**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**Action required:**

- If you are in doubt as to the action you should take in relation to this document, please consult your stockbroker, banker, legal advisor or other professional advisor immediately. This document is issued in compliance with the Listings Requirements of the Botswana Stock Exchange to the Shareholders of Shumba Coal Limited (“Shumba Coal”), for the purposes of seeking shareholder approval for the conversion of Botswana Public Office Pension Fund (“BPOPF”) convertible loan to shares in Shumba Coal.

- If you have disposed all of your Shumba Coal Shares, this Circular should be sent to the agent through whom you have disposed of such Shumba Coal Shares, for onward delivery to the purchaser of those Shumba Coal Shares.

- If you are unable to attend the Annual General Meeting scheduled for 10 January 2014 at 10h00 at IFS Court, TwentyEight CyberCity, Ebène, Republic of Mauritius you are entitled to be represented thereat by proxy and should you desire to be so represented, you should complete the form of proxy which is attached hereto, so as to be received by the transfer secretaries of the Company by no later than 10h00 on 7 January 2014. Registration of shareholders during the Annual General Meeting on 10 January 2014 commences at 10h00.

---

**Shumba Coal Limited**

(“Shumba Coal” or the “Company”)

Share code: SHU    ISIN: BW 000 000 1189

incorporated in accordance with the laws of Mauritius on the 28th of August 2012

Company Number 111905 and registered as an external company on the 4th of February 2013

---

**CIRCULAR TO THE SHAREHOLDERS OF SHUMBA COAL LIMITED**

- For the purposes of explaining the salient terms and conditions of a convertible loan facility that was made available to Shumba Coal by BPOPF and the conversion of the convertible loan facility into shares in Shumba Coal; and

- To seek Shareholder approval for the issue of ordinary shares in Shumba Coal to BPOPF which issue shall each constitute a Specific Issue for Cash by Shumba Coal.

And Incorporating:

- A Notice Convening an Annual General Meeting of Shareholders of Shumba Coal; and

- A Form of Proxy
CORPORATE INFORMATION

Registered Office
Shumba Coal Limited
Plot 2780
Manong Close, Extension 9
P.O.Box 70311
Gaborone
Botswana

Company Secretary
International Financial Services Limited
IFS Court, TwentyEight CyberCity, Ebène,
Republic of Mauritius

Sponsoring Broker
Imara Capital Securities
Member of the Botswana Stock Exchange.
2nd Floor, Morojwa Mews
Unit 6, Plot 74770
Western Commercial Road, CBD
Gaborone

Reporting Accountants
Grant Thornton
Chartered Accountants
Acumen Park
Plot 50370 Fairgrounds
Gaborone
Botswana

Legal Advisor
Armstrongs Attorneys
2nd Floor, Acacia House
Plot 74358, Cnr of Khama Crescent Ext & PG Matante Road, New CBD
Gaborone

Transfer Secretaries
Transaction Management Services (Pty) Limited t/a
corpserve Botswana
Unit 206, Second Floor, Plot 64516
Showgrounds Close, Fairgrounds
Gaborone
<table>
<thead>
<tr>
<th>TABLE OF CONTENTS</th>
<th></th>
</tr>
</thead>
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<td>LITIGATION</td>
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<td>DOCUMENTATION AVAILABLE FOR INSPECTION</td>
<td>15</td>
</tr>
</tbody>
</table>
### IMPORTANT DATES AND TIMES

<table>
<thead>
<tr>
<th>Event</th>
<th>2014</th>
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</thead>
<tbody>
<tr>
<td>Circular posted to Shareholders by</td>
<td>16 December 2014</td>
</tr>
<tr>
<td>Annual General Meeting s</td>
<td>10 January 2014</td>
</tr>
<tr>
<td>Results of meeting announced in the press</td>
<td>23 January 2014</td>
</tr>
<tr>
<td>Listing of Shares</td>
<td>27 January 2014</td>
</tr>
</tbody>
</table>

Note: The above dates and times are subject to change. Any such changes will be published in the press.

### Legal Advisor

<table>
<thead>
<tr>
<th>ARMSTRONGS Attorneys, Notaries &amp; Conveyancers</th>
</tr>
</thead>
</table>

### Transfer Secretary

<table>
<thead>
<tr>
<th>Corpserve Botswana</th>
</tr>
</thead>
</table>

### Reporting Accountants

<table>
<thead>
<tr>
<th>Grant Thornton An instinct for growth</th>
</tr>
</thead>
</table>

### Sponsoring Brokers

<table>
<thead>
<tr>
<th>IMARA INVESTING IN AFRICA Securities</th>
</tr>
</thead>
</table>

Imara Capital Securities (Pty) Limited  
A Member of the Botswana Stock Exchange
In this Circular and the annexures hereto, unless the context indicates a contrary intention, an expression which denotes any gender includes the other genders, a natural person includes a juristic person and vice versa, the singular includes the plural and vice versa and the words in the first column have the meaning stated opposite them in the second column as follows:

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Act”</td>
<td>the Companies Act, 2003 of the laws of Botswana;</td>
</tr>
<tr>
<td>“Auditors”</td>
<td>Grant Thornton;</td>
</tr>
<tr>
<td>“Board”</td>
<td>the board of directors of Shumba Coal;</td>
</tr>
<tr>
<td>“Botswana”</td>
<td>the Republic of Botswana;</td>
</tr>
<tr>
<td>“BPOPF”</td>
<td>Botswana Public Office Pension Fund established in terms of the Pension Act Cap 27:01;</td>
</tr>
<tr>
<td>“BSE”</td>
<td>Botswana Stock Exchange;</td>
</tr>
<tr>
<td>“Circular”</td>
<td>this Circular, dated 13 December 2013, including the annexures and attachments thereto;</td>
</tr>
<tr>
<td>“Constitution”</td>
<td>the Constitution of Shumba Coal;</td>
</tr>
<tr>
<td>“Subscription Agreement”</td>
<td>the Subscription Agreement between Shumba Coal and Fleming Asset Management Botswana (Pty) Limited (“Fleming”) whereby Fleming as agent of BPOPF entered into an agreement to discharge half of the loan being USD 125 000 through the subscription of Shumba Coal Shares of P0.50 per each Share, which loan was advanced to Shumba Coal in terms of the Tri-parte Deed of Novation that was executed on the 23rd of December 2012.</td>
</tr>
<tr>
<td>“Company Secretary”</td>
<td>means the International Financial Services Limited IFS Court, TwentyEight CyberCity, Ebène, Republic of Mauritius;</td>
</tr>
<tr>
<td>“AGM”</td>
<td>the Annual General Meeting of Shareholders of Shumba Coal to be held on 10 January 2014 and at which Shareholders will be asked to consider and to vote on the</td>
</tr>
</tbody>
</table>
Special Resolutions to approve the Specific Issues of Shares for Cash, notice of which meeting forms part of this Circular;

“Last Practicable Date” 16 February 2013

“Ordinary Share” an ordinary share in the stated capital of Shumba Coal;

“Transfer Secretaries” Transaction Management Services (Proprietary) Limited;

“Tri-parte Deed of Novation” A deed whereby Fleming as agent of BPOPF advanced USD 330 000 loan to Diamonex Limited and Diamonex subsequently advanced USD 250 000 of that loan to Shumba Coal by a loan agreement dated the 23rd of December 2012 and transferred its rights title and interest of that USD 250 000 loan to Fleming resulting in Diamonex being released as a borrower pertaining to USD 250 000 loan;

“Shareholders” holders of Shares

“Specific Issue for cash” A method by which a company listed on the BSE may issue securities and bring those securities to be listed. The shares to be issued in the event of conversion in terms of the Convertible Loan Agreements will be considered an issue of securities by the Company for the extinction of a liability, and thus deemed an “Issue for Cash”. This Circular is issued to Shareholders in accordance with the Listings Requirements for Shareholder approval of the Specific Issues for Cash at the AGM;

“Special Resolution” A resolution passed by 75% of the votes of all Shareholders present or represented by proxy at the general meeting, and eligible to vote on the matter.
Shumba Coal Limited
(“Shumba Coal” or the “Company”)
Share code: SHU  ISIN: BW 000 000 1189
incorporated in accordance with the laws of Mauritius on the 28th of August 2012
Company Number 111905 and registered as an external company on the 4th of February 2013

DIRECTORS

Alan Mitchell Clegg, (Chairman)
Mashale Phumaphi
Thapelo Mokhathi
Munesh Sharma Ramnauth
Kapiledo Joory
Sipho Ziga

CIRCULAR TO SHUMBA COAL SHAREHOLDERS

1. NATURE OF THE BUSINESS OF SHUMBA COAL

Shumba Coal is a corporation with real and serious intentions to develop, within an aggressive yet realistic timeframe, the production and sustainable supply of thermal coal in Botswana. The Shumba Group has the rights to a portfolio of coal exploration assets in Botswana. The most advanced is the Project which has approximately 1 billion tonnes of thermal coal resources. Furthermore as a local company majority controlled by Batswana it is intent on developing its coal resources in Botswana as far as possible for the benefit of Botswana.

The Shumba Group structure described above is set out below:
The Company seeks to increase shareholder value by the systematic exploration and development of the group exists resource assets as well as the acquisition of suitable exploration and development mineral projects and producing assets. The Shumba Group will allocate capital to the exploration of its mineral assets and will prioritise these, identifying the potential of each mineral asset to create value for shareholders. The Shumba Group may use a number of strategies to enhance shareholder value such as developing a mineral asset using its own team, development in partnership with other groups or a disposal of a mineral asset where appropriate. In implementing its strategy, the Shumba Group will focus activity on those of its mineral assets, which are identified after an initial sampling and drilling programme, as having the greatest potential for enhancing Shareholder value.

Shumba Coal is a company registered in Mauritius on the 28th of August 2012 with Company Number 111905 as a public company and registered as an external company in Botswana, in terms of the Companies Act Cap 42;01 of Botswana on the 4th February 2013.

2. EXPLANATORY STATEMENT IN RESPECT OF THE COMPANY ENTERING INTO A CONVERTIBLE LOAN SECURITY WITH BPOPF

2.1. BPOPF

BPOPF is established in terms of the Pension Act Cap 27;01. BPOPF was registered in 2001. The establishment of the Fund came as a result of Government decision to change the public officer's pension arrangement from a defined benefit pension scheme to a defined contribution pension scheme. BPOPF is for employees of Botswana Government who are permanent and pensionable.

2.2. Salient terms of the convertible subscription loan agreement

In December 2011, Fleming on behalf of the BPOPF advanced to Diamonex through a deed of loan and security US$ 330 000. Diamonex transferred US$ 250 000 of that loan to Shumba Coal in December 2011 which loan was secured by a pledge and cession of all the shares that Shumba owns in Sechaba Natural Resources (Pty) Limited. Diamonex would settle the remaining US$ 80 000 plus all accrued interest to BPOPF.

In March 2013 Shumba and Diamonex entered into a deed of novation whereby Diamonex transferred all its rights, title and interest of the US$ 250 000 loan to BPOPF. BPOPF agreed to convert US$ 125 000, 50% of the loan amount to shares in Shumba Coal at 51 thebe per Share with the remaining loan of US$ 125 000 being paid in terms of the loan agreement.
2.3. **Conversion Price**

The conversion price is 51 thebe per Share.

2.4. **Discounted Share Price**

BPOPF agrees to convert US$ 125 000, 50% of the loan amount to shares in Shumba Coal at 51 thebe per Share, subject to shareholders approval of the terms for such issue of shares for cash. In terms of section 5.81 of the BSE Listing Requirements, an independent professional expert is required to provide an opinion as to whether the reasons provided by the Board for conversion of loan through the issuance of shares to BPOPF of a class of shares already in issue and at a discount higher than 10% to the last 30 days’ average listed price is fair and reasonable.

Such opinion has been provided by Grant Thornton as set out in Appendix II of this Circular.

2.5. **Issue of Shares on Conversion-Specific Issue for Cash**

Subject to the approval of the shareholders, 2 040 000 shares would be issued to BPOPF on conversion of the loan. This would equal 1% of the new issued share capital of the company (of 168 846 080 ordinary shares) should the loan be converted to new ordinary shares.

In terms of the Listings Requirements, the issue of shares to BPOPF in terms of a convertible loan is an issue of shares by the Company for the extinction of a liability (the loan) and is deemed a “Specific Issue for Cash”. The Listings Requirements require Shareholders to approve the specific issue of shares to BPOPF under the terms of the Loan Agreement, and in giving such approval by way of Special Resolution at the AGM, Shareholders’ waive their respective pre-emptive rights to the issue. The full text of the Special Resolutions that Shareholders will be asked to consider and vote on at the AGM is to be found in the Notice calling the AGM that is attached to this Circular.

All issued shares of the Company rank pari passu and carry the same voting rights. The entire issued share capital of the Company is listed on the main board of the Botswana Stock Exchange.
3. **EFFECT ON NET ASSET VALUE PER SHARE IN THE EVENT OF CONVERSION IN TERMS OF THE CONVERTIBLE LOAN AGREEMENT**

<table>
<thead>
<tr>
<th>Current number of Ordinary Shares in issue</th>
<th>168 846 080 Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of the BPOPF Convertible Loan together with accrued interest as in terms of the loan agreement</td>
<td>USD 250 000</td>
</tr>
<tr>
<td>Total Number of Ordinary Shares in issue after the exercise of the option to convert as set out above</td>
<td>170 889 080 shares</td>
</tr>
<tr>
<td>Net asset value per issued Ordinary Share in the Company prior to the conversion</td>
<td>USD 0.0176</td>
</tr>
<tr>
<td>Net Asset Value per issued Ordinary Share in the Company after conversion</td>
<td>USD 0.0182</td>
</tr>
</tbody>
</table>

4. **MARKET VALUE OF THE SECURITIES**

The current market value of the Company's listed securities is BWP 185 730 688

5. **FINANCIAL INFORMATION**

Set out in Appendix II is the summarized in the Annual Report 2013 which includes the audited financial statements for the 12 month period ended 30 June 2013.

6. **SHARE CAPITAL**

6.1. **Current Share Status**

Currently Shumba Coal has an unlimited authorized share capital. Its current issued share capital is 168 846 080 shares. The conversion shall result in 2 040 000 shares being issued to BPOPF.

6.2. **Issuing of ordinary shares**

Subject to the provisions of the Companies Act, the Constitution of Shumba Coal and the BSE Listings Requirements, to the extent applicable, where the Company in a general meeting has granted a general authority to the directors, the directors may in their discretion allot and issue shares to such persons at such times and on such terms and conditions and for such consideration, as the directors may think fit.

At the annual general meeting of Shumba Coal held on 19th of February 2013 the Shumba Coal ordinary shareholders approved, by ordinary resolution, the placing of the issued ordinary shares under the control of the directors of the Company, who may
issue and allot such ordinary shares in their discretion, subject to the provisions of the Companies Act and the requirements of the BSE. This ordinary resolution, extracted from the minutes of the annual general meeting, is presented below:

“Resolved as an ordinary resolution that the directors of the Company be and are hereby authorised as a general authority to allot and issue (as the case may be) ordinary shares in the capital of Shumba Coal which currently comprise no par value ordinary shares, or grant options to subscribe for new Shumba Coal ordinary shares (“options”), or to allot and issue instruments that are convertible to Shumba Coal ordinary shares (“convertible instruments”), for cash on such terms and conditions as the directors of the Company may, without restriction, from time to time, deem fit as and when suitable opportunities arise therefore, but subject to:

- the requirements from time to time of the Constitution of Shumba Coal;
- the Companies Act; and
- any stock exchange(s) on which the Shumba Coal ordinary shares may be quoted or listed, it being recorded that the BSE Listings Requirements currently contain, *inter alia*, the following requirements:

  - the general authority in terms of this resolution shall extend up to and including the date of the next annual general meeting of the Company or 15 months from the date on which this resolution is passed, whichever is the earlier date;
  - the issue may only be to such person or persons defined as ‘public’, and who are not ‘related parties’ as defined in the BSE Listings Requirements;
  - a paid press announcement giving full details, including the number of Shumba Coal ordinary shares issued, the average discount to the weighted average traded price of Shumba Coal ordinary shares over 30 business days prior to the date that the price of the issue is agreed in writing between Shumba Coal and the subscribing parties, the impact on net asset value and the net tangible asset value per share and the impact on earnings and headline earnings per share of the Company, shall be published at the time of any issue of Shumba Coal ordinary shares pursuant to this general authority representing, on a cumulative basis within one financial year, 5% or more of the number of Shumba Coal ordinary shares in issue prior to the issue;
  - that the issues of Shumba Coal ordinary shares may in any one financial year in the aggregate comply with sub-paragraph 6.18(g) of the BSE Listings Requirements;
• in determining the price at which an issue of Shumba Coal ordinary shares will be made in terms of this general authority, the maximum discount at which the Shumba Coal ordinary shares will be issued is 10% of the weighted average trading price of Shumba Coal ordinary shares over the 30 trading days prior to the date that the price of an issue is determined or agreed by the directors of the Company; and

• that issues of options or convertible instruments are subject to the same or similar requirements as those set out above.

6.3. **Salient features of the Shares**

The Consideration Shares issued will rank *pari passu* with the existing Shares from date of allotment, and ownership of all Shares will be evidenced by share certificates.

At general meetings of Shareholders, every Shareholder present in person or by proxy shall have one vote on a show of hands and one vote for each share of which he is a registered holder, on a poll.

The rights of Shareholders may only be varied with the sanction of a special resolution, which requires a 75% majority to be passed.

The amount of income to be distributed annually by way of dividend on ordinary shares shall be determined by and is at the sole discretion of the directors.

6.4. **Major Shareholders**

In so far as it is known to the directors of Shumba Coal, the following Shareholders held more than 5% of the issued Shares of Shumba Coal as at the Last Practicable Date, or will hold more than 5% of the issued Shares subsequent to the Acquisition.

**SHUMBA COAL LIMITED AS AT 16-Oct-13**

<table>
<thead>
<tr>
<th>Name</th>
<th>Total shares</th>
<th>% Holding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black Phoenix Limited</td>
<td>68,050,356</td>
<td>40.45%</td>
</tr>
<tr>
<td>Optiva Securities Limited</td>
<td>19,210,692</td>
<td>11.42%</td>
</tr>
<tr>
<td>Munesh Sharma Ramnauth</td>
<td>13,295,460</td>
<td>7.90%</td>
</tr>
<tr>
<td>Ruby Sen Rambocus</td>
<td>10,813,985</td>
<td>6.43%</td>
</tr>
<tr>
<td>Afrasia Mining and Energy Investment Holdings Ltd</td>
<td>8,769,389</td>
<td>5.21%</td>
</tr>
<tr>
<td>Sam Mpuchane</td>
<td>8,523,164</td>
<td>5.07%</td>
</tr>
</tbody>
</table>
6.5. **Issues of Shares**

There have been no consolidations or subdivisions of Shares in the period preceding the Last Practicable Date.

7. **INFORMATION ON DIRECTORS**

7.1. **Directors remuneration**

The proposed and forecast aggregate remuneration and benefits to be paid to the Directors of the Company is P2 000 000 per annum. Each of the Directors will be paid a sitting allowance of P 7500 for each Board Meeting attended.

7.2. **Directors’ interests in transactions**

The directors have no interest in the transaction nor do they have any interest in the BPOPF.

7.3. **Directors’ interests in Shares**

As at the Last Practicable Date, the following directors held the following interests in Shares:

<table>
<thead>
<tr>
<th>Name</th>
<th>Shares in Shumba Coal</th>
<th>Direct Interest %</th>
<th>Indirect Interest %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alan Mitchell Clegg</td>
<td>8,769,389</td>
<td>Nil</td>
<td>5.2%</td>
</tr>
<tr>
<td>Mashale Phumaphi</td>
<td>69,097,374</td>
<td>nil</td>
<td>41.1%</td>
</tr>
<tr>
<td>Grant Munesh S. Ramnauth</td>
<td>13,295,460</td>
<td>8.2%</td>
<td>Nil</td>
</tr>
<tr>
<td>Thapelo Mokhathi</td>
<td>4,890,762</td>
<td>Nil</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

8. **RELATED PARTIES**

The Company is not the subject of an announced or expected take-over bid

9. **DIRECTORS’ OPINIONS AND RECOMMENDATIONS**

The directors of Shumba Coal are of the opinion that the terms and conditions of the Acquisition are fair and reasonable and will be to the long-term benefit of Shumba Coal and its Shareholders.
10. **DIRECTORS’ RESPONSIBILITY**

The directors, whose names are given on page 6 in this Circular, collectively and individually, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no other facts the omission of which would make any statement false or misleading, that they have made all reasonable enquiries to ascertain such facts and (if applicable) that this Circular contains all information required by the law.

The directors confirm that the Circular includes all such information within the their knowledge (or which it would be reasonable for them to obtain by making enquiries) as investors and their professional advisers would reasonably require and reasonably expect to find for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the issuer and of the rights attaching to the securities to which the Circular relates.

11. **OTHER INFORMATION**

11.1. **Material changes**

Other than in the ordinary course of business or as set out elsewhere in the Circular, there have been no material changes in the financial or trading position of the Company.

11.2. **Significant contracts**

The Company has not entered into any material agreements prior to the date hereof which are or may be material and which have been entered into, otherwise than in the ordinary course of business, save for the Acquisition Agreement.

11.3. **Borrowing powers**

In terms of Shumba Coal's Constitution, the directors may raise or borrow, for the purposes of the Company's business, such sum or sums of money as, in aggregate at any time, do not exceed such percentage of the net asset value of the Company (as determined from time to time) as the Company may, by ordinary resolution, in general meeting, determine. The directors may secure the repayment of or raise any such sum or sums as aforesaid by mortgage or charge upon the whole or any part of the property and assets of the company, present and future, or by the issue, at such price as they may think fit, of debentures, or not so charged or in such other way as the directors may think expedient.

12. **EXPERTS AND ADVISORS CONSENTS**

The transfer secretaries, independent reporting accountants, competent person’s report, legal advisor and the sponsoring broker have each consented in writing to act in the capacities
stated and to their names being stated in this Circular and had not withdrawn their consent prior to the publication of this Circular.

13. **LITIGATION**

There are no legal or arbitration proceedings against the Company, nor, as far the Board is aware, are there any legal or arbitration proceeds pending or threatened against the Company which have had or may have, a significant effect on the financial position of the Company. There are also no legal or arbitration proceedings in relation to the assets the subject of the acquisition.

14. **DOCUMENTATION AVAILABLE FOR INSPECTION**

Copies of the documents listed below will be available for inspection during normal business hours on business days from 17 December 2013 until 7 January 2014 at the Registered Office:

- the Circular;
- The Constitution of the Company;
- The Annual Financial Statements of the Company for the past year;
- The Convertible Loan Agreement between the Company and BPOPF;

15. **VOTING**

A notice convening an Annual General Meeting is sent simultaneously as part of the Circular. The Convertible Loan Agreements constitute Specific Issues for Cash by the Company, and each Specific Issue for Cash is required to be approved by Shareholders by way of Special Resolution. This means that 75% of the votes of all eligible shareholders present or represented by proxy at the general meeting must be in favor of the resolution.

The Listings Requirements stipulate that all non-public Shareholders (that is directors, their associates, and any Shareholder who holds in excess of 10% of the issued shares) are precluded from voting on this resolution. The BPOPF an existing Shareholder, is also precluded from voting on these resolutions.

Signed by **Mashale Phumaphi** on behalf of each of the directors of **Shumba Coal**

Dated at Gaborone this **16th December 2013**

Mashale Phumaphi (Director)

**SHUMBA COAL LIMITED**
# APPENDICE I

## 1. TABLE OF AGGREGATE VOLUMES FOR EACH QUARTER TRADED OVER THE LAST TWO YEARS

<table>
<thead>
<tr>
<th>2013</th>
<th>AGGREGATE VOLUME TRADED</th>
<th>LOWEST PRICE (Thebe)</th>
<th>HIGHEST PRICE (Thebe)</th>
</tr>
</thead>
<tbody>
<tr>
<td>APRIL-JUNE</td>
<td>143,308</td>
<td>105</td>
<td>106</td>
</tr>
<tr>
<td>JULY- SEPT</td>
<td>344,992</td>
<td>106</td>
<td>106</td>
</tr>
<tr>
<td>OCT- DEC</td>
<td>8,034</td>
<td>109</td>
<td>110</td>
</tr>
</tbody>
</table>

## 2. TABLE OF AGGREGATE VOLUMES TRADED OVER LAST TWELVE MONTHS

<table>
<thead>
<tr>
<th>MONTH 2013</th>
<th>AGGREGATE VOLUME TRADED</th>
<th>LOWEST PRICE (Thebe)</th>
<th>HIGHEST PRICE (Thebe)</th>
</tr>
</thead>
<tbody>
<tr>
<td>APRIL</td>
<td>104,378</td>
<td>105</td>
<td>106</td>
</tr>
<tr>
<td>MAY</td>
<td>37,103</td>
<td>106</td>
<td>106</td>
</tr>
<tr>
<td>JUNE</td>
<td>1,827</td>
<td>106</td>
<td>106</td>
</tr>
<tr>
<td>JULY</td>
<td>13,825</td>
<td>106</td>
<td>106</td>
</tr>
<tr>
<td>AUGUST</td>
<td>329,634</td>
<td>106</td>
<td>106</td>
</tr>
<tr>
<td>SEPTEMBER</td>
<td>1,533</td>
<td>106</td>
<td>106</td>
</tr>
<tr>
<td>OCTOBER</td>
<td>0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>NOVEMBER</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>DECEMBER</td>
<td>8,034</td>
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</table>

## 3. TABLE OF AGGREGATE VOLUMES TRADED OVER THE LAST 30 DAYS PRECEDING THE LAST PRACTICABLE DATE PRIOR TO THE DATE OF ISSUE OF THE CIRCULAR

<table>
<thead>
<tr>
<th>DATE 2013</th>
<th>AGGREGATE VOLUME TRADED</th>
<th>LOWEST PRICE</th>
<th>HIGHEST PRICE</th>
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<td>03/12/2013</td>
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<td>110</td>
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<td>10/12/2013</td>
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<td>16/12/2013</td>
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</tbody>
</table>
APPENDICE II

FAIR AND VALUE OPINION

The Botswana Stock Exchange
Exchange House
Office Block 6
Plot 64511, Fairgrounds
Private Bag 00417
Gaborone
Botswana

8 November 2013

Dear Sir/ Madam

Subject: Fair and Reasonable Opinion on the offer price for the issue of shares in Shumba Coal Limited to Botswana Public Officers’ Pension Fund

Introduction
Shumba Coal Limited (hereinafter referred to as “Shumba Coal” or the Company) is a mineral exploration company, currently building a portfolio of highly prospective energy exploration licenses in Botswana. The Company owns 96% stake in Shumba Resources Limited – which, in turn, has a 90% stake in Sechaba Natural Resources – which holds the right to a prospecting licence. The flagship asset of the Company is the Sechaba Thermal Coal Project with a potential of approximately 1 (One) billion tonnes of Joint Ore Reserves Committee (“JORC”) compliant thermal coal resources – with the potential to produce coal by 2016.

Background of transaction
In November 2011, Shumba Resources entered into an agreement with DiamonEx Limited (“DiamonEx”), whereby certain prospecting licenses owned by Shumba Resources in Botswana will be bought by DiamonEx for a consideration of AU$ 6.395 million – payable through issue of 2,299,005,454 ordinary shares in DiamonEx to Shumba Resources. This reverse takeover was supposed to result in DiamonEx becoming a subsidiary of Shumba Resources.

As a pre-condition to the above transaction, DiamonEx advanced interest-free loan of US$ 250,000 to Shumba Resources in December, 2011. There is a fixed charge over the prospecting licenses and such charge to remain until either: (i) Shumba Resources acquires DiamonEx, or (ii) the loan is repaid within 18 months. Otherwise, DiamonEx shall have right to title of the said licenses in full satisfaction of the loan.

In June 2012, the proposed transaction between Shumba Resources and DiamonEx fell through due to challenging circumstances for DiamonEx. This resulted in the above-mentioned loan becoming repayable by June 2013 (i.e., within a period of 18 months from December, 2011).
In March 2013, Shumba Resources and DiamonEx signed a Deed of Novation whereby DiamonEx transferred all its rights & title to the US$ 250,000 loan to the Botswana Public Officers Pension Fund ("BPOPF"). BPOPF has agreed to convert US$ 125,000 (i.e., 50% of loan amount) to shares in Shumba Coal @ 51 Thebe per share (referred to as "offer price") – subject to shareholders’ approval of the terms for such issue of shares for cash ("Transaction").

Grant Thornton is required to provide an opinion as to whether the reasons provided by the Directors of Shumba Coal for conversion of the loan through issuance of shares to BPOPF of a class of shares already in issue and at a discount higher than 10% to the last 30-days’ average listed price is fair and reasonable.

**Share price of Shumba Coal**

Shumba Coal is listed on Venture Capital Board ("VCB" under Foreign Company category) of the Botswana Stock Exchange ("BSE") effective April, 2013.

The weighted average traded price of the Company’s shares on the BSE over last 30-day is Thebe 106. Post listing, the highest traded price is Thebe 106 and lowest is Thebe 100 (i.e., listing price).

**Fair and reasonable opinion**

As per agreed upon procedures, we have reviewed the key assumptions provided by the Directors towards the conversion of the loan through issuance of shares in Shumba Coal to BPOPF at a 52% discount to the weighted average traded price over last 30-days. This is as per requirements under Sections 5.80 & 5.81 of BSE Listing Requirements.

**Key assumptions**

Due to effects of the global economic down turn and higher perceived risks associated with early stage mineral exploration entities, the valuations of these businesses are currently severely depressed. The Transaction with BPOPF is treated as Private Placement – although BPOPF’s post-transaction shareholding in the Company will be less than 10%. BPOPF is treated as ‘Public shareholder’ as per Sections 4.18 & 4.19 of BSE Listing Requirements; however, listed entities are allowed to make private placements with a public shareholder.

We have verified the key assumptions used by the Directors to arrive at the discounted offer price for BPOPF, as follows:

- The lack of access to funding is the topmost constraint for early stage mineral exploration companies. Due to the high-risk nature of exploration, rising number of labour disputes in the mining sector & general risk aversion of investors, the capital markets have effectively seized up for risk capital – which makes it difficult for mining companies in the exploration stage to raise funds through traditional sources. A survey conducted by Grant Thornton in 2013 highlights 55% of respondents – who are in the Greenfield or Brownfield exploration or pre-feasibility stage – mentioning access to funding as the highest constraint to growth.

- The interest rate of 6% associated with the loan (i.e., Prime rate less 5%) is lower than debt instruments issued by companies of similar risk profile like Shumba Coal. The coupon rates on bonds listed on the BSE issued by government, parastatals and other
public interest entities range between 7.75% and 12% - with the only outlier being instrument number BV1002 issued by the Botswana Vaccine Institute maturing on July, 2015 having a coupon rate of 5.15%. We also wish to highlight that, during December 2011 to June 2013, the overall Domestic Companies Index of BSE grew by 25%. In our view, BPOPF is in a position to secure higher returns in debt instruments issued by entities of lower risk profile and the costs associated with raising funds by Shumba Coal to extinguish this loan will be higher due to the relatively higher credit risks.

- Shumba Coal is still in the early stages of resource identification with the Prospecting Licence number 053/2005 for the Company’s Sechaba Thermal Coal Project is valid till 30 June, 2014. A scoping study on the economic feasibility of coal mining over the Sechaba project area has confirmed potential to produce coal by 2016. The Company is conducting a preliminary feasibility study including a detailed Environmental Impact Assessment and has conducted further resource delineation drilling. Hence, the discount on the weighted average traded price over last 30 days is justified to factor in the higher risks of investing in Shumba Coal by BPOPF.

- Due to the movement in US$:BWP exchange rates since December 2011, the repayment of the loan will result in a foreign exchange loss to the Company of approximately 16% on the nominal value of the loan.

- Based on the unaudited financial statements of Shumba Coal for the year ended 30 June 2013, the net worth of the Company is approximately BWP 29 million (US$ 3.4 million) and the Net Asset Value per share (“NAV”) is Thebe 18. The exploration costs capitalised is BWP 16.9 million (US$ 2 million). As of 30 June 2013, the net cash position of the Company is BWP 8.4 million (US$ 1 million). A portion of these available cash resources is to be utilised towards payment of purchase consideration in cash amounting to US$ 200,000 (approximately BWP 1.7 million) towards the 4 (Four) energy Prospecting Licences in the northern part of Botswana purchased from Impact Minerals Ltd (“Impact”), Australia. Other short-term cash requirements are primarily commitments for completion of the preliminary feasibility study and prospecting in progress. In our view, Shumba Coal lacks excess uncommitted financial resources and thus because of its financial status we believe the offer price of Thebe 51 per share vis-à-vis NAV of Thebe 18 per share is justified.

Based on the review, we are of the opinion that extinguishing the loan through a private placement of shares of a class already in issue to BPOPF at a discounted offer price of Thebe 51 per share is fair and reasonable.

Caveats

Our view is based on our review of the key assumptions used by the Directors of Shumba Coal in arriving at the discounted offer price of Thebe 51 per share. In arriving at this view, we have relied upon, and assumed to be true, accurate, complete and not misleading, the information, opinions and representation expressed by the Directors of Shumba Coal. Accordingly, Grant Thornton accepts no liability of whatever nature of any loss, damage or expense resulting directly or indirectly from the above view.
In connection with the preparation of our opinion expressed herein, we are not availed by the Directors of Shumba Coal of the intrinsic valuation of the shares conducted by a third-party or the Directors.

As per Section 5.81 of BSE Listing Requirements, the issuance of shares at Thebe 51 per share to BPOPF in order to extinguish the loan is dependent on the Transaction being approved by the Company's shareholders.

Should you need any further information relating to the above, please contact the undersigned.

Yours sincerely

Vijay Kalyanaraman
Partner - Advisory services
Annual Report 2013

1. The Annual Report 2013 can be downloaded from the Botswana Stock Exchange website (www.bse.co.bw)

Should shareholders require a soft or hard copy of the Annual Report 2013, please contact our Transfer Secretary on the contact details below:

Transaction Management Services (Pty) Limited t/a Corpserve Botswana
Unit 206, Second Floor, Plot 64516
Showgrounds Close, Fairgrounds
Gaborone

Tel: +267 393 2244
Fax: +267 393 2243
Mobile: +267 713 16881
Email: contactus@corpservebotswana.com
Website: www.corpservebotswana.com