

NOT FOR DISTRIBUTION TO UNITED STATES NEWSWIRE SERVICES OR FOR RELEASE, PUBLICATION, DISTRIBUTION OR DISSEMINATION DIRECTLY, OR INDIRECTLY, IN WHOLE OR IN PART, IN OR INTO THE UNITED STATES

[Buffalo Coal Corp.](#) (TSX:BUF)(JSE:BUC) ("Buffalo" or "the Company") advises shareholders that the Company proposes to secure additional funding from Investec Bank Limited ("Investec") and Resource Capital Fund V L.P. ("RCF").

As shareholders have been previously advised, Buffalo has been through an extended period of restructuring, which has included, *inter alia*, raising capital from the Company's largest shareholder, RCF, restructuring its South African debt facilities with Investec, and extensive operational restructuring including two retrenchment processes, the second one of which was implemented on October 31, 2015, as announced on October 29, 2015. From an operational perspective, the initiatives have resulted in improved performance at site, however as a result of a continued decline in global bituminous coal and anthracite markets since mid-2015, Buffalo has again had to approach its funders for financial support.

#### *Investec Loan*

Investec has agreed to extend Buffalo Coal Dundee Proprietary Limited's ("Buffalo Coal Dundee") working capital facility from R30 million to R80 million (the "Working Capital Facility"), which funds are expected to be made available in two tranches of R25 million each (the "Supplemental Investec Loan"). The Supplemental Investec Loan is conditional upon securing the RCF funding arrangements described below and remains subject to execution of definitive documentation. In addition, the second tranche of the Supplemental Investec Loan is subject to the Company demonstrating its plan to sell the majority of its anthracite stockpile, which has built up as a result of depressed markets both domestically and globally, as referred to above.

#### *RCF Facility Conversion and Private Placement*

RCF has to date advanced US\$29 million to the Company, by way of a convertible loan (the "Convertible Loan") and currently holds approximately 77.4% of Buffalo's issued and outstanding common shares ("Common Shares").

As a condition precedent to the Supplemental Investec Loan, RCF is expected to convert US\$20 million of the Convertible Loan into Common Shares over a two year period at the agreed conversion price of C\$0.0469 per Common Share (the "RCF Conversion"), subject to a minimum conversion of US\$10 million within the first year. This includes an initial amount of US\$2 million on closing of the funding arrangements as set out below (the "RCF First Tranche Conversion").

RCF will also release all security currently held in respect of the Convertible Loan, including the guarantee from Buffalo Coal Dundee. The balance of the Convertible Loan of US\$9 million will remain in place on existing terms, other than in respect of interest which will be payable as follows:

- Prior to the date of completion of the RCF Conversion, interest will be settled through the issuance of Common Shares, priced at the 20 day volume weighted average price ("VWAP"). Following the date of completion of the RCF Conversion, interest will be payable in cash subject to Buffalo Coal Dundee having paid Investec its scheduled principal repayment for the prior quarter. If Investec's principal repayment has not been made, RCF's interest will accrue until such time as Investec has been paid, subject to RCF's election for interest to be settled through the issuance of Common Shares.
- The percentage interest rate will be determined as follows:
  - If the 20 day VWAP is greater than C\$0.05 per Common Share then the interest rate will be 15% per annum;
  - If the 20 day VWAP is less than or equal to than C\$0.0313 per Common Share then the interest rate will be 24% per annum; and
  - If the 20 day VWAP is greater than C\$0.0313 but less than C\$0.05 per Common Share then the interest rate will be calculated as being between 15% and 24% per annum.

The foregoing amendments to the interest rate will only come into effect concurrently with the listing of the Common Shares on the TSX Venture Exchange (the "TSXV"), which listing is further discussed below.

In addition to the above, as a further condition precedent to the Supplemental Investec Loan, RCF is required to subscribe for a further US\$2 million of equity in Buffalo by way of a private placement (the "Private Placement"). Pursuant to the Private Placement, RCF will acquire 72,272,480 Common Shares (representing approximately 51% of the currently issued and outstanding Common Shares) at a price of C\$0.0367 per Common Share.

Following completion of the Private Placement and the RCF First Tranche Conversion, the Company will have an aggregate of 269,253,247 Common Shares issued and outstanding (subject to certain adjustments to give effect to the applicable exchange rate on the date of the RCF First Tranche Conversion). Of these, RCF will hold an aggregate of 237,559,655 Common Shares, representing approximately 88% of the then currently issued and outstanding Common Shares.

Completion of the Private Placement remains subject to execution of definitive documentation and approval of the Toronto Stock Exchange (the "TSX"), as further discussed below.

Assuming TSX approval for the Private Placement is secured, it is currently anticipated that all transactions contemplated herein, including the advance of the first tranche of the Supplemental Investec Loan, the RCF First Tranche Conversion and the Private Placement, will take place during the week of November 30, 2015.

#### *Use of Proceeds*

The Company intends to use the proceeds of the Private Placement and the Supplemental Investec Loan to address its immediate liquidity concerns and for working capital requirements.

#### *Financial Hardship Application*

As the number of Common Shares issuable to an insider of the Company pursuant to the Private Placement exceeds 10% of the currently issued and outstanding Common Shares, the Company would ordinarily be required to obtain disinterested shareholder approval pursuant to the applicable policies of the TSX. However, the Company has applied to the TSX, pursuant to the provisions of Section 604(e) of the TSX Company Manual (the "Manual"), for a "financial hardship" exemption from the requirement to obtain shareholder approval, on the basis that the Company is in serious financial difficulty.

The Company's decision to rely on the financial hardship exemption in the Manual was made upon the recommendation of a special committee (the "Special Committee") comprised of Messrs. Craig Wiggill, Robert Francis, John Wallington and Edward Scholtz, each of whom is an independent member of the board of directors of the Company (the "Board"), free from interest in the Private Placement and unrelated to the parties involved in the Private Placement. The Special Committee was established for the purposes of reviewing the Private Placement and ascertaining whether it is reasonable for the Company to proceed with such transaction in the circumstances.

After considering and reviewing all of the circumstances currently surrounding the Company and the Private Placement (including (i) the Company's current financial difficulties and immediate capital requirements, (ii) the lack of alternate financing arrangements and the fact that the Supplemental Investec Loan and the Private Placement are the only viable financing options at the present time, (iii) the fact that the Private Placement is being conducted at market price) and all other relevant factors available to the Special Committee, the Special Committee determined that (i) the Company is in serious financial difficulty; (ii) the Private Placement is not subject to court approval, or a court has not ordered that a transaction be effected, under bankruptcy or insolvency law or Section 191 of the *Canada Business Corporations Act* or equivalent thereof; (iii) the members of the Special Committee are independent directors in respect of the Private Placement and represent at least two-thirds of the Company's independent directors; (iv) the Private Placement is designed to improve the financial condition of the Company; and (v) the terms of the Private Placement are reasonable in the circumstances of the Company (collectively, the "Special Committee Determinations"). As such, the Special Committee recommended that the Company: (i) proceed with the Private Placement, and (ii) given the immediate need for a capital infusion, apply for the financial hardship exemption (collectively, the "Special Committee Recommendations").

The Board, relying in part on the recommendation of the Special Committee, unanimously agreed with the Special Committee Determinations and adopted the Special Committee Recommendations.

There can be no assurance that the TSX will accept the application for the use of the financial hardship exemption from the requirement to obtain shareholder approval for the Private Placement.

In addition, despite the transactions contemplated herein, the Company will not be in a position to meet the continuous listing requirements of the TSX following completion of such transactions. As previously announced, the Common Shares are expected to be delisted from the TSX on or about December 11, 2015. The Company has applied to list the Common Shares on the TSXV. Such listing process is ongoing but there is no guarantee that such listing will be completed prior to the TSX delisting date or at all. The Common Shares continue to be listed and posted for trading on the JSE, however, as previously announced, the Company intends to make an application to the JSE to transfer its listing from the Main Board of the JSE to the Alternative Exchange in order to maintain its JSE listing as a secondary listing to the TSXV.

#### *Background and Relevant Considerations*

The Company has been through an extended period of financial difficulty caused in large part by deteriorating market

conditions. In recent years, coal producers in South Africa have experienced less than optimal operating conditions resulting from both the continuing decline in the bituminous export price and the significant weakening in the domestic anthracite market.

Although the Company has made significant efforts over the last few years to explore and secure alternative financing options, appetite from the equity markets, from both existing and new investors has been limited, aligned with the general market view on the risks of investing in the South African junior coal sector under then and current market conditions. In addition to poor market conditions, the South African political and regulatory environment specifically further limits the potential investor audience, with risks in the existing regime outweighing the prospects of any returns. Further to the above, the controlling stake by RCF makes it difficult to introduce new investors, particularly for the smaller quantum of funding required relative to the funding RCF has already advanced. As noted above, post-completion of the Private Placement and the RCF First Tranche Conversion, RCF will hold approximately 88% of the issued and outstanding Common Shares. In addition, as further detailed in the Company's management information circular dated May 19, 2015, in the event that RCF decides to convert the entire balance of the RCF Facility, RCF would hold approximately 95% of the then issued and outstanding Common Shares.

In order to counteract the effect of such unfavourable market conditions, the Company has, since 2013, undertaken a number of restructuring initiatives to support and turn-around the financial performance of the business. This restructuring has taken place throughout the group, and has included the following initiatives: (i) the closure of the entire Canadian head office and termination of certain service contracts with senior management; (ii) completing various rounds of restructuring in the form of dismissals under the South African Labour Relations Act; (iii) raising a total of US\$29,000,000 from RCF; (iv) implementing various cost cutting initiatives; (v) restructuring the existing Investec debt facility; and (vi) entering into a contract mining arrangement with STA Coal Mining Company Proprietary Limited, as further described in our press release dated October 29, 2015.

Despite these ongoing initiatives, the Company remains in a cash flow shortfall position and additional funding is required to sustain and turn the business around.

Based upon the comprehensive review of the Company's commitments, prospects and funding requirements, the Board, including the Special Committee, has concluded that the Supplemental Investec Loan and the Private Placement offer the only practical and timely financing solution to meet the needs of the Company. In addition, the Board and management of the Company believe that reliance upon the financial hardship exemption is a necessary route given the serious immediate financial needs facing the Company.

#### *Related Party Transaction Exemption*

The Private Placement constitutes a related party transaction pursuant to Multilateral Instrument 61-101 - *Take-over Bids and Special Transactions* ("MI 61-101"). The Company is exempt from the valuation requirements of MI 61-101 on the basis that this transaction is a distribution of securities for cash within the scope of Section 5.5(c) of MI 61-101. In addition, the Company intends to rely on the financial hardship exemption under Section 5.7(e) of MI 61-101 from the requirements to obtain majority of minority shareholder approval.

#### *About Buffalo*

Buffalo is a coal producer in southern Africa. It holds a majority interest in two operating mines through its 100% interest in Buffalo Coal Dundee, a South African company which has a 70% interest in Zinoju. Zinoju holds a 100% interest in the Magdalena bituminous mine and the Aviemore anthracite mine in South Africa. Buffalo 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: (i) completion of the transactions described in this press release, including Working Capital Facility, the Supplemental Investec Loan, the RCF Conversion and the Private Placement, on the terms set out herein or at all, (ii) the timing of such proposed transactions, (iii) the proposed use of proceeds, (iv) the timing of the delisting of the Common Shares from the TSX and the listing of the Common Shares on the TSX Venture Exchange, and (v) the future financial or operating performance of Buffalo 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 Buffalo 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 Buffalo 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. Buffalo does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

## Contact

Malcolm Campbell  
Chief Executive Officer  
+27 82 924 4444  
[malcolm.campbell@buffalocoal.co.za](mailto:malcolm.campbell@buffalocoal.co.za)

Sarah Williams  
Chief Financial Officer  
+27 83 781 1405  
[sarah.williams@buffalocoal.co.za](mailto:sarah.williams@buffalocoal.co.za)