BUFFALO COAL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and twelve months ended December 31, 2018

(Presented in South African Rands)

Contents

BASIS OF PREPARATION

This Management's Discussion and Analysis ("MD&A") of the consolidated financial position and results of operations reviews the activities, audited consolidated results of operations and financial position of Buffalo Coal Corp. and its subsidiaries ("we", "our", "us", "BC Corp", the "Company" or the "Group") for the three and twelve months ended December 31, 2018, together with certain trends and factors that are expected to have an impact in the future.

This MD&A is intended to supplement and compliment the audited annual consolidated financial statements for the year ended December 31, 2018 and the notes thereto (collectively the "Financial Statements") which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Information in this MD&A is current as at April 24, 2019, unless otherwise indicated.

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 and on the Group's website at www.buffalocoal.co.za.

References to FY 2018 and FY 2017 mean the financial years ended December 31, 2018 and December 31, 2017, respectively. References to Q4 2018, Q3 2018, Q2 2018 and Q1 2018 mean the three months ended December 31, 2018, September 30, 2018, June 30, 2018 and March 31, 2018, respectively and references to Q4 2017, Q3 2017, Q2 2017 and Q1 2017 mean the three months ended December 31, 2017, September 30, 2017, June 30, 2017 and March 31, 2017.

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:R10.5610 and amounts in US Dollars were translated at US$1:R14.3959.

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, 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.

GROUP OVERVIEW

BC Corp is a coal mining and supply company operating in South Africa. The Company is primarily listed on the TSX Venture Exchange ("TSXV") and has a secondary listing on the Alternative Exchange ("AltX") operated by the JSE. BC Corp trades under the symbol "BUF" on the TSXV and "BUC" on the AltX. As at March 20, 2019, BC Corp had 421 352 596 common shares outstanding, of which 347 945 097 common shares (82.6%) were held by Resource Capital Fund V LP. ("RCF") and 41 713 907 common shares (9.9%) were held by STA Coal Mining Company (Pty) Ltd ("STA").

In July 2010, the Company acquired 100% of the shares in Buffalo Coal Dundee Proprietary Limited ("BC Dundee"), a South African company, with an interest in two coal mines in South Africa ("BC Dundee Properties"). 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 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. The Group is in the process of restructuring its BEE framework. The restructuring is aimed at expanding the structure to comply with Broad Based Black Economic Empowerment ("BBBEE") objectives and to ensure full economic participation of all BBBEE shareholders.

The BC Dundee Properties comprise Aviemore anthracite mine ("Aviemore") and Magdalena bituminous mine ("Magdalena"). The Group is currently only engaged in underground coal mining at Aviemore, having suspended its mining operations at Magdalena in the last quarter of 2018.

Aviemore is located eight kilometers from the town of Dundee in KwaZulu-Natal and encompasses approximately 5 592 hectares. As reported in the Company's National Instrument 43-101 report, Aviemore had a mineable measured and indicated coal resource of 35.35 million tonnes of *in situ* coal with an estimated volume of 23.57 million cubic meters as at October 1, 2012. From October 1, 2012 to December 31, 2018, 2.9 million tonnes of ROM was extracted from Aviemore at an average extraction rate of 62%.

The Aviemore underground mine has an estimated production capacity of 41 000 tonnes of anthracite per month.

Magdalena is located twenty-two kilometers from the town of Dundee in KwaZulu-Natal, South Africa and encompasses approximately 1 844 hectares. As reported in the Company's National Instrument 43-101 report, Magdalena, which until March 2015 consisted of the Magdalena underground mine and the Magdalena opencast operation, had an estimated mineable coal resource, all in the measured resource category, of 50.29 million tonnes of *in situ* coal with an estimated volume of 33.52 million cubic meters as at October 1, 2012. From October 1, 2012 to October 31, 2018, 5.9 million tonnes of run of mine ("ROM") was extracted from Magdalena at an average extraction rate of 49%.

STA, a contract mining operator, provided contract mining services at Magdalena under a mining services contract dated October 28, 2015 ("STA Contract Mining Agreement"). The STA Contract Mining Agreement came to an end at the end of October 2018.

On August 31, 2018 BC Dundee embarked on a Section 189 process following STA's notification to the Company of its intention not to renew their mining contract at the Magdalena mine at the end of October 2018. STA raised the following main issues/concerns that lead to the issue of their notification letter:

- challenging workforce resulting in Run of Mine (ROM) production not being enough to cover STA's fixed costs
- difficult geological conditions and high methane gas

BC Dundee also recognized that at the production rates achieved for the year-to-date and based on the anticipated increased Run of Mine (ROM) mining fee that STA intended on charging, Magdalena would have had a negative impact on the profitability and cash flow generation of the overall operations. This situation led to the start of the Section 189 process at Magdalena.

On October 29, 2018 the mine and STA concluded the Section 189 process with the signing of a retrenchment agreement by all parties/unions involved, setting out the retrenchment of 152 BC Dundee employees (Refer Note 2.1 of the Financial Statements).

The Magdalena underground mining activities ceased at the end of October 2018 and an initial 125 employees were retrenched on November 1, 2018. BC Dundee retained 27 of the employees for a further four months to assist in stripping out all equipment and infrastructure from underground that the mine can use elsewhere or dispose of before they were also retrenched at the end of February 2019. Following this action, the mine was placed on care and maintenance. STA removed their equipment from underground over a period of 3-4 months after their contract was terminated. Pursuant to the terms of the agreement with STA, BC Dundee paid de-commissioning costs in the order of R2.72 million to STA in November 2018.

The Company has two processing plants, of which, one is located on the Magdalena property and has been placed on care and maintenance following the closure of the Magdalena underground mining activities. 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.

On February 11, 2019, the chief executive officer ("CEO") at the time had resigned from the Company. The board of directors of Buffalo Coal is in the process of identifying and appointing a successor. As an interim measure, the Board has taken the decision to appoint the Company's current chief financial officer ("CFO") as interim CEO from February 11, 2019 until a new CEO is appointed.

GROUP RESOURCES

Below is an extract of the National Instrument 43-101, Resource statement dated October 1, 2012 as disseminated on SEDAR. Mr. IA MacFarlane (B.Eng. (Mining Wits), MBL (UNISA), FSAIMM), 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 Properties as at October 1, 2012

Area	Seam	Resource Seam Width	Resource Classification	Seam Width	Volume	RD	Tonnage	Ash	Fixed Carbon	CV	Inherent moisture	Sulphur	Volatiles	Yield
		Cut-Off m	Category	m	Mm³	t/m^3	Mt	%	%	MJ/Kg	%	%	%	%
Magdalena														
Magdalena Underground	Gus	0.8	Measured	1.90	8.48	1.5	12.72	14.89	65.79	29.46	1.23	1.62	17.76	77.52
	Alfred	0.8	Measured	2.10	10.72	1.5	16.08	15.62	66.21	30.16	1.39	1.48	16.76	79.02
	Combined	0.8	Measured	4.10	13.98	1.5	20.97	14.77	67.84	29.25	1.39	1.55	15.27	82.98
	Total Measured				33.18	1.5	49.77	15.08	66.79	29.60	1.35	1.55	16.39	80.31
Magdalena Opencast	Gus	0.8	Measured	1.90	0.10	1.5	0.16	22.35	54.28	25.63	1.83	1.68	21.52	89.01
	Alfred	0.8	Measured	2.00	0.24	1.5	0.36	26.58	51.97	23.53	1.93	1.90	19.51	95.04
	Total Measured				0.34	1.5	0.52	25.30	52.67	24.16	1.90	1.83	20.12	93.22
Hilltop	Gus	0.8	Inferred	1.50	1.97	1.5	2.96	21.24	-	22.11	0.98	1.84	13.19	100
	Alfred	0.8	Inferred	1.60	5.64	1.5	8.46	21.07	-	22.24	0.94	1.86	13.47	100
	Total Inferred				7.61	1.5	11.42	21.11	-	22.21	0.95	1.85	13.40	100
Aviemore														
Aviemore Mine	Gus	0.8	Measured	1.80	0.82	1.5	1.23	13.34	77.76	30.15	1.84	2.01	7.19	74.31
	Total Measured				0.82	1.5	1.23	13.34	77.76	30.15	1.84	2.01	7.19	74.31
Leeuw Mining & Exploration	Gus	0.8	Indicated	1.72	9.72	1.5	14.58	13.55	77.53	29.00	2.21	1.80	6.73	63.51
Zinoju Coal	Gus	0.8	Indicated	1.72	13.03	1.5	19.54	13.46	75.51	28.93	2.59	1.60	8.28	57.00
	Total Indicated				22.75	1.5	34.12	13.50	76.37	28.96	2.43	1.69	7.62	59.78
	Total Measured & Indicated				23.57	1.5	35.35	13.49	76.42	29.00	2.41	1.70	7.60	60.29
Leeuw Mining & Exploration	Gus	0.8	Inferred	1.72	1.09	1.5	1.63	14.97	74.78	27.29	1.77	1.41	8.50	55.98
Zinoju Coal	Gus	0.8	Inferred	1.72	8.99	1.5	13.48	14.14	74.72	28.85	2.49	1.71	8.64	59.60
	Total Inferred				10.08	1.5	15.11	14.23	74.75	28.69	2.41	1.68	8.63	59.23

Notes:
1. Coal Resources are inclusive of Coal Reserves.
2. Coal Resources are inclusive of tonnes mined since the effective date of October 1, 2012.
3. Tonnes and qualities have been rounded and this may result in minor adding discrepancies.
4. The coal qualities are stated for the ash content ("Ash"), fixed carbon, calorific value ("CV"), inherent moisture, sulphur content ("Sulphur"), volatile matter ("Volatiles") and yield.
5. The coal qualities assays were determined on an air-dried moisture basis.
6. A 15% geological loss has been applied to the Gross *in situ* tonnes.
7. The declared tabulation of coal resources prepared by Minxcon has been prepared in accordance with the NI 43-101 reporting code and is compliant with this Code.
8. A cut-off seam thickness of 0.8 m has been applied to the Gross *in situ* Coal Resource statements.
9. The Coal Resources for the Magdalena and Aviemore areas are calculated on 1.7 t/m^3 float density coal quality values and the Hilltop Coal Resources are calculated on raw coal quality values.
10. The coal density for all areas is 1.5 t/m^3.
11. The Hilltop data received from the Client did not include fixed carbon values.
12. The mining right to Leeuw Mining & Exploration properties has been transferred to Zinoju.

From October 1, 2012 (the date of the National Instrument 43-101 Resource statement) to December 31, 2018, the following ROM has been extracted ([1]):

- Magdalena opencast (t): 689 377
- Magdalena underground (t): 5 182 079
- Aviemore primary underground (t): 2 676 978
- Aviemore secondary underground (t) 246 589

The information above was read and approved by Mr. IA MacFarlane (B.Eng. (Mining Wits), MBL (UNISA), FSAIMM), a qualified person as defined in National Instrument 43-101.

[1] At an average extraction rate of 49% for Magdalena underground, 95% for Magdalena opencast and 62% (primary and secondary mining) for Aviemore underground mine.

BUSINESS OVERVIEW

Summary of quarterly results

The table below sets out selected financial data for the periods indicated as derived from BC Corp's interim and annual consolidated financial statements which was prepared in accordance with IFRS:

Fiscal quarters ended	Revenue R'000	Profit (loss) for the period R'000	Basic & diluted earnings (loss) per share R/share	Adjusted EBITDA* R'000	Total assets R'000	Total liabilities (excl A,B,C) R'000	(A) Asset retirement obligations R'000	(B) Borrowings (Investec) R'000	(C) RCF loan facilities R'000
December 31, 2018	157 367	26 541	0.06	39 923	228 808	99 321	49 891	100 983	381 087
September 30, 2018	206 404	(70 474)	(0.18)	18 300	277 214	162 100	50 274	123 170	370 687
June 30, 2018	204 321	10 399	0.03	41 600	334 176	156 342	35 653	145 639	356 163
March 31, 2018	190 425	(34 482)	(0.08)	31 420	330 132	198 317	40 432	158 914	303 859
December 31, 2017	228 762	(90 800)	(0.22)	65 800	360 308	159 457	35 898	187 956	314 763
September 30, 2017	183 494	(30 200)	(0.08)	24 900	539 604	224 889	34 247	187 270	341 734
June 30, 2017	154 442	(6 900)	(0.02)	(6 100)	504 037	179 835	33 486	185 070	325 707
March 31, 2017	171 424	4 200	0.01	13 700	519 244	206 910	33 944	162 177	331 437
December 31, 2016	183 887	(19 395)	(0.05)	(576)	504 248	199 289	29 358	161 016	336 288
September 30, 2016	178 148	(25 536)	(0.07)	13 530	523 727	195 982	22 666	182 988	336 035
June 30, 2016	156 059	11 481	0.03	(6 090)	514 994	223 796	22 166	166 363	293 619
March 31, 2016	142 488	(12 094)	(0.04)	4 639	550 256	276 770	20 792	167 712	290 134

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

Summary results for Q4 2018 and FY 2018

The Group recorded R157.4 million in revenue for Q4 2018 (Q4 2017: R228.8 million) and R206.4 million for Q3 2018. The lower revenue compared to Q4 2017 and Q3 2017 was mainly driven by the closure of the Magdalena underground mine during Q4 2018 which resulted in a 39% decrease in sales tonnes compared to Q4 2017 and a 24% decrease compared to Q3 2018. The Group recorded R758.5 million in revenue for FY 2018 (FY 2017: R738.1 million), an overall increase of 3% over the comparative period. The increase in revenue was mainly driven by higher sales prices which more than offset the 14% decrease in sales tonnes year-over-year.

The Group reported a consolidated profit of R26.2 million in Q4 2018 (consolidated loss in Q4 2017: R90.8 million) and a consolidated loss of R70.5 million in Q3 2018. The Group reported a consolidated loss of R68.4 million in FY 2018 compared to a consolidated loss of R123.7 million in FY 2017. The losses incurred in Q4 2017, FY 2017, Q3 2018 and FY 2018 was mainly driven by the R175.6 million and R67.5 million impairment of property, plant and equipment recorded in FY 2017 and FY 2018, respectively (Refer to Note 7 of the Financial Statements).

The Group generated R25.0 million cash from its operations in Q4 2018 (Q4 2017: R17.1 million) and R22.4 million in Q3 2018. The Group generated R105.9 million in cash from its operations in FY 2018 (FY 2017: R28.3 million). The Group spent R2.2 million in Q4 2018 (Q4 2017: R7.7 million), R7.2 million in Q3 2018 and R27.1 million in FY 2018 (FY 2017: R42.1 million) on capital expenditures during its operations. During Q4 2018 and FY 2018, BC Dundee settled R25 million and R95 million, respectively, of the outstanding Investec debt (Q3 2018: R25 million). In Q2 2017, BC Dundee utilized R21.5 million of the additional working capital facility provided by Investec Bank (Refer to Note 21 of the Financial Statements).

Total assets amounted to R228.8 million as at December 31, 2018 (December 31, 2017: R360.3 million) and mainly included property, plant and equipment of R58.5 million (December 31, 2017: R106.9 million), investment funds supporting the asset retirement obligations of R54.9 million (December 31, 2017: R53.2 million) and current assets of R96.2 million (December 31, 2017: R183.6 million).

As at December 31, 2018, the Group's current assets were R96.2 million (December 31, 2017: R183.6 million) and mainly comprised trade and other receivables of R48.3 million (December 31, 2017: R121.2 million), inventories of R41.8 million (December 31, 2017: R38.1 million) and cash and cash equivalents of R5.2 million (December 31, 2017: R21.4 million).

As at December 31, 2018, the Group's total liabilities (excluding asset retirement obligations, borrowings and RCF loan facilities) amounted to R96.2 million (December 31, 2017: R159.4 million) and consisted primarily of R95.4 million in trade and other payables (December 31, 2017: R156.5 million). Trade and other payables included R22.1 million owing to STA as at December 31, 2018 (December 31, 2017: R93.1 million).

The Group's asset retirement obligation (current and long-term) amounted to R49.9 million as at December 31, 2018 (December 31, 2017: R35.9 million) (Refer to Note 23 of the Financial Statements).

BC Corp's R101.0 million borrowings owing to Investec Bank Limited ("Investec") on December 31, 2018 was substantially reduced from the December 31, 2017 balance of R188.0 million with the settlement of R95 million in cash (Refer to Note 21 of the Financial Statements).

BC Corp also had a convertible loan to RCF of US$27 million as at December 31, 2018 (December 31, 2017: US$27 million). The main driver of the increase in the ZAR value of the RCF loan balance was the weakening of the ZAR against the US$ which resulted in a higher closing balance on conversion at the end of the year (Refer to Note 22 of the Financial Statements).

STRATEGIC REVIEW AND OUTLOOK

In prior years, in response to conditions at the time, the Group implemented various restructurings at BC Dundee including two retrenchment processes and arrangements with STA. The arrangements with STA included the STA Contract Mining Agreement, the sale of certain underground mining equipment to STA and, in order to alleviate cash flow pressures, an equity settlement arrangement ("STA Equity Settlement Agreement"), the terms of which provided that a portion of the contract mining fees were settled through the issuance of Common Shares of BC Corp. As discussed under the 'Group overview' section of this MD&A, the STA Contract Mining Agreement ended on October 31, 2018.

During March 2018 and November 2018, the Company negotiated further amendments to the Term Loan and Revolving Credit Agreement with Investec (Refer to Note 21 of the Financial Statements).

As of November 2018, following the closure of the Magdalena mine, the business case and cash flow of the Group relies primarily on the production from the Aviemore anthracite mine.

Considering this, management embarked on a process to ensure sustainable operations at Aviemore mine by identifying short, medium and long-term opportunities/projects to increase the overall life of the mine. Through this process, management has revised the current Aviemore mining plan to include pillar extraction, extending the end of the current Aviemore life of mine from February 2020 to June 2021. Other short-term opportunities identified include leasing of the Magdalena wash plant to third parties or toll washing of third-party product, selling the Magdalena slurry pond reserves to third parties, leasing of the Magdalena adit to a neighbouring mine and increasing anthracite buy-in tonnes. Successful pursuit and implementation of these opportunities should allow the Company to settle its outstanding liabilities over the next 18 months and also provide the additional time required to raise financing for the medium (old Balgray mine) to longer term (North Adit) projects identified.

Short-term opportunities at Aviemore

During Q3 2018 the Group engaged a Rock Mechanic Consultant to look at pillar extraction options at Aviemore to extend the life of the current Aviemore life of mine, which at that point in time was expected to come to an end in February 2020. A conservative pillar extraction methodology (L-ing) was identified to increase the extraction ratio. Based on this methodology, the mine planner adjusted the Aviemore mine schedule accordingly. By implementing pillar extraction, the current Aviemore life of mine has been extended by approximately 16 months from February 2020 to June 2021. As of Q4 2018, the mine implemented pillar extraction in its mining schedule to ensure the maximum potential reserves are mined out as the Aviemore mining areas are mined out. This change in mining schedule requires minimal capital and does not result in material changes in working cost.

Management is also exploring ways to increase the current mining rate at Aviemore and further methods to increase the current Aviemore reserves.

Short-term opportunities related at Magdalena

Following the closure of the Magdalena underground mine, the wash plant at Magdalena has also been placed on care and maintenance. The mine is considering options to either obtain additional buy-in bituminous tonnes from third parties to process through the wash plant and/or to lease out the wash plant to third parties to wash their own product.

Management is also considering the sale of slurry from its slurry pond based at the Magdalena site. The slurry pond currently holds approximately 700 000 tonnes of slurry which can be extracted over the next 15 months with the potential to generate cash inflow of between R0.9m and R1.6m per month.

Management has also been approached by a neighbouring mine adjacent to the Magdalena underground mine, interested in mining its coal reserves through the adjacent Magdalena adit. The neighbouring mine has sufficient reserves to mine 25 000 ROM tonnes per month for four years with one continuous miner "CM" section. Their indicative offer for using the access was R18 per ROM tonne.

Medium term opportunity (old Balgray mine)

In order to increase the Group's anthracite production capacity and delay the longer-term Aviemore North project, a decision was made to assess the viability of developing the old Balgray mine.

The Balgray mine is a decommissioned underground coal mine located immediately north of the town of Dundee in the KwaZulu-Natal Province. It was previously owned by Graham Beck in 1965 and was then sold to Anglo American. Anglo never mined Balgray and the mine was officially closed in 1967.

Zinoju holds two new order mining rights ("NOMR") and one prospecting right over 5 513 hectares at Aviemore. These mining rights and prospecting right cover the Balgray resource area. Zinoju has applied for the conversion of PR258 to a mining right MR10083 and is awaiting final approval from the DMR.

A concept study for the Balgray mine project was completed during Q4 2018. The study indicates that there is a business case for Balgray. Following the outcome of the study, BC Corp commenced a Pre-feas/Feasibility study.

The environmental impact assessment ("EIA") and integrated water user license application ("IWULA") for Aviemore will also need to be amended to include Balgray. Since this is a very time-consuming process, the environmental study work required for these amendments was also started in December 2018.

The Balgray project requires approximately R120 million in capital and construction, funded from Aviemore operations and commissioning will take up to 9 months. The Balgray project holds huge potential as the capital to coal extraction ratio is much lower than the capital required for the Aviemore North Adit project. If successful, the Balgray mine project could add an estimated 6 years (with two drill & blast underground sections) to the Group's life of mine, subject to the anthracite qualities. The additional life provided by this project will allow BC Corp to construct the Aviemore North Adit during this time. This project will be key in the Group's strategy to obtain funding for the North Adit project.

Long term opportunities (Aviemore North Adit)

The Aviemore mine has sufficient resources to support a mine life in excess of 15 years; however, the current adit provides access to the reserves from the eastern side of the mine and is expected to reach its limits by June 2021. A new adit (the "Aviemore North Adit") closer to the centre of gravity of the resource is required. A pre-feasibility study for the Aviemore North Adit was successfully completed during 2017, with a bankable feasibility study completed in September 2018. External funding is required to fund the north adit expansion. The Aviemore North Adit project requires approximately R335 million in capital and construction and commissioning will take up to 18 months. It is projected that the Aviemore North Adit project will extend the Aviemore life of mine by 13-15 years.

Cash flow and funding

The Group's ability to continue as a going concern and ultimately continue long term operations, is dependent on its ability to realize these short-term opportunities and to secure the funding required for the medium to longer term projects. Early in 2018, BC Corp appointed a Financial Advisor, Northcott Capital Limited ("Northcott") to undertake a strategic review process to obtain funding for the Company's capital requirements.

A bidding process commenced at the start of June 2018, which allowed interested bidders to do a high-level due diligence via site visits and a data room was setup for this purpose. The Company received indicative offers at the end of June, following which a formal due diligence process commenced to give shortlisted candidates the opportunity to obtain more detailed information in order to firm up their indicative offers. The due diligence process ended at the end of August 2018. Uncertainty surrounding the mining services contract and future of the Magdalena mine resulted in a suspension of the Northcott process in September 2018 in order to allow for the conclusion of the Section 189 process and the closure of the Magdalena mine.

In October 2018, the Board formed a Special Committee to monitor developments and undertake a further strategic review of the Company and its capital structure in order to review further strategic alternatives considered to be in the interest of Buffalo Coal and its stakeholders following the conclusion of the Section 189 process at Magdalena Mine. In November 2018, the bidding process was re-opened and indicative bidders were provided an opportunity to do a due diligence during Q1 2019. The bidders were required to submit their final binding offers on March 29, 2019. In order to be successful, the offers need to address the Group's outstanding debt obligations with Investec and RCF as well as funding for new projects. The bidding process closed on March 29, 2019 and the Board is currently assessing the offers received.

As at December 31, 2018, R105.3 million (December 31, 2017: R200.3 million) of the drawn Investec loan facilities was still outstanding and the Group continued to be in breach of certain covenants with respect to its loan agreements with Investec.

Lower than planned sales volumes during December 2018 and the beginning of calendar 2019 resulted in a slower realization of cash from inventories and consequently less cashflow generated from operations over the first quarter of 2019. As a result, management approached Investec at the end of January 2019 with the request for a deferral of its agreed March loan instalment as well as proposed revisions to its quarterly instalment profile to settle the outstanding loan facilities.

On March 05, 2019, the Company accepted and agreed to Investec's amendment to the Term Loan and Revolving Credit Facility Agreement. Pursuant to the amended agreement, the final maturity date has been extended from December 31, 2019 to September 30, 2020, with revised quarterly repayment instalments of R25.5 million at the end of June 2019, R20 million at the end of September 2019 and December 2019, R10 million at the end of March 2020, and R15 million at the end of June 2020 and September 2020. The Corporation is obliged to pay any accrued royalties payable to Investec at the end of September 2020 (R5.6 million as at December 31, 2018). In addition, Investec agreed not to exercise its acceleration rights with respect to any existing events of default under the Investec Facility until June 30, 2019.

As of December 31, 2018, the RCF Convertible Loan balance remained at US$27.0 million (R388.7 million). Pursuant to the agreement, the RCF loan of US$27 million is due and payable on June 30, 2019. As at April 15, 2019, RCF agreed to extend the maturity date until December 31, 2019 to allow the Company to obtain other financing in order to settle this amount as it currently does not expect to have the means to repay this amount in full on the June due date.

It is uncertain at this point in time what the outcome of the above-mentioned bidding process will be and if the Company will be able to obtain financing to settle its debt obligations. As such, management has reviewed its cash flow forecast based on revised production including pillar extraction over the next two years, to determine whether the Company (Group) will be able to meet its obligations in the normal course of business. The cash flow forecast over the next two years, assuming realization on the short-term opportunities, indicates that Buffalo Coal should be able to service all its liabilities (excluding the RCF loan) during this period.

Although the Group has implemented various restructuring initiatives, the Group continues to experience operational challenges. The Group remains dependent upon sustaining profitable levels of operation, as well as the continued support of Investec, RCF and other stakeholders and believes that, subject to its ability to meet current production and sales forecasts, it should be able to generate positive cash flows in the foreseeable future. However, there is no assurance that the Company will be able to meet its covenants in the future, or that Investec will provide future waivers or that RCF will provide further extensions, if required. These matters constitute material uncertainties which cast significant doubt as to whether the Group can continue as a going concern.

Should the going concern assumption not be appropriate for the Annual 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. Such adjustments could be material.

Restructuring of Investments

Following the transition of financial provisions for asset retirement obligations to the National Environmental Management Act "NEMA", Zinoju performed a closure cost assessment for financial provisions based on sudden closure, which resulted in a shortfall between the rehabilitation trust investment balance and the closure cost assessment. This triggered a review of the structure of the financial provisions for rehabilitation in Zinoju.

After careful consideration of the alternative structures, it was proposed that Zinoju amend their method of financial provisioning from a trust fund method to an insurance solution. The ultimate goal is to ensure that Zinoju provides the DMR with the required financial guarantees for the mining rehabilitation liability calculated in terms of NEMA.

In FY 2017, the Company completed the restructuring and provided the DMR with the required guarantee of R63.0 million.

During August 2017, the existing Trust was dissolved and the fund balance at the time was transferred to the investment, resulting in no further cash contributions required for the R63.0 million financial guarantees issued to the DMR, provided there are no changes to the closure cost liability. Any shortfall between the DMR required guarantee amount and the investment value will be funded over the Life of Mine through the growth in the investment.

MARKET OVERVIEW

The Group supplied high energy bituminous and anthracite coal to both the export and domestic markets, during the FY 2018, but ceased production of its bituminous products on November 1, 2018 and had depleted all stock of bituminous products by the financial year ended December 31, 2018. Going forward, the Group's focus remains primarily on anthracite coal, however the API4 index cannot be ignored as it has a very strong influence on the markets available for high-ash anthracite products.

During FY 2018, the Group continued to utilize an export allocation of 51 125 tonnes per quarter through the Quattro scheme at Richards Bay Coal Terminal (RBCT). The Department of Mineral Resources ("DMR"), restricted applications to those companies producing standard RB1 and RB3 qualities, since only 2 grades/stockpiles are allocated to Quattro in RBCT. It is anticipated that Buffalo's use of Quattro allocation will cease when the new allocations become applicable in April 2019, although no overall impact is expected on export tonnages regardless of whether the Company has an allocation under the Quattro program or not.

Bituminous

The coal price index for Richards Bay averaged $98.04 for FY 2018 compared to $84.35 during FY 2017, a very strong performance. This price level largely reflects an on-going tightness in the supply of RB1 quality coal for export, while the gap/discount between the RB1 and lower quality RB3 has widened considerably, even though the dominant export grade from RBCT (by far) is now RB3. Q4 2018's average pricing was, slightly lower at $95.89, and the softening movement has continued into early 2019 with pricing in the lower $80's in February 2019.

The ZAR exchange rate to the US$ was volatile during 2018, having ranged from a monthly average of R11.83 in February 2018 to a low of R14.76 in September 2018 and ending on R14.28 at the FY 2018 year-end. The Company's ZAR receipts for the year did not fluctuate significantly with these movements, as most of the export tonnage moved during FY 2018 was already locked in at pricing fixed in ZAR.

Domestically, the bituminous industrial market remained stable in volume terms, with little variation in the demand during the FY 2018. Demand far exceeded Buffalo Coal's ability to supply despite very attractive market pricing levels.

Anthracite

Anthracite's use as a source of carbon reductant in metallurgical processes means that the market, both domestically and for export, does not correlate well with movements in the steam coal markets. Settlements for anthracite supplies are therefore on an individually negotiated basis, with no real reference pricing available.

Demand for the Group's products, particularly from the domestic consumers, continues to be positively impacted by the fact that no new production has been forthcoming to close the availability gap after some mine closures in recent years and as a result, the limited supply places upward pressure on domestic pricing.

A short-term spike in domestic demand for sized products for home heating was experienced during the winter quarter, with demand far exceeding the available supply from any source. Many end-users were unable to acquire any supply at all. Some local distributors are therefore already beginning to build stock to handle a similar peak in the 2019 winter months.

Overall, demand for the 2019 year remains buoyant. The outlook therefore remains positive for the anthracite sector which is now the core of the business, with both demand and pricing remaining strong.

HEALTH AND SAFETY REVIEW

The Company's operations maintain an integrated Health, Safety and Environment ("HSE") management system, established using the OHSAS18001 and ISO14001 frameworks as well as minimum standards, and fully supports the co-existence of occupational health, and the environment within which the Company operates, in order to ensure compliance and achieve zero harm. Operating safely and responsibly is an integral part of our business strategy. We strive to obtain an injury free workplace and to create a company culture that protects employees and visitors from harm. The Company undertakes training and development initiatives and related ventures on a regular basis in order to improve individual outlook on health, safety and the environment.

The Company employed 451 employees and engaged 128 contractors as at April 24, 2019.

Occupational Health

The health and wellness of our employees plays a pivotal role in the Company's health and safety performance as well as productivity. The main aim is to ensure that the mining industry milestones for occupational health are achieved. 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 to occupational health hazards and medical surveillance systems. The 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. On average, compliance is above 80% on ventilation, occupational hygiene and occupational medicine systems.

Occupational Safety

As at December 31, 2018, the Group had achieved more than 7 000 fatality free production shifts at Coalfields (FY 2017: 6 000) and Aviemore had achieved 2 000 fatality free production shifts (FY 2017: 1 679). Magdalena ended on 674 fatality free production shifts at the end of October 2018 when the mine was closed. Having recorded a fatal accident in April 2017, it is noted that, an application was lodged to the Department of Mineral Resources to exclude this as a fatal accident due to the post mortem result, which concluded that the deceased individual did not pass away as a result of the injuries that he sustained during the accident. The response from the DMR is still outstanding.

BCD completed FY 2018 with two lost time injuries ("LTIs"). One occurred at Magdalena (STA) and one at Aviemore. Coalfields had zero LTIs for FY 2018, compared to six LTIs during FY 2017, representing a substantial improvement in the safety performance record.

The Company runs a Visible Felt Leadership ("VFL") program as part of an ongoing improvement measurement to the safety behavior of our workforce and to provide management with the opportunity to have one-on-one safety discussions and interactions with the employees at the work force.

The company achieved a lost time injury free rate of 0.22 (per 200 000 hours) for FY 2018 against a target rate of 0.4.

OPERATIONAL REVIEW

Consolidated operational results for FY 2018, FY 2017, Q4 2018, Q4 2017 AND Q3 2018

Operational results	FY 2018	FY 2017	% Change	Q4 2018	Q4 2017	% Change	Q3 2018	% Change
ROM (t)	**1 048 546**	1 341 918	(22%)	**182 882**	290 381	(37%)	310 811	(41%)
- Aviemore (t)	**487 398**	487 162	0%	**122 196**	119 219	2%	121 229	1%
- Aviemore (t) (bought-in)	**70 455**	23 111	205%	**16 324**	9 053	80%	21 397	(24%)
- Magdalena (t)	**462 013**	788 361	(41%)	**39 517**	162 109	(76%)	145 405	(73%)
- Bituminous (t) (bought-in)	**28 680**	43 284	(34%)	**4 845**	-	100%	22 780	(79%)
Saleable production (excluding calcine) (t)	**682 052**	793 547	(14%)	**118 714**	200 328	(41%)	193 588	(39%)
- Anthracite (t)	**323 078**	321 208	1%	**76 079**	87 854	(13%)	77 931	(2%)
- Anthracite (t) (bought-in)	**45 570**	15 180	200%	**10 345**	6 283	65%	13 719	(25%)
- Bituminous (t)	**296 975**	426 471	(30%)	**29 347**	106 191	(72%)	89 087	(67%)
- Bituminous (t) (bought-in)	**16 429**	30 688	(46%)	**2 943**	-	100%	12 851	(77%)
Yield on plant feed (excluding calcine) (%)	**64.4%**	59.3%	9%	**62.7%**	67.8%	(7%)	61.7%	2%
- Anthracite (%)	**66.7%**	66.1%	1%	**62.9%**	69.8%	(10%)	65.0%	(3%)
- Anthracite (%) (bought-in)	**64.7%**	65.7%	(2%)	**63.4%**	69.4%	(9%)	64.1%	(1%)
- Bituminous (%)	**64.0%**	54.3%	18%	**69.1%**	66.2%	4%	61.9%	12%
- Bituminous (%) (bought-in)	**57.3%**	70.9%	(19%)	**60.7%**	-	100%	56.4%	191%
Sales (t)	**787 348**	918 786	(14%)	**159 492**	261 581	(39%)	209 687	(24%)
- Anthracite (t)	**307 089**	317 434	(3%)	**78 001**	138 802	(44%)	74 046	5%
- Bituminous (t)	**325 611**	440 431	(26%)	**32 126**	93 756	(66%)	107 972	(70%)
- Calcine (t)	**50 665**	37 158	36%	**9 268**	6 620	40%	11 641	(20%)
- Anthracite high-ash sales (t)	**103 983**	123 763	(16%)	**40 097**	22 403	79%	16 028	150%
Sales (t) (excluding high-ash sales)	**683 365**	795 023	(14%)	**119 395**	239 178	(50%)	193 659	(38%)
Saleable inventory tonnes	**43 010**	48 303	(11%)	**43 010**	48 303	(11%)	45 060	(5%)
- Anthracite (t)	**31 518**	26 444	19%	**31 518**	26 444	19%	31 847	(1%)
- Bituminous (t)	**5 821**	20 239	(71%)	**5 821**	20 239	(71%)	6 732	(14%)
- Calcine (t)	**5 671**	1 620	250%	**5 671**	1 620	250%	6 481	(12%)

An analysis of the operational results for Q4 2018 and FY 2018 compared to Q4 2017 and FY 2017, respectively, as well as Q4 2018 compared to Q3 2018 are discussed below:

ROM Production

Total ROM production for Q4 2018 and FY 2018 decreased with 37% and 22%, respectively, compared to Q4 2017 and FY 2017. The decreases over comparative periods were primarily driven by a combination of lower ROM tonnes produced at Magdalena during Q4 2018 and FY 2018 along with less bituminous buy-in tonnes obtained, partially offset by an increase in anthracite buy-in tonnes acquired. The 41% decrease in total ROM from Q3 2018 to Q4 2018 was mainly due to the closure of the Magdalena operations during Q4 2018 along with less anthracite and bituminous buy-in tonnes obtained during Q4 2018.

Aviemore's ROM production for Q4 2018 and FY 2018 was consistent with the ROM production of Q4 2017 and FY 2017. The ROM production for Q4 2018 was also in line compared to Q3 2018, confirming that Aviemore continues to perform in line with historic and budgeted performance levels. Magdalena's ROM production for Q4 2018 and

FY 2018 was 76% and 41% lower compared to Q4 2017 and FY 2017, respectively, primarily as a result of difficult geological mining conditions and pit-room constraints that resulted in only three sections being mined during FY 2018 compared to four sections mined during the comparative periods of FY 2017. The lower production levels at Magdalena along with safety concerns were the major factors taken into consideration in the closure of Magdalena at the end of October 2018.

In order to mitigate the loss of production at Magdalena and to improve the overall cash flow of the Group, the Company has entered into an arrangement with a neighbouring coal miner during FY 2018, to buy-in approximately 6 000 tonnes of anthracite coal per month. The buy-in tonnes may increase, subject to increase in production of the neighbouring coal mine.

Saleable Production

The total saleable coal production for Q4 2018 was 41% lower compared to Q4 2017 and 39% lower compared to Q3 2018 mainly due to a combination of lower ROM production and lower yields achieved over comparative periods.

The overall saleable coal production for FY 2018 was only 14% lower compared to FY 2017 due to lower ROM production for the year (22%) partially offset by better overall yields achieved (9%).

The overall yield achieved for FY 2018 improved by 9% compared to FY 2017 and was mainly the result of additional spirals added on the Magdalena wash plant cycles that resulted in better yields, along with the mining of the combined seem and Gus seem areas at Magdalena which resulted in less contamination.

Sales

Overall sales (excluding high-ash sales) for Q4 2018 and FY 2018 were 50% and 14% lower, respectively, compared with Q4 2017 and FY 2017 and decreased by 38% compared to Q3 2018.

Anthracite sales for FY 2018 were in line compared to FY 2017, however Q4 2018 sales were 44% lower compared to sales in Q4 2017, mainly as a result of the 13% lower saleable production in Q4 2018 along with an increase of 19% saleable inventory carried forward to the next financial period (FY 2019). Anthracite sales for Q4 2018 improved with 5% compared to Q3 2018, however sales were lower than scheduled as a result of train delays caused by bad weather.

Bituminous sales for Q4 2018 and FY 2018 was 66% and 26% lower compared to Q4 2017 and FY 2017 and Q4 2018 sales were 70% lower compared to Q3 2018, which is in line with the lower saleable production achieved that was primarily driven by lower ROM production and the closure of Magdalena during Q4 2018.

Calcine sales and anthracite high-ash sales fluctuate from quarter to quarter, based on demand for these products.

Logistics

Coal is normally transported by rail and truck to domestic customers, while export coal is transported to RBCT and the Navitrade Terminal by rail. The Company utilizes the RBCT and Navitrade Terminals through contracts structured with customers with export allocations at the terminals.

Environmental Management

The Company endeavors to conduct its business in a manner that demonstrates an understanding 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. The Company has its own in-house environmental management department focusing on the elements of ISO 14001, 9001 and ensuring continual improvement in compliance.

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 allowable deductions, depending on the refined condition of the mineral resources.

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

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

The Group paid mining royalties of R1.2 million in Q4 2018 (Q4 2017: R0.7 million) and R3.7 million in FY 2018 (FY 2017: R5.0 million) under terms of the Royalty Act.

Other Royalties

Other royalties include the LOMR payable to Investec, which came to an end with the closure of Magdalena. (Refer to the 'Investec Facilities' under the "Strategic review and Outlook" section of this MD&A). The LOMR payable to Investec amounted to R1.1 million in Q4 2018 (Q4 2017: R2.8 million) and R10.5 million in FY 2018 (FY 2017: R6.1 million).

The Company is also obliged to pay R2.50/tonne royalty on future production from Aviemore, subject to a minimum monthly amount of R25 000 per month, pursuant to a settlement arrangement with Avemore Trust that was concluded in May 2017 (Refer Note 29 of the Financial Statements). Royalties payable to Avemore Trust amounted to R0.3 million in Q4 2018 (Q4 2017: R0.3 million) and R1.2 million in FY 2018 (FY 2017: R1.4 million).

Social Development

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

The development of people, both employees and local community members, is a fundamental principle in the business strategy. The Company provides opportunities and resources for 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 employees, retrenched employees and the community.
- An Adult Education and Training ("AET") project which aims to improve the literacy rate of employees and members of the community. AET learners are offered the opportunity to become functionally literate and numerate.
- The starting of Grade 13 classes in various fields.
- An internship program for unemployed graduates.
- Bursary programs in all fields. The bursars are given the opportunity to do vacation work (where applicable), to gain experience and do in-service training to meet graduation requirements.

- Engineering, processing and mining learnership programs.
- Experiential training for the Dannhauser Municipal area for Community Members that have completed Further Education and Training ("FET"), to do experiential work to decide on their career paths.

The Company's local economic development projects during FY 2018 included:

- 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 a piggery and a nursey.
- The construction of two crèches near the Magdalena Mine in the Dannhauser Municipal District.
- The construction of two sports complexes in the mining right of Aviemore and Magdalena Mines.

On December 20, 2018, the Corporation received a Section 29(b) notice from the DMR following the outcome of a Social and Labour Plan audit conducted by the DMR at the mines in August 2018. The DMR raised issues with regards to:

- Human resource development ("HRD") costs as a percentage of the total FY 2018 payroll costs – the DMR requires proof that the HRD costs for FY 2018 complies with the 5% requirement, if the HRD spend for FY 2018 was below the 5%, the Company needs to indicate how it plans to top-up the difference;
- The Corporation's strategy on how the company intends to achieve Employment Equity targets as required in the 2018 Mining Charter (specifically on senior management level which currently does not meet the required targets);
- Mining charter 2 compliance for procurement spend – need to report on final procurement numbers for FY 2018 and report on compliance status in terms of the charter;
- Contracts issued to key suppliers to enhance empowerment; and
- Preferential procurement policy – the DMR requires the policy to incorporate the Mining Charter 3 requirements.

Representatives of the Company met with the DMR on February 22, 2018 to discuss the issues raised by the DMR in the Section 29(b) notice and how to address those issues. Based on the outcome of the meeting, the Corporation had to provide certain requested information to the DMR by March 15, 2019 which was provided to the DMR at such date.

The Company is currently awaiting feedback from the DMR as to their review of the information provided.

FINANCIAL REVIEW

Consolidated financial results for FY 2018, FY 2017, Q4 2018, Q4 2017 AND Q3 2018

Financial results	FY 2018	FY 2017	% Change	Q4 2018	Q4 2017	% Change	Q3 2018	% Change
Revenue (R'millions)	**758.5**	738.1	3%	**157.4**	228.8	(31%)	206.4	(24%)
Net Revenue (R'millions) (*)	**737.2**	713.4	3%	**149.6**	224.1	(33%)	202.9	(26%)
Cost of sales (R'millions)	**(559.2)**	(636.4)	(12%)	**(106.3)**	(163.0)	(35%)	(156.7)	(32%)
Impairment loss on property, plant and equipment (R'millions)	**(67.5)**	(175.6)	(62%)	**(1.2)**	(175.6)	(99%)	(66.3)	(98%)
Other (expenses)/income - net (R'millions)	**(48.4)**	76.0	(164%)	**7.9**	56.3	(86%)	(3.1)	(355%)
General & administration expenses (R'millions)	**(97.2)**	(72.3)	34%	**(19.3)**	(22.3)	(13%)	(37.2)	(48%)
Operating (loss)/profit (R'millions)	**(13.7)**	(70.2)	(80%)	**38.4**	(75.4)	151%	(56.8)	(168%)
Finance (costs)/income - net (R'millions)	**(54.6)**	(52.4)	4%	**(11.9)**	(15.4)	(22%)	(14.6)	(19%)
Income tax (R'millions)	**(0.05)**	(1.1)	(96%)	**-**	-	-	1.0	(100%)
Profit (loss) for the period (R'millions)	**(68.38)**	(123.7)	(45%)	**26.54**	(90.8)	(128%)	(70.4)	(138%)
Average selling price per ton sold (R) (excluding high-ash sales)	**1 049**	877	20%	**1 166**	956	23%	1 030	13%
Cash cost of sales per ton (R) (excluding high-ash export costs)	**803**	691	16%	**803**	578	40%	758	6%
CAD:ZAR (average)	**10.21**	10.26	(1%)	**10.82**	10.74	1%	10.77	0%
USD:ZAR (average)	**13.24**	13.31	(1%)	**14.30**	13.64	5%	14.08	2%

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

An analysis of the financial results for Q4 2018 and FY 2018 compared to Q4 2017 and FY 2017, respectively, as well as Q4 2018 compared to Q3 2018 are discussed below:

Revenue

R'000	FY 2018	FY 2017	% Change	Q4 2018	Q4 2017	% Change	Q3 2018	% Change
Anthracite	**336 612**	285 332	18%	**93 431**	132 275	(29%)	79 298	18%
-Domestic	**104 985**	61 700	70%	**35 575**	20 577	73%	22 324	59%
-Export	**231 626**	223 631	4%	**57 856**	111 698	(48%)	56 974	2%
Bituminous	**296 340**	357 291	(17%)	**30 697**	79 430	(61%)	101 038	(70%)
-Domestic	**176 237**	190 974	(8%)	**25 686**	47 862	(46%)	54 018	(52%)
-Export	**120 104**	166 317	(28%)	**5 012**	31 568	(84%)	47 020	(89%)
Calcine	**83 645**	53 854	55%	**15 120**	9 324	62%	19 152	(21%)
Revenue (excluding high-ash sales)	**716 597**	696 477	3%	**139 247**	221 029	(37%)	199 488	(30%)
Export (high-ash)	**41 394**	40 897	1%	**17 991**	7 592	137%	6 786	165%
Sundry sales (slurry/discard)	**527**	748	(30%)	**128**	140	(8%)	130	(1%)
Total Revenue	**758 517**	738 121	3%	**157 367**	228 762	(31%)	206 404	(24%)

Revenue (excluding high-ash sales) for Q4 2018 was 37% lower compared to Q4 2017, due to a 50% decrease in sales volumes over comparative periods, partially offset by a 23% improvement in average selling prices. Revenue (excluding high-ash sales) for Q4 2018 was 30% lower compared to Q3 2018, due to a 38% decrease in sales volumes over comparative periods, partially offset by a 13% improvement in average selling prices.

Although sales volumes for FY 2018 were 14% lower compared to FY 2017, the 20% improvement in average selling prices over the comparative periods resulted in the annual revenues (excluding high-ash sales) ending marginally (3%) higher compared to FY 2017's revenues.

During the FY 2018, the overall selling prices per ton were higher as a result of an increase in overall market prices that resulted in the negotiation of better selling prices in new sales contracts entered into with the Group's significant customers.

Cost of Sales

Cost of sales for Q4 2018 and FY 2018 was 35% and 12% lower compared to its comparative periods, mainly due to the lower production from Magdalena.

Cost of sales was also 32% lower in Q4 2018 compared to Q3 2018, mainly as a result of lower costs per tonne after production ceased at Magdalena at the end of October 2018. Depreciation was also lower during Q4 2018 compared to Q3 2018 due to the initial impairment of the Magdalena assets recorded at the end of September 2018.

Cost of sales includes mining and processing costs, salaries and wages, depreciation and amortization, transportation, railage, port handling and wharfage costs. The lower ROM production volumes at Magdalena during the majority of FY 2018 until the closure of the mine resulted in the Company carrying fixed costs which could not be recovered by sales from the lower tonnes produced at Magdalena. As a result, the Cash cost per sales ton increased by 16% compared to FY 2017. The Q4 2018 costs remained higher compared to Q4 2017 and Q3 2018 due to certain costs elements for Magdalena that continued until the Magdalena mine and wash plant was put on care and maintenance at the end of February 2019.

The Group continues to be cost conscious, ensuring expenditures are kept to a minimum in order to ensure the sustainability of the Group.

Impairment loss on property, plant and equipment

An impairment loss of R67.5 million was recognized during FY 2018 (FY 2017: R175.6 million). The decision to close Magdalena's underground mine obliged the Company to perform an impairment assessment with respect to the net book values of Magdalena's assets at the end of Q3 2018. In assessing whether Magdalena's assets have been impaired, the net book value is compared with its recoverable amount. In order to determine the initial recoverable amount of Magdalena's assets, management reviewed Magdalena's asset register and identified assets that could be re-purposed elsewhere in the operation and/or disposed of. The remaining assets were written down to zero.

The net book value of assets to be removed from underground was impaired by 50% to account for potential wear and tear that may occur during the extraction process and resulted in an impairment of R66.3 million recognized on September 30, 2018. Following the recovery of assets from underground, a final impairment assessment was done, which resulted in an additional impairment of R1.2 million on December 31, 2018.

The impairment loss recognized in FY 2017 related to the carrying value of the BC Dundee Group property, plant and equipment which exceeded their estimated recoverable amounts as at December 31, 2017. At this date, management identified indicators of impairment and determined the recoverable amount of the BC Dundee Group on a value in use basis. The fair value calculations were determined using pre-tax cash flow projections on constant terms, based on the BC Dundee Group's LOM. The main reason for the impairment was the reduction of the life of mine at Magdalena from 12 years to 5 years due to economic factors including expected increased mining cost, reduced mining productivity (increased distance from the mine adit) and a change in the specification of the coal. The net book value of Magdalena's assets included in property, plant and equipment was R82.9 million as at December 31, 2017 (Refer to Note 7 of the Financial Statements).

Other (expenses)/income – net

Other income and expenses comprise profit on sale of assets, foreign exchange gains/losses and fair value adjustments on financial assets and conversion option liabilities.

The R48.4 million net expense for FY 2018 (FY 2017: R76.0 million gain) was mainly attributable to a net foreign currency exchange loss of R57.4 million (FY 2017: R34.6 million gain), mainly as a result of the weakening of the Rand in relation to the US Dollar with regards to the RCF Convertible Loan and US Dollar denominated revenues.

Also included was a fair value adjustment gain of R0.9 million (FY 2017: R32.0 million gain) in relation to the valuation of the conversion option liability (RCF convertible loan) and the warrant liability (Investec warrants) along with a positive fair value adjustment on financial assets of R2.9 million (FY 2017: R5.6 million) and net profit on disposal of property, plant and equipment of R2.4 million (FY 2017: R0.5 million).

General and administration expenses

These expenses include the general and administration expenses relating to BC Dundee's head office at Coalfields, the Company's corporate office in Centurion and the Canadian head office.

General and administration expenses for Q4 2018 were 13% lower compared to Q4 2017.
General and administration expenses for FY 2018 were 34% higher than FY 2017.

The higher general and administration expenses for FY 2018 were due mainly to:

- R12.4 million provision for retrenchments pursuant to the section 189 process in Q3 2018 (Refer to *Overview of the Company*);
- Salaries and wages increased by about 20% compared to FY 2017, of which 5% related to annual salary increases and further increases were due to various appointments at the mine as well senior level appointments at the Corporate office;
- Consulting fees for Q4 2018 and FY 2018 included R0.8 million (Q4 2017: RNil) and R3.3 million (FY 2017: R0.2 million), respectively, for the strategic review process and bankable feasibility study costs related to the new adit at the Aviemore Mine;
- tax related fees of C$72 610 (approximately R0.9million) for tax related services in Canada included in Q3 2018;
- R1.7 million impairment of receivables related to a customer that went into business rescue during Q1 2018 which resulted in R1.7 million in trade debt being written off; and
- R1.5 million impairment of non-interest-bearing receivables relating to the previous owners of the Company who had a long outstanding loan account in Q4 2018.

General and administration expenses for Q4 2018 were 48% lower compared to Q3 2018, mainly due to retrenchment costs of R12.4 million included and provided for during Q3 2018 (Q4 2018: RNil).

Finance Costs/Income-net

Finance costs for FY 2018 were 4% higher compared to FY 2017, primarily due to the LOMR payable to Investec during 2018 pursuant to the 6th Amendment Agreement whereby a LOMR is payable to Investec on all bituminous coal sales mined from the Magdalena reserve with effect from July 1, 2017, calculated at a rate of 3.54% of sales.

The group recorded a net accretion expense of R13.6 million during the FY 2018 (FY 2017: R12.9 million) in relation to the RCF Loan and a net accretion expense of R6.8 million (FY 2017: R4.8 million) in relation to the Investec warrant asset.

Income tax

The company recorded income and other tax expenses of R0.05 million for FY 2018 compared to R1.1 million during FY 2017.

CONSOLIDATED FINANCIAL POSITION

Balance sheet review

Summary balance sheet information

R'000	December 31, 2018	December 31, 2017	ZAR Change	% Change
Property, plant and equipment	**58 484**	106 886	(48 402)	(45%)
Investments & long-term receivables	**8 017**	5 360	2 657	50%
Trade and other receivables	**48 284**	121 245	(72 961)	(60%)
Inventories	**41 824**	38 095	3 729	10%
Cash and cash equivalents	**5 232**	21 429	(16 197)	(76%)
Restricted cash	**11 200**	11 200	(0)	(0%)
Other receivables - restricted	**54 902**	53 212	1 690	3%
Non-interest bearing receivables	**-**	2 016	(2 016)	(100%)
Current tax assets	**865**	865	0	0%
Total assets	**228 808**	360 308	(131 500)	(36%)
RCF loan facilities	**384 220**	314 791	69 429	22%
Other borrowings	**100 991**	187 986	(86 995)	(46%)
Trade and other payables	**95 352**	156 498	(61 146)	(39%)
Asset retirement obligation	**49 891**	35 898	13 993	39%
Current tax liabilities	**829**	2 901	(2 072)	(71%)
Total liabilities	**631 283**	698 074	(66 791)	(10%)
Total equity (deficiency)	**(402 475)**	(337 766)	(64 709)	19%

Assets

The decrease in property, plant and equipment primarily comprised of the R67.5 million impairment related to the closure of Magdalena mine along with depreciation of R22.3 million for FY 2018 partially offset by R29.7 million in capital additions for FY 2018 and R12.0 million charge resulting from an increase in the rehabilitation obligation from the change in estimates of the rehabilitation obligation driven by the closure of Magdalena mine.

The decrease in trade and other receivables comprised primarily of trade receivables recovered along with an impairment of trade receivables. The impairment related to a customer that went into business rescue during the FY 2018 that resulted in R1.7 million in trade debt being written off.

The non-interest-bearing receivables were outstanding for more than 6 years and are considered to be unrecoverable and were accordingly written off at the end of FY 2018.

Liabilities

RCF loan facilities increased as a result of a R52.7 million foreign exchange loss on translation of the US$ denominated RCF loan liability on December 31, 2018, R13.6 million in accretion expenses for FY 2018, R0.8 million decrease in fair value adjustment of the conversion option liability as well as a R4.0 million foreign exchange loss on translation of the conversion option liability.

Other borrowings decreased as a result of BC Dundee settling R95.0 million of the R200.3 million outstanding Investec loan facility during FY 2018. The decrease in trade and other payables was mainly attributable to the payment of 2017 accrued Investec interest and royalties in Q1 2018 and settling R71 million of the long outstanding amounts owing to STA during FY 2018. As at December 31, 2018, the amount owing to STA was R22.1 million (December 31, 2017: R93.1 million).

The asset retirement obligation increased mainly due to a R12.0 million charge relating to a reduction in Magdalena's rehabilitation closure period from 15 years to 7 years, as a result of based on the decision to close Magdalena.

Working capital

The Company had a working capital deficit of R482.0 million as at December 31, 2018 compared to a working capital deficit of R163.7 million at December 31, 2017 (see *Non-IFRS Performance Measures*). The decrease in working capital was due to a decrease in trade and other receivables and cash and cash equivalents and a reclassification of the RCF Loan Facility as a current liability during FY 2018 (refer to *Financial Condition Review* above) offset by a decrease in borrowings and trade and other payables during the year.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

CASH FLOW REVEIW

The condensed consolidated statements of cash flows are summarized below:

R'000	FY 2018	FY 2017	% Change	Q4 2018	Q4 2017	% Change	Q3 2018	% Change
Net cash generated from operating activities	**105 876**	28 270	275%	**24 957**	17 097	46%	22 404	11%
Net cash utilized in investing activities	**(27 073)**	(42 095)	(36%)	**(2 169)**	(7 668)	(72%)	(7 239)	(70%)
Net cash (utilized in)/generated from financing activities	**(95 000)**	21 500	(542%)	**(25 000)**	-	(100%)	(25 000)	0%
Change in cash and cash equivalents	**(16 197)**	7 675	(311%)	**(2 212)**	9 429	123%	(9 835)	78%

The improvement in cash generated from operating activities for Q4 2018 and FY 2018 compared to cash generated during Q4 2017 and FY 2017 was attributable to improved revenues and lower costs over the comparative periods. Cash generated from operating activities for Q4 2018 improved compared to Q3 2018, due mainly to a decrease in costs compared to Q3 2018.

Cash utilized in investing activities of R4.8 million in Q4 2018 (Q4 2017: R7.6 million) and R29.7 million in FY 2018 (FY 2017: R35.2 million) related to capital incurred on property, plant and equipment.

During the FY 2018, the Company recorded R2.6 million (FY 2017: R0.5 million) proceeds from the disposal of property, plant and equipment.

During FY 2018, R95.0 million of cash was utilized to reduce the outstanding Investec loan balance, of which R25 million was paid in Q4 2018. In Q3 2017 the Corporation drew down R21.5 million from the additional working capital facility made available by Investec to fund the Panel 417 development and to fund working capital requirements.

LIQUIDITY AND CAPITAL RESOURCES

As discussed under the 'Strategic Review and Outlook' section of this MD&A, the Board formed a Special Committee in October 2018 to monitor developments and undertake a further strategic review of the Company and its capital structure in order to identify possible other strategic alternatives that may be in the interests of Buffalo Coal and its stakeholders following the conclusion of the Section 189 process at Magdalena Mine. In November 2018, the bidding process was re-opened and indicative bidders were provided an opportunity to do a due diligence during Q1 2019. The bidders were required to submit their final binding offers on March 29, 2019. In order to be successful, the offers need to address the Group's outstanding debt obligations with Investec and RCF as well as funding for new projects. The bidding process closed on March 29, 2019 and the Board is currently assessing the offers received.

At this point in time, it is uncertain what the outcome of the above-mentioned initiative will be. As such, management has reviewed its cash flow forecast based on revised production, including pillar extraction over the next two years, to determine whether the Company (Group) will be able to meet its obligations in the normal course of business. The cash flow forecast over the next two years, assuming realization on the short-term opportunities, indicates that Buffalo Coal should be able to service all its liabilities (excluding the RCF loan) during this period.

Although various restructuring initiatives have been implemented, the Group continues to experience operational challenges. The Group remains dependent upon sustaining profitable levels of operation, as well as the continued support of Investec, RCF and other stakeholders and believes that, subject to its ability to meet current production and sales forecasts, it should be able to generate positive cash flows in the foreseeable future.

However, there is no assurance that the Company will be able to meet its covenants in the future, or that Investec will provide future waivers or that RCF will provide an extension, if required. These matters constitute material uncertainties which cast significant doubt as to whether the Group can continue as a going concern.

Should the going concern assumption not be appropriate for the Annual 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. Such adjustments could be material.

FINANCIAL INSTRUMENTS

During FY 2018, the Group relied primarily on cash generated from the sale of coal products produced at its mining operations and from buy-in tonnes. During FY 2017, the Group arranged for an increase of R21.5 million in the Investec working capital facility to assist in funding the Panel 417 development and managing its working capital requirements. In the normal course of business, the Group is inherently exposed to currency and commodity price risk. The Corporation does not currently hedge its exposure to currency or commodity price risk. For a discussion of the methods used to value financial instruments refer to Note 3 of the Financial Statements.

COMMITMENTS AND CONTINGENCIES

Change in Control Provision

Certain management contracts require that payments of approximately R3.9 million be made upon the occurrence of a change of control, other than a change of control attributable to RCF and/or Investec. As no triggering event has taken place, no provision has been recognized as of December 31, 2018.

Capital Commitments

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

	December 31, 2018 R	December 31, 2017 R
Property, plant and equipment	5 219 959	7 252 129

In terms of Regulation 8.10 of the Mine Health and Safety Act, 29 of 1996 Regulations, the Company is required to take reasonably practicable measures to ensure that pedestrians are prevented from being injured as a result of collisions between trackless mobile machines and pedestrians, by way of the installation of proximity devices on specified machines. During 2017, the Company commenced the phase in of such devices over a two-and-a-half-year period.

Environmental and Regulatory Contingency

The Company's mining and exploration activities are subject to various laws and regulations governing the environment and mine operations. These laws and regulations are continually changing and generally becoming more restrictive.

The current operational adit at Magdalena does not have an amended Environmental Management Program ("EMP") or an amended Integrated Water Use License Application ("IWULA"). As a result, the mine had to apply for a Section 24G retrospective Environmental Impact Analysis ("EIA"). R2.45 million had been provided for during December 2017 to settle potential penalties for the non-compliance. The mine has not yet been issued with any penalties in this regard. Accordingly, the full amount has been included in Provisions (Trade and other payables) as at December 31, 2018. The Company's Calcine plant has been operating without an Air Emissions License ("AEL"), and this has necessitated that a Section 24G application be submitted to the Economic Development, Tourism and Environmental Affairs ("EDTEA").

The Section 24G application relates to the commencement of certain listed activities which have commenced at the Calcine plant at Coalfields, prior to obtaining Environmental Authorization ("EA"). To comply with legislation, a full scoping and EIA report should be undertaken. With the aim to continually strive to be compliant with the operations of the Calcine plant, the Company approached the EDTEA for an AEL. Once the plant has been refurbished, it was agreed with the EDTEA that stack tests will be carried out and the results submitted. Once the results are submitted, the EDTEA will issue a fine, and once paid, the EA will be issued. On approval of the EA, an AEL can then be obtained in compliance with the Air Quality Act. R2.0 million had been provided for during March 2018 to settle estimated fines for non-compliance. The mine has not yet been issued with any fines in this regard. Accordingly, this amount has been included in provisions (Trade and other payables) as at December 31, 2018.

The Company is currently undertaking specialist studies to complete these environmental applications. The Company has made, and expects to make in the future, expenditures to comply with environmental laws and regulations.

Refer to the 'Other uncertainties and risks' section of this MD&A for non-compliance with laws and regulations identified. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

RELATED PARTY TRANSACTIONS

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

	December 31, 2018 R	December 31, 2017 R
Payments for services rendered		
RCF [1]	-	525 133
Total	-	525 133

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

	December 31, 2018 R	December 31, 2017 R
Related party payables		
RCF [1]	**4 845 820**	3 279 545
Total	**4 845 820**	3 279 545

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

[1] RCF is a related party to the Company as a result of owning a controlling investment in the Company. As set out in the third amended and restated convertible loan agreement with RCF, RCF has invoiced the Company for costs incurred relating to the loan facilities, which are disclosed above. In addition to these costs. Included in payables are accrued interest payable to RCF of R3.1 million (December 31, 2017: R2.2 million) on the RCF Convertible loan (Refer to Note 22 of the Financial Statements) as well as costs invoiced by RCF to the Company in previous years that have not been settled.

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 key members of management personnel (officers) during the period were as follows:

	December 31, 2018 R	December 31, 2017 R
Short-term benefits	**10 479 864**	11 869 627
Share-based payments	**1 335**	40 839
Total	**10 481 199**	11 910 466

No share options were granted to employees or directors during FY 2018 and FY 2017. Amounts owing to directors and other members of key management personnel were R0.4 million as of December 31, 2018 as compared to R0.9 million at December 31, 2017.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of these consolidated financial statements in accordance with IFRS requires management to make use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the period. Areas of judgement that have the most significant effect on the amounts recognized in the financial statements are assessment of the provision for rehabilitation obligations of the Group, estimation of asset lives, determination of ore reserve estimates, capitalization of exploration and evaluation costs.

Key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities are the estimation of close-down and restoration costs and the timing of expenditures, the review of asset carrying values and impairment charges and reversals, the estimation of environmental clean-up costs and the timing of expenditures and the recoverability of potential future income taxes. A number of the key estimates noted above are impacted by movements in the market prices for coal and the ZAR/$ exchange rate. Financial results as determined by actual events could differ from those estimated. Management estimates are also applied in arriving at the useful lives of items of property, plant and equipment and in determining the fair value of stock options, the conversion option liability and the warrant liability. Note 2 to the Financial Statements describes the BC Corp's significant accounting policies.

Provisions

Significant judgment and use of assumptions are required in determining the Group's provisions. Management uses its best estimates based on current knowledge in determining the amount to be recognized as a provision. Key assumptions utilized in the determination of the rehabilitation provision, which is measured at fair value, include the estimated life of mine, estimates of reserves and discount rates. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of the liability that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

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

The Group makes use of experience and assumptions in determining the useful lives and residual values of property, plant and equipment, mineral rights and other intangible assets (other than goodwill). Management reviews annually whether any indications of impairment exist. Information that the Group considers includes changes in the market, economic and legal environment in which the Group operates as well as internal sources of information. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in coal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, appreciation of the Rand relative to the US Dollar, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics could result in a write-down of the carrying amounts of the Group's assets.

Capitalization of exploration and evaluation costs

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

Taxes and recoverability of potential deferred tax assets

The Company is subject to income, value added, withholding and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

In assessing the probability of realizing deferred tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in South Africa.

Share-based payments

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

Compound financial instruments

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

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

Mineral reserve estimates

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Group's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation.

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

Going concern assumption

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

NEW ACCOUNTING POLICIES

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board ("IASB") or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2018 or later periods (Refer to Note 2.2 of the Financial Statements).

IFRS 9 - *'Financial Instruments' – effective January 1, 2018*

The Group adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended December 31, 2017 was accounted for in accordance with the Company's previous accounting policy under IAS 39.

IFRS 15 – *'Revenue from Contracts with Customers' – effective January 1, 2018*

The Group has adopted IFRS 15 on a retrospective basis during the financial year ended December 31, 2018. The revenue recognition was substantially unchanged by the adoption of IFRS 15 and did not result in any adjustments.

IFRIC 22 – *Foreign Currency Transactions and Advance Consideration – effective January 1, 2018*

The application of IFRIC 22 did not have a significant impact on the Group's consolidated financial statements.

IFRS 2 – *Share-based payments – effective January 1, 2018*

The application of IFRS 2 did not have a significant impact on the Group's consolidated financial statements.

Future Accounting Changes

The following standards, amendments and interpretations are issued but not yet effective for the December 31, 2018 financial year-end:

IFRS 16 - '*Leases' – effective January 1, 2019*
IFRIC 23 – *Uncertainty over Income Tax Treatments – effective January 1, 2019*

OTHER UNCERTAINTIES AND RISKS

Investing in the Company involves risks that should be carefully considered. The business of BC Corp is speculative due to the high-risk nature of coal mining and exploration. Investors should be aware that there are various uncertainties and 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.

Uncertainties

There are a number of uncertainties in the mining business of BC Corp, some of which are beyond the Group's control:

- the ability of the Corporation to continue as a going concern remains dependent upon sustaining profitable levels of operation, as well as the continued support of Investec, RCF and other stakeholders and its ability to meet current production and sales forecasts.
- the ability of the Corporation to continue operations over the longer term is dependent upon obtaining the necessary funding to implement the medium to longer-term projects in the required timelines (Refer to 'Strategic Overview and Outlook' section of this MD&A);
- the ability of the Corporation to meet requirements of government legislation or the DMR in order to maintain its mining rights;
- the ability to maintain or secure, as the case may be, sufficient BBBEE investment in the Corporation in order to maintain compliance with BEE requirements as required by the applicable law;
- government legislation and implementation thereof regarding mining companies in South Africa, including without limitation, securing authorizations and permits required thereunder within the timeframes required to achieve BC Corp's plans and objectives;
- prices for the Corporation's production of coal;
- foreign exchange and interest rates;
- the supply and cost of re-agents and other substances used by the Corporation in the process to extract coal;
- the consistent and sufficient supply of economical electrical power;
- securities regulation regarding public listed companies in Canada and South Africa; and
- natural disasters, change in government, war or random occurrences or acts that could result in a material change to economic and market performance, business conditions or operations.

Business Risks

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.

On September 27, 2018, the South African Minister of Mineral Resources, Gwede Mantashe (the "Minister"), published the Broad-Based Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry, 2018 (the "2018 Mining Charter"). While the definition of "Mining Charter, 2018" refers to the 2018 Mining Charter as being "developed in terms of section 100 of the MPRDA", section 100 of the MPRDA does not provide for the development of a further charter by the Minister. For this reason, the 2018 Mining Charter is susceptible to judicial review if challenged on the basis that the Minister lacks authority in terms of the MPRDA for the Minister to develop such a Charter.

Compliance with the 2018 Mining Charter may require significant capital outlay on behalf of the Company and may cause material changes or delays in the Company's intended activities. Management is currently assessing options to comply with the regulation. These regulations 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.

Mining and Prospecting Rights

The Company's mining and exploration activities are subject to various laws and regulations governing the environment and mine operations. These laws and regulations are continually changing and generally becoming more restrictive.

Refer to the 'Commitments and Contingencies' section of this MD&A for detail with regards to Section 24G, notices issued by the DMR on environmental issues identified at the Group's mining operations.

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 Currency Exchange Rates

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. BC Corp also holds a RCF convertible loan that is US dollar denominated, which will result in increased expenses and increased liabilities in the case of any further decreases in the value of the ZAR relative to the US dollar as the Corporation's reporting currency is in South African Rand.

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.

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.

Tax and Foreign Mining Tax Regimes

The Company is subject to income, value added, withholding and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

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.

Operational Risks

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.

Additional Capital

The continued sustainability of the BC Dundee Properties, including the expansion of mining operations and the continued sustainability of the Group, requires additional working capital and capital expenditures and therefore requires 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.

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.

Production Estimates

BC Corp has prepared estimates of future coal production for its existing 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 condition. 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), geological conditions, the physical characteristics of the coal, the presence or absence of particular metallurgical characteristics, and the accuracy of the estimated rates and costs of mining and processing.

Actual production may vary from estimates for a variety of reasons, including the actual coal mined varying from estimates of quality or tonnage; dilution, 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.

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 and those of its contractors. 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.

During FY 2018, BC Corp completed wage negotiations with the unions for the forthcoming financial year.

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. In FY 2018 (particularly the second half of the year), the country had been plagued with a shortage of supply, which has led to sporadic "loadshedding" of power in certain areas of the country.

This has and could 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.

Fuel

Rising costs of fuel impact the costs of running the plants and the transportation of labour and materials to the sites and eventually the costs of moving rock from the underground mine and the metals that are to be produced at both operations.

Environmental Risks and Other Hazards

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

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

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

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.

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.

Dependence on Key Personnel

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

The Company's 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 who is 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.

Market risks

Price of Coal

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

Coal demand and price are determined by numerous factors that are 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.

South Africa Country Risks

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

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

The labour situation in South Africa has been unstable across the mining industry, particularly in the platinum industry and in the metal and engineering sector.

There is a risk that this instability extends into other sectors, including the coal sector. There have also been retrenchments carried out by numerous companies across the industry.

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.

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.

Competition

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

The Company's Securities May Experience Price Volatility

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Factors unrelated to the financial performance or prospects of the Company include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries.

There can be no assurance that continued fluctuations in coal prices will not occur. As a result of any of these factors, the market price of the securities of the Company may not accurately reflect the longer-term value of the Company.

As of the date of this MD&A, RCF owned 347 945 097 Common Shares representing approximately 82.6% of the issued and outstanding Common Shares and STA owned 41 713 907 Common Shares representing approximately 9.9% of the issued and outstanding Common Shares. Assuming RCF converts the remaining US$27.0 million RCF Convertible Loan before June 30, 2019 and interest on the RCF Convertible Loan is settled quarterly in Common Shares at an interest rate of 1.29% per annum for the full term, STA is estimated to hold 1.1% and RCF would hold 98.1% of the issued and outstanding Common Shares on June 30, 2019 on a fully diluted basis. This excludes the effects of potential dilution of the exercise of the Investec warrants, which are currently out of the money.

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.

NON-IFRS PERFORMANCE MEASURES

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

Working Capital

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

R'000	Notes	December 31, 2018	December 31, 2017	ZAR Change	% Change
Current assets					
Cash and cash equivalents		**5 232**	21 429	(16 197)	(76%)
Trade and other receivables		**48 284**	121 245	(72 961)	(60%)
Inventories		**41 824**	38 095	3 729	10%
Non-interest bearing receivables		**-**	2 880	(2 880)	(100%)
Taxation receivable		**865**	-	865	
		96 205	183 649	(87 444)	(48%)
Current liabilities					
Trade and other payables		**95 352**	156 498	(61 146)	(39%)
Current portion of borrowings	**1**	**100 983**	187 956	(86 973)	(46%)
RCF Loan Facility	**2**	**381 087**	-	381 087	
Current tax liability		**829**	2 901	(2 072)	(71%)
		578 251	347 355	230 896	66%
Net working capital		**(482 046)**	(163 706)	(318 340)	194%

The decrease in net working capital was primarily due to the RCF Loan Facilities which were classified as a current liability during FY 2018.

The net change in working capital included in the cash flow statement identifies the changes in trade and other receivables, inventory and trade and other 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.

Notes:
1) Current portion of borrowings comprised of the outstanding loan balance payable to Investec at the end of the respective period (Refer to Note 21 of the Financial Statements).
2) RCF loan facility comprised US$27 million outstanding and payable as at June 30, 2019 converted to ZAR at the end of the respective periods (Refer to Note 22 of the Financial Statements).

Adjusted EBITDA

Adjusted 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 adjusted EBITDA is as follows:

R'000	FY 2018	FY 2017	Q4 2018	Q4 2017	Q3 2018
Operating (loss)/profit for the period	**(13 744)**	(70 225)	**38 437**	(75 423)	(56 820)
Depreciation and amortization	**22 297**	65 727	**3 977**	20 904	6 290
Impairment of receivables	**1 668**	(483)	**-**	(91)	-
Impairment of property, plant and equipment	**67 490**	175 624	**1 200**	175 624	66 291
Fair value adjustments of financial assets and conversion option liability	**(3 885)**	(37 767)	**(10 279)**	(24 019)	(9 462)
Stock-based compensation	**1**	41	**(1)**	2	1
Foreign exchange losses/(gains)	**57 404**	(34 594)	**6 589**	(31 158)	12 008
Adjusted EBITDA	**131 231**	98 323	**39 923**	65 839	18 308

Net Revenue

Below is a reconciliation of revenue as disclosed in the Consolidated Financial Statements for FY 2018, FY 2017, Q4 2018, Q4 2017 and Q3 2018 to net revenue which excludes all railage, port handling and wharfage related costs:

R'000	FY 2018	FY 2017	Q4 2018	Q4 2017	Q3 2018
Revenue	**758 517**	738 121	**157 367**	228 762	206 404
Less: Railage, port handling and wharfage cost	**(21 306)**	(24 757)	**(7 815)**	(4 703)	(3 550)
Net revenue	**737 212**	713 364	**149 552**	224 059	202 854

Headline loss per share

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

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

R'000	FY 2018	FY 2017	Q4 2018	Q4 2017	Q3 2018
(Loss)/profit for the period	**(68 375)**	(123 689)	**26 541**	(90 791)	(70 474)
Net (profit) on disposal of property, plant and equipment	**(2 355)**	(452)	**(2 355)**	-	-
Headline (loss)/profit for the period	**(70 730)**	(124 141)	**24 186**	(90 791)	(70 474)
Headline (loss)/profit per share - basic and diluted	**(0.17)**	(0.31)	**0.06**	(0.22)	(0.18)

SUMMARY OF SECURITIES AS AT APRIL 24, 2019

As at April 24, 2019 the following Common Shares, Common Share purchase options and share purchase warrants were issued and outstanding:

- 421 352 596 Common Shares;
- 2 258 954 Common Share purchase options with exercise prices ranging from C$0.0387-C$0.29 with a weighted average remaining contractual life of 1.27 years;
- 34 817 237 warrants with a strike a price of C$0.1446 maturing on July 3, 2019.

LIST OF DIRECTORS AND OFFICERS

Craig Wiggill	Director, Chairman of the Board of Directors
Robert Francis	Director
Edward Scholtz	Director
Emma Oosthuizen	Chief Financial Officer and Interim Chief Executive Officer
Graham du Preez	Corporate Secretary