SHUMBA ENERGY AND LURCO ENTER JOINT VENTURE AGREEMENT TO MINE SECHABA OPENCAST

The Board of Botswana Stock Exchange-listed Shumba Energy Ltd (“Shumba” or the “Company”) is pleased to inform shareholders that an agreement has been reached for the establishment of a 50:50 joint venture partnership (“the Partnership” or “Transaction”) between Shumba and South African black-owned Lurco Group South Africa Pty Ltd (“Lurco”) at the Company’s Sechaba thermal coal project (“Sechaba”).

Lurco has been trading for eight years and is an emerging South African resource business with the vision to be the leader in the international mining sector with a focus on exploration, beneficiation and trading. Lurco is a supplier to Eskom in South Africa and currently exports thermal coal to a number of international clients out of various ports in Southern Africa.

The deal will allow the Partnership to supply coal into the region and for export. Through the deal Sechaba and Lurco will hold an equal stake of 50% each in the company’s Sechaba coal mining project situated in the Morupule coalfield, in Botswana.

Under the commercial terms of the Partnership Shumba shall transfer Sechaba and related authorisations to a special purpose vehicle (“SPV”). Lurco shall immediately commence work to conclude any feasibility work and begin work on the opencast construction spending a minimum of US$ 10 million. Further an amount of US$ 10 million shall be paid to Shumba in phases prior to Lurco earning its 50%. Lastly Development capital expended by both Shumba and Lurco prior to commercial production shall be recouped from the SPV in the form of shareholder loans.

In addition to the above, the parties have agreed that coal produced at Sechaba from the open pit shall be toll processed through a wash plant owned by Shumba.

The Managing Director of Shumba, Mr Mashale Phumaphi commented: “As a Botswana based and owned company, we are pleased to have concluded a partnership with such a progressive black South African company as Lurco. The transaction will grant us access to markets that we haven’t had access to before. Together with Lurco we will work towards regional inclusivity and the partnership is a clear example of forfilling SADC’s objectives of integration between Southern African countries in the energy industry.

The partnership is in line with Shumba Energy’s long-term strategy which is to address the chronic power shortage and satisfy the growing energy demand in the SADC region while monetise all of our existing assets. The terms we have received will ensure that we continue to accelerate the development of Sechaba while allowing us to fast track our other projects.”
ABOUT SHUMBA ENERGY
Shumba Energy is an energy development company based in Botswana and listed on the Botswana Stock Exchange (BSE: SHUMBA). Shumba Energy has in recent years progressed from an exploration company to a development company and sits on over 2 billion tons of thermal coal. As a major industry player, Shumba Energy’s mission is to satisfy the growing energy demand in the SADC region through various strategies. For Shumba “Powering the Future” means addressing chronic power shortages head-on and supplying energy to affected southern African countries in a sustainable and cost-effective manner. Established in 2011, Shumba now owns a significant portion of advanced energy projects in Botswana and is uniquely positioned with its strategy to develop energy projects that are unaffected by the volatility of global coal prices.

By order of the Board

SANNE Mauritius
Company Secretary

16th November 2018

*This Communiqué is issued pursuant to the Botswana Stock Exchange listing requirements and Section 87 of the Securities Act 2005, Rule 5 of the Securities (Disclosure Obligation of Reporting Issuers) Rules 2007. The Board of Directors of the Company accepts full responsibility for the accuracy of the information contained in this Communiqué.*