BUFFALO COAL CORP.

(formerly known as Forbes & Manhattan Coal Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the four months ended June 30, 2014

(Presented in South African Rands)

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Contents

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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 four months ended June 30, 2014 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the four months ended June 30, 2014 as well as the Company's audited annual consolidated financial statements and MD&A for the years ended February 28, 2014 and 2013. The financial statements and related notes have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are in compliance with IAS 34, *Interim Financial Reporting*. 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. The next fiscal period will therefore be the ten months ending December 31, 2014.

This MD&A reports our activities through August 13, 2014 unless otherwise indicated. References to CYQ1 2014 mean the four months ended June 30, 2014, references to PYQ1, PYQ2, PYQ3 and PYQ4 2014 mean the three months ended May 31, 2013, August 31, 2013, November 30, 2013 and February 28, 2014 and reference to PY2014 means the financial year ended February 28, 2014.

BC Corp has changed its functional currency from Canadian Dollars to Rands and the Group's presentation currency from Canadian Dollars to Rands.

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 have been translated to South African Rands at C$1:R9.9274 and amounts stated in US Dollars have been translated to South African Rands at US$1:R10.5887, unless otherwise stated.

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; the Company's ability to raise additional funds; the future price of minerals, particularly coal; 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 and estimates of management as of the date such statements are made. 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: the price of coal; the Company's securities may experience price volatility; production estimate risks; cost estimate risks; risks relating to the depletion of mineral reserves; power supply risks; South Africa country risks; environmental risks and other hazards; risks relating to the requirement for additional capital; mineral legislation risks; risks relating to foreign mining tax regimes; title to mineral holdings risks; infrastructure risks; exploration and development risks; competition risks; currency fluctuation risks; risks relating to owning foreign assets; risks relating to dependence on key personnel; dependence on outside parties; labour and employment risks; insurance and uninsured risks; litigation 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 Forbes Coal Proprietary Limited (trading as Buffalo Coal Dundee) ("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, including the recently established Alleen bituminous mine (collectively "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 a South African Black Economic Empowerment ("BEE") partner. 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.

BC DUNDEE PROPERTIES

Magdalena is located 22 kilometers from the town of Dundee in KwaZulu-Natal, South Africa and encompasses approximately 1,844 hectares. Magdalena which consists of the Magdalena underground mine, the Magdalena opencast operation and the Alleen underground mine has a mineable coal resource, all in the measured resource category, which is an estimated 50.29 million tonnes of *in situ* coal with an estimated volume of 33.52 million cubic meters.

The Magdalena opencast operation and Magdalena and Alleen underground mines have an estimated total production capacity of 160,000 tonnes 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. Aviemore consists of the Aviemore underground mine and has a mineable measured and indicated coal resource of 35.35 million tonnes of *in situ* coal with an estimated volume of 23.57 million cubic meters. The Aviemore underground mine has an estimated production capacity of 45,500 tonnes 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 Dundee Operations as at 1 October 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/m^3	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 inclusive of tonnes mined since effective date.
3. Tonnes 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* tonnes.
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.

CONSOLIDATED OPERATIONAL AND FINANCIAL HIGHLIGHTS FOR THE FOUR MONTHS ENDED JUNE 30, 2014

The operational highlights and summarized financial results for CYQ1 2014 are presented below as compared to PYQ4 2014 and PYQ1 2014. The Group achieved run of mine ("ROM") production of 491kt, saleable production (excluding calcine) of 307kt and sales of 315kt in CYQ1 2014.

	Four months ended	Three months ended	
Operational results	**June 30, 2014**	**February 28, 2014**	**May 31, 2013**
ROM (t)	**490 794**	308 880	447 466
- Aviemore (t)	**157 023**	101 509	138 385
- Magdalena (t)	**333 771**	207 371	309 081
Saleable production (excluding calcine) (t)	**306 568**	184 858	243 219
- Anthracite (t)	**98 106**	59 751	77 293
- Bituminous (t)	**208 462**	125 107	165 926
Yield on plant feed (excluding calcine) (%)	**60.10%**	61.97%	59.76%
Sales (t)	**315 495**	223 174	261 035
- Anthracite (t)	**79 815**	97 351	85 376
- Bituminous (t)	**221 895**	116 580	169 682
- Calcine (t)	**13 785**	9 243	5 977
Saleable Inventory tonnes	**105 387**	115 966	143 164

	Four months ended	Three months ended	
Financial results	**June 30, 2014**	**February 28, 2014**	**May 31, 2013**
Revenue (R'millions)	**220.17**	163.32	185.09
EBITDA (R'millions) (*)	**0.98**	(8.66)	18.18
Average selling price per tonne sold (R)	**698**	732	709
Cash cost of sales per tonne (R)	**630**	676	554
Cash (utilized in)/ generated from operating activities (R'millions)	**(10.25)**	(40.87)	16.67
Cash generated from/(utilized in) investing activities (R'millions)	**0.66**	(13.62)	(8.15)
Cash generated from/(utilized in) financing activities (R'millions)	**4.44**	49.66	(11.53)
CAD:ZAR (average)	**9.66**	9.87	9.02
USD:ZAR (average)	**10.59**	10.74	9.21

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

OVERVIEW OF THE PERIOD AND OUTLOOK FOR THE GROUP

Markets

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

Bituminous

The API 4 coal price index remains in backwardation at US$74.30 at the end of June 2014 with a further decline to US$72.85 by early August 2014. Over the past three years, between 40% and 50% of the Group's sales have comprised export bituminous sales which have been priced against the API 4 coal price index. The Group has now 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 remains relatively flat.

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.

Anthracite

The anthracite market is highly correlated with the metals industry where anthracite is primarily used as a reductant. Export anthracite markets remain depressed which resulted in the Group building stock of certain anthracite products again during CYQ1 2014, with a negative impact on the working capital position of the Group. Anthracite supply contracts are typically structured at a negotiated price.

In PY2014, the Group contracted with a customer which purchased both the stockpile plus the product fraction arising from the anthracite operations which led to the creation of this stockpile. However, supply to this customer was slow during CYQ1 2014 due to unforeseen factors.

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.

In summary, in an uncertain global economic environment, the outlook for the Group remains positive as the Group has a portfolio of high quality products and services both the domestic and global thermal and metallurgical coal markets.

Operational

Cost cutting initiatives continue to be driven in all areas throughout the Group's business. During CYQ1 2014, BC Dundee continued to struggle with production at Magdalena underground where geological difficulties were encountered in one continuous miner section along with poor roof conditions in a second continuous miner section. Towards the end of the four-month period, there was an improvement in geology which has resulted in an increase in production at Magdalena underground. The Group engaged with an independent consultant to conduct a full operational review at BC Dundee and in particular at Magdalena underground, including a risk management plan. The consultants commenced with their engagement onsite towards the end of June 2014.

With regards to the Magdalena opencast, the agreement with Ikwezi Mining Proprietary Limited ("Ikwezi") for the acquisition of Alleen No 2, being the extension of the opencast where reserves are limited, 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 parties are currently in discussion regarding potential opportunities to enter into a new agreement.

Group Restructuring and Rebranding

The Group has concluded it's restructuring of various aspects of the business, both corporate and operational, which began towards the end of PY2014 year.

From March 1, 2014, the Company and its subsidiaries changed their financial year-ends from February 28 to December 31. The next fiscal period will therefore be the ten months ending December 31, 2014.

BC Corp has changed its functional currency from Canadian Dollars to Rands and the Group's presentation currency from Canadian Dollars to Rands. 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.

On July 3, 2014, the Company signed an amended and restated loan agreement ("Amended RCF Agreement") with Resource Capital Fund V L.P. ("RCF") and closed the final tranche of the US$25,0 million convertible loan facility, the terms of which are discussed further under *Subsequent Events*. Furthermore, the Company signed an amended and restated agreement with Investec Bank Limited ("Investec") ("Amended Investec Agreement"), which is further discussed under *Subsequent Events*.

On July 4, 2014, the Company announced that it had formally changed its name to Buffalo Coal Corp and officially rebranded on July 21, 2014. The name change was approved by the shareholders of the Company at the special and annual general meeting held on June 27, 2014.

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 (as defined below). On July 11, 2014, the TSX informed the Company that it satisfies the TSX's continued listing requirements.

Settlement of Dispute with Riversdale Mining Limited ("RML")

Following the cancellation of the Riversdale Acquisition (as defined below) in February 2013, the Company and RML attempted to reach agreement on a mutually beneficial way forward in respect of the proposed acquisition by BC Corp of Riversdale Holdings Proprietary Limited ("Riversdale Acquisition"), but such discussions were unsuccessful and two disputes were declared, with the Company seeking the return of the R45,5 million escrow funds in the one matter and RML seeking damages in the amount of R299,5 million resulting from the cancellation in the other. Both disputes were settled during March 2014, 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.

South African Market

The labour climate in South Africa remains volatile, with a five-month union strike in the platinum industry 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 union strike in the steel and engineering industries had an impact on the availability of supplies and certain capital items for the Group. The Group's discussions with the unions, in respect of annual wage increases, will commence in August 2014.

Change in Directors and Officers

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

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 DECEMBER 2014 FINANCIAL YEAR

The Group's 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 operation and secondly through acquisition 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 the proposed expansion will be economically feasible.

The Group has engaged with an independent consultant to conduct a full operational review of BC Dundee. This has assisted the Company in ensuring optimal allocation of the funding to be received from RCF, in terms of the replacement and/or acquisition of major capital items. The Company has revised targeted production for the six months July to December 2014, taking into consideration current geological conditions, and the introduction of the new capital items, as set out below.

The Company's strategic goals for the ten months ending December 31, 2014 are to finalize and close the various restructuring items as set out below, and to advance and expand production at the BC Dundee Properties, as follows:

General
- Introduction of major capital items, utilizing the funding received from RCF and continued improvement of operational efficiencies;
- Continued focus on cost cutting initiatives and 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.

Magdalena
- Increasing productivity and production capacity at Magdalena through operational efficiency initiatives;
- Achieve saleable production of 380,000 tonnes for the six months from July to December 2014;
- Extension of the Magdalena opencast life of mine through the acquisition of opencastable resources in the area or replacement of the opencast tonnages with additional underground sections;
- Generate pitroom for future mining expansion; and
- Estimated capital expenditure of R125,6 million including the introduction of capital items as referred to above.

Aviemore
- Achieve saleable production of 178,000 tonnes for the six months from July to December, 2014;
- Progress exploration program and feasibility study for the expansion of Aviemore to a 1Mt per year producer ("Aviemore 2"); and
- Estimated capital expenditure of R4,7 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 capital expenditure of R9,9 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 explore the potential for acquisition of further high quality bituminous and metallurgical coal projects (both greenfield and producing) in the Southern African region.

OPERATIONAL RESULTS

The operational results are for the four month period ended June 30, 2014 compared to the three month period ended May 31, 2013.

ROM Production

Total ROM production for CYQ1 2014 was 491kt compared to 447kt produced in PYQ1 2014. The monthly average ROM production for CYQ1 2014 was 123kt compared to 149kt produced in PYQ1 2014, down by 17.7%.

ROM production from Magdalena operations, underground and opencast combined, for CYQ1 2014 was 334kt, compared to 309kt produced in PYQ1 2014. ROM production comprised 269kt from the underground operations and 65kt from the opencast. The monthly average ROM production from Magdalena for CYQ1 2014 was 84kt compared to 103kt produced in PYQ1 2014, down by 18.4%.

The opencast operations and the underground operations underperformed primarily as a result of a high strip ratio and difficult geology in sections 4 and 5 of the Magdalena underground mine, respectively. The geology in section 4 has improved and the Group has seen improvement in production towards the end of the four-month period. Poor roof and floor conditions continue to plague production in section 5.

ROM production from Aviemore for CYQ1 2014 was 157kt compared to 138kt produced in PYQ1 2014. The monthly average ROM production for CYQ1 2014 was 39kt compared to 46kt produced in PYQ1 2014, down by 14.9%. Aviemore continues to perform in line with historic and budgeted performance levels, however ventilation problems were experienced towards the end of the four-month period, which slowed production.

Saleable Production

Saleable coal production for CYQ1 2014 was 307kt (excluding calcine) compared to 243kt in PYQ1 2014. The monthly average saleable production for CYQ1 2014 was 77kt compared to 81kt produced in PYQ1 2014, down by 5.5% in line with a decrease in ROM production, offset by an improvement in yields. Saleable calcine product was 15kt for CYQ1 2014 compared to 10kt in Q1 PY2014, a 12.5% decrease on a monthly average basis from the prior-year comparative period, due to unexpected hotspots in the kiln which resulted in a shut-down during the period.

The total calculated yield from plant feed was 60.1% for CYQ1 2014, compared to 59.8% for PYQ1 2014. Density control and discard scales have been installed to increase control over yields. Improvements in the yields were noted from PYQ2 2014, however thinner coal seams and additional roof cutting in Magdalena sections 1 and 5 continued to result in increased contamination of coal from these sections during CYQ1 2014.

Sales

Total sales of bituminous coal and anthracite products for CYQ1 2014 were 315kt, a 20.9% increase compared to 261kt sold in PYQ1 2014. The monthly average sales for CYQ1 2014 were 79kt compared to 87kt produced in PYQ1 2014, down by 9.4%.

Bituminous sales for CYQ1 2014 were 222kt, of which 54.2% were export sales and 45.8% were domestic sales. This compares to 170kt sold in PYQ1 2014 of which 55.4% were export sales and 44.6% were domestic sales. The monthly average sales for CYQ1 2014 were 55kt compared to 57kt produced in PYQ1 2014, down by 1.9%.

Anthracite sales for CYQ1 2014 were 80kt, of which 38.6% were export sales and 61.4% were domestic sales. This compares to 85kt sold in PYQ1 2014 of which 56.1% were export sales and 43.9% were domestic sales. The monthly average sales for CYQ1 2014 were 20kt compared to 28kt produced in PYQ1 2014, down by 29.9%.

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.

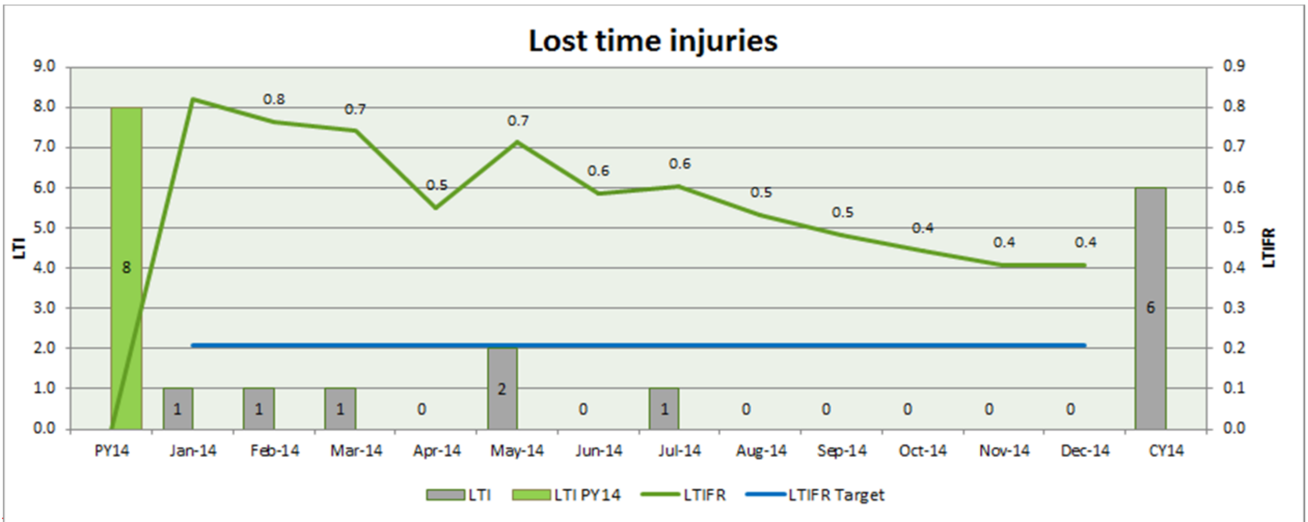
The Company has 204,500 tonnes of export allocation at RBCT. The contract with Grindrod Terminal Richards Bay, a division of Grindrod South Africa Proprietary Limited ("Grindrod") in respect of the Navitrade allocation terminated on December 31, 2013 and was not renewed. The Company will utilize the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

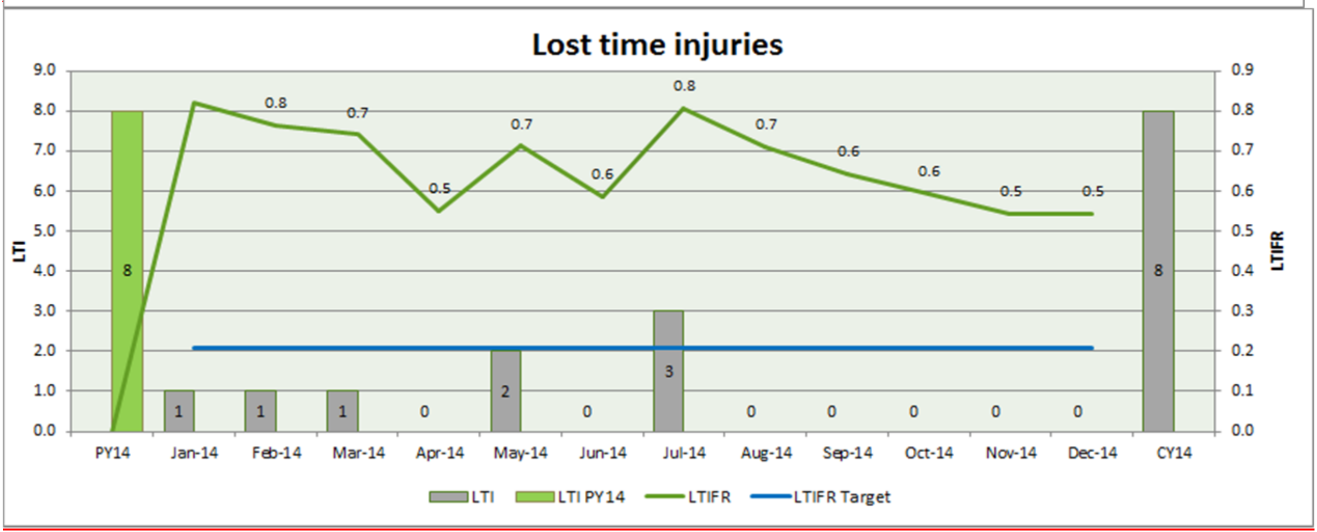
Social Development, Health and Safety

A key component of the Company's strategy involves social development, health and safety. The Group supports a number of social development projects through the activities of Zinoju.

These projects have had a great impact on the local community, in particular projects related to water provision; farming; brick fabrication; math literacy and the tertiary education bursary system have enjoyed success. A new crèche has been completed at the Magdalena operations and the first successful bursary student, a mine surveyor, has been engaged full time at the Zinoju operations.

The Group has implemented a revision of the Safety, Health and Environment ("SHE") management system including the provision of resources to support risk awareness and education campaigns and to achieve an incident and injury free workplace at all its operations. In addition, the operations baseline risk assessment has been reviewed along with the code of practice for roof support. The effect on the operations of the SHE performance is reflected in the chart below. The increase in lost time injuries ("LTI") in PY2014 is primarily as a result of fall of ground incidents due to poor geological conditions. The lost time injury frequency rate ("LTIFR") is measured as the number of incidents per 200,000 man hours worked:





The LTI graph above depicted as of July 31, 2014

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. 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

FINANCIAL RESULTS

Revenue

Coal revenues during the four months ended June 30, 2014 were R220,2 million compared to R185,1 million for the three months ended May 31, 2013, an increase of 19.0% period over period. The average revenue per month was R55,0 million in CYQ1 2014 compared to R61,7 million in PYQ1 2014, down 10.7%.

During the four months ended June 30, 2014, the Group's sales were 315kt compared to sales of 261kt for the three months ended May 31, 2013. The monthly average sales tonnes for CYQ1 2014 were 79kt compared to 87kt in PYQ1 2014, down by 9.4%.

Bituminous sales on average per month for CYQ1 2014 were R16,4 million for domestic (25kt per month) and R21,5 million for export (30kt per month), compared to an average per month of R15,9 million for domestic (25kt per month) and R22,8 million for export (32kt per month) in PYQ1 2014.

Anthracite sales (including calcine) on average per month for CYQ1 2014 were R13,7 million for domestic (16kt per month) and R3,4 million for export (8kt per month), compared to an average per month of R11,6 million for domestic (14kt per month) and R11,4 million for export (16kt per month) in PYQ1 2014.
Average selling prices for the four months ended June 30, 2014 were R698 per tonne compared to an average selling price of R709 for the three months ended May 31, 2013.

Average revenue per month has decreased in CYQ1 2014 compared to PYQ1 2014 primarily due to a decrease in volume of export anthracite sales tonnes, as a result of a depressed market. In addition, 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 revenues and related logistics costs together with a sharp decline in the API 4 coal price index offset by a weakening of the Rand relative to the US Dollar.

Cost of Sales

Cost of sales for the four months ended June 30, 2014 was R242,9 million (cash cost of sales of R630 per tonne) compared to R182,2 million (cash cost of sales of R554 per tonne) for the three months ended May 31, 2013. The average cost of sales per month in CYQ1 2014 was R60,7 million compared to R60,7 million in PYQ1 2014, relatively flat period on period.

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 were 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. The Group has seen improvement in the geology in section 4 towards the end of June 2014, which has resulted in an increase in production in during this period.

Salaries and wages for the four months ended June 30, 2014 amounted to R63,4 million (R201 per tonne) compared to R48,5 million (R186 per tonne). The average salaries and wages per month was R15,8 million in CYQ1 2014 compared to R16,1 million in PYQ1 2014, a decrease of 1.9%. The head count has increased from 970 May 31, 2014 to 983 at June 30, 2014. Included in the headcount are 22 teachers who were employed for a maths and science project as part of the BC Dundee's social and labour plan.

Depreciation and amortization for the four months ended June 30, 2014 amounted to R37,6 million (R119 per tonne) compared to R30,6 million (R117 per tonne) for the three months ended May 31, 2013. The average depreciation and amortization per month was R9,4 million in CYQ1 2014 compared to R10,2 million in PYQ1 2014, a decrease of 7.7%.

During the four months ended June 30, 2014 the Company recorded a write-down of inventory to net realizable value of R6,5 million compared to R7,0 million recorded for the three months ended May 31, 2013. Due to geological problems encountered in the Magdalena mine, the costs capitalized to stock were higher during the period as well increased pressure on the selling price of the coal.

General and administration expenses

The Company recorded expenses of R24,0 million during the four months ended June 30, 2014 compared to R17,8 million during the three months ended May 31, 2013. The average expense per month was R6,0 million in CYQ1 2014 compared to R5,9 million in PYQ1 2014, relatively flat period on period.

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.

Of the R24,0 million, R18,4 million originated from the South African offices, in both Dundee and Johannesburg, and R5,6 million related to Canadian expenses. The primary reason for the increase period on period is as a result of restructuring costs.

Other Income/Expenses-net

During the four months ended June 30, 2014, the Group recorded net other income totaling R6,4 million compared to R4,3 million for the three months ended May 31, 2013.
Other income and expense results primarily from impairment loss, 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.

BC Dundee received insurance proceeds during CYQ1 2014 of R3,6 million relating mainly to business interruption claims. There were no such proceeds received during PYQ1 2014.

The Group recorded a net foreign currency exchange gain during the four months ended June 30, 2014 in the amount of R1,5 million compared to a nominal amount recorded for the three months ended May 31, 2013. The foreign exchange loss recorded for the four months ended June 30, 2014 was generated primarily from the revaluation of US Dollar denominated revenues, the RCF Original Loan and RCF Bridge Loan (as defined below).

Finance Costs/Income-net

The Group recorded net interest and accretion expense of R10,4 million during the four months ended June 30, 2014 compared to a net interest expense of R4,5 million for the three months ended May 31, 2013. The average expense per month was R2,6 million in CYQ1 2014 compared to R1,5 million in PYQ1 2014, an increase of 73.3%.

The Company incurred interest of R4,9 million during CYQ1 2014 on the Investec loan facilities and certain instalment sale agreements compared to R5,1 million in PYQ1 2014. Interest and accretion on the RCF Original Loan and RCF Bridge Loan (as defined below) was R5,7 million during CYQ1 2014 compared to RNil in PYQ1 2014.

The Company generates interest income on cash balances held in financial institutions. The Company invested its excess cash in low risk liquid investments during the four months ended June 30, 2014 and generated R0,4 million, compared to R0,6 million generated during the three months ended May 31, 2013.

Taxation

The Company recorded income and other tax recovery of R12,5 million during the four months ended June 30, 2014 compared to R15,0 million during the three months ended May 31, 2013.

This amount includes R3,6 million in CYQ1 2014 compared to R4,1 million in PYQ1 2014, 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 R10,7 million was included in income tax expense in PYQ1 2014 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.

Net loss for the period

The net loss before income taxes for the four months ended June 30, 2014, was R50,6 million, compared to a net loss of R15,1 million for the three months ended May 31, 2013. Contributing to the net loss position for CYQ1 2014 were low tonnes produced due to the geological problems encountered, resultant low sales tonnes and an increase in interest expense relating to the RCF loan facilities.

Other comprehensive income items ("OCI")

The functional currency of BC Corp changed from the Canadian Dollar to Rands. 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 March 1, 2014 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. For the four months ended June 30, 2014, RNil was recorded in OCI compared to R101,8 million for the three months ended May 31, 2013.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

	CYQ1 2014	PYQ4 2014	PYQ3 2014	PYQ2 2014	PYQ1 2014	Q4 2013	Q3 2013	Q2 2013
Revenue (R'000)	**220 170**	163 316	160 305	179 704	185 090	119 676	97 302	192 091
Cost of sales (excl depreciation and amortization) (R'000)	**205 300**	156 711	138 949	161 883	151 608	114 638	99 139	149 939
Depreciation and amortization (R'000)	**37 602**	25 940	21 071	22 862	30 553	13 018	17 614	22 506
EBITDA (R'000)*	**979**	(8 655)	9 056	818	18 177	(22 655)	(29 415)	22 338
Net loss for the period (R'000)	**(38 113)**	(203 021)	(23 506)	(57 119)	(182)	(29 558)	(43 193)	(1 848)
Net loss per share - Basic and Diluted (R'000)	**(0.97)**	(5.65)	(0.67)	(1.64)	(0.01)	(0.86)	(1.25)	(0.05)
Cash (utilized in)/generated from operating activities (R'000)	**(10 251)**	(39 174)	(12 413)	32 057	16 666	(14 493)	(15 637)	21 098
Total ROM production (t)	**490 794**	308 880	359 557	446 284	447 466	364 145	246 002	414 551
Total sales tonnes (t)	**315 495**	223 174	216 138	255 055	261 035	168 913	146 559	286 186
Average selling price per tonne sold (R)	**698**	732	742	705	709	709	664	671
Cash cost of sales per tonne (R)	**630**	676	625	600	554	679	676	524
Total Assets (R'000)	**763 863**	836 926	1 027 458	1 073 738	1 060 837	1 068 315	1 058 796	1 096 105
Long-term borrowings (R'000)	**188 471**	149 944	141 771	105 263	115 789	127 120	138 801	191 258

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

The movement in total assets from PYQ1 2014 to CYQ1 2014 related mainly to the impairment of goodwill and certain intangible assets of R152,0 million recorded in PYQ4 2014.

The increase in long-term borrowings is as a result of the RCF Original Loan (defined below) of US$6,0 million and the RCF Bridge Loan (defined below) of US$4,0 million. As of June 30, 2014, after receiving shareholder approval at the special and annual general meeting held on June 27, 2014, the RCF Bridge Loan and the RCF Original Loan rolled up into one convertible loan facility maturing on June 30, 2017. Refer below under *Financial Condition Review* for further information.

FINANCIAL CONDITION REVIEW

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

	June 30, 2014 R'000	February 28, 2014 R'000
Property, plant and equipment and intangible assets	**562 685**	586 727
Other long-term receivables	**29 702**	27 494
Trade and other receivables	**72 957**	77 597
Other short term receivables	**10 561**	39 760
Inventories	**61 110**	73 376
Restricted cash	**17 350**	17 391
Cash and cash equivalents	**9 498**	14 583
Total assets	**763 863**	836 928
Trade and other payables	**151 973**	170 161
Borrowings	**162 373**	156 806
RCF loan facilities	**100 674**	99 439
Other liabilities	**54 942**	81 798
Total liabilities	**469 962**	508 204
Total equity	**293 901**	328 724

Assets

Total assets were R763,9 million at June 30, 2014 compared to R836,9 million at February 28, 2014, a decrease of 8.7%. The most significant movement 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. These funds used to settle the take-or-pay penalty referred to below. Property, plant and equipment is down significantly due to accelerated depreciation and amortization of certain machinery which will be replaced when the Company receives the RCF funding. (Refer to *Subsequent Events* below). Inventories are down by R12,3 million from February 28, 2014, mainly due to lower production during the period.

Liabilities

Total liabilities were R470,0 million at June 30, 2014 compared to R508,2 million at February 28, 2014, a decrease of 7.5%. The most significant movement related to the write-down of the asset retirement obligation (included within other liabilities) as a result of adjusting the risk-free rate and a reduction in the net deferred tax liability, as a result of an increase in the assessed loss at BC Dundee. Trade and other payables are down by R18,2 million mainly due to the settlement of the take-or-pay penalty with Grindrod of R24,5 million.

Loans and Borrowings

At June 30, 2014, the Group had outstanding debt with Investec of approximately R162,4 million and convertible loan facilities with RCF of approximately R100,7 million. The Investec debt consisted of R138,0 million outstanding on the term loan and R24,4 million outstanding on the working capital facility, of which there is up to R30,0 million available for drawdown. Refer to the annual financial statements as of February 28, 2014 for further detail regarding the terms of the current Investec agreement and refer to the *Subsequent Events* section in this MD&A for further detail regarding the terms of Amended Investec Agreement.

At February 28, 2014, the RCF loan facilities consisted of a US$6,0 million convertible loan facility (the "RCF Original Loan") and a US$4,0 million bridge loan facility (the "RCF Bridge Loan"), being the first tranche of the RCF US$25,0 million facility which was entered into on February 4, 2014. At June 30, 2014, after receiving shareholder approval at the special and annual general meeting held on June 27, 2014, the RCF Bridge Loan and the RCF Original Loan rolled up into one facility, convertible at a price of C$0.1446 per common share of the Company ("Common Share") and maturing on June 30, 2017. Refer to the annual financial statements as of February 28, 2014 for further detail regarding the terms of the RCF Original Loan and the agreement signed on February 4, 2014 regarding the US$25,0 million facility, which included the US$4,0 million RCF Bridge Loan. The Amended RCF Agreement was entered into on July 3, 2014, refer to the *Subsequent Events* section in this MD&A for further information.

The repayment schedule for the amended Investec loan facilities, amended RCF loan facility and trade and other payables, as of July 9, 2014, is as follows:

	Not later than 1 year R	Between 1 and 5 years R	Greater than 5 years R
Borrowings[1]	8 823 810	173 143 088	-
RCF convertible loan facilities[2]	-	210 468 933	-
Trade and other payables [3]	106 413 130	-	-

[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 within the forthcoming 12 month period. Refer to the *Subsequent Events* section in this MD&A for further information.

[2] The RCF convertible loan facilities include only the capital amount outstanding as of July 9, 2014. Interest is payable in Common Shares and was therefore 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 which are not currently payable.

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital deficiency of R26,9 million as at June 30, 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, collecting outstanding accounts receivable balances and the settlement of the outstanding Grindrod take-or-pay penalty of R24,5 million.

The condensed consolidated statements of cash flows are summarized below:

	June 30, 2014 **R'000**	**May 31, 2013** **R'000**
Net cash (utilized in)/generated from operating activities	**(10 251)**	16 666
Net cash generated from/(utilized in) investing activities	**658**	(8 150)
Net cash generated from/(utilized in) financing activities	**4 442**	(11 530)
Exchange gains on cash and cash equivalents	**66**	19
Change in cash and cash equivalents	**(5 085)**	(2 995)

Operating activities

Cash utilized in operating activities during CYQ1 2014 was R10,3 million compared to R16,7 million generated during PYQ1 2014.

The net loss before tax for CYQ1 2014 was R50,6 million compared to a net loss of R15,1 million for PYQ1 2014 as discussed under the *Results of Operations* section of this MD&A. Non-cash items included in the net loss for CYQ1 2014 were: depreciation and amortization of R37,7 million; gains on fair value adjustments on financial assets and conversion option of R0,4 million; write-down of inventory to net realizable value of R6,5 million and net foreign exchange gains of R1,5 million of which the material items were discussed under the *Results of Operations* section of this MD&A.

The Group's net working capital decreased by R6,5 million during CYQ1 2014, in comparison to a R4 million increase during PYQ1 2014.

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

Investing activities

Investing activities generated R0,7 million in cash during CYQ1 2014 compared to cash of R8,2 million utilized in investing activities during PYQ1 2014. During CYQ1 2014, the Group received the settlement of the escrow funds with regards to the Riversdale Acquisition dispute of R29,3 million and spent R27,2 million on property, plant and equipment relating to sustaining capital and development costs in respect of the BC Dundee business. Property, plant and equipment expenditure for PYQ1 2014 was R5,5 million.

Financing activities

Financing activities generated R4,4 million in cash during CYQ1 2014 and utilized R11,5 million during PYQ1 2014. During CYQ1 2014, the Group made net drawdowns of R4,4 million from the Investec working capital facility. During PYQ1 2014, the Company made payments towards the Investec loan facilities and instalment sale agreement facilities of R11,5 million.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

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

	June 30, 2014 R	May 31, 2013 R
Payments for services rendered		
2227929 Ontario Inc. [1]	-	1 331 575
Forbes and Manhattan Inc. [2]	-	917 792
RCF [3]	**912 079**	-
Total	**912 079**	2 249 367

[1] The Company had 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. For CYQ1 2014, 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.

[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 four months period ended June 30, 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. The Company settled interest to RCF in Common Shares during the period on the RCF Original Loan and RCF Bridge Loan which amounted to R3,8 million, in addition to the costs disclosed above. As set out in the legal agreements relating to the RCF loan facilities, RCF has invoiced the Company for costs incurred relating to the facilities, which are disclosed above.

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

	June 30, 2014 R	May 31, 2013 R
Related party (payables)/receivables		
RCF	**(2 394 812)**	-
2227929 Ontario Inc.	**-**	206 521
Total	**(2 394 812)**	206 521

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

Compensation of key management personnel

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

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

	June 30, 2014 R	May 31, 2013 R
Short-term benefits	**4 937 221**	3 412 897
Total	**4 937 221**	3 412 897

As of February 28, 2014, C$100,000 worth of restricted stock units ("RSUs") were granted to a director but not issued under the plan. Amounts owing to directors and other members of key management personnel were R1,1 million as of June 30, 2014 as compared to RNil as of May 31, 2014.

OTHER

There are no significant Other items as at June 30, 2014.

COMMITMENTS AND CONTINGENCIES

Management Contracts

The new management contracts, as discussed in the PY2014 annual financial statements, require that payments of approximately R12,4 million be made upon the occurrence of a change of control, other than a change of control attributable to RCF.

Capital Commitments

Capital expenditure contracted for at the statement of financial position date but not recognised in the financial statements is as follows:

	June 30, 2014 R	February 28, 2014 R	June 30, 2014 C$
Property, plant and equipment	**8 463 870**	8 271 945	852 577

Included in the R8,3 million disclosed in PY2014 was a commitment to purchase a mining right from Ikwezi. 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 MPRDA), the existing agreement between BC Dundee, Zinoju and Ikwezi lapsed on June 30, 2014. The parties are currently in discussion regarding potential opportunities to enter into a new agreement. Included in the R8,5 million disclosed in CYQ1 2014 are commitments relating to machinery and equipment, which excludes the R8,0 million commitment relating to the purchase of the mining right from Ikwezi.

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

Outstanding Legal Proceedings

Sasfin Bank Limited has claimed advisory fees in relation to signature of the Riversdale Acquisition agreement in the amount of R5,7 million. No amount has been provided for, relating to this claim, at June 30, 2014.

An appeal was lodged in terms of section 96 of the MPRDA, by the Avemore Trust, challenging the Department of Mineral Resources ("DMR") in relation to the grant of Mining Right 174 to Zinoju. Zinoju has lodged its replying submission to the DMR and in the interim, pending the outcome of the process embarked upon by Avemore Trust, Zinoju remains the holder of Mining Right 174 and is entitled to continue mining area covered by Mining Right 174. The Group is taking various steps to mitigate any potential risks in relation to the appeal.

SUBSEQUENT EVENTS

Additional Funding

On July 3, 2014, BC Corp entered into the Amended RCF Agreement and closed the final tranche of the US$25,0 million convertible loan facility. The third and final tranche of US$15,0 million to be advanced will be done so in tranches commencing in July 2014. There are two types of advances:

- a scheduled advance of funds by RCF to BC Corp; and
- an equipment advance, whereby funds will be advanced by RCF directly to equipment suppliers on behalf of BC Dundee.

On July 4, 2014, BC Corp received US$4,4 million from RCF, which was advanced to BC Dundee, as a shareholder loan. US$1,2 million was advanced back to BC Corp as a management fee. Of the remaining funds received by BC Dundee, R24,5 million was deposited into the Investec working capital facility and R9,75 million was advanced against the Investec term loan, as per the terms of the Amended Investec Agreement, as set out in further detail below. During July 2014, RCF paid R56,4 million (US$5,3 million) directly to equipment suppliers on behalf of the Group.

Further advances to BC Corp are expected to be as follows:

- the US$ equivalent of R2,4 million in August 2014;
- the US$ equivalent of R0,5 million in September 2014;
- the US$ equivalent of R0,4 million in October 2014; and
- the US$ equivalent of R0,1 million in November 2014.

The balance of the advance is expected to be made by way of equipment advances for the acquisition of assets and equipment as specified in the Amended RCF Agreement. The total advance may not exceed US$15,0 million.

On July 3, 2014, the Company issued 5 531 120 Common Shares to RCF at a price of C$0.1446 per Common Share, to settle the establishment fee on the final tranche of the facility.

The US$25,0 million facility will bear interest at a rate of 12% per annum, payable in arrears at the end of each month 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. 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.

The maturity date of the Amended RCF Agreement is June 30, 2019.

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

In terms of the Amended RCF Agreement, RCF will take a first ranking special notarial bond over the new equipment as specified in the Amended RCF Agreement. Furthermore, RCF has taken a second ranking security over BC Dundee's shares and all other moveable and immovable assets of BC Dundee.

Investec Debt Restructuring

On July 3, 2014, the Group finalized a restructuring of the Investec loan facilities on the following terms:

- five-year senior secured amortizing term loan facility of up to R90,0 million. The term loan facility will accrue interest monthly at JIBAR plus 4%, with only interest payable on a quarterly basis up to December 2015. The first capital payment is due in December 2015 and thereafter 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 to a maximum of R4,5 million on a quarterly basis;
- five-year senior secured loan facility of up to R50,0 million (the "Bullet Facility") repayable by way of a bullet repayment at the end of the facility term. The Bullet Facility will accrue 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 will accrue at prime plus 0.5%, payable monthly.

The loan facilities provide 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 has subscribed for 34 817 237 warrants with a strike price of C$0.1446, the proceeds of which, if exercised, will be applied against 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 Investec facilities are secured by first ranking security over BC Dundee's shares and all the moveable and immovable assets of BC Dundee, and a second ranking security over all new equipment acquired using the proceeds of the RCF convertible loan facility.

TSX Delisting review

On July 11, 2014, the TSX informed the Company that it satisfies the TSX's continued listing requirements.

Issuance of Share Capital

Subsequent to June 30, 2014, the Company issued additional shares to RCF in settlement of interest owing on the RCF Original Loan and RCF Bridge Loan facilities for the periods ended June 30, 2014 and July 31, 2014. An additional 1 975 184 and 1 992 660 Common Shares were issued at prices of C$0.0918 and C$0.0982, respectively.

On July 3, 2014, the Company issued 5 531 120 Common Shares to RCF at a price of C$0.1446 per Common Share, to settle the establishment fee on the final tranche of the facility.

Change of Name

On July 4, 2014, the Company announced that it had changed its name to Buffalo Coal Corp. The name change was approved by the shareholders of the Company at the annual and special meeting held on June 27, 2014.

Resignation and Appointment of Directors and Officers

Mr. Neil Said resigned from his position as Corporate Secretary following the closing of the funding transactions with RCF on July 3, 2014 (refer to note 8) 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.

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

Subject to the limitations, if any, described below, the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), have as at the end of the period ended June 30, 2014, designed Disclosure and Control Procedures ("DC&P"), or caused such procedures to be designed under their supervision, to provide reasonable assurance that:

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

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

Internal control over financial reporting has been designed, based on the framework established in Internal Control – Integrated Framework (the "Framework") issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in Canada. COSO has released an updated version of its Framework in May 2013 which sets out the criteria on which management bases its assessment of the Company's internal control for financial reporting. The updated Framework is intended to strengthen the existing Framework by taking into account changes in the business environment and operations by developing a more formal structure for the design and evaluation of the effectiveness of internal controls. Management will comply with the new 2013 update COSO Framework on or before December 15, 2014.

There have been no significant changes to the Company's disclosure controls and procedures and internal controls over financial reporting that occurred during the period ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's disclosure controls and procedures and internal control over financial reporting. The functions historically conducted from the Company's Toronto office are now managed from South Africa.

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

The Audit Committee of the Company has reviewed this MD&A, and the consolidated financial statements for the four months ended June 30, 2014, and the Company's Board of Directors approved these documents prior to their release.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

The critical accounting estimates and judgments applied in the preparation of the Company's condensed interim consolidated financial statements for the four months ended June 30, 2014 are consistent with those applied and disclosed in the Company's audited annual consolidated financial statements for the year ended February 28, 2014.

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 balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from 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.

Amendments to IAS 39– 'Financial instruments': Recognition and Measurement
The IASB has 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.

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 year ended February 28, 2014.

The Company's financial assets and financial liabilities as at June 30, 2014 and February 28, 2014 were as follows:

Financial instruments (Rands)	Loans and receivables	Fair value through profit or loss	At amortized cost	Total
June 30, 2014				
Trade and other receivables (excluding non-financial assets)	72 249 873	-	-	**72 249 873**
Investments in financial assets	-	26 088 414	-	**26 088 414**
Non-interest bearing receivables	1 537 995	-	-	**1 537 995**
Investec borrowings	-	-	(162 372 956)	**(162 372 956)**
RCF loan facilities	-	-	(100 674 039)	**(100 674 039)**
Trade and other payables (excluding non-financial liabilities)	-	-	(104 285 848)	**(104 285 848)**

Financial instruments (Rands)	Loans and receivables	Fair value through profit or loss	At amortized cost	Total
February 28, 2014				
Trade and other receivables (excluding non-financial assets)	62 109 381	-	-	62 109 381
Investments in financial assets	-	23 586 748	-	23 586 748
Interest bearing receivables	29 140 388	-	-	29 140 388
Non-interest bearing receivables	1 504 434	-	-	1 504 434
Investec borrowings	-	-	(155 997 477)	(155 997 477)
RCF loan facilities	-	-	(99 439 013)	(99 439 013)
Trade and other payables (excluding non-financial liabilities)	-	-	(122 709 958)	(122 709 958)

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 Group consolidated statements of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the Group consolidated statements of financial position plus net debt.

The gearing ratios at June 30, 2014 and February 28, 2014 were as follows:

	June 30, 2014 **R**	**February 28, 2014** **R**
Total borrowings	**263 046 995**	256 245 384
Less: cash and cash equivalents	**9 498 479**	14 582 999
Net debt	**253 548 516**	241 662 385
Total equity	**293 900 986**	328 723 841
Total capital	**547 449 502**	570 386 226
Gearing ratio	**46%**	42%

Included in total borrowings is a convertible loan of US$10,0 million (R105,9 million). The Company is not subject to any externally imposed capital requirements with the exception of the Investec loan facilities and RCF convertible loan facilities. There have been no significant changes in the risks, objectives, policies and procedures in the four months period ended June 30, 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 Group finance. The Group identifies, evaluates and manages financial risks in close co-operation with the Group's subsidiaries.

Market risk

Foreign exchange risk

BC Corp's functional currency was changed during the period from Canadian Dollars to Rands. This change reduces the exposure of foreign exchange risk on the 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.

The Group enters into foreign exchange contracts to buy and sell specified amounts of US Dollars in the future at a predetermined exchange rate, when needed. The contracts are entered into in order to manage the Group's exposure to fluctuations in foreign currency exchange rates on specific transactions.
The sales and purchase contracts are matched with anticipated future cash flows in foreign currencies primarily from sales and purchases. There were no open forward exchange contracts at June 30, 2014 or May 31, 2013.

At June 30, 2014, a 10% increase/(decrease) in the period average foreign exchange rate between the Canadian Dollar and the Company's functional currency, the South African Rand, would have increased/(decreased) the Group's profit or loss and equity by approximately R94,7 million (PYQ1 2014: R96,9 million). A 10% increase/(decrease) in the period average foreign exchange rate between the Rand and the US Dollar would have increased/(decreased) the Group's income by approximately R10,6 million (PYQ1 2014: R8,4 million).

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 rates 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.

A 10% change in the API 4 coal price index would have resulted in a corresponding change in export coal revenue of approximately R5,2 million (PYQ1 2014: R18,5 million).

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 CYQ1 2014 and PY 2014 the Group's borrowings at variable rates were denominated in South African Rands.

Based on the simulations performed, the impact on post-tax profit of a 1% shift in interest rates on borrowings would be a maximum increase/(decrease) in profit or loss of R0,2 million per month (PY2014: R0,1 million per month).

Credit risk

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

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 R17,4 million was on deposit with First National Bank at June 30, 2014 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.

Refer above in the *Financial Condition Review* section for 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.

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).

The long-term investments and security investments are classified within level 1, and endowment policies (which matured during the PY2014 financial year) were classified within level 3 of the fair value hierarchy as the inputs required to determine fair value of the investment are actuarially determined and not supported by market activity.

GOING CONCERN

The unaudited consolidated financial statements of the Group for the four months ended June 30, 2014 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 final tranche of funding of US$15,0 million with RCF on July 3, 2014, (refer to *Subsequent Events* section), the majority of which will be utilized to finance new capital items. The Company continues incurring operating losses and is dependent upon reaching profitable levels of operation in the future to support working capital needs. Subject to the Company being able to implement its planned cost reductions and returning to profitability, the Company will be able to continue as a going concern in the forseeable future.

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. While there are currently no 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.

If the going concern assumption was not appropriate for the 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 balance sheet 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.

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.

Price of Coal

The Company's profits are directly related to the cost of production, 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.

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. 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 licences and permits from various governmental authorities. BC Corp believes that it holds all necessary licences 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 licences and permits. Such licences 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 licences 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.

An appeal was lodged on October 2, 2013 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 (as more fully detailed under *Commitments and Contingencies).*

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.

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.

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 holds 45% of the issued and outstanding Common Shares of BC Corp and has the right to convert the full US$25,0 million convertible loan facility (assuming all funds are drawndown and the Investec warrants are exercised), at its sole discretion, which would result in RCF holding approximately 86% of the then issued and outstanding Common Shares on a partially 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.

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, other than (1) a claim by Sasfin Bank Limited against the Company in relation to the Riversdale Acquisition and (2) an appeal by Avemore Trust in terms of section 96 of the MPRDA challenging the DMR in relation to the grant of Mining Right 174 (both as more fully detailed under *Commitments and Contingencies*), 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 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, particularly at the time of the Company's wage negotiations.

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.

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% Historically Disadvantaged South Africans 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.

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. Adverse changes in labour and employment legislation or in the relationship between the Company and its employees may have a material adverse effect on the Company's business, results of operations and financial condition.

Additional Capital

The continued sustainability of the BC Dundee Properties, including the expansion of mining operations, may require additional working capital and capital expenditures and may 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.

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 less than 1% reserve capacity. The Company has therefore 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.

Moreover, 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.

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 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. 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.

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 and the Canadian Dollar relative to the US 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:

Working Capital

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

	June 30, 2014 R'000	February 28, 2014 R'000
Current assets		
Cash and cash equivalents	**9 498**	14 583
Trade and other receivables	**72 957**	77 597
Inventories	**61 110**	73 376
Interest bearing receivables	**-**	29 140
Non-interest bearing receivables	**1 538**	1 504
Taxation receivable	**9 023**	9 115
	154 126	205 315
Current liabilities		
Trade and other payables (excluding provisions)	**106 413**	157 427
Current portion of borrowings	**74 576**	65 578
Convertible loan	**-**	40 723
	180 989	263 728
Net working capital	**(26 863)**	(58 413)

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	Four months ended June 30, 2014	Three months ended February 28, 2014	Three months ended May 31, 2013
Operating loss for the period	**(40 289)**	(216 153)	(10 602)
Depreciation and amortization	**37 661**	25 941	30 557
Impairment of escrow funds	**-**	19 427	-
Impairment of goodwill and other assets	**-**	152 008	-
Impairment of receivables	**(897)**	1 804	-
Write-down of inventory to net realizable value	**6 467**	5 932	-
Fair value adjustments of financial assets and conversion option	**(450)**	(2 668)	(1 778)
Foreign exchange gains & losses	**(1 513)**	5 054	-
EBITDA	**979**	(8 655)	18 177

Headline earnings per share

Headline earnings 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 earnings to headline earnings is disclosed below:

	June 30, 2014 R	May 31, 2013 R
Earnings for the period	**(38 113 099)**	(182 313)
Net profit on disposal of property, plant and equipment	**150 000**	-
Headline earnings for the year	**(37 963 099)**	(182 313)
Headline loss per share - basic and diluted	**(0.97)**	(0.01)

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 May 31, 2013 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 June 30, 2014 financial results and financial position were translated into Canadian Dollars using a convenience rate translation at the rate of C$1:R9.9274, which is the exchange rate published on Oanda.com as of June 30, 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.

	June 30, 2014 R	May 31, 2013 R	June 30, 2014 C$	May 31, 2013 C$
Revenue	**220 169 793**	185 089 829	22 177 991	20 509 688
Cost of sales	**(242 902 561)**	(182 160 797)	(24 467 893)	(20 185 124)
EBITDA	**978 900**	18 177 496	98 606	2 014 126
Loss before income tax	**(50 646 632)**	(15 107 684)	(5 101 702)	(20 202)
Net loss per share - basic and diluted	**(0.97)**	(0.01)	(0.10)	(0.01)

	June 30, 2014 R	February 28, 2014 R	June 30, 2014 C$	February 28, 2014 C$
Non-current assets	**592 387 381**	614 221 356	59 671 956	63 387 791
Trade and other receivables	**72 956 688**	77 597 078	7 349 023	8 008 037
Inventories	**61 110 079**	73 376 235	6 155 698	7 572 445
Cash and cash equivalents	**9 498 479**	14 582 999	956 794	1 504 969
Other current assets	**27 910 612**	57 150 535	2 811 472	5 897 949
Total assets	**763 863 240**	836 928 203	76 944 943	86 371 191
Equity	**293 900 986**	328 723 841	29 605 031	33 924 380
Borrowings	**162 372 956**	156 806 370	16 356 040	16 182 455
RCF loan facilities	**100 674 039**	99 439 014	10 141 028	10 262 130
Trade and other payables	**151 972 912**	170 161 406	15 308 430	17 560 697
Other non-current liabilities	**52 278 141**	79 133 363	5 266 045	8 166 582
Other current liabilities	**2 664 205**	2 664 209	268 369	274 947
Total liabilities	**469 962 253**	508 204 362	47 339 912	52 446 811

SUMMARY OF SECURITIES AS AT AUGUST 13, 2014

As at August 13, 2014 the following common shares, common share purchase options, share purchase warrants and special performance shares were issued and outstanding:

- 50 275 311 Common Shares;
- 2,559,750 Common Share purchase options with exercise prices ranging from $0.29-$4.10 with a weighted average remaining contractual life of 2.47 years.
- 1,350,000 Special Performance Shares outstanding are deposited in escrow to be released when certain conditions are met.

LIST OF DIRECTORS AND OFFICERS

Craig Wiggill	Director, Chairman of the Board of Directors
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

August 13, 2014