

Forbes Coal Secures an Offer of Up to US\$19.0 Million Loan Facility

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TORONTO, ONTARIO--(Marketwired - Dec 31, 2013) - **Forbes & Manhattan Coal Corp. (TSX:FMC)(JSE:FMC) ("Forbes Coal" or "the Company")** has secured the offer of a significant funding package by Resource Capital Fund V L.P. ("**RCF**") into the Company, comprising up to a total of up to US\$19.0 million (the "**Transaction**").

This funding package is comprised of a bridge loan of **US\$4.0** million (the "**Bridge Loan**") and a convertible loan of up to **US\$15.0** million (the "**Convertible Loan**").

Bridge Loan

The Bridge Loan facility is to be used for general working capital in relation to Forbes Coal's operations in Dundee, South Africa as well as to facilitate the closing of the Company's Toronto office.

The Company will incur a 5% establishment fee in connection with the Bridge Loan and the Bridge Loan will bear interest at a rate of 15% per annum, payable in arrears at the end of each calendar quarter. Subject to receipt of shareholder approval or an exemption therefrom, the establishment fee will be payable in common shares of Forbes Coal at a price of C\$0.14 per share and interest payments will be payable in cash or common shares of Forbes Coal at a price per share equal to the 20-day VWAP as at the date the payment is due. The Bridge Loan will mature on June 30, 2014, provided that if Forbes Coal receives all necessary regulatory and/or shareholder approvals, as may be required, the Bridge Loan will convert into a convertible loan with the same terms and conditions as the Convertible Loan.

Payment of the establishment fees and interest to RCF in connection with the Bridge Loan and the Convertible Loan (described below) in cash or common shares of Forbes Coal, and the conversion of the principal amount of the Bridge Loan or the Convertible Loan into common shares of Forbes Coal is subject to shareholder approval pursuant to the policies of the Toronto Stock Exchange (the "TSX"). Forbes Coal will be making an application to the TSX to rely on the financial hardship exemption in connection with such payments and share issuances. Reliance on the financial hardship exemption will be subject to TSX approval.

Convertible Loan

The Convertible Loan facility is to be used to provide further funds for general working capital which will allow the Company to enact strategies to improve its operations in Dundee, South Africa as well as to provide for further capital investment. Subject to receipt of shareholder approval or an exemption therefrom, the Convertible Loan is convertible into common shares of Forbes Coal at a price of C\$0.14 per common share.

The Company will incur a 5% establishment fee based on the amount drawn under the Convertible Loan, and the Convertible Loan will bear interest at a rate of 12% per annum, payable in arrears at the end of each calendar quarter. Subject to receipt of shareholder approval or an exemption therefrom, the establishment fee will be payable in cash or common shares of Forbes Coal at a price of C\$0.14 per share and interest payments will be payable in cash or common shares at a price per share equal to the 20-day VWAP as at the date the payment is due.

The Convertible Loan matures on June 30, 2017.

Subject to receipt of shareholder approval, the existing RCF US\$6.0 million convertible loan which closed on

September 4, 2013 will be amended to contain the same terms and conditions as the Convertible Loan. As a result and upon conversion of the Bridge Loan, Forbes Coal will enter into a convertible loan facility with RCF for an aggregate amount up to US\$25 million (which will include the Convertible Loan).

In the event that TSX approval for the financial hardship exemption is not received for all or part of the transactions contemplated by the Bridge Loan or the Convertible Loan, Forbes Coal will call and hold a special shareholder meeting to approve such transactions and the amendment of the terms of the current US\$6 million convertible loan facility. Further details of the shareholder meeting will be announced in due course.

Forbes Coal is also considering a non-underwritten pro-rata entitlement offer to existing shareholders for gross proceeds of up to \$5 million. The offer remains subject to receipt of regulatory approval and if required, shareholder approval.

The Transaction is a related party transaction under MI 61-101 and will be subject to minority shareholder approval in accordance with section 5.6 of MI 61-101. Forbes Coal will be relying on the valuation exemption set forth in section 5.5(c) of MI 61-101. Forbes Coal does not have knowledge of any material information concerning Forbes Coal or its securities that has not been generally disclosed. Neither Forbes Coal nor any of its officers or directors, after reasonable inquiry, are aware of any prior valuations that have been completed in the past 24 months. RCF currently owns 7,551,516 (21.5%) of the issued and outstanding common shares of Forbes Coal on a non-dilutive basis. Assuming an exchange rate of C\$1.00 = US\$1.00, if RCF converts the entire amount of the Bridge Loan and Convertible Loan and chooses to receive the relevant establishment fees in common shares, RCF will be issued an aggregate of 142,500,000 common shares, which would result in RCF holding an aggregate of 150,051,516 (81%) of the issued and outstanding common shares of Forbes Coal.

If the full amount of the Convertible Loan is issued and RCF chooses to receive all interest payments under the Transaction in common shares, assuming a conversion price of \$0.16 (being the 20 day VWAP as of December 27, 2013), RCF will be issued an additional 46,105,480 common shares, which, along with the shares received by RCF if it converts the entire amount of the Bridge Loan and Convertible Loan and chooses to receive the establishment fees in common shares, would result in RCF holding an aggregate of 196,156,996 (85%) of the issued and outstanding common shares of Forbes Coal.

If the full amount of the Convertible Loan is issued and RCF chooses to receive all interest payments under the Transaction in cash, the Convertible Loan and the Bridge Loan are outstanding until maturity and Forbes Coal receives the requisite shareholder approvals, a total of \$7,376,876 of interest would be paid. Pursuant to the Transaction RCF will have the right to participate in any future financings by Forbes Coal on a *pro rata* basis to its partially diluted shareholdings.

In addition, provided that RCF holds common shares or the right to acquire common shares equal to at least 10% of the issued and outstanding common shares, RCF will have the right to nominate one individual to the board of directors. If RCF holds common shares or the right to acquire common shares equal to at least 30% of the issued and outstanding common shares, RCF will have the right to nominate two individuals to the board of directors. If RCF holds common shares or the right to acquire common shares equal to at least 50% of the issued and outstanding common shares, RCF will have the right to nominate three individuals to the board of directors.

The Transaction is subject to, *inter alia*, completion of definitive agreements, approval by Forbes Coal's senior lender, the successful closure of the Toronto office of Forbes Coal, negotiations with certain creditors and regulatory approvals, including without limitation, Toronto Stock Exchange approval and approval of the South African Reserve Bank. The Bridge Loan is expected to close on or around January 31, 2014. The Convertible Loan is expected to close on or around April 30, 2014.

Corporate Structure

Upon successful completion of the Transaction, and subject to certain other conditions, Messrs. Stan Bharti and Stephan Theron will step down as directors of Forbes Coal. Following closing of the Transaction it is anticipated that Mr. Theron, Ms. Deborah Battiston and Mr. Neil Said will resign their management positions with Forbes Coal. Following his resignation, Mr. Theron will remain a special advisor to the Company.

Mr. Craig Wiggill will assume an interim role of Executive Chairman from closing of the Transaction until the date of shareholder approval. Mr. Malcolm Campbell will be appointed as Chief Executive Officer of the Company from the date of shareholder approval, and Ms. Sarah Williams will be appointed as Chief Financial Officer from closing of the Transaction.

In addition, the Company is also in discussions with its senior lender regarding a restructuring of its debt facilities, and will be implementing a rebranding strategy, including a change of name, subject to shareholder approval, further details of which will be announced in due course.

About Forbes Coal

Forbes Coal is a coal producer in southern Africa. It holds a majority interest in two operating mines through its 100% interest in Forbes Coal (Pty) Ltd., a South African company which has a 70% interest in Zinoju Coal (Pty) Ltd. ("**Zinoju**"). Zinoju holds a 100% interest in the Magdalena bituminous mine and the Aviemore anthracite mine in South Africa. Forbes Coal has an experienced coal-focused management team.

Cautionary Notes:

This press release contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the Transaction with RCF, references to the private placement and future financial or operating performance of Forbes Coal and its projects. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Forbes Coal to be materially different from those expressed or implied by such forward-looking information, including but not limited to: general business, economic, competitive, foreign operations, political and social uncertainties; a history of operating losses; delay or failure to receive board or regulatory approvals; timing and availability of external financing on acceptable terms; not realizing on the potential benefits of the proposed transaction; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of mineral products; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; and, delays in obtaining governmental approvals or required financing or in the completion of activities. Although Forbes Coal 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 statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

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