



BUFFALO COAL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2015
(Presented in South African Rands)

BUFFALO COAL CORP.

Management's Discussion and Analysis

For the three months ended March 31, 2015

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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. and its subsidiaries ("we", "our", "us", "BC Corp", the "Company" or collectively the "Group") for the three months ended March 31, 2015 and should be read in conjunction with the audited annual consolidated financial statements for the years ended December 31, 2014 and February 28, 2014 and the unaudited and condensed interim consolidated financial statements for the period ended March 31, 2015. The condensed interim consolidated financial statements ("Interim Results") 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.

This MD&A reports our activities through May 14, 2015 unless otherwise indicated. References to CYQ1 2015 mean the three months ended March 31, 2015. References to CY2014 and PY2014 mean the financial years ended December 31, 2014 and February 28, 2014, respectively. References to CYQ3 2014, CYQ2 2014 and CYQ1 2014 mean the three, three and four months ended December 31, 2014, September 30, 2014 and June 30, 2014, respectively and references to PYQ4 2014 mean the three months ended February 28, 2014. A reference to CY2015 means the future year ending December 31, 2015.

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

Unless otherwise noted all amounts are recorded in South African Rands ("R" or "Rands"). References to "C\$" mean Canadian Dollars and to "US\$" mean United States Dollars. Amounts stated in Canadian Dollars or US Dollars are translated at the date of transaction, unless otherwise stated. These other amounts stated in Canadian Dollars were translated at C\$1:R9.5631 and amounts in US Dollars were translated at US\$1:R12.0907.

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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.

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

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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 ("BC Dundee"), a South African company, with an interest in coal mines in South Africa ("BC Dundee Properties"). The BC Dundee Properties comprise the operating Magdalena bituminous mine ("Magdalena") and the Aviemore anthracite mine ("Aviemore"). BC Dundee's Magdalena opencast operation reached the end of its life during CYQ1 2015 and the Group is now engaged only in underground coal mining.

BC Dundee indirectly holds a 70% interest in the BC Dundee Properties through its 70% interest in Zinoju Coal Proprietary Limited ("Zinoju"), which holds all of the mineral rights with respect to the BC Dundee Properties. The remaining 30% interest in Zinoju is held by South African Black Economic Empowerment ("BEE") partners. BEE is a statutory initiative on behalf of the South African government, enacted to increase access by historically disadvantaged South Africans ("HDSA") to the South African economy by increasing HDSA ownership in South African enterprises.

Magdalena is located 22 kilometers from the town of Dundee in KwaZulu-Natal, South Africa and encompasses approximately 1 844 hectares. As reported in the National Instrument 43-101 report as at October 1, 2012, Magdalena, which until CYQ1 2015 consisted of the Magdalena underground mine and the Magdalena opencast operation, had a mineable coal resource, all in the measured resource category, of an estimated 50.29 million tons of *in situ* coal with an estimated volume of 33.52 million cubic meters. From October 1, 2012 to March 31, 2015, 2.6 million tons of run of mine was extracted from Magdalena at an average extraction rate of 50%.

The Magdalena opencast operation (which was depleted in March 2015) and Magdalena underground mine have an estimated total production capacity of 100 000 tons of bituminous coal per month. Additional sections have been introduced into the underground mine to maintain this capacity with the opencast operation having closed. One of the Company's two processing plants is located on the Magdalena property.

Aviemore is located four kilometers from the town of Dundee in KwaZulu-Natal and encompasses approximately 5 592 hectares. As reported in the National Instrument 43-101 report as at October 1, 2012, Aviemore consists of the Aviemore underground mine and had a mineable measured and indicated coal resource of 35.35 million tons of *in situ* coal with an estimated volume of 23.57 million cubic meters. From October 1, 2012 to March 31, 2015, 1.1 million tons of run of mine was extracted from Aviemore at an average extraction rate of 55%. The Aviemore underground mine has an estimated production capacity of 45 500 tons of anthracite per month.

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

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BC CORP RESOURCES

Below is an extract of the National Instrument 43-101 Resource and Reserve statement dated October 1, 2012 as disseminated on SEDAR. Mr SP Müller B.Eng (Mining), M.Eng (Project Management), Pr.Eng, SAIMM, a qualified person as defined in National Instrument 43-101 has read and approved the scientific and technical information included in this table. The table sets forth the mineable coal resource estimate for the BC Dundee Properties.

Mineable Coal Resources for the BC Dundee Operations as at October 1, 2012														
Area	Seam	Resource Seam Width	Resource Classification	Seam Width	Volume	RD	Tonnage	Ash	Fixed Carbon	CV	Inherent moisture	Sulphur	Volatiles	Yield
		Cut-Off m	Category	m	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														
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
Avimore														
Avi more 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
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														
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
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 are inclusive of tons mined since the 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 Avi more 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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BC CORP RESOURCES (continued)

The following table depicts the amount of coal mined since the date of the previous National Instrument 43-101 Resource and Reserve statement dated October 1, 2012. The information in this table was read and approved by Mr SP Müller.

From October 1, 2012 to March 31, 2015, the following run of mine ("ROM") was extracted ⁽¹⁾:

- Magdalena opencast (t): 689 377
- Magdalena underground (t): 1 945 262
- Aviemore (t): 1 099 768

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

CONSOLIDATED OPERATIONAL AND FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2015

The operational highlights and summarized financial results for CYQ1 2015 are presented below as compared to PYQ4 2014 and CYQ3 2014. The Group achieved ROM production of 473kt, saleable production (excluding calcine) of 237kt and sales of 245kt in CYQ1 2015.

	3 months ended		
	March 31, 2015	February 28, 2014	December 31, 2014
Operational results			
ROM (t)	472 842	308 880	366 066
- Aviemore (t)	119 231	101 509	110 647
- Magdalena (t)	353 611	207 371	255 419
Saleable production (excluding calcine) (t)	236 941	184 858	210 097
- Anthracite (t)	72 806	59 751	64 459
- Bituminous (t)	164 135	125 107	145 638
Yield on plant feed (excluding calcine) (%)	51.9%	62.1%	58.8%
Sales (t)	245 058	223 174	258 177
- Anthracite (t)	68 187	97 351	114 426
- Bituminous (t)	165 681	116 580	133 363
- Calcine (t)	11 190	9 243	10 388
Inventory tons	40 102	115 966	41 984

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CONSOLIDATED OPERATIONAL AND FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2015 (continued)

Financial results	3 months ended		
	March 31, 2015	February 28, 2014	December 31, 2014
Revenue (R'millions)	164.7	163.3	185.2
EBITDA (R'millions) (*)	(19.9)	(11.9)	3.1
Average selling price per ton sold (R)	672	732	717
Cash cost of sales per ton (R)	666	702	636
Cash generated from/ (utilized in) operating activities (R'millions)	2.2	(35.6)	5.3
Cash utilized in investing activities (R'millions)	(19.2)	(12.6)	(57.6)
Cash generated from financing activities (R'millions)	57.5	48.4	59.1
CAD:ZAR (average)	9.48	9.87	9.88
USD:ZAR (average)	11.74	10.74	11.22

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

OVERVIEW OF THE PERIOD AND OUTLOOK FOR THE GROUP

Markets

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

Bituminous

The API 4 coal index was at US\$61.0 per ton at the end of March 2015 and has increased to around US\$63.0 per ton as of May 12, 2015. Over the past year, approximately 20% of the Group's sales have comprised export bituminous sales which have been priced against the API 4 coal price index. The Group significantly mitigated its exposure to this index based risk through the restructuring of one of its major bituminous export contracts to a fixed price contract during PY2014, however, there still remains a risk on future export sales to current and new potential customers. The short- to medium-term outlook for the API 4 coal price index still remains in backwardation.

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

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.

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

Markets (continued)

Anthracite (continued)

Export anthracite markets have picked up slightly over the past few months with the Group entering into an agreement with a major export customer in CYQ1 2015 for the sale of anthracite duff. Negotiations are still in progress with another customer for a further contract for the shipment of anthracite nuts in the near future.

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

Restructuring of Business

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

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

- The effective closure of the entire Canadian head office and the termination of service contracts with a large number of senior management staff in both Canada and Johannesburg resulting in net savings of approximately R15,0 million per annum.
- Raising a total of approximately R334,6 million from Resource Capital Fund V L.P. ("RCF"), to support the Group's working capital requirements and to implement a capital expenditure program to replace old and unreliable equipment.
- Restructuring of BC Dundee's debt facilities with Investec Bank Limited ("Investec") to provide cash relief to BC Dundee in terms of servicing and covenant reporting requirements until December 2015.
- An attempt to move Magdalena underground onto full calendar operations, in order to increase production levels to support the high fixed cost base. In March 2015 there was a change back from the three shift system to two 10 hour shifts, which will increase production and equipment maintenance time.
- Ongoing cost cutting initiatives implemented in all aspects of the Group over the past two years as markets have deteriorated.
- The appointment by Zinoju of STA Coal Mining Proprietary Limited ("STA"), a contract mining company, to increase volumes at Magdalena underground at a fixed rate per ton, to assist in sustaining the Group's production and sales levels and contribute towards the overall fixed costs. BC Dundee does not currently have the ability to fund the capital requirements for additional mining sections.

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

Operational (continued)

Restructuring of Business (continued)

Despite these considerable efforts, the Group remained in severe financial difficulty which necessitated a further restructuring, including dismissals in terms of Section 189A of the South African Labour Relations Act, No 66 of 1995 ("LRA"), in order to ensure the continuation of employment for the majority of its staff whilst enabling the sustainability of the business. The total cost of the restructuring was estimated at R13,7 million and was fully provided for at December 31, 2014. The restructuring was concluded in March 2015 resulting in an approximate 25% reduction in the labour complement.

Refer to Legal proceedings below with regards to the application brought by the Association of Mineworkers and Construction Union ("AMCU") against BC Dundee and Zinoju.

Other

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

RCF Loan Facilities

On March 27, 2015, BC Corp entered into a second amended and restated agreement with RCF ("Second Amended RCF Agreement") to secure an additional US\$4,0 million loan facility. Under the terms set out in the Second Amended RCF Agreement, the US\$4,0 million will be advanced as a bridge loan ("2015 Bridge Loan") and, subject to receiving regulatory and shareholder approvals as required (the "Approval"), will roll over into the US\$25,0 million loan facility ("Existing RCF Convertible Loan"), under the same terms and conditions, except for the proposed amendments to the interest rate and conversion price on the full US\$29,0 million facility ("RCF Convertible Loan").

The 2015 Bridge Loan proceeds will be used for general working capital and to implement the restructuring process at BC Dundee, as announced on March 11, 2015. The 2015 Bridge Loan bears interest at a rate of 15% per annum, payable on the maturity date which is the earlier of the date on which the Approval is received or June 30, 2015. Subject to receipt of the Approval, interest will be payable in common shares of the Company ("Common Shares") at a price per share equal to the 20-day volume weighted average price ("VWAP") as at the date the payment is due. No establishment fees were incurred on the 2015 Bridge Loan. If the approval is not received by June 30, 2015, the 2015 Bridge Loan and all accrued but unpaid interest due to RCF will be immediately due and payable in cash.

Subject to receipt of the Approval, the interest rate on the RCF Convertible Loan will be increased to 15% per annum and the conversion price will be decreased to C\$0.0469, a 25% discount to the 5-day VWAP as at January 30, 2015.

As of March 31, 2015, the Company was fully drawn on the Existing RCF Convertible Loan (R302,3 million) pursuant to the terms of the Existing RCF Convertible Loan and had drawn US\$2,7 million (R32,3 million) from the 2015 Bridge Loan. As of March 31, 2015, the Company had US\$1,3 million available for drawdown on the 2015 Bridge Loan.

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

Legal proceedings

As mentioned above, AMCU brought an application against BC Dundee and Zinoju in the Labour Court of South Africa pertaining to the Section 189A restructuring process. The matter was heard in Court on April 14, 2015. On April 24, 2015, the LRA dismissed the application brought by AMCU with costs. An application for leave to appeal was lodged by AMCU on April 29, 2015, which has been opposed by BC Dundee and Zinoju.

On April 10, 2015, BC Dundee received notice that AMCU had referred a dispute to the Commission for Conciliation, Mediation and Arbitration ("CCMA") in respect of the S189A restructuring process, which has been set down for hearing on May 18, 2015.

On April 20, 2015, the trustees of the Avemore Trust brought an application in the High Court of South Africa against, among others, the South African Minister of Mineral Resources ("the Minister"), BC Dundee and Zinoju. In terms of the application, the trustees of the Avemore Trust challenged the decision by the Minister, subsequent to an internal appeal process concluded during September 2014, to grant a converted mining right to BC Dundee and to grant consent for the cession of the converted mining right to Zinoju. BC Dundee and Zinoju intend to oppose the application.

STRATEGY AND FUTURE PLANS FOR THE DECEMBER 2015 FINANCIAL YEAR

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

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

The Group will continue to pursue attractive expansion opportunities where it is believed that such opportunities will be synergistic and value enhancing to the existing business, while not removing the focus on the existing Dundee operations. In particular, the Magdalena opencast reserve has reached the end of its life of mine during CYQ1 2015, and the Company continues to seek replacement tonnages in the area.

The Company's key strategic goals for the year ending December 31, 2015 are summarized below:

General

- Finalize the restructuring process in order to create and sustain a reduced cost base, and a return to profitability and positive cash generation;
- Focus on achieving production targets through forward planning and improvement of operational efficiencies;
- Continued focus on cost containment at both an operational and corporate level;
- Explore opportunities to increase revenue;
- Explore new market opportunities for the anthracite product;

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

General (continued)

- Increase rail and port allocation to further gain exposure to seaborne bituminous and anthracite export markets, where feasible and profitable; and
- Increasing the awareness of safety to reduce the number of lost time injuries ("LTI").

Magdalena

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

Aviemore

- Achieve saleable production of 335kt;
- Progress the exploration program and feasibility study for the expansion of Aviemore to a 1Mt per year producer; and
- Estimated stay in business capital expenditure of R12 million for CY2015.

Wash plants

- Improve wash plant recovery rates from current levels by improving efficiencies of the wash plant and reducing contamination at source;
- Investigate product upgrade potential; and
- Estimated stay in business capital expenditure of R6 million for CY2015.

Expansion opportunities

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

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

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OPERATIONAL RESULTS

The operational results are for the three month period ended March 31, 2015 compared to the three month period ending February 28, 2014.

ROM Production

Total ROM production for CYQ1 2015 was 473kt compared to 309kt produced in PYQ4 2014, an increase of 53.1%.

ROM production from Magdalena operations, underground and opencast combined, for CYQ1 2015 was 354kt, compared to 207kt produced in PYQ4 2014, an increase of 71.0%. ROM production comprised 280kt from the underground operations and 74kt from the opencast as compared to 137kt and 70kt in PYQ4 2014, respectively. The increase in tons is as a result of additional tons mined from STA during CYQ1 2015. (Refer to *Overview of the Period and Outlook for the Group* section for further detail).

ROM production from Aviemore for CYQ1 2015 was 119kt compared to 102kt produced in PYQ4 2014, an increase of 16.7%. Aviemore continues to perform in line with historic and budgeted performance levels.

Saleable Production

Saleable coal production for CYQ1 2015 was 237kt (excluding calcine) compared to 185kt in PYQ4 2014, an increase of 28.1%, in line with the increase in ROM production, offset by a decline in the yields. Saleable calcine product was 8.5kt for CYQ1 2015 compared to 10.2kt in PYQ4 2014, a 16.7% decrease from PYQ4 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 52% for CYQ1 2015, compared to 62.0% for PYQ4 2014. Towards the end of CY2014 and continuing into CYQ1 2015, the yields at Magdalena wash plant have deteriorated due to the following:

As noted in the past, approximately 30cm of roof is typically cut which results in some contamination. However, the majority of our sections were operating in a low seam condition over the reporting period, thus resulting in higher roof contamination. To counteract this effect, the Company installed a scalping screen on the ROM feed into the plant to remove excess shale arising from roof slabs prior to their passing through the crushing plant. This has resulted in oversized pieces of coal also being removed from the wash plant feed and this material has been stocked separately, accordingly impacting the yield calculation. This currently oversized ROM coal will be recovered by re-screening and should accordingly reflect in a return to a more usual yield in time.

The yield calculation has also been impacted in the reporting period by an accumulation of coal around the ROM and product stockpile base area which needs to be reclaimed.

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended March 31, 2015

OPERATIONAL RESULTS (continued)

Sales

Total sales of bituminous coal and anthracite products for CYQ1 2015 were 245kt compared to 223kt sold in PYQ4 2014 an increase of 9.9%.

Bituminous sales for CYQ1 2015 were 166kt, of which 65% were export sales and 35% were domestic sales. This compares to 117kt sold in PYQ4 2014 of which 47% were export sales and 53% were domestic sales. Bituminous sales increased in comparison to the prior year period due to an increase in production and due to the fact that sales are typically slower in December and January in comparison to other months of the year.

Anthracite sales for CYQ1 2015 were 68kt, of which 61% were export sales and 39% were domestic sales. This compares to 97kt sold in PYQ4 2014 of which 75% were export sales and 25% were domestic sales. Anthracite sales were higher in PYQ4 2014 due to the sale of the accumulated anthracite stockpile to a certain customer during that period.

Logistics

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

Health and Safety

The Company runs an integrated Safety, Health and Environment ("SHE") management system and fully supports the co-existence of safety, occupational health and the environment within which the Company operates, in order to ensure compliance and achieve zero harm. The Company values the contribution of a safe and healthy workforce into its overall productivity and believes that an incident and injury free workplace is possible. The Company embarks on various training and development initiatives and related ventures in order to improve individual outlook on safety, health and the environment. As of March 31, 2015, the Company employs more than 1 000 employees, including contractors. The Company used the OHSAS18001 framework to establish its integrated SHE management system as well as minimum standards.

Safety

The Group had gone more than seven years without a fatality, however, unfortunately, one fatal incident occurred during September 2014. There have been continued pockets of excellence where Coalfields processing plant has achieved 1 430 days without an LTI and Magdalena opencast mine 1 390 days without an LTI.

The main challenge is at the underground operations: Aviemore suffered a fatality in September 2014 and Magdalena underground where nine LTIs occurred during CY2014, and two LTIs have occurred during CYQ1 2015.

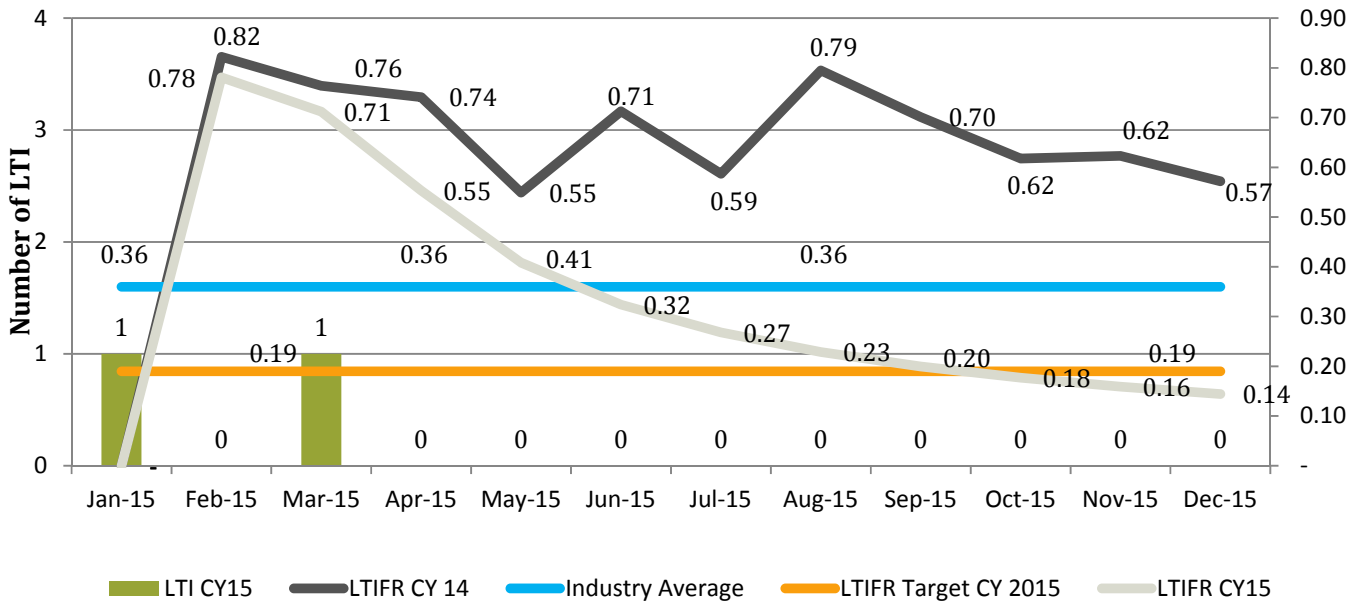
BUFFALO COAL CORP.

Management’s Discussion and Analysis
 For the three months ended March 31, 2015

OPERATIONAL RESULTS (continued)

Health and Safety (continued)

LTIFR and LTI Graph - Buffalo Coal Dundee



Occupational Health

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

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

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

Environmental Management

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

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended March 31, 2015

OPERATIONAL RESULTS (continued)

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 the enrichment of the local communities, which is carried out through the Company's Social and Labour Plans. The development of people, both employees and local community, is the fundamental principle in the business strategy. The Company provides opportunities and resources for the employees to be fully developed in job disciplines that form part of the occupational structures of the Company.

The Company's human resource development includes:

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

The Company's local economic development projects include:

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

BUFFALO COAL CORP.

Management's Discussion and Analysis
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FINANCIAL RESULTS

Revenue

Coal revenues earned during CYQ1 2015 were R164,7 million compared to R163,3 million earned during PYQ4 2014 an increase of 0.9%. During CYQ1 2015, the Group's sales were 245kt compared to sales of 223kt for PYQ4 2014, an increase of 9.8%.

Bituminous sales for CYQ1 2015 were R38,2 million for domestic (57kt) and R69,9 million for export (108kt), compared to R38,9 million for domestic (62kt) and R79,3 million for export (55kt) in PYQ4 2014.

Anthracite sales (including calcine) for CYQ1 2015 were R21,8 million for domestic (27kt) and R20,1 million for export (41kt), compared to R17,4 million for domestic (24kt) and R45,0 million for export (73kt) in PYQ4 2014.

Average selling prices for CYQ1 2015 were R672 per ton compared to an average selling price of R732 per ton for PYQ4 2014.

Revenue has increased marginally in CYQ1 2015 compared to PYQ4 2014 primarily due to a relative increase in sales tons during CY2015, offset by a lower selling price per ton on export products. Certain off-take contracts with export customers were restructured from a free on board to a free on rail price structure resulting in lower reported revenue per ton and lower related logistics costs in late PY2014. The export bituminous selling price, based on a lower API 4 coal price index as compared to the prior year period, was offset by a weakening in the Rand during the current period.

Cost of Sales

Cost of sales for CYQ1 2015 was R181,4 million (cash cost of sales of R666 per ton sold) compared to R182,7 million (cash cost of sales of R702 per ton sold) for PYQ4 2014, a minimal decrease period on period. Cost of sales includes mining and processing costs, salaries and wages, depreciation and amortization, transportation, railage, port handling and wharfage costs.

There was slight a decrease in costs as compared to the prior period which is as a result of cost cutting initiatives. However, due to the difficult mining conditions, particularly at Magdalena underground, where geological faults were encountered as well as poor roof conditions in one of the continuous miner sections, these costs have not decreased sufficiently.

Salaries and wages for CYQ1 2015 amounted to R56,0 million (R228 per ton sold) compared to R47,2 million for PYQ4 2014 (R212 per ton sold), an increase of 18.6% which was mainly as a result of an increase in wages which was concluded with the unions in CYQ2 2014 as well as staff costs for the Johannesburg head office, the majority of which were previously recorded as consultancy costs.

Depreciation and amortization for CYQ1 2015 amounted to R18,3 million (R75 per ton sold) compared to R26,3 million (R118 per ton sold) for PYQ4 2014, a decrease of 29.7%. The decrease is mainly due to a majority of the fair value adjustments on the acquisition of BC Dundee being fully depreciated during the first half of CY2014 and due to a significant portion of these fair value adjustments being impaired at CY2014.

BUFFALO COAL CORP.

Management's Discussion and Analysis
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FINANCIAL RESULTS (continued)

Cost of Sales (continued)

During CYQ1 2015, railage, handling and wharfage expense amounted to R12,7 million (R85 per export ton sold) compared to R21,2 million (R166 per export ton sold). In February 2014, the Group restructured certain contracts with export customers from a free on board to free on rail contract which reduced the expense significantly. Furthermore, the contract with Grindrod, in respect of the Navitrade allocation, was terminated on December 31, 2013, which resulted in a further reduction in demurrage and related costs.

General and administration expenses

The Company recorded expenses of R19,6 million (R88 per ton sold) during CYQ1 2015 compared to R27,2 million (R122 per ton sold) during PYQ4 2014, a decrease of 27.9%. The expenses include general and administration expenses relating to BC Dundee's head office at Coalfields and the Company's corporate office in Johannesburg including Canadian expenses. The reduction in general and administration expenses is due to the closure of the Canadian office and various cost cutting initiatives at the corporate office.

Of the R19,6 million incurred, R18,8 million originated from the South African offices, in both Dundee and Johannesburg, and R0,8 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/(Expense) - net

During CYQ1 2015, the Group recorded net other income amounting to R4,4 million compared to net other expenses of R166,8 million for PYQ4 2014. Other income and expense is primarily as a result of impairment losses, profit on sale of assets, foreign exchange gains/losses, small scrap sales, discounts received, commissions paid and certain fair value adjustments on financial assets and conversion option liabilities.

During CYQ1 2015, the Group recorded as income a fair value adjustment of R6,8 million in relation to the valuation of the conversion option liability (Existing RCF Convertible Loan), the warrant liability (Investec warrants) and financial assets compared to R2,7 million in PYQ4 2014 relating to the conversion option liability and financial assets only. The Existing RCF Convertible Loan was recognized in two parts, a component liability and a conversion option liability due to the conversion option embedded in the loan. Furthermore, an embedded derivative exists due to the Existing RCF Convertible Loan being denominated in US Dollars and the functional currency of the Company being Rands. The Investec bullet facility of R50,0 million, as detailed in the audited annual consolidated financial statements for the year ended December 31, 2014 ("Bullet Facility"), was recognized in two parts, a component liability and a warrant liability. The Bullet Facility and the warrants were treated as a compound financial instrument, as the Bullet Facility could effectively be settled through the issuance of the Common Shares. Furthermore, an embedded derivative exists due to the warrants being denominated in Canadian Dollars and the functional currency of the Company being Rands.

During PYQ4 2014, the Company recorded an impairment loss of R152,0 million which included the write-off of the Group's goodwill and a portion of the RBCT entitlements. Furthermore, the Group recorded an impairment of R19,4 million in PYQ4 2014 relating to the Escrow Funds with regards to the Riversdale Acquisition. No impairment loss was recorded during CYQ1 2015.

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended March 31, 2015

FINANCIAL RESULTS (continued)

Other Income/(Expense) – net (continued)

The Group recorded a net foreign currency exchange loss during CYQ1 2015 amounting to R0,4 million compared to a R4,7 million loss recorded in PYQ4 2014. The foreign exchange losses recorded in CYQ1 2015 and PYQ4 2014 were 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 R16,7 million during CYQ1 2015 compared to a net interest and accretion expense of R5,7 million for PYQ4 2014, an increase of 193.0%. The majority of the increase in interest and accretion related to the RCF Convertible Loan and 2015 Bridge Loan facilities which increased from US\$10,0 million (R96,9 million) to US\$27,7 million (R334,6 million).

Taxation

The Company recorded income and other tax recovery of R14,6 million during CYQ1 2015 compared to R18,9 million during PYQ4 2014.

The amount in CYQ1 2015 includes R0,5 million compared to R2,2 million in PYQ4 2014 that was credited to income tax 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 PYQ4 2014, in relation to a reversal of a tax recovery recorded in the prior year period resulting from the effect of a foreign currency fluctuation on the net book values of fair value adjustments recorded at the BC Dundee acquisition date. Income tax is payable at a rate of 28% on taxable income earned in South Africa.

Net loss for the period

The net loss for CYQ1 2015 was R34,0 million, compared to a net loss of R200,2 million for PYQ4 2014. Contributing to the net loss position for CYQ1 2015 were high fixed costs, an increase in interest expense relating to the RCF loan facilities, a high fixed cost base offset by a positive fair value adjustment recorded relating to the valuation of the RCF conversion option liability and the Investec warrant liability. In PYQ4 2014, the Company recorded an impairment loss of R152,0 million which, in addition to the low tons produced in that quarter particularly in relation to Magdalena, contributed to the net loss position.

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended March 31, 2015

SUMMARY OF QUARTERLY FINANCIAL RESULTS

	CYQ1 2015	CYQ3 2014	CYQ2 2014	CYQ1 2014	PYQ4 2014	PYQ3 2014	PYQ2 2014	PYQ1 2014
Revenue (R'000)	164 700	185 194	188 477	220 170	163 316	160 305	179 704	185 090
Cost of sales (excl depreciation and amortization) (R'000)	163 119	164 279	190 843	205 300	156 711	138 949	163 290	151 608
Depreciation and amortization	18 331	19 442	20 527	37 602	25 940	21 071	22 862	30 553
EBITDA (R'000)*	(19 942)	3 075	(21 034)	(5 486)	(11 894)	5 190	508	18 177
Net loss for the period (R'000)	(33 972)	(248)	(70 080)	(38 113)	(200 187)	(23 506)	(54 190)	(182)
Net loss per share - Basic and Diluted	(0.55)	(0.00)	(1.41)	(0.97)	(5.65)	(0.67)	(1.55)	(0.01)
Cash generated from/(utilized in) operating activities (R'000)	2 150	5 314	(19 710)	(10 251)	(42 118)	(12 413)	34 794	16 666
Total ROM production (t)	472 842	366 066	377 266	490 794	308 880	359 557	446 284	447 466
Total sales tons (t) (excluding calcine)	245 058	258 177	270 838	315 495	223 174	216 138	255 055	261 035
Average selling price per ton sold (R)	672	717	696	698	732	742	705	709
Cash cost of sales per ton (R)	666	636	704	651	702	643	640	581
Total Assets (R'000)	817 236	770 027	804 859	763 863	836 928	1 027 458	1 073 738	1 060 837
Long-term borrowings (R'000)	347 678	327 497	352 023	188 471	149 944	141 771	105 263	115 789

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

The movement in total assets from CYQ3 2014 to CYQ1 2015 related mainly to the increase in deferred tax asset in BC Dundee due to the increase in assessed loss as well as an increase in cash as a result of a drawdown of US\$2,7 million (approximately R32,2 million) from RCF at the end of the quarter. In the final quarter of CY2014 an impairment of property, plant and equipment for an amount of R90,9 million was recorded which resulted in a reduction in total assets. From CYQ1 2014 to CYQ2 2014, the Group purchased additional capital items which were funded by RCF.

The increase in long-term borrowings is as a result of the RCF Convertible Loan of US\$27,7 million (approximately R334,6 million), 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 March 31, 2015

FINANCIAL CONDITION REVIEW

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

	March 31, 2015 R'000	December 31, 2014 R'000
Property, plant and equipment	562 542	561 404
Other long-term assets	71 628	58 869
Cash and cash equivalents	52 591	12 120
Trade and other receivables	86 396	95 475
Other short-term assets	2 548	3 924
Inventories	30 330	27 035
Restricted cash	11 200	11 200
Total assets	817 236	770 027
Trade and other payables	180 918	170 507
Total borrowings	147 896	146 866
RCF loan facilities	244 125	186 631
Other liabilities	25 457	21 422
Total liabilities	598 396	525 427
Total equity	218 840	244 600

Assets

Total assets were R817,2 million at March 31, 2015 compared to R770,0 million at December 31, 2014, an increase of 6.1%.

The most significant movement in assets related to other long-term assets and cash and cash equivalents. As of December 31, 2014, other long-term assets included deposits paid for mining equipment which were delivered in CYQ1 2015 and were funded by RCF. Furthermore, other long-term assets also includes a net deferred tax asset which arose due to the assessed losses relating to BC Dundee offset by a deferred tax liability relating to the acquisition fair value adjustments, which has decreased period on period due to the write-off of the majority of the acquisition fair value adjustments.

As of March 31, 2015, cash and cash equivalents included the drawdown of US\$2,7 million (R32,2 million) from the 2015 Bridge Loan at the end of the quarter.

Liabilities

Total liabilities were R598,4 million at March 31, 2015 compared to R525,4 million at December 31, 2014, an increase of 13.9%.

The most significant movement related to the additional drawdown of US\$2,2 million (R25,4 million) from the Existing RCF Convertible Loan and the US\$2,7 million (R32,2 million) from the 2015 Bridge Loan (refer to *Overview of the Period and Outlook for the Group* section for further detail). The Investec borrowings increased marginally from December 31, 2014 to March 31, 2015 due to the accrual of interest on the facility.

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended March 31, 2015

FINANCIAL CONDITION REVIEW (continued)

Loans and Borrowings

At March 31, 2015, the Group had outstanding debt with Investec of R163,5 million and approximately R334,6 million outstanding on the RCF Convertible Loan and 2015 Bridge Loan. The Investec debt consists of R90,0 million outstanding on the term loan facility, R43,3 million on the Bullet Facility and R30,2 million outstanding on the working capital facility, of which there is RNil available for drawdown.

At March 31, 2015, the RCF loan facilities consisted of the US\$25,0 million (R302,3 million) Existing RCF Convertible Loan and US\$2,7 million (R32,3 million) drawn from the 2015 Bridge Loan, which was entered into on March 27, 2015, refer to *Overview of the Period and Outlook for the Group* section for further detail.

The repayment schedule for the Investec loan facilities, the RCF Convertible Loan and trade and other payables, as of March 31, 2015 and December 31, 2014, excluding the effect of the fair value of the conversion liability and warrant liability, is as follows:

	Not later than 1 year	Between 1 and 5 years	Greater than 5 years
At March 31, 2015			
Borrowings ¹	12 000 000	78 000 000	73 455 292
RCF loan facilities ²	32 342 623	302 267 500	-
Trade and other payables	180 918 124	-	-
At December 31, 2014			
Borrowings ¹	6 000 000	96 000 000	60 228 930
RCF loan facilities ²	-	264 970 212	-
Trade and other payables	170 506 885	-	-

¹ Borrowings include future capital and interest payments. As per the amended and restated agreement with Investec, the Company is only required to make interest payments on the term loan facility, with the first capital payment of R6,0 million due on December 31, 2015.

² The RCF Convertible Loan includes only the capital amount outstanding as of March 31, 2015. 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.

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital deficiency of R43,1 million at March 31, 2015 compared to a working capital deficiency of R38,0 million as at December 31, 2014 (see *Non-IFRS Performance Measures*). Working capital has weakened slightly due to an increase in current borrowings and due the 2015 Bridge Loan.

BUFFALO COAL CORP.

Management's Discussion and Analysis
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LIQUIDITY AND CAPITAL RESOURCES (continued)

The condensed consolidated statements of cash flows are summarized below:

	3 months ended	
	March 31, 2015 R'000	February 28, 2014 R'000
Net cash generated from/(utilized in) operating activities	2 150	(35 555)
Net cash utilized in investing activities	(19 202)	(12 630)
Net cash generated from financing activities	57 522	48 429
Exchange losses on cash and cash equivalents	-	(3 835)
Change in cash and cash equivalents	40 470	(3 591)

Operating activities

Cash generated from operating activities during the three month period ended March 31, 2015 was R2,2 million compared to R35,6 million utilized during the three month period ended February 28, 2014.

The net loss for CYQ1 2015 was R34,0 million compared to a net loss of R200,2 million for PYQ4 2014 as discussed under the *Financial Results* section of this MD&A. Non-cash items included in the net loss for three month period were: depreciation and amortization of R18,3 million; net gains on the fair value adjustment on financial assets, conversion option liability and warrant liability of R6,8 million; write-down of inventory to net realizable value of R2,2 million, loss on disposal of property, plant and equipment of R3,0 million and net foreign exchange losses of R0,4 million of which the material items were discussed under the *Financial Results* section of this MD&A.

The Group's net working capital increased by R19,8 million for the three months ended March 31, 2015 in comparison to a R40,3 million decrease for the three months ended February 28, 2014.

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

Investing activities

Investing activities utilized R19,2 million in cash during the three months ended March 31, 2015 compared to cash utilized of R12,6 million in the three months ended February 28, 2014.

During the period ended March 31, 2015, the Group spent R28,6 million on property, plant and equipment relating to sustaining capital and the purchase of additional equipment with the RCF funds (refer to *Financing Activities* below). Property, plant and equipment expenditure during PYQ4 2014 was R14,0 million.

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended March 31, 2015

LIQUIDITY AND CAPITAL RESOURCES (continued)

Financing activities

Financing activities generated R57,5 million in cash during the three months ended March 31, 2015 and generated R48,4 million during the three months ended February 28, 2014. During the current period, the Group received approximately R57,7 million from RCF under the Existing RCF Convertible Loan facility and 2015 Bridge Loan which was used to purchase additional equipment, for working capital purposes and for the restructuring at BC Dundee (as discussed under the under *Overview of the Period and Outlook for the Group* section). In PYQ4 2014, the Group received R44,5 million from RCF under the Existing RCF Convertible Loan facility, and drew R7,9 million from the Investec working capital facility.

OFF-BALANCE SHEET ARRANGEMENTS AND PROPOSED TRANSACTIONS

The Group has no off-balance sheet arrangements, nor any proposed transactions.

RELATED PARTY TRANSACTIONS

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

	3 months ended	
	March 31, 2015	February 28, 2014
<i>Payments for services rendered</i>		
2227929 Ontario Inc. ¹	-	1 264 387
Forbes & Manhattan Inc. ²	-	-
RCF ³	370 201	2 478 117
Total	370 201	3 742 504

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

	3 months ended	
	March 31, 2015	February 28, 2014
<i>Related party payables</i>		
2227929 Ontario Inc. ¹	-	2 357 756
Forbes & Manhattan Inc. ²	-	58 420
RCF ³	381 346	2 028 774
Total	381 346	4 444 950

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

¹ The Company historically shared office space in Toronto, Canada with other companies which may have had officers or directors in common with BC Corp. The costs associated with this space, certain consulting, professional and general and administration services are administered by 2227929 Ontario Inc. These common directors and officers are no longer part of the Group and 2227929 Ontario Inc. is not considered to be a related party, as defined, for the financial period ended March 31, 2015.

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended March 31, 2015

RELATED PARTY TRANSACTIONS (continued)

² Mr. Stan Bharti, a former director of BC Corp, is the Executive Chairman of Forbes & Manhattan Inc. The Company previously had consulting agreements with Mr. Stan Bharti and Forbes & Manhattan Inc. which were terminated on May 1, 2013 and November 7, 2013 respectively. Forbes & Manhattan Inc. is no longer considered to be a related party, as defined, for the financial period ended March 31, 2015.

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 Second Amended RCF Agreement, RCF 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 Existing RCF Convertible Loan in Common Shares during the financial period ended March 31, 2015, which amounted to R8,2 million (PY2014: R3,4 million).

Compensation of key management personnel

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

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

	3 months ended	
	March 31, 2015	February 28, 2014
Short-term benefits	4 204 717	2 915 744
Share-based payments	-	-
Total	4 204 717	2 915 744

As of March 31, 2015, C\$100 000 (R1,0 million) worth of restricted stock units ("RSUs") were granted to a director but not issued under the plan. This amount was accrued as of March 31, 2015 and February 28, 2014. Amounts owing to directors and other members of key management personnel were R0,5 million as of March 31, 2015 as compared to R2,7 million at February 28, 2014.

OTHER

There are no significant other items as at March 31, 2015.

COMMITMENTS AND CONTINGENCIES

Management Contracts

Management contracts in place require that payments of approximately R11,9 million be made upon the occurrence of a change in control, other than a change of control attributable to RCF. As no triggering event has taken place, no provision has been recognized as of March 31, 2015.

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended March 31, 2015

COMMITMENTS AND CONTINGENCIES (continued)

Capital Commitments

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

	March 31, 2015	December 31, 2014
	R	R
Property, plant and equipment	5 466 541	27 378 909

Included in the R27,4 million disclosed as of December 31, 2014 are commitments relating to the purchase of machinery and equipment which will be funded by equipment advances from RCF.

Environmental Contingency

The Company's mining and exploration activities are subject to various laws and regulations governing the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. 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 March 20, 2015, AMCU brought an application against BC Dundee and Zinoju in the Labour Court of South Africa pertaining to the Section 189A restructuring process. The matter was heard in Court on April 14, 2015. On April 24, 2015, the LRA dismissed the application brought by AMCU with costs. An application for leave to appeal was lodged by AMCU on April 29, 2015, which has been opposed by BC Dundee and Zinoju.

SUBSEQUENT EVENTS

Issuance of Share Capital

Subsequent to March 31, 2015, the Company issued additional shares to RCF in settlement of interest owing on the Existing RCF Convertible Loan for the periods ended March 31, 2015 and April 30, 2015. An additional 4 619 258 and 4 926 229 Common Shares were issued at prices of C\$0.0682 and C\$0.0610, respectively.

Legal Proceedings

On April 10, 2015, BC Dundee received notice that AMCU had referred a dispute to the CCMA in respect of the S189A restructuring process, which has been set down for hearing on May 18, 2015.

On April 20, 2015, the trustees of the Avemore Trust brought an application in the High Court of South Africa against, among others, the Minister, BC Dundee and Zinoju. In terms of the application, the trustees of the Avemore Trust challenged the decision by the Minister, subsequent to an internal appeal process concluded during September 2014, to grant a converted mining right to BC Dundee and to grant consent for the cession of the converted mining right to Zinoju. BC Dundee and Zinoju intend to oppose the application.

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended March 31, 2015

COMMITMENTS AND CONTINGENCIES (continued)

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 Interim Results.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has evaluated the design and effectiveness of the Company's internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") as of March 31, 2015, pursuant to the requirements of Multilateral Instrument 52-109. Management follows the Integrated Framework (COSO 2013 Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company has designed appropriate ICFR and DC&P for the nature and size of its business, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable accounting standards.

There have been no significant changes to the Company's ICFR and DC&P that occurred during the period ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR and DC&P. The functions historically conducted from the Company's Toronto office are now managed from South Africa.

As of March 31, 2015, management believes that the Company's ICFR and DC&P were operating effectively throughout the financial period. Because of inherent limitations, ICFR and disclosure controls can provide only reasonable assurances and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Audit Committee of the Company has reviewed this MD&A, and the unaudited condensed interim consolidated financial statements for the period ended March 31, 2015. The Company's Board of Directors approved these documents prior to their release.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

The critical accounting estimates and judgments applied in the preparation of the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015 are consistent with those applied and disclosed in the Company's audited annual consolidated financial statements for the ten months ended December 31, 2014 and twelve months ended February 28, 2014.

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended March 31, 2015

NEW ACCOUNTING POLICIES

Amendments to IAS 19 – 'Defined Benefit Plans: Employee Contributions'

These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. This amendment has not had a significant impact on the Group.

Annual Improvements to IFRSs 2010-2012 Cycle:

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

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

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

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

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

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

The amendments did not have a significant impact on the Group.

Annual Improvements to IFRSs 2011-2013 Cycle:

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

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended March 31, 2015

NEW ACCOUNTING POLICIES (continued)

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

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

The amendments did not have a significant 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 years ended December 31, 2014 and February 28, 2014.

The Company's financial assets and financial liabilities as at March 31, 2015 and December 31, 2014 were as follows:

Financial instruments	Loans and receivables	Fair value through profit or loss	Liabilities at fair value through profit or loss	Other liabilities at amortized cost	Total
March 31, 2015					
Trade and other receivables (excluding non-financial assets)	80 869 344	-	-	-	80 869 344
Investments in financial assets	-	31 376 939	-	-	31 376 939
Cash (excluding restricted cash)	52 590 950	-	-	-	52 590 950
Non-interest bearing receivables	1 620 402	-	-	-	1 620 402
Investec borrowings	-	-	(8 121 478)	(139 774 139)	(147 895 617)
RCF loan facilities	-	-	(50 908 655)	(193 216 326)	(244 124 981)
Trade and other payables (excluding non-financial liabilities)	-	-	-	(162 094 740)	(162 094 740)

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended March 31, 2015

FINANCIAL INSTRUMENTS (continued)

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

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 and loans (including current and non-current borrowings, the warrant liability, current and non-current RCF loan facilities and the conversion option liability as shown in the consolidated statements of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statements of financial position plus net debt.

The gearing ratios at March 31, 2015 and December 31, 2014 were as follows:

	March 31, 2015	December 31, 2014
Total borrowings	392 020 598	333 497 243
Less: cash and cash equivalents	(52 590 950)	(12 120 081)
Net debt	339 429 648	321 377 162
Total equity	218 840 029	244 600 498
Total capital	558 269 677	565 977 660
Gearing ratio	61%	57%

Included within total borrowings is the RCF Convertible Loan of R302,3 million (PY2014: R64,4 million). The Company's capital management objectives, policies and processes have remained unchanged during the period ended March 31, 2015 except for the Investec loan and the RCF loan facilities.

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended March 31, 2015

CAPITAL MANAGEMENT (continued)

The Company is not subject to any externally imposed capital requirements with the exception of the RCF loan facilities and Investec facilities and with regards to Section 710 of the TSX Company Manual which requires adequate working capital or financial resources such that, in the opinion of the TSX, the listed issuer will be able to continue as a going concern. The TSX will consider, among other things, the listed issuer's ability to meet its obligations as they come due, as well as its working capital position, quick asset position, total assets, capitalization, cash flow and earnings as well as accountant's or auditors' disclosures in financial statements regarding the listed issuer's ability to continue as a going concern. Management has concluded that the Company has met the requirements of the TSX at March 31, 2015.

FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks such as currency risk, price risk, cash flow interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by head office management under policies approved by the Board of Directors. The Group identifies, evaluates and manages financial risks in close co-operation with the Group's subsidiaries.

Market risk

(a) Foreign exchange risk

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

At March 31, 2015, a 10% increase/(decrease) in the period average foreign exchange rate between the Canadian Dollar and the Rand, would have increased/(decreased) the Group's profit or loss by approximately R0,1 million (PYQ4 2014: R1,0 million).

A 10% increase/(decrease) in the period average foreign exchange rate between the US Dollar and the Rand, would have increased/(decreased) the Group's income by approximately R33,8 million (PYQ4 2014: R4,1 million).

(b) Price risk

The Group is exposed to commodity price risk, primarily due to fluctuations in the API 4 coal price index, by which foreign coal sales are priced. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Group's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities including governmental reserves and stability of exchange rate can all cause significant fluctuations in commodity prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended March 31, 2015

FINANCIAL RISK FACTORS (continued)

(b) Price risk (continued)

At March 31, 2015, a 10% change in the API 4 coal price index would have resulted in a corresponding change in export coal revenue of approximately R2,7 million (PYQ4 2014: R3,3 million).

(c) Cash flow interest rate risk

The Group's interest rate risk arises from deposits held with banks and interest-bearing liabilities. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During CY2015 and CY2014 the Group's borrowings at variable rates were denominated in South African Rands.

Based on the simulations performed, the impact on profit or loss of a 1% shift of interest rates on borrowings would have been a maximum increase/(decrease) in profit or loss of R0,2 million (PYQ4 2014: R0,3 million).

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

Liquidity risk

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

Refer to *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 consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended March 31, 2015

FINANCIAL RISK FACTORS (continued)

Fair value estimation

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

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

The following table presents the group's financial assets and liabilities that are measured at fair value at March 31, 2015 and December 31, 2014:

	Level 1	Level 2	Level 3
	R	R	R
March 31, 2015			
Investment in financial assets	31 376 939	-	-
Conversion option liability	-	50 908 655	-
Warrant liability	-	8 121 478	-
December 31, 2014			
Investment in financial assets	29 134 182	-	-
Conversion option liability	-	54 088 555	-
Warrant liability	-	8 818 534	-

GOING CONCERN

The Interim Results 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 entered into Second Amended RCF Agreement on March 27, 2015 which included the 2015 Bridge Loan of US\$4,0 million which will be advanced to the Company for working capital purposes. The performance at Magdalena has deteriorated significantly over the past financial year which resulted in the Company implementing a restructuring at the mine in March 2015. The Company continues to incur operating losses and is dependent upon reaching profitable levels of operation in the future to support working capital needs. The Company believes that, barring any further unforeseen incidents and subject to meeting the current forecasts, the current steps the Company is taking and has taken (including obtaining additional funding from RCF and the restructuring of the mine operations) will enable it to operate profitably in the foreseeable future and generate positive cash flows. The current material uncertainties cast significant doubt as to whether the various steps being taken will be completed as expected and whether or when the Company can attain profitability and positive cash flow from operations.

The mining industry in South Africa has been experiencing tense labour relation issues including labour disruptions. During fiscal year 2013, the Company experienced labour disruptions which negatively impacted its financial results. The Group's last wage negotiations with the unions were concluded amicably during CYQ2 2014.

BUFFALO COAL CORP.

Management's Discussion and Analysis

For the three months ended March 31, 2015

GOING CONCERN (continued)

During the current period, a consultation process was held with the unions in terms of Section 189A of the LRA, resulting in the retrenchment of approximately 25% of the labour complement. Apart from the application brought against the Company by AMCU in respect of this process, there are currently no other significant labour issues at BC Dundee, if new labour disruptions were to take place at the Company's mines, they could have further and significant negative impacts on the operations and financial results of the Company.

If the going concern assumption was not appropriate for the Interim Results 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 and adverse in nature.

OTHER RISKS AND UNCERTAINTIES

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

Additional Capital

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

Production Estimates

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

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended March 31, 2015

OTHER RISKS AND UNCERTAINTIES (continued)

Production Estimates (continued)

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.

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

Labour and Employment Matters

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

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended March 31, 2015

OTHER RISKS AND UNCERTAINTIES (continued)

Labour and Employment Matters (continued)

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

Refer to Legal proceedings in *Overview of the period and outlook for the group* section above, with regards to the application brought by the Association of Mineworkers and Construction Union ("AMCU") against BC Dundee and Zinoju.

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 Mineral and Petroleum Resources Development Act, 28 of 2004 ("MPRDA") is currently under review and the proposed amendments, if passed by Government, could have a material impact on the Company's operations.

Title to Mineral Holdings

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

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended March 31, 2015

OTHER RISKS AND UNCERTAINTIES (continued)

Power Supply

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

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

Depletion of Mineral Reserves

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

Litigation

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

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

South Africa Country Risks

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

BUFFALO COAL CORP.

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

South Africa Country Risks (continued)

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 prior financial period concluded amicably. Subsequent to December 31, 2014, a consultation process was held with the unions in terms of Section 189A of the LRA, resulting in the retrenchment of approximately 25% of the labour complement.

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

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

Infrastructure

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

Environmental Risks and Other Hazards

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

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

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended March 31, 2015

OTHER RISKS AND UNCERTAINTIES (continued)

Environmental Risks and Other Hazards (continued)

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

Dependence on Key Personnel

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

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.

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended March 31, 2015

OTHER RISKS AND UNCERTAINTIES (continued)

Insurance and Uninsured Risks

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

The Company might also become subject to liability for pollution or other hazards that may not be insured against or that the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

A process was initiated with the Company's insurers and underwriters to recover all or a portion of flooding costs (as discussed in the *Overview of the period and outlook for the group, operational* section), in terms of which a settlement has been reached between the parties.

Competition

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

The Company's Securities May Experience Price Volatility

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

BUFFALO COAL CORP.

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

The Company's Securities May Experience Price Volatility (continued)

As of the date of this MD&A, RCF currently owns 50 021 394 Common Shares representing approximately 65.7% of the currently issued and outstanding Common Shares (on a fully diluted basis). Assuming the Approval is received and RCF has the right to convert the full US\$29,0 million convertible loan facility at its sole discretion (assuming all funds are drawn down, the Investec warrants are exercised, interest is paid in Common Shares and assuming an exercise price of C\$0.0469), RCF would hold approximately 95% and Investec would hold 3% of the then issued and outstanding Common Shares on a fully diluted basis.

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

Foreign Assets

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

Currency Fluctuations

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

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

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

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

NON-IFRS PERFORMANCE MEASURES

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

BUFFALO COAL CORP.

Management's Discussion and Analysis
For the three months ended March 31, 2015

NON-IFRS PERFORMANCE MEASURES (continued)**Working Capital**

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

	March 31, 2015 R'000	December 31, 2014 R'000
Current assets		
Cash and cash equivalents	52 591	12 120
Trade and other receivables	86 396	95 475
Inventories	30 330	27 035
Non-Interest bearing receivables	1 620	1 588
Taxation receivable	928	2 337
	171 865	138 555
Current liabilities		
Trade and other payables (excluding provisions)	167 936	170 507
Taxation payable	2 705	-
Current portion of borrowings	12 000	6 000
Convertible loan	32 343	-
	214 984	176 507
Net working capital deficiency	(43 119)	(37 952)

Consolidated EBITDA

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

The reconciliation of operating loss to EBITDA is as follows:

R'000	3 months ended		
	March 31, 2015	February 28, 2014	December 31, 2014
Operating loss for the period	(31 867)	(213 319)	(22 329)
Depreciation and amortization	18 331	26 125	17 229
Impairment of receivables	(1)	1 804	(228)
Impairment of escrow funds	-	19 427	-
Impairment of property, plant and equipment and intangible assets	-	152 008	90 882
Fair value adjustments of financial assets and conversion option	(6 844)	(2 668)	(83 344)
Foreign exchange gains & losses	439	4 729	864
EBITDA	(19 942)	(11 894)	3 075

BUFFALO COAL CORP.

Management's Discussion and Analysis
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NON-IFRS PERFORMANCE MEASURES (continued)

Headline earnings/(loss) per share

Headline earnings/(loss) is a profit measure required for JSE-listed companies as defined by the South African Institute of Chartered Accountants. Headline earnings/(loss) per share is a basis for measuring earnings per share which accounts for all the profits and losses from operational, trading, and interest activities, that have been discontinued or acquired at any point during the period. 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:

	3 months ended	
	March 31, 2015	February 28, 2014
Loss for the period	(33 971 990)	(200 186 950)
Net profit on disposal of property, plant and equipment	(2 965 030)	6 558 810
Headline loss for the period	(36 937 020)	(193 628 140)
Headline loss per share - basic and diluted	(0.60)	(5.40)

SUMMARY OF SECURITIES AS AT MAY 14, 2015

As at May 14, 2015 the following Common Shares, Common Share purchase options and share purchase warrants were issued and outstanding:

- 76 189 986 Common Shares;
- 6 238 397 Common Share purchase options with exercise prices ranging from \$0.065-\$4.10 with a weighted average remaining contractual life of 4.34 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

May 14, 2015