



BUFFALO COAL CORP.

(formerly known as Forbes & Manhattan Coal Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended September 30, 2014

(Presented in South African Rands)

BUFFALO COAL CORP.

Management's Discussion and Analysis

For the three months ended September 30, 2014

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BASIS OF PREPARATION

The following Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Buffalo Coal Corp. (formerly known as Forbes & Manhattan Coal Corp.) and its subsidiaries ("we", "our", "us", "BC Corp", the "Company" or collectively the "Group") for the three and seven months ended September 30, 2014 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and seven months ended September 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 November 13, 2014 unless otherwise indicated. References to CYQ2 2014 and CYQ1 2014 mean the three and four months ended September 30, 2014 and June 30, 2014, respectively, 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:R10.0955 and amounts stated in US Dollars have been translated to South African Rands at US\$1: R11.264, unless otherwise stated.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

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OVERVIEW OF THE COMPANY

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

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

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 tons 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 tons of bituminous coal per month. One of the Company's two processing plants is located on the Magdalena property.

Aviemore is located four kilometers from the town of Dundee in KwaZulu-Natal and encompasses approximately 5,592 hectares. Aviemore consists of the Aviemore underground mine and has a mineable measured and indicated coal resource of 35.35 million tons of *in situ* coal with an estimated volume of 23.57 million cubic meters. The Aviemore underground mine has an estimated production capacity of 45,500 tons of anthracite per month.

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

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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 October 1, 2012														
Area	Seam	Resource Seam Width	Resource Classification	Seam Width	Volume	RD	Tonnage	Ash	Fixed Carbon	CV	Inherent moisture	Sulphur	Volatiles	Yield
		Cut-Off m	Category	m	Mm ³	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
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
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
Aviemoore														
Aviemoore 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:

- Coal Resources are inclusive of Coal Reserves.
- Coal Resources inclusive of tons mined since effective date.
- Tons and qualities have been rounded and this may result in minor adding discrepancies.
- 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.
- The coal qualities assays were determined on an air-dried moisture basis.
- A 15% geological loss has been applied to the Gross *in situ* tons.
- 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.
- A cut-off seam thickness of 0.8 m has been applied to the Gross *in situ* Coal Resource statements.
- The Coal Resources for the Magdalena and Aviemoore Areas are calculated on 1.7 t/m³ float density coal quality values and the Hilltop Coal Resources are calculated on Raw coal quality values.
- The coal density for all areas is 1.5 t/m³.
- The Hilltop data received from the Client did not include fixed carbon values.
- The mining right to Leeuw Mining & Exploration properties has been transferred to Zinoju.

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CONSOLIDATED OPERATIONAL AND FINANCIAL HIGHLIGHTS FOR THE THREE AND SEVEN MONTHS ENDED SEPTEMBER 30, 2014

The operational highlights and summarized financial results for CYQ2 2014 are presented below as compared to CYQ1 2014 and PYQ2 2014. The Group achieved run of mine ("ROM") production of 377kt, saleable production (excluding calcine) of 227kt and sales of 271kt in CYQ2 2014.

	7 months ended	6 months ended	3 months ended		4 months ended
	September 30, 2014	August 31, 2013	September 30, 2014	August 31, 2013	June 30, 2014
Operational results					
ROM (t)	868 060	893 750	377 266	446 284	490 794
- Aviemore (t)	276 012	262 531	118 989	124 146	157 023
- Magdalena (t)	592 048	631 219	258 277	322 138	333 771
Saleable production (excluding calcine) (t)	533 886	491 048	227 318	247 829	306 568
- Anthracite (t)	169 281	154 200	71 175	76 907	98 106
- Bituminous (t)	364 605	336 848	156 143	170 922	208 462
Yield on plant feed (excluding calcine) (%)	60.5%	57.3%	61.0%	55.1%	60.1%
Sales (t)	586 333	516 090	270 838	255 055	315 495
- Anthracite (t)	155 103	140 893	75 288	55 517	79 815
- Bituminous (t)	400 952	357 159	179 057	187 477	221 895
- Calcine (t)	30 278	18 038	16 493	12 061	13 785
Inventory tons	69 304	135 568	69 304	135 568	105 387

	7 months ended	6 months ended	3 months ended		4 months ended
	September 30, 2014	August 31, 2013	September 30, 2014	August 31, 2013	June 30, 2014
Financial results					
Revenue (R'millions)	408.6	364.8	188.5	179.7	220.2
EBITDA (R'millions) (*)	(9.2)	19.0	(10.2)	0.8	1.0
Average selling price per ton sold (R)	697	707	696	705	698
Cash cost of sales per ton (R)	646	597	665	640	630
Cash (utilized in)/ generated from operating activities (R'millions)	(29.96)	51.46	(19.71)	34.79	(10.25)
Cash (utilized in)/generated from investing activities (R'millions)	(56.16)	(34.62)	(56.82)	(26.47)	0.66
Cash generated from/(utilized in) financing activities (R'millions)	76.85	(23.19)	72.41	(11.66)	4.44
CAD:ZAR (average)	9.76	9.33	9.89	9.64	9.66
USD:ZAR (average)	10.66	9.60	10.76	10.00	10.59

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

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OVERVIEW OF THE PERIOD AND OUTLOOK FOR THE GROUP

Markets

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

Bituminous

The API 4 coal index was at US\$65.90 at the end of September 2014 and has remained around these levels to the date of this MD&A. 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 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. Anthracite supply contracts are typically structured at a negotiated price.

Export anthracite markets remained depressed during CYQ1 2014 which resulted in the building of stockpiles of certain anthracite products during this period, however in CYQ2 2014, the Group has entered into offtake contracts with export customers to sell these stockpiles.

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

Operational

Flooding incident at Magdalena Underground

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

The cash costs of the flooding incident are estimated at approximately R10,0 million to date, comprising mainly pumps, pipes, and repair costs of equipment. A process has been initiated with the Company's insurers and underwriters to recover all or a portion of these amounts.

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

Operational (continued)

Flooding incident at Magdalena Underground (continued)

The effect of the incident on Magdalena underground production is a loss of approximately one month's production across September and October 2014. September 2014 sales levels were largely maintained as a result of the sale of the existing stockpiles, but stockpiles have now been depleted and the Magdalena processing plant is now operating "hand to mouth". The impact of the production loss on revenues will therefore be felt in the coming months.

Fatality at Aviemore

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

A full investigation of the incident was undertaken by mine management, the Department of Mineral Resources ("DMR") and the Association of Mineworkers and Construction Union. A week's production was lost as a result of the incident.

Other

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

Cost cutting initiatives continue to be driven in all areas throughout the Group's business, particularly in the reduction of repairs and maintenance expenses as the new machines, acquired using the RCF funds (defined below), are brought into use.

Group Restructuring and Rebranding

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

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

Resource Capital Fund V L.P ("RCF") Loan Facilities

On July 3, 2014, after receiving shareholder approval at the special and annual general meeting held on June 27, 2014, BC Corp closed the final tranche of the US\$25,0 million convertible loan facility with RCF. The third and final tranche of US\$15,0 million is being advanced in tranches as per the amended and restated loan agreement with RCF ("Amended RCF Agreement"). Furthermore, the RCF bridge loan facility of US\$4,0 million ("Bridge Loan"), the original RCF convertible loan facility of US\$6,0 million ("Original RCF Convertible Loan") and the final tranche were rolled up into one facility ("RCF Convertible Loan"), which is convertible at a price of C\$0.1446 per common share of the Company ("Common Share") and matures on June 30, 2019.

There are two types of advances per the Amended RCF Agreement:

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

On July 4, 2014 the Company received the first scheduled advance of US\$4,4 million (approximately R47,0 million) from RCF which was advanced to BC Dundee as a shareholder loan. US\$1,2 million (approximately R12,9 million) was advanced back to the Company as a management fee. Of the remaining funds received by BC Dundee, R24,3 million was deposited into the Investec Bank Limited ("Investec") working capital facility and R9,8 million was paid into the Investec bullet facility, as per the terms of the amended and restated agreement with Investec ("Amended Investec Agreement"), refer below under *Restructured Investec Borrowings* in this section for further information.

In August 2014, the Company received the second tranche of the scheduled advances of US\$0,2 million (approximately R2,4 million) from RCF, which was advanced to BC Dundee. Subsequent to period-end, the Company received the third tranche of US\$0,05 million (approximately R0,5 million) from RCF which was advanced to BC Dundee.

During the period ended September 30, 2014, a total of US\$5,6 million (approximately R60,2 million) was advanced by RCF directly to equipment suppliers, on behalf of BC Dundee, for the acquisition of assets and equipment as specified in the Amended RCF Agreement. Subsequent to period-end, a further US\$0,1 million (approximately R1,1 million) was advanced by RCF directly to equipment suppliers on behalf of BC Dundee.

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

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

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

Restructured Investec Borrowings

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

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

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

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

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

TSX Delisting Review

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

South African Market

The labour climate in South Africa remains volatile, with a five-month union strike in the platinum industry, in early 2014, having been followed by another strike at certain of the platinum producers, and thereafter a month long union strike in the steel and engineering industries, which ended at the end of July 2014. The Group's negotiations with the unions were concluded amicably during CYQ2 2014.

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 followed the resignation of Mr. Thomas Quinn Roussel who stepped down as a director of the Company.

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

Change in Directors and Officers (continued)

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 operations 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.

In CYQ1 2014, the Group engaged with an independent consultant to conduct a full operational review of BC Dundee, which 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. At that time, the Company revised targeted production for the six months July to December 2014, taking into consideration geological conditions, and the introduction of the new capital items, as set out below. The flooding incident at Magdalena underground and the tragic fatality at Aviemore in September 2014 have had a significant impact on achieving the targeted production levels for September and October 2014, and a consequent impact on sales and cash flows.

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

General

- Introduction of final major capital items, utilizing the funding facility 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 170kt for the three months from October 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;

BUFFALO COAL CORP.

Management's Discussion and Analysis

For the three months ended September 30, 2014

STRATEGY AND FUTURE PLANS FOR DECEMBER 2014 FINANCIAL YEAR (continued)

Magdalena (continued)

- Generate pitroom for future mining expansion; and
- Estimated capital expenditure of R68,8 million including the introduction of capital items as referred to above for the remainder of the year.

Aviemore

- Achieve saleable production of 72kt for the three months from October to December 2014;
- Progress the exploration program and feasibility study for the expansion of Aviemore to a 1Mt per year producer ("Aviemore 2"); and
- Estimated capital expenditure of R2,5 million.

Wash plants

- Continue to 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 R6,1 million.

Expansion opportunities

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

OPERATIONAL RESULTS

The operational results are for the three month period ended September 30, 2014 compared to the three month period ended August 31, 2013.

ROM Production

Total ROM production for CYQ2 2014 was 377kt compared to 446kt produced in PYQ2 2014. The monthly average ROM production for CYQ2 2014 was 126kt compared to 149kt produced in PYQ2 2014, down by 15.5%.

ROM production from Magdalena operations, underground and opencast combined, for CYQ2 2014 was 258kt, compared to 322kt produced in PYQ2 2014. ROM production comprised 177kt from the underground operations and 81kt from the opencast as compared to 237kt and 85kt in PYQ2 2014, respectively. The monthly average ROM production from Magdalena for CYQ2 2014 was 86kt compared to 107kt produced in PYQ2 2014, down by 19.8%. The underground operations underperformed primarily as a result of the flooding incident which occurred at the mine in September 2014 (Refer to *Overview of the Period and Outlook for the Group* section for further detail).

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended September 30, 2014

OPERATIONAL RESULTS (continued)

ROM Production (continued)

ROM production from Aviemore for CYQ2 2014 was 119kt compared to 124kt produced in PYQ2 2014. The monthly average ROM production for CYQ2 2014 was 40kt compared to 41kt produced in PYQ2 2014, down by 4.2%. Aviemore continues to perform in line with historic and budgeted performance levels, however, production in September 2014 was down due to the fatality at the mine, which resulted in production being halted for a week. (Refer to *Overview of the Period and Outlook for the Group* section for further detail).

Saleable Production

Saleable coal production for CYQ2 2014 was 227kt (excluding calcine) compared to 248kt in PYQ2 2014. The monthly average saleable production for CYQ2 2014 was 76kt compared to 83kt produced in PYQ2 2014, down by 8.3% in line with a decrease in ROM production, offset by an improvement in yields. Saleable calcine product was 7kt for CYQ2 2014 compared to 11kt in PYQ2 2014, a 38.5% decrease from PYQ2 2014, due to continual problems with hotspots in the kiln which resulted in shut-downs during the period.

The total calculated yield from plant feed was 61% for CYQ2 2014, compared to 55% for PYQ2 2014. Density control and discard scales were installed to increase control over yields.

Sales

Total sales of bituminous coal and anthracite products for CYQ2 2014 were 271kt, a 6.2% increase compared to 255kt sold in PYQ2 2014. The monthly average sales for CYQ2 2014 were 90kt compared to 85kt in PYQ2 2014.

Bituminous sales for CYQ2 2014 were 179kt, of which 60.8% were export sales and 39.2% were domestic sales. This compares to 187kt sold in PYQ2 2014 of which 56.6% were export sales and 43.4% were domestic sales. The monthly average sales for CYQ2 2014 were 60kt compared to 62kt in PYQ2 2014, down by 4.5%.

Anthracite sales for CYQ2 2014 were 75kt, of which 56.4% were export sales and 43.6% were domestic sales. This compares to 56kt sold in PYQ2 2014 of which 24.8% were export sales and 75.2% were domestic sales. The monthly average sales for CYQ2 2014 were 25kt compared to 19kt in PYQ2 2014, up by 35.6%. As discussed above under the *Overview of the Period and Outlook for the Group* section, the Company entered into various contracts with export customers which increased anthracite export sales.

Logistics

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

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

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended September 30, 2014

OPERATIONAL RESULTS (continued)

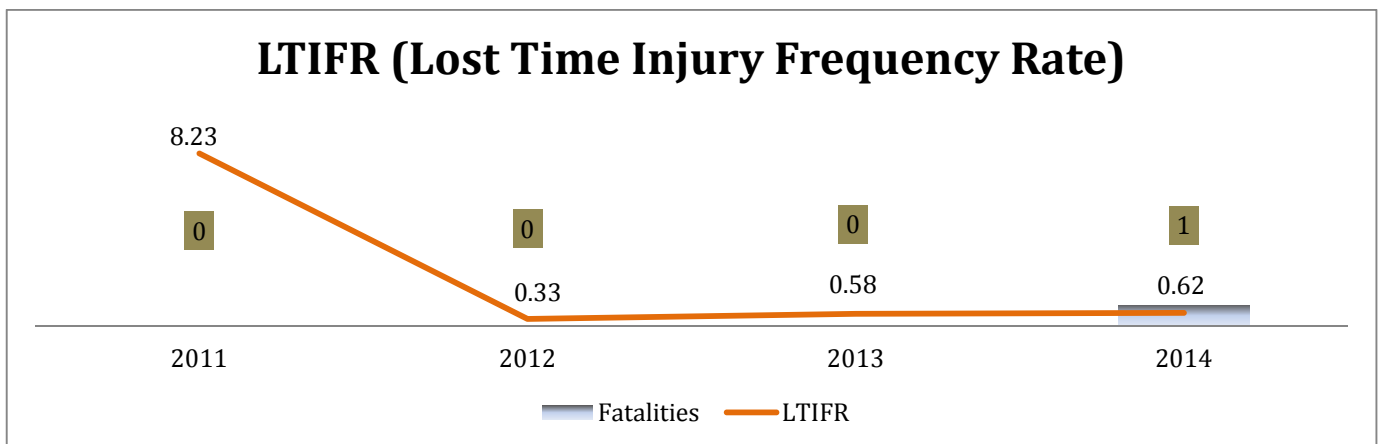
Health and Safety

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

Safety

The Group had gone more than seven years without a fatality, unfortunately, one fatal incident occurred during September 2014 (as further described above under *Overview of the Period and Outlook for the Group* section). There are pockets of excellence where Coalfields processing plant has achieved 1,240 days without a lost time injury ("LTI") and Magdalena opencast mine 1 200 days without an LTI.

The main challenge is at the underground operations: Avimore suffered a fatality in September 2014 and Magdalena underground where eight LTI's have occurred during the current year to date.



Occupational Health

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

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

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended September 30, 2014

OPERATIONAL RESULTS (continued)

Health and Safety (continued)

Occupational Health (continued)

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

Environmental Management

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

Minerals Royalty

All operations at BC Dundee are subject to South African law, including the Mineral and Petroleum Resources Royalty Act, 28 of 2008 ("Royalty Act"). In terms of the Royalty Act, all companies extracting minerals in South Africa are required to pay royalties at a rate of between 0.5% and 7% based on gross sales, less their allowable deductions, depending on the refined condition of the mineral resources. Coal is classified as an unrefined mineral and the percentage royalty payable is therefore calculated according to the following formula:

$$\% \text{ royalty payable} = 0.5 + [\text{Earnings before interest and tax}/(\text{Gross sales} \times 9)] \times 100$$

Social Development

A key component of the Company's strategy involves social development and enriching the local community, which is carried out through the activities of Zinoju.

The Company's human resource development includes:

- the Adult Basic Education and Training ("ABET") project which aims to improve the literacy of the workforce;
- a Maths and Science project whereby between 600-700 learners, at five centers within the district, are registered to receive lessons in mathematics and science. The Company employed 24 competent educators to provide these classes to the learners and as a result, various learners have received distinctions in their final exams;
- an engineering and mining learnership program; and
- bursaries to students in the engineering field.

The Company's local economic development projects include:

- advancement of Small, Medium and Micro-sized Enterprises ("SMMEs") within the local community including the development of a sewing centre, a block manufacturing venture, a grass mat business and various agricultural projects such as the development of a poultry farm;

BUFFALO COAL CORP.

Management's Discussion and Analysis

For the three months ended September 30, 2014

OPERATIONAL RESULTS (continued)

Social Development (continued)

- the construction of a crèche near the Magdalena mine; and
- the renovation of a primary school in the district.

FINANCIAL RESULTS

Revenue

Coal revenues during the three months ended September 30, 2014 were R188,5 million compared to R179,7 million for the three months ended August 31, 2013, an increase of 4.9% period over period. The average revenue per month was R62,8 million in CYQ2 2014 compared to R59,9 million in PYQ2 2014.

During the three months ended September 30, 2014, the Group's sales were 271kt compared to sales of 255kt for the three months ended August 31, 2013. The monthly average sales tons for CYQ2 2014 were 90kt compared to 85kt in PYQ2 2014.

Bituminous sales on average per month for CYQ2 2014 were R15,5 million for domestic (23kt per month) and R26,2 million for export (36kt per month), compared to an average per month of R17,2 million for domestic (27kt per month) and R24,3 million for export (35kt per month) in PYQ2 2014.

Anthracite sales (including calcine) on average per month for CYQ2 2014 were R15,0 million for domestic (16kt per month) and R6,1 million for export (14kt per month), compared to an average per month of R15,0 million for domestic (18kt per month) and R3,3 million for export (5kt per month) in PYQ2 2014.

Average selling prices for the three months ended September 30, 2014 were R696 per ton compared to an average selling price of R705 for the three months ended August 31, 2013.

Average revenue per month has increased marginally in CYQ2 2014 compared to PYQ2 2014 primarily due to an increase in sales tons during the period, offset by a slightly lower selling price per ton. Certain off-take contracts with export customers were restructured from a free on board to a free on rail price structure resulting in lower reported revenue per ton and lower related logistics costs. Export bituminous selling price, based on a lower API 4 coal price index as compared to the prior period, was offset by a weakening in the Rand during the period.

Cost of Sales

Cost of sales for the three months ended September 30, 2014 was R211,4 million (cash cost of sales of R665 per ton) compared to R186,2 million (cash cost of sales of R640 per ton) for the three months ended August 31, 2013. The average cost of sales per month in CYQ2 2014 was R70,5 million compared to R62,1 million in PYQ2 2014, 13.5% higher than the prior 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 have been experienced, particularly at Magdalena underground, where geological faults were encountered as well as poor roof conditions in one of the continuous miner sections.

BUFFALO COAL CORP.

Management's Discussion and Analysis

For the three months ended September 30, 2014

FINANCIAL RESULTS (continued)

Cost of Sales (continued)

The difficult geological conditions have resulted in additional mining costs which have offset the operational cost reduction initiatives. Furthermore, additional expenses were incurred during the period due to the ingress of water in Magdalena underground (Refer to *Overview of the Period and Outlook for the Group* section for further detail).

Salaries and wages for the three months ended September 30, 2014 amounted to R54,8 million (R202 per ton) compared to R49,8 million (R195 per ton) which was as a result of the increase in headcount from 938 in PYQ2 2014 to 994 in CYQ2 2014, as well as salary and wage increases. The Group's negotiations with the unions were concluded amicably during the period. The average salaries and wages per month was R18,3 million in CYQ2 2014 compared to R16,6 million in PYQ2 2014, an increase of 10.1%.

Depreciation and amortization for the three months ended September 30, 2014 amounted to R20,5 million (R76 per ton) compared to R22,9 million (R90 per ton) for the three months ended August 31, 2013. The average depreciation and amortization per month was R6,8 million in CYQ2 2014 compared to R7,6 million in PYQ2 2014, a decrease of 10.2%.

During the three months ended September 30, 2014 the Company recorded a write-down of inventory to net realizable value of R10,8 million compared to Rnil recorded for the three months ended August 31, 2013. Due to geological problems encountered at Magdalena Underground as well as the ingress of water which occurred during the period (Refer to *Overview of the Period and Outlook for the Group* section for further detail), the costs capitalized to inventory were higher.

General and administration expenses

The Company recorded expenses of R19,4 million during the three months ended September 30, 2014 compared to R19,9 million during the three months ended August 31, 2013. The average expense per month was R6,5 million in CYQ2 2014 compared to R6,6 million in PYQ2 2014, relatively flat period on period.

The expenses include general and administration expenses relating to BC Dundee's head office at Coalfields and the Company's corporate office in Johannesburg including Canadian expenses.

Of the R19,4 million incurred, R16,0 million originated from the South African offices, in both Dundee and Johannesburg, and R3,4 million related to Canadian expenses. The majority of the expenditure in the corporate office consists of payroll and TSX and JSE listing related costs.

Other Income/Expenses-net

During the three months ended September 30, 2014, the Group recorded net other expense totaling R21,8 million compared to net other income of R0,5 million for the three months ended August 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.

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended September 30, 2014

FINANCIAL RESULTS (continued)

Other Income/Expenses-net (continued)

During the period, the Group recorded a fair value adjustment loss of R15,5 million in relation to the valuation of the conversion option liability (RCF Convertible Loan) and the warrant liability (Investec warrants) at September 30, 2014. The RCF Convertible Loan was recognized in two parts, a component liability and a conversion option liability. An embedded derivative exists due to the convertible loan facility being denominated in US Dollars and the functional currency being Rands. The Bullet Facility and the warrants were treated as a compound financial instrument, as the Bullet Facility could effectively be settled through the issuance of the Company's Common Shares. Furthermore, an embedded derivative exists due to the warrants being denominated in Canadian Dollars and the functional currency of the Company being Rands. The Bullet Facility was recognized in two parts, a component liability and a warrant liability.

The Group recorded a net foreign currency exchange loss during the three months ended September 30, 2014 in the amount of R7,6 million compared to a nominal amount recorded for the three months ended August 31, 2013. The foreign exchange loss recorded for the three months ended September 30, 2014 was generated primarily from the revaluation of US Dollar denominated revenues and the RCF Convertible Loan.

Finance Costs/Income-net

The Group recorded net interest and accretion expense of R12,5 million during the three months ended September 30, 2014 compared to a net interest expense of R6,2 million for the three months ended August 31, 2013. The average expense per month was R4,2 million in CYQ2 2014 compared to R2,1 million in PYQ2 2014, an increase of 104%.

The Company incurred interest of R3,7 million during CYQ2 2014 on the Investec loan facilities and certain instalment sale agreements compared to R6,2 million in PYQ2 2014. The decrease in the interest expense is due to the restructuring of the Investec loan facilities (Refer to *Overview of the Period and Outlook for the Group* section for further detail). Interest and accretion on the RCF Convertible Loan was R9,0 million during CYQ2 2014 compared to Rnil in PYQ2 2014.

The Company generates interest income on cash balances held in financial institutions. The Company's restricted cash is invested in interest bearing accounts and any excess cash is invested in low risk liquid investments. The Company generated R0,3 million during CYQ2 2014 compared to R0,9 million in PYQ2 2014.

Taxation

The Company recorded income and other tax recovery of R6,2 million during the three months ended September 30, 2014 compared to an income tax expense of R23,0 million during the three months ended August 31, 2013. This amount includes R5,0 million in CYQ2 2014 compared to R7,2 million in PYQ2 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 R19,2 million was included in income tax expense in PYQ2 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.

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended September 30, 2014

FINANCIAL RESULTS (continued)

Net loss for the period

The net loss before income taxes for the three months ended September 30, 2014, was R76,3 million, compared to a net loss of R31,1 million for the three months ended August 31, 2013. Contributing to the net loss position for CYQ2 2014 were low tons produced due to the geological problems encountered as well as the two incidents (Refer to *Overview of the Period and Outlook for the Group* section for further detail), resultant low sales tons, an increase in interest expense relating to the RCF loan facilities and a fair value adjustment recorded relating to the valuation of the RCF conversion option liability and the Investec warrant liability.

Other comprehensive income items ("OCI")

The functional currency of BC Corp changed from Canadian Dollars to Rands. 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 three months ended September 30, 2014, RNil was recorded in OCI compared to R34,7 million for the three months ended August 31, 2013.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

	CYQ2 2014	CYQ1 2014	PYQ4 2014	PYQ3 2014	PYQ2 2014	PYQ1 2014	Q4 2013	Q3 2013
Revenue (R'000)	188 477	220 170	163 316	160 305	179 704	185 090	119 676	97 302
Cost of sales (excl depreciation and amortization) (R'000)	190 843	205 300	156 711	138 949	163 290	151 608	114 638	99 139
Depreciation and amortization (R'000)	20 527	37 602	25 940	21 071	22 862	30 553	13 018	17 614
EBITDA (R'000)*	(10 217)	979	(8 655)	9 056	809	18 177	(22 655)	(29 415)
Net loss for the period (R'000)	(70 080)	(38 113)	(203 021)	(23 506)	(54 190)	(182)	(29 558)	(43 193)
Net loss per share - Basic and Diluted	(1.41)	(0.97)	(5.65)	(0.67)	(1.55)	(0.01)	(0.86)	(1.25)
Cash (utilized in)/generated by operating activities (R'000)	(19 710)	(10 251)	(39 174)	(12 413)	34 794	16 666	(14 493)	(15 637)
Total ROM production (t)	377 266	490 794	308 880	359 557	446 284	447 466	364 145	246 002
Total sales tons (t) (excluding calcine)	270 838	315 495	223 174	216 138	255 055	261 035	168 913	146 559
Average selling price per ton sold (R)	696	698	732	742	705	709	709	664
Cash cost of sales per ton (R)	665	630	676	625	640	554	679	676
Total Assets (R'000)	804 859	763 863	836 928	1 027 458	1 073 738	1 060 837	1 068 315	1 096 105
Long-term borrowings (R'000)	352 023	188 471	149 944	141 771	105 263	115 789	127 120	138 801

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

BUFFALO COAL CORP.

Management's Discussion and Analysis

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SUMMARY OF QUARTERLY FINANCIAL RESULTS (continued)

The movement in total assets from PYQ4 2014 to CYQ2 2014 related mainly to the impairment of goodwill and certain intangible assets of R152,0 million recorded in PYQ4 2014. The increase in long-term borrowings is as a result of the RCF Convertible Loan of US\$20,2 million, (Refer to *Overview of the Period and Outlook for the Group* section for further detail).

FINANCIAL CONDITION REVIEW

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

	September 30, 2014 R'000	February 28, 2014 R'000
Property, plant and equipment and Intangible assets	607 323	586 727
Other long-term receivables	44 281	27 494
Cash and cash equivalents	5 311	14 583
Trade and other receivables	93 687	77 597
Other short term receivables	1 563	39 760
Inventories	40 559	73 376
Restricted cash	12 135	17 391
Total assets	804 859	836 928
Trade and other payables	171 903	170 161
Total borrowings	132 826	156 806
RCF loan facilities	219 197	99 439
Other liabilities	42 865	81 798
Total liabilities	566 791	508 204
Total equity	238 068	328 724

Assets

Total assets were R804,9 million at September 30, 2014 compared to R836,9 million at February 28, 2014, a decrease of 3.8%. 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. Property, plant and equipment and intangible assets increased by R20,6 million as a result of additional equipment purchased with the use of the RCF funds. (Refer to *Overview of the Period and Outlook for the Group* section for further detail on the RCF Convertible Loan). Inventories are down by R32,8 million from February 28, 2014, mainly due to lower production during the period as well as a R17,3 million write down of inventory to net realizable value as a result of the difficult geology and the ingress of water in Magdalena underground and the shut-down at Aviemore, due to the fatality in September 2014 (Refer to *Overview of the Period and Outlook for the Group* section for further detail). Other long-term receivables include deposits paid for additional plant and equipment to be acquired subsequent to period end using the RCF funds.

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended September 30, 2014

FINANCIAL CONDITION REVIEW (continued)

Liabilities

Total liabilities were R566,8 million at September 30, 2014 compared to R508,2 million at February 28, 2014, an increase of 11.5%. The most significant movement related to the closing of the final tranche of the RCF Convertible Loan (Refer to *Overview of the Period and Outlook for the Group* section for further detail). The Company has drawn down US\$10,2 million (R109,5 million) of the total US\$15,0 million facility to period end. The Investec borrowings decreased by R24,0 million from February 28, 2014 due to payments made against the working capital facility (R24,5 million) and the Bullet Facility (R9,75 million) using the funds received from RCF, offset by drawdowns from the working capital facility. Other liabilities decreased by R39,0 million due to a write-down of the asset retirement obligation as a result of adjusting certain underlying inputs in the calculation of the provision and a reduction in the net deferred tax liability, as a result of an increase in the assessed loss at BC Dundee.

Loans and Borrowings

At September 30, 2014, the Group had outstanding debt with Investec of R131,1 million and approximately R227,8 million outstanding on the RCF Convertible Loan. The Investec debt consists of R90,0 million outstanding on the term loan facility, R41,1 million on the Bullet Facility and R1,0 million outstanding on the working capital facility, of which there is up to R30,0 million available for drawdown. Refer to *Overview of the Period and Outlook for the Group* section for further detail regarding the terms of the Amended Investec Agreement.

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

The repayment schedule for the Investec loan facilities, the RCF Convertible Loan and trade and other payables, as of September 30, 2014, excluding the effect of the fair value of the conversion liability and warrant liability, is as follows:

	Not later than 1 year	Between 1 and 5 years	Greater than 5 years
At September 30, 2014			
Borrowings ¹	8 910 501	169 914 331	-
RCF loan facilities ²	-	227 755 522	-
Trade and other payables ³	126 946 398	-	-

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 *Overview of the Period and Outlook for the Group* section for further detail).

² The RCF Convertible Loan includes only the capital amount outstanding as of September 30, 2014. Interest is settled in Common Shares and has therefore been excluded. At RCF's option, interest shall be paid in cash provided that for as long as the Investec loan remains outstanding, RCF may demand payment of interest in cash, only to the extent that BC Corp has cash available to make such payment.

³ Trade and other payables exclude non-financial liabilities.

BUFFALO COAL CORP.

Management's Discussion and Analysis

For the three months ended September 30, 2014

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital surplus of R13,2 million as at September 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 and the settlement of the outstanding Grindrod take-or-pay penalty of R24,5 million, as well as the restructuring of the Investec facilities and the Bridge Loan being rolled into the RCF Convertible Loan, resulting in current liabilities moving into non-current liabilities.

The condensed consolidated statements of cash flows are summarized below:

	7 months ended September 30, 2014 R'000	6 months ended August 31, 2013 R'000
Net cash (utilized in)/generated from operating activities	(29 961)	51 460
Net cash utilized in investing activities	(56 160)	(34 617)
Net cash generated from/(utilized in) financing activities	76 849	(23 194)
Exchange losses on cash and cash equivalents	-	(1 820)
Change in cash and cash equivalents	(9 272)	(8 171)

Operating activities

Cash utilized in operating activities during the seven month period ended September 30, 2014 was R30,0 million compared to R51,5 million generated during the six month period ended August 31, 2013.

The net loss for the seven month period ended September 30, 2014 was R70,1 million compared to a net loss of R54,2 million for the six month period ended August 31, 2013 as discussed under the *Results of Operations* section of this MD&A. Non-cash items included in the net loss for seven month period were: depreciation and amortization of R58,2 million; losses on fair value adjustments on financial assets, conversion option liability and warrant liability of R14,7 million; write-down of inventory to net realizable value of R17,3 million and net foreign exchange losses of R6,1 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 R14,6 million for the period ended September 30, 2014, in comparison to a R46,4 million increase for the period ended August 31, 2013.

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

Investing activities

Investing activities utilized R56,2 million in cash during the seven months ended September 30, 2014 compared to cash of R34,6 million utilized in investing activities during the six months ended August 31, 2013.

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended September 30, 2014

LIQUIDITY AND CAPITAL RESOURCES (continued)

Investing activities (continued)

During the current seven month period, the Group received the settlement of the escrow funds with regards to the Riversdale Acquisition dispute of R29,3 million and spent R88,0 million on property, plant and equipment relating to sustaining capital and the purchase of additional equipment with the RCF funds (refer to *Financing Activities* below). Property, plant and equipment expenditure for the prior six month period was R30,0 million.

Financing activities

Financing activities generated R76,8 million in cash during the seven months period ended September 30, 2014 and utilized R23,2 million during the six month period ended August 31, 2013. During the current seven month period, the Group made net payments of R26,9 million against the Investec loan facilities and received approximately R109,5 million from RCF which was used to purchase additional equipment as well as make payments against the Investec loan facilities. During the prior six month period, the Company made payments towards the Investec loan facilities and instalment sale agreement facilities of R23,2 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:

	7 months ended September 30, 2014	6 months ended August 31, 2013
<i>Payments for services rendered</i>		
2227929 Ontario Inc. ¹	-	2 968 544
Forbes and Manhattan Inc. ²	-	1 897 948
RCF ³	3 170 305	-
Total	3 170 305	4 866 493

¹ The Company historically shared office space in Toronto, Canada with other companies which may have had officers or directors in common with BC Corp. The costs associated with this space, certain consulting, professional and general and administration services are administered by 2227929 Ontario Inc. These common directors and officers are no longer part of the Group and 2227929 Ontario Inc is not considered to be a related party, as defined, for the seven month period ended September 30, 2014.

² Mr. Stan Bharti, a former director of BC Corp, is the Executive Chairman of Forbes & Manhattan Inc. The Company previously had consulting agreements with Mr. Stan Bharti and Forbes & Manhattan Inc. which were terminated on May 1, 2013 and November 7, 2013 respectively. Forbes & Manhattan Inc. is no longer considered to be a related party, as defined, for the seven month period ended September 30, 2014.

BUFFALO COAL CORP.

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RELATED PARTY TRANSACTIONS (continued)

³ RCF is a related party to the Company as a result of owning more than 10% of the issued and outstanding Common Shares and having a representative, Mr. David Thomas on the Board of Directors of the Company. As set out in the Amended RCF Agreement, RCF has invoiced the Company for costs incurred relating to the facilities, which are disclosed above. In addition to these costs, the Company settled interest on the RCF Convertible Loan in Common Shares during the seven month period ended September 30, 2014 which amounted to R10,1 million.

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

	September 30, 2014	August 31, 2013
<i>Related party payables</i>		
2227929 Ontario Inc.	-	572 101
RCF	1 461 913	-
Total	1 461 913	572 101

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 were as follows:

	September 30, 2014	August 31, 2013
Short-term benefits	8 805 066	7 071 174
Share-based payments	307 785	2 259 482
Total	9 112 851	9 330 656

During CYQ2 2014, 375 000 share options were granted to directors of the Company, vesting over a three year period. The fair value of these share options was estimated to be R0,3 million using the Black-Scholes option pricing model.

As of September 30, 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 R1,6 million as of September 30, 2014 as compared to RNil as of August 31, 2013.

OTHER

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

BUFFALO COAL CORP.

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COMMITMENTS AND CONTINGENCIES

Management Contracts

The new management contracts, as discussed in the PY2014 annual consolidated financial statements, require that payments of approximately R12,6 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 recognized in the unaudited condensed interim financial statements is as follows:

	September 30, 2014	February 28, 2014	September 30, 2014
	R	R	C\$
Property, plant and equipment	74 277 666	8 271 945	7 357 502

Included in the R8,3 million disclosed in PY2014 was a commitment to purchase a mining right from Ikwezi. The agreement between BC Dundee, Zinoju and Ikwezi lapsed on June 30, 2014, as a result of not receiving regulatory consent from the Minister of Mineral Resources within the expected timelines (in terms of section 102 of the MPRDA). The parties are currently in discussion regarding the terms of a new agreement. Included in the R74,3 million disclosed as of September 30, 2014 are commitments relating to the purchase of machinery and equipment which will be funded by equipment advances from RCF and 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 continue to comply with such laws and regulations.

Outstanding Legal Proceedings

On August 29, 2014 the Company reached a settlement agreement with Sasfin Bank Limited ("Sasfin") with regards to Sasfin's claim for advisory fees in relation to the Riversdale Holdings Proprietary Limited acquisition agreement. The settlement agreement requires the Company to pay R2,1 million in two instalments, of which the first instalment of R1,0 million was paid in September 2014 and the second R1,1 million is payable in September 2015. This amount has been provided for as of September 30, 2014. Pursuant to the terms of the settlement agreement, such payment is in full and final settlement of all claims which either party may have against each other.

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COMMITMENTS AND CONTINGENCIES (continued)

Outstanding Legal Proceedings (continued)

An appeal was lodged in terms of section 96 of the MPRDA, by the Avemore Trust, challenging the DMR in relation to the grant of Mining Right 174 to Zinoju. Zinoju 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 in the area covered by Mining Right 174. The Group is taking various steps to mitigate any potential risks in relation to the appeal.

SUBSEQUENT EVENTS

Issuance of Share Capital

Subsequent to September 30, 2014, the Company issued additional shares to RCF in settlement of interest owing on the RCF Convertible Loan for the periods ending September 30, 2014 and October 31, 2014. An additional 1 725 791 and 1 846 153 Common Shares were issued at prices of C\$0.1308 and C\$0.1232, respectively.

Shares in Escrow

On July 20, 2010, the shareholders of the Company were issued 2 700 000 performance special warrants (the "Performance Special Warrants"). Each Performance Special Warrant was automatically exercised into one Common Share of the Company for no additional consideration immediately prior to the completion of the Nyah Resources Inc. acquisition, provided that such shares were deposited in escrow with an escrow agent (the "Escrowed Shares").

In November 2011, 50% of the Escrowed shares (the "First Tranche Escrowed Shares") were released as the target EBITDA of BC Dundee of US\$22,0 million was achieved. Subsequent to September 30, 2014, the remaining Escrowed Shares were cancelled, as BC Dundee had not achieved the target EBITDA of US\$35,0 million over a consecutive twelve month period within a three year-period following the release of the First Tranche Escrowed Shares.

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 and this MD&A.

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 September 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

BUFFALO COAL CORP.

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

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 updated 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 September 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 controls 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 unaudited condensed interim consolidated financial statements for the three and seven months ended September 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 unaudited condensed interim consolidated financial statements for the three and seven months ended September 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.

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NEW ACCOUNTING POLICIES (continued)

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 September 30, 2014 and February 28, 2014 were as follows:

Financial instruments	Loans and receivables	Fair value through profit or loss	At amortized cost	Total
September 30, 2014				
Trade and other receivables (excluding non-financial assets)	88 893 555	-	-	88 893 555
Investments in financial assets	-	27 659 100	-	27 659 100
Non-interest bearing receivables	1 562 479	-	-	1 562 479
Investec borrowings	-	-	(132 826 289)	(132 826 289)
RCF loan facilities	-	-	(219 196 664)	(219 196 664)
Trade and other payables (excluding non-financial liabilities)	-	-	(124 840 469)	(124 840 469)

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Management's Discussion and Analysis

For the three months ended September 30, 2014

FINANCIAL INSTRUMENTS (continued)

Financial instruments	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 September 30, 2014 and February 28, 2014 were as follows:

	September 30, 2014	February 28, 2014
Total borrowings	352 022 953	256 245 384
Less: cash and cash equivalents	5 311 382	14 582 999
Net debt	346 711 571	241 662 385
Total equity	238 068 270	328 723 841
Total capital	584 779 840	570 386 226
Gearing ratio	59%	42%

Included in total borrowings is the RCF Convertible Loan of US\$20,2 million (R227,8 million) (US\$10,0 million at February 28, 2014 (approximately R96.9 million)). The gearing ratio has increased due to the increase in borrowings relating to the RCF Convertible Loan, as well as a decrease in equity mainly as a result of the net loss incurred during the period. The Company is not subject to any externally imposed capital requirements with the exception of the Investec loan facilities and RCF Convertible Loan. There have been no significant changes in the risks, objectives, policies and procedures in the seven month period ended September 30, 2014.

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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 as from March 1, 2014 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.

At September 30, 2014, a 10% increase/(decrease) in the period average foreign exchange rate between the Canadian Dollar and the Company's functional currency, the Rand, would have increased/(decreased) the Group's profit or loss and equity by approximately R85,2 million (PYQ2 2014: R88,5 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 R24,3 million (PYQ2 2014: R15,6 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 R10,3 million (PYQ2 2014: R36,5 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 CY2014 and PY2014 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 R0,3 million per month (PY2014: R0,1 million per month).

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended September 30, 2014

FINANCIAL RISK FACTORS (continued)

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 R12,1 million was on deposit with First National Bank at September 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).

BUFFALO COAL CORP.

Management's Discussion and Analysis

For the three months ended September 30, 2014

FINANCIAL RISK FACTORS (continued)

	Level 1	Level 2	Level 3
	R	R	R
September 30, 2014			
Investment in financial assets	27 659 100	-	-
Conversion option liability	-	115 651 707	-
Warrant liability	-	25 828 609	-
February 28, 2014			
Investment in financial assets	23 586 748	-	-
Conversion option liability	-	7 828 422	-

GOING CONCERN

The unaudited condensed interim consolidated financial statements of the Group for the three and seven months ended September 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, the majority of which is being used 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. The Company suffered from two significant incidents during September 2014 which halted production at the Magdalena bituminous mine and Aviemore anthracite mine, for a period of time. The Company believes that, barring any further unforeseen incidents, the current steps the Company is and has taken (including the acquisition of new equipment, the restructuring of loss making contracts, the extension of the Magdalena opencast life of mine and continued discussions with Ikwezi regarding Alleen No.2) will enable it to operate profitably in the foreseeable future. The current uncertainties create significant doubt as to whether the various steps being taken will be completed as expected and whether or when the Company can attain profitability and positive cash flow from operations.

The mining industry in South Africa has been experiencing tense labour relation issues including labour disruptions. During fiscal year 2013, the Company experienced labour disruptions which negatively impacted its financial results. The Group's negotiations with the unions were concluded amicably during CYQ2 2014. 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 unaudited condensed interim consolidated financial statements of the Group then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used. Such adjustments could be material.

BUFFALO COAL CORP.

Management's Discussion and Analysis

For the three months ended September 30, 2014

OTHER RISKS AND UNCERTAINTIES

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

Additional Capital

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

Production Estimates

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

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

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

Price of Coal

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

BUFFALO COAL CORP.

Management's Discussion and Analysis

For the three months ended September 30, 2014

OTHER RISKS AND UNCERTAINTIES (continued)

Price of Coal (continued)

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

BUFFALO COAL CORP.

Management's Discussion and Analysis
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OTHER RISKS AND UNCERTAINTIES (continued)

Title to Mineral Holdings (continued)

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 51.8% 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 drawn down and the Investec warrants are exercised), at its sole discretion, which would result in RCF holding approximately 85.2% and Investec holding 8.5% 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 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 (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.

BUFFALO COAL CORP.

Management's Discussion and Analysis

For the three months ended September 30, 2014

OTHER RISKS AND UNCERTAINTIES (continued)

Litigation (continued)

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

South Africa Country Risks

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

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

The labour situation in South Africa is currently unstable across the mining industry, and in particular in the platinum industry, where strikes in early 2014 lasted around five months, followed by a month long strike in the metal and engineering sector. There is a risk that this instability extends into other sectors, including the coal sector. Wage negotiations for the current financial period have concluded amicably.

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% HDSA ownership objective and compliance with the requirements of the Mining Charter. There is also no guarantee that the interests of the Company will be wholly aligned with the interests of its (direct or indirect) BEE shareholders.

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.

BUFFALO COAL CORP.

Management's Discussion and Analysis

For the three months ended September 30, 2014

OTHER RISKS AND UNCERTAINTIES (continued)

Labour and Employment Matters (continued)

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.

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 substations 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.

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended September 30, 2014

OTHER RISKS AND UNCERTAINTIES (continued)

Dependence on Outside Parties

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

Exploration and Development

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

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

Foreign Mining Tax Regimes

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

Insurance and Uninsured Risks

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

BUFFALO COAL CORP.

Management's Discussion and Analysis

For the three months ended September 30, 2014

OTHER RISKS AND UNCERTAINTIES (continued)

Insurance and Uninsured Risks (continued)

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 relative to the US Dollar and the Canadian Dollar and other currencies could materially and adversely affect the Company's profitability, results of operation and financial position.

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

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

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

BUFFALO COAL CORP.

Management's Discussion and Analysis

For the three months ended September 30, 2014

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.

	September 30, 2014 R'000	February 28, 2014 R'000
Current assets		
Cash and cash equivalents	5 311	14 583
Accounts and other receivables	93 687	77 597
Inventories	40 559	73 376
Interest bearing receivables	-	29 140
Non-Interest bearing receivables	1 562	1 504
Taxation receivable	-	9 115
	141 119	205 315
Current liabilities		
Trade and other payables (excluding provisions)	126 946	157 427
Current portion of borrowings	1 001	65 578
Convertible loan	-	40 723
	127 947	263 728
Net working capital	13 172	(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.

BUFFALO COAL CORP.

Management's Discussion and Analysis

For the three months ended September 30, 2014

NON-IFRS PERFORMANCE MEASURES (continued)

The reconciliation of operating loss to EBITDA is as follows:

ZAR'000	7 months ended	6 months ended	3 months ended		4 months ended
	September 30, 2014	August 31, 2013	September 30, 2014	August 31, 2013	June 30, 2014
Operating loss for the period	(104 365)	(36 442)	(64 076)	(25 840)	(40 289)
Depreciation and Amortization	58 233	53 415	20 572	22 858	37 661
Impairment of receivables	(1 459)	-	(562)	-	(897)
Write-down of inventory to net realizable value	17 278	-	10 812	-	6 467
Fair Value adjustments of financial assets and conversion option	14 668	(1 608)	15 118	170	(450)
Stock-based compensation	308	3 621	308	3 621	-
Foreign exchange gains & losses	6 099	-	7 611	-	(1 513)
EBITDA	(9 238)	18 986	(10 217)	809	979

Headline earnings/(loss) per share

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

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

	7 months ended	6 months ended	3 months ended	3 months ended
	September 30, 2014	August 31, 2013	September 30, 2014	August 31, 2013
Loss for the period	(108 192 849)	(54 371 998)	(70 079 750)	(54 189 685)
Net profit on disposal of property, plant and equipment	150 000	-	-	-
Headline loss for the period	(108 042 849)	(54 371 998)	(70 079 750)	(54 189 685)
Headline loss per share - basic and diluted	(2.47)	(1.56)	(1.41)	(1.55)

BUFFALO COAL CORP.

Management's Discussion and Analysis

For the three months ended September 30, 2014

NON-IFRS PERFORMANCE MEASURES (continued)**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 August 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 September 30, 2014 financial results and financial position were translated into Canadian Dollars using a convenience rate translation at the rate of C\$1:R10.0955, which is the exchange rate published on Oanda.com as of September 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.

	7 months ended September 30, 2014 R	6 months ended August 31, 2013 R	7 months ended September 30, 2014 C\$	6 months ended August 31, 2013 C\$
Revenue	408 647 023	364 793 372	40 478 136	39 157 781
Cost of sales	(454 273 114)	(368 312 563)	(44 997 585)	(39 502 359)
EBITDA	(9 238 484)	18 985 575	(915 109)	84 453
Net loss before tax	(126 945 063)	(46 241 953)	(12 574 421)	(4 904 912)
Net loss per share - basic and diluted	(2.47)	(1.56)	(0.24)	(0.17)

	September 30, 2014 R	February 28, 2014 R	September 30, 2014 C\$	February 28, 2014 C\$
Non-current assets	651 603 893	614 221 356	64 543 993	63 387 791
Trade and other receivables	93 687 356	77 597 078	9 280 111	8 008 037
Inventories	40 559 487	73 376 235	4 017 581	7 572 445
Cash and cash equivalents	5 311 382	14 582 999	526 114	1 504 969
Other current assets	13 697 278	57 150 535	1 356 771	5 897 949
Total assets	804 859 396	836 928 203	79 724 570	86 371 191
Equity	238 068 270	328 723 841	23 581 623	33 924 380
Borrowings	132 826 289	156 806 371	13 156 980	16 182 455
RCF loan facilities	219 196 664	99 439 013	21 712 314	10 262 130
Trade and other payables	171 903 450	170 161 406	17 027 730	17 560 697
Other non-current liabilities	40 200 514	79 133 363	3 982 023	8 166 582
Other current liabilities	2 664 209	2 664 209	263 899.70	274 947
Total liabilities	566 791 126	508 204 362	56 142 947	52 446 811

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended September 30, 2014

SUMMARY OF SECURITIES AS AT NOVEMBER 13, 2014

As at November 13, 2014 the following Common Shares, Common Share purchase options and share purchase warrants were issued and outstanding:

- 54 288 294 Common Shares;
- 2,566,250 Common Share purchase options with exercise prices ranging from \$0.11-\$4.10 with a weighted average remaining contractual life of 2.53 years.
- 34 817 237 warrants with a strike price of C\$0.1446 maturing on July 3, 2019.

LIST OF DIRECTORS AND OFFICERS

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

November 13, 2014