimates of quality or tonnage; dilution and metallurgical and other characteristics (whether based on representative samples of coal or not); short-term operating factors such as the need for sequential development of production panels and the processing of new or adjacent coal qualities from those planned; mine failures or section failures; industrial accidents; natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes; encountering unusual or unexpected geological conditions; changes in power costs and potential power shortages; shortages of principal supplies needed for mining operations; including explosives, fuels, chemical reagents, water, equipment parts, stonedust, magnetite and lubricants; plant and equipment failure; the inability to process certain types of coals; labour shortages or strikes; and restrictions or regulations imposed by government agencies or other changes in the regulatory environment.

Such occurrences could also result in damage to mineral properties or mines, interruptions in production, injury or death to persons, damage to property of BC Corp or others, monetary losses and legal liabilities in addition to adversely affecting coal production. These factors may cause a coal reserve that has been mined profitably in the past to become unprofitable, forcing BC Corp to cease production.

OTHER RISKS AND UNCERTAINTIES (continued)

Price of Coal

The Company's profits are directly related to the cost of production, and volume and price of coal sold. Price volatility could have a significant impact on the future revenues and profitability of the Company.

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

Labour and Employment Matters

While the Company believes that it has good relations with both its unionized and non-unionized employees, production at the Company's mining operations is dependent upon the efforts of the Company's employees. In November 2012, the Company experienced a wage-related labour disruption, which resulted in stoppages at its mines. In addition, relations between the Company and its employees may be impacted by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in whose jurisdictions the Company carries on business.

BC Corp announced a restructuring of the BC Dundee operations in December 2014 whereby a portion of the labour complement was retrenched. A consultation process in terms of Section 189A of the LRA was conducted with the unions throughout January and February 2015 which was concluded in March 2015, resulting in the retrenchment of approximately 25% of the workforce. Although the process has been completed, there still remains a risk of labour disruptions which could have a material adverse effect on the Company's business, results of operations and financial condition.

On March 20, 2015, AMCU brought an application against BC Dundee and Zinoju in the Labour Court of South Africa pertaining to the Section 189A restructuring process in terms of the LRA which the Company implemented, as announced on March 11, 2015. The matter has been set down to be heard on an urgent basis on March 31, 2015, and BC Dundee and Zinoju have engaged with legal representatives and will oppose the application.

Cost Estimates

Capital and operating cost estimates made in respect of BC Corp's mines and development projects may not prove accurate. Capital and operating cost estimates are based on the interpretation of geological data, feasibility studies, anticipated climatic conditions, other factors and assumptions regarding foreign exchange currency rates and domestic inflation.

OTHER RISKS AND UNCERTAINTIES (continued)

Cost Estimates (continued)

Any such events could affect the ultimate accuracy of such estimates; unanticipated changes in quality and tonnage of coal to be mined and processed; incorrect data on which engineering assumptions are made; delay in construction schedules, unanticipated transportation costs; the accuracy of major equipment and construction cost estimates; labour issues; changes in government regulation (including regulations regarding prices, cost of consumables and capital goods, royalties, duties, taxes, permitting and restrictions on production quotas on exportation of minerals) and title claims.

Mineral Legislation

The business of mineral exploration, development, mining and processing is subject to various national and local laws and plans relating to permitting and maintenance of titles, environmental consents, employee relations, health and safety, royalties, land acquisitions and other matters. There is a risk that the necessary permits, consents, authorizations and agreements to implement planned exploration, development or mining may not be obtained under conditions or within the time frames that make such plans economic, that applicable laws, regulations or the governing authorities will change or that such changes will result in additional material expenditures or time delays. In addition, mining legislation in South Africa, including the MPRDA is currently under review and the proposed amendments, if passed by Government, could have a material impact on the Company's operations.

Title to Mineral Holdings

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

Power Supply

The supply of electric power is not guaranteed in South Africa. Currently the public supply is sufficient to power all of the operations at the BC Dundee Properties; however South African power supply is limited, with limited reserve capacity. Moreover, the country has been plagued with a shortage of supply recently, which has led to sporadic "loadshedding" of power in certain areas of the country. This has and will continue to negatively affect the production at the mines in terms of lost production and increased costs. The Company has procured diesel power generators for backup power to the various sub-stations that have been installed on the surface and underground at the BC Dundee Properties.

Additionally, any production expansion plan for the BC Dundee operations would be dependent on additional electrical supply, and the majority of new build projects in the country are behind schedule. While the Company has taken steps to meet the need for additional supply of electricity from the public utility (Eskom), there can be no assurance that the BC Dundee Properties will not be negatively affected by the power supply situation on either an operating or cost basis, or both.

OTHER RISKS AND UNCERTAINTIES (continued)

Depletion of Mineral Reserves

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

Litigation

All industries, including the mining industry, are subject to legal claims, with and without merit. Legal proceedings may arise from time to time in the course of the Company's business. Such litigation may be brought against the Company or one or more of its subsidiaries in the future from time to time or the Company or one or more of its subsidiaries may be subject to another form of litigation. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. As of the date hereof, no material claims have been brought against the Company, nor has the Company received an indication that any claims are forthcoming.

Due to the inherent uncertainty of the litigation process, the process of defending such claims (or any other claims that may be brought against the Company) could take away from management time and effort and the resolution of any particular legal proceeding to which the Company or one or more of its subsidiaries may become subject could have a material effect on the Company's financial position and results of operations.

South Africa Country Risks

The operations of the Company are subject to risks normally associated with the conduct of business in South Africa. Risks may include, among others highlighted herein, problems relating to labour disputes, delays or invalidation of governmental orders and permits, corruption and fraud, uncertain political and economic environments, civil disturbances and crime, arbitrary changes in laws or policies, foreign taxation and exchange controls, opposition to mining from environmental or other non-governmental organizations or changes in the political attitude towards mining, limitations on foreign ownership, limitations on repatriation of earnings, infrastructure limitations and increased financing costs.

There have been recent calls in South Africa for the nationalization and expropriation without compensation of domestic mining assets. Any such development would have a significant adverse effect on the Company.

The labour situation in South Africa is currently unstable across the mining industry, and in particular in the platinum industry, where strikes in early 2014 lasted around five months, followed by a month long strike in the metal and engineering sector. There is a risk that this instability extends into other sectors, including the coal sector. Wage negotiations for the current financial period have concluded amicably. Subsequent to December 31, 2014, a constructive consultation process was held with the unions in terms of Section 189A of the LRA, resulting in the retrenchment of approximately 25% of the labour complement.

In addition, HIV is prevalent in Southern Africa and tuberculosis is prevalent in the KwaZulu-Natal Province of South Africa, where the Company's operations are situated. Employees of the Company may have or could contract either of these potentially deadly illnesses. The prevalence of HIV and tuberculosis could cause substantial lost employee man-hours and may influence the Company's ability to source skilled labour. The above risks may limit or disrupt the Company's business activities.

OTHER RISKS AND UNCERTAINTIES (continued)

South Africa Country Risks (continued)

Also, the Company's mining operations must remain compliant with South African mining laws, including, *inter alia*, the MPRDA and the Mining Charter, the conditions imposed by the licenses held by the Company, and the BEE participation requirements. However, no assurance can be given that the Company will be able to meet the objectives of South African mining laws going forward, including the 26% HDSA ownership objective and compliance with the requirements of the Mining Charter. There is also no guarantee that the interests of the Company will be wholly aligned with the interests of its (direct or indirect) BEE shareholders.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants that affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

Environmental Risks and Other Hazards

All phases of the Company's operations will be subject to environmental regulation in South Africa. Environmental legislation in many countries is evolving and the trend has been toward stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and increasing responsibility for companies and their officers, directors and employees.

Compliance with environmental laws and regulations may require significant capital outlays on behalf of the Company and may cause material changes or delays in the Company's intended activities. There can be no assurance that future changes in environmental regulations and the manner in which the regulatory authorities enforce these regulations will not adversely affect the Company's business, and it is possible that future changes in these laws or regulations could have a significant adverse impact on some portion of the Company's business, causing the Company to re-evaluate those activities at that time.

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

Dependence on Key Personnel

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

OTHER RISKS AND UNCERTAINTIES (continued)

Dependence on Outside Parties

The Company has relied upon consultants, engineers, contractors and others and intends to rely on these parties for exploration, extraction, development, construction and operating expertise. Substantial expenditures are required to develop coal properties, to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop processes to extract coal and, in the case of new properties, to develop the exploration and infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company.

Exploration and Development

The exploration and development of coal deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of a mineable deposit may result in substantial rewards, few properties that are explored are ultimately developed into producing mines.

Major expenses may be required to establish additional reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Company will result in profitable commercial mining operations, and significant capital investment is required to achieve commercial production from successful exploration efforts. There is no certainty that exploration expenditures made by the Company will result in discoveries of commercial mineable quantities. Exploration for coal is highly speculative, involves substantial expenditures, and is frequently non-productive.

Foreign Mining Tax Regimes

Mining tax regimes in foreign jurisdictions are subject to differing interpretations and are subject to constant change. The Company's interpretation of taxation law as applied to its transactions and activities may not coincide with that of the tax authorities. As a result, transactions may be challenged by tax authorities and the Company's operations may be assessed, which could result in significant additional taxes, penalties and interest. In addition, proposed changes to mining tax regimes in foreign jurisdictions could result in significant additional taxes payable by the Company, which would have a negative impact on the financial results of the Company.

Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including: adverse environmental conditions; industrial accidents; labour disputes; unusual or unexpected geological conditions; ground or slope failures; cave-ins; changes in the regulatory environment; and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability. The businesses and properties of the Company are insured against loss or damage, subject to a number of limitations and qualifications. Such insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms.

OTHER RISKS AND UNCERTAINTIES (continued)

Insurance and Uninsured Risks (continued)

A process has been initiated with the Company's insurers and underwriters to recover all or a portion of flooding costs (as discussed in the *Overview of the period and outlook for the group, operational* section), the outcome of which is still unknown.The Company might also become subject to liability for pollution or other hazards that may not be insured against or that the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Competition

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

The Company's Securities May Experience Price Volatility

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Factors unrelated to the financial performance or prospects of the Company include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. There can be no assurance that continued fluctuations in coal prices will not occur. As a result of any of these factors, the market price of the securities of the Company may not accurately reflect the longer term value of the Company.

As of the date of this MD&A, RCF currently owns 40 475 907 Common Shares representing approximately 60.73% of the currently issued and outstanding Common Shares (on a fully diluted basis) and has the right to convert the full US$25,0 million convertible loan facility (assuming all funds are drawn down, the Investec warrants are exercised, interest is paid in Common Shares and assuming an exercise price of C$0,07), at its sole discretion, which would result in RCF holding approximately 89% and Investec holding 6% of the then issued and outstanding Common Shares on a fully diluted basis.

As discussed above under the *Subsequent Events* section of this MD&A, The 2015 Bridge Loan, subject to receiving regulatory and shareholder approvals as required will roll over in the RCF Convertible Loan, under the same terms and conditions except for the proposed amendments to the interest rate and conversion price on the full US$29,0 million. Using the same assumptions as above (assuming all funds are drawn down, the Investec warrants are exercised, interest is paid in Common Shares and assuming an exercise price of C$0,07), if the full 2015 Convertible Loan is converted into Common Shares, this would result in RCF holding approximately 95% and Investec holding 3% of the then issued and outstanding Common Shares on a fully diluted basis.

There is a risk that the Company's securities will not trade on the open market due to a majority holding by one entity.

OTHER RISKS AND UNCERTAINTIES (continued)

Foreign Assets

All of the assets of the Company are located in jurisdictions outside of Canada. As a result, it may be difficult for shareholders resident in Canada or other jurisdictions to enforce judgments obtained against the Company in Canada.

Currency Fluctuations

Currency fluctuations may affect the Company's costs and margins. Adverse fluctuations in the South African Rand relative to the US Dollar and the Canadian Dollar and other currencies could materially and adversely affect the Company's profitability, results of operation and financial position.

The Company's Directors and Officers may have Conflicts of Interests

Certain of the Company's directors and officers also serve as directors and/or officers of other companies involved in natural resource exploration, development and production and as directors and/or officers of RCF being the major shareholder of the Company. Consequently there exists the possibility that such directors may be in a position of conflict in respect of proposed transactions or the operation of the Company.

The directors and officers of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests that they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors of the Company, any director in a conflict will be required to disclose his or her interest and abstain from voting on such matter.

NON-IFRS PERFORMANCE MEASURES

The Company has included in this document certain non-IFRS performance measures that are detailed below. These non-IFRS performance measures do not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The definition for these performance measures and reconciliation of the non-IFRS measures to reported IFRS measures are as follows:

NON-IFRS PERFORMANCE MEASURES (continued)

Working Capital

Working capital includes current assets and current liabilities, excluding provisions and non-financial instruments.

	December 31, 2014 R'000	February 28, 2014 R'000
Current assets		
Cash and cash equivalents	**12 120**	14 583
Trade and other receivables	**95 475**	77 597
Inventories	**27 035**	73 376
Interest bearing receivables	**-**	29 140
Non-Interest bearing receivables	**1 588**	1 504
Taxation receivable	**2 337**	9 115
	138 555	205 315
Current liabilities		
Trade and other payables (excluding provisions)	**170 507**	170 161
Current portion of borrowings	**6 000**	65 578
Convertible loan	**-**	40 723
	176 507	276 462
Net working capital	**(37 952)**	(71 147)

Consolidated EBITDA

Consolidated EBITDA is defined as earnings before interest, tax, depreciation and amortization and adding back the following: Impairment or reversal of an impairment of an asset, fair value adjustments to financial instruments, stock-based compensation, foreign exchange gains and losses, and non-recurring transaction expenses or income.

The reconciliation of operating loss to EBITDA is as follows:

R'000	10 months ended December 31, 2014	12 months ended February 28, 2014	3 months ended December 31, 2014	3 months ended February 28, 2014	3 months ended September 30, 2014
Operating loss for the period	**(126 694)**	(276 352)	**(22 329)**	(213 319)	(64 076)
Depreciation and amortization	**75 463**	100 609	**17 229**	26 125	20 572
Impairment of receivables	**(1 687)**	1 804	**(228)**	1 804	(562)
Impairment of escrow funds	**-**	19 427	**-**	19 427	-
Impairment of property, plant and equipment and intangible assets	**90 882**	152 008	**90 882**	152 008	-
Fair value adjustments of financial assets and conversion option	**(68 675)**	(5 468)	**(83 344)**	(2 668)	15 118
Stock-based compensation	**303**	3 317	**-**	-	303
Foreign exchange gains & losses	**6 963**	16 636	**864**	4 729	7 611
EBITDA	**(23 445)**	11 982	**3 075**	(11 894)	(21 034)

NON-IFRS PERFORMANCE MEASURES (continued)

Headline earnings/(loss) per share

Headline earnings/(loss) is a profit measure required for JSE-listed companies as defined by the South African Institute of Chartered Accountants. Headline earnings/(loss) per share is a basis for measuring earnings per share which accounts for all the profits and losses from operational, trading, and interest activities, that have been discontinued or acquired at any point during the year. Excluded from this figure are profits or losses associated with the sale or termination of discontinued operations, fixed assets or related businesses, or from any permanent devaluation or write off of their values.

Reconciliation of loss for the periods to headline loss is disclosed below:

	10 months ended December 31, 2014	12 months ended February 28, 2014
Loss for the period	**(108 440 811)**	(278 064 526)
Net profit on disposal of property, plant and equipment	**238 843**	6 558 810
Headline loss for the period	**(108 201 968)**	(271 505 716)
Headline loss per share - basic and diluted	**(2.10)**	(7.79)

Comparative Information

The Group's presentation currency was changed on March 1, 2014 from Canadian Dollars to Rands, as previously discussed. For information purposes, in order to compare the results and financial position against the February 28, 2014 published results in Canadian Dollars, a table as shown below contains a summary of the Company's financial results and financial position in Rands and Canadian Dollars. The December 31, 2014 financial results and financial position were translated into Canadian Dollars using a convenience rate translation at the rate of C$1:R9.9837, which is the exchange rate published on Oanda.com as of December 31, 2014. Such presentation is not in accordance with IFRS and should not be construed as a representation that Rand amounts shown could be readily converted, realized or settled in Canadian Dollars at this or at any other rate.

	10 months ended December 31, 2014 R	12 months ended February 28, 2014 R	10 months ended December 31, 2014 C$	12 months ended February 28, 2014 C$
Revenue	**593 841 226**	688 414 504	**59 481 077**	72 342 739
Cost of sales	**(637 994 418)**	(710 985 206)	**(63 903 605)**	(74 616 717)
EBITDA	**(23 444 510)**	11 981 804	**(2 348 279)**	1 465 872
Net loss before tax	**(163 046 392)**	(297 461 181)	**(16 331 259)**	(30 723 135)
Net loss per share - basic and diluted	**(2.11)**	(7.97)	**(0.21)**	(0.80)

NON-IFRS PERFORMANCE MEASURES (continued)

Comparative Information (continued)

	December 31, 2014 R	February 28, 2014 R	December 31, 2014 C$	February 28, 2014 C$
Non-current assets	**631 472 645**	625 421 356	**63 250 362**	63 387 791
Trade and other receivables	**95 474 959**	77 597 078	**9 563 084**	8 008 037
Inventories	**27 034 967**	73 376 235	**2 707 911**	7 572 445
Cash and cash equivalents	**12 120 081**	14 582 999	**1 213 987**	1 504 969
Other current assets	**3 924 370**	45 950 535	**393 078**	5 897 949
Total assets	**770 027 022**	836 928 203	**77 128 421**	86 371 191
Equity	**244 600 498**	328 723 841	**24 499 986**	33 924 380
Borrowings	**146 866 436**	156 806 370	**14 710 622**	16 182 455
RCF loan facilities	**186 630 807**	99 439 014	**18 693 551**	10 262 130
Trade and other payables	**170 506 885**	170 161 406	**17 078 526**	17 560 697
Other non-current liabilities	**18 758 187**	79 133 363	**1 878 881**	8 166 582
Other current liabilities	**2 664 209**	2 664 209	**266 855**	274 947
Total liabilities	**525 426 524**	508 204 362	**52 628 436**	52 446 811

SUMMARY OF SECURITIES AS AT MARCH 26, 2015

As at March 26, 2015 the following Common Shares, Common Share purchase options and share purchase warrants were issued and outstanding:

- 66 644 499 Common Shares;
- 2 073 750 Common Share purchase options with exercise prices ranging from $0.11-$4.10 with a weighted average remaining contractual life of 2.53 years;
- 34 817 237 warrants with a strike a price of C$0.1446 maturing on July 3, 2019.

LIST OF DIRECTORS AND OFFICERS

Craig Wiggill	Director, Chairman of the Board of Directors
John Dreyer	Director
Robert Francis	Director
Michael Price	Director
David Thomas	Director
Malcolm Campbell	Chief Executive Officer
Sarah Williams	Chief Financial Officer
Lorraine Harrison	Corporate Secretary

March 26, 2015