BUSINESS ACTIVITIES REPORT FOR THE FIRST HALF OF FINANCIAL YEAR 2016

In the second half of 2015 a considerable amount of progress has been achieved on our projects, particularly in getting our Mabesekwa Export Independent Power Plant (“MEIPP”) ready for bid submission in early – mid 2016. Coal Supply, Water Supply, Power Transmission, Environmental and Engineering solutions have been concluded in the period, with the added bonus of the attainment of surface rights for both the MEIPP and associated open cast mine.

We are now in a position where we have two advanced coal Independent Power Plant projects able to supply electricity to the South African Coal Baseload IPP Programme, the domestic Botswana Greenfield Coal Baseload IPP Programme and to other countries in the region. With Prefeasibility Studies complete at both Sechaba and Mabesekwa we have commenced Bankable Feasibility Studies on each on them.

In October the Board announced the change of name of the Company from “Shumba Coal Limited” to “Shumba Energy Ltd” (“Shumba Energy” or the “Company”) as the new name better represented the strategic vision / objectives of the Company. This follows the Board decision to expand the Company’s activities in the area of renewable energy in order to diversify its energy generation base. Given the huge energy deficit in Southern Africa we believe that an energy mix will best service this shortage. To achieve this objective we have partnered with experienced groups for solar opportunities, namely the Mulilo / Total / Sunpower consortium for Photo Voltaic Solar Projects and Grupo Cobra for Concentrated Solar Power Projects. Further information on these parties can be found later on in this update.

Our cash balance as of the 30th of September 2015 remained resilient at USD 2.85 million. We are confident that this amount shall be sufficient to meet our objectives in 2016 as we move our projects towards financial close.

HIGHLIGHTS

- A positive coal mining prefeasibility study (“PFS”) by Mining Engineers Ukwazi Mining Solution to define the mine configuration and technical and economic potential of the Mabesekwa coal project was completed in August 2015. The PFS showed that the Mabesekwa Mine will be a low cost conventional open pit operation.

- In August 2015 Shumba Energy entered into a Joint Development Agreement (“JDA”) with Mulilo Thermal for the joint development of the MEIPP. Mulilo is a successful independent power producer in South Africa and has developed a portfolio of over 400 MWe of grid-connected power plants.

- Trans-Africa Projects Proprietary Limited (“TAP”) has conducted a grid integration and transmission study to investigate the most desired point of interconnection to evacuate energy from the MEIPP Power Plant into the Botswana Power Corporation (“BPC”) network. The Study was concluded successfully in late October 2015 and showed a simple integration
into the BPC network and a clear transmission route to get power to South Africa, Zimbabwe, Zambia and Namibia.

- The Tonota Sub Land Board at its meeting held on the 22nd of July 2015 approved our application for surface rights for the MEIPP Mine and Power station.

- In November 2015, Wellfield Consulting Services (Pty) Ltd (Wellfield) completed a surface water hydrology study for the Mabesekwa Power Station and mine with input and consultation with Water Utilities Corporation. Following this Shumba Energy has received a water allocation from Shashe Dam.

- E.ON Technologies GmbH from Germany appointed as Owner’s Engineer for MEIPP. E.ON is an international privately-owned energy supplier which provides conventional generation, global energy trading and exploration and production. In the 2014 financial year it had staff comprising in excess of more than 58,000 employees based in many countries in Europe as well as in Russia and North America generating sales of around EUR 112 billion.

- Mabesekwa Mine and Power Station Environmental Impact Assessment going through final stages of approval

OUTLOOK FOR NEXT QUARTER

**Mabesekwa Export Independent Power Plant**

- Submit application for Water Use License
- Receipt of Executed Land Leases
- Receipt of Power Station and Mine Environmental and Social Impact Assessment ("ESIA") Authorisation
- Grid connection preliminary design to be finalised
- Submit Application for Waste Management Licence
- Finalise Engineering Procurement and Construction ("EPC") contractor selection
- Conclude Limestone Supply
- Continue with Botswana Greenfield IPP and South African Baseload IPP Bid Preparation

**Sechaba Coal Independent Power Plant**

- Submit Application for Mine and Power Station Surface Rights
- Receipt of Mine ESIA Authorisation
- Submit full Power Station ESIA for approval
- Finalise Water Supply Solution
- Continue with coal supply for Botswana Greenfield IPP and Bid preparation for South African Baseload IPP

**Solar Power**

- Await response to Botswana Solar Expression of Interest (“EOI”) submissions
Advance other opportunities for Solar Development

PROJECTS

1. **Mabesekwa Export Independent Power Plant ("MEIPP")**

Shumba Energy is partnered with Mulilo Thermal ("Mulilo"), which is a South Africa entity with a wealth of development and financing experience, for the development of the MEIPP. Over the last few years, Mulilo has developed a portfolio of over 400MWe of grid-connected power plants under various IPP Programs in South Africa. The Developers have appointed E.ON Technology of Germany as the Owner’s Engineer for the Project.

The MEIPP Project is being developed to supply electricity to South Africa under the South African Coal Baseload IPP Programme for Cross Border Projects. The project is also Shortlisted in the Government of Botswana Greenfield Coal Baseload IPP Programme which will be a parallel bid submission. The Project will be a mine-mouth power plant using coal from a mining company in Botswana. The Project has a number of favourable elements, including the following:

- A strong co-developer who will also commit equity to the Project
- A local project development company acting as co-developer, whose management have extensive experience in developing coal and mining projects globally
- The Project will appoint a reputable, internationally-recognised, and well-capitalised EPC contractor with significant experience in coal-fired power generation
- Easy access to the BPC national grid
- Robust project economics with healthy debt cover covenants and equity returns
- Abundance of coal with required rank
- Back-up water supply
- Minimal water consumption given the intent to use dry-cooling technology
- Potential high social and economic impact to the communities surrounding the Project Site
Project Description

The Project Site Lease Area, comprising 2800 ha is located some 60 km south-west of the town of Francistown and 40 km west of Tonota / Shashe and approximately 40 km west of the main railway and main A1 road transport highway in close proximity to the mine mouth of the Mabesekwa coal field. The Power Plant is to be built between 5 km and 6 km from the coal mine mouth, with a conveyor belt (included in Project costs) constructed by EPC to transport the coal.

The Project calls for two or four generating units, each with an output of 150 MWe, gross with a maximum capacity of 600 MWe, gross total, depending on grid integration and evacuation constraints. It is expected that circulating fluidized bed boilers will be used. Due to the fact that Botswana is a water scarce country, the Project would deploy a dry cooling system. The Project furthermore includes associated infrastructure such as interconnection facilities, transmission line, water supply infrastructure, coal conveyor belt (from mine mouth to plant), coal handling system, crushers, ash handling systems, emission abatement systems and a distributed control system.

Coal Supply

Coal supply for the MEIPP Project will be provided by Shumba Energy through a long-term coal supply agreement. The development of the coal mine is underway and anticipated to be funded as a Separate Project Finance transaction, closing simultaneously with the Project. The coal resource is estimated at over 840 Mt at an average depth of between 50 m and 60m, starting at a depth of 18 m with an average thickness of 18 m.

Limestone

Limestone will be sourced from either Botswana or South Africa and will be supplied to the Project via truck or railway line in terms of a long-term (minimum of 10 years) ZAR based Limestone Supply Agreement. The Sponsors are currently in discussions with various suppliers in order to obtain the required quality and quantity of limestone at the best possible price.

Water Supply

The water supply strategy includes the construction of a pipeline from the Shashe Dam, approximately 60 km from the Project Site which will provide raw water to the water treatment plant and other plant and equipment as required. A nearby well field with 18 boreholes and sufficient capacity will provide a back-up water supply solution.

In November 2015, Wellfield Consulting Services (Pty) Ltd (Wellfield) completed a surface water hydrology study for the Mabesekwa Power Station and mine with input and consultation with Water Utilities Corporation.

This hydrological study consisted of two parts, namely:

1. The determination of whether the available water yield from Shashe Dam is sufficient to meet the expected water demands; and

2. The compilation of a high level Water Balance for the mine and power station.
The study recommended that if the Shashe Dam is to constitute a primary water source for the MEIPP, then the required demand can best be provided by the re-allocation of an existing but unutilised water allocation at Shashe Dam. Shumba Energy has managed to receive this allocation.

**Transmission**

Various options were considered to integrate the Project into the national grid and to export the electricity to South Africa. The required shallow and deep transmission and interconnection works have been finalised.

Associated infrastructure further includes the upgrading of current access roads, on-site accommodation, site offices and telecommunication infrastructure.

1.1 **MEIPP Joint Venture**

In August 2015 Shumba Energy entered into a Joint Development Agreement ("JDA") with Mulilo, detailing commercial parameters of their joint development of the coal baseload electrical power projects. The Company will collaborate with Mulilo in the development, construction and operation of coal fuelled power plants with an installed capacity of at least 300 MWe in anticipation of submitting bid responses under the South Africa and / or Botswana Coal Baseload IPP Procurement Programme.

Mulilo is an independent power producer in South Africa and has developed a portfolio of over 400 MWe of grid-connected power plants under various procurement programmes conducted by the Department of Energy of the Government of South Africa.

1.2 **MEIPP Transmission and Engineering**

The Developers engaged Trans-Africa Projects Proprietary Limited ("TAP") to conduct a grid integration study to investigate the most desired point of interconnection to evacuate energy from the MEIPP Power Plant into the Botswana network. The Study was concluded successfully in late October 2015 with inputs from Botswana Power Corporation and other stakeholders.

The steady state study results indicate that the proposed scope of work is technically implementable, since all voltage and thermal limits are adhered to. The network transient studies indicated that the network remain transiently stable for all studied fault conditions.

The report recommended that the MEIPP Power Plant can be integrated into the BPC network by means of a loop-in-loop-out connection to the to-be constructed Phokoje-Dukwi 400 kV line and the construction of a third line, from the MEIPP Power Plant to Francistown at 400 kV with a stepdown transformer at Francistown to 220 kV.

The Developers have appointed E.ON Technologies GmbH as Owner’s Engineer. The EPC procurement process is at an advanced stage. Pre-qualification responses have been received and are currently being evaluated.

As part of its role E.ON has:

- Identified the key constraints on the selection of the plant design
• Identified the most suitable technology type of boiler

• Identified the unit capacity and configuration based on standard industry parameters and specifications and suitability for the existing site conditions

• Described the preferred plant concept and provided confidence that this concept is suitable for this site and project

• Provided key performance and material flow data for use in a financial model of the project.

The conceptual design was completed in November 2015.

1.3 Coal supply

A positive coal mining prefeasibility study ("PFS") by Mining Engineers Ukwazi Mining Solution to define the mine configuration and technical and economic potential of the Mabesekwa coal project was completed in August 2015. The PFS indicates a coal resource of over 840 Mt at an average depth of between 50 m and 60 m, starting at a depth of 18 m with an average coal seam thickness of 18 m. The coal supplied is expected to have ash content of <30% and produce approximately 17 to 19 MJ/kg product and will be transported to the Power Plant by means of a conveyor system. The mine will be a conventional open pit.

The mining section of the PFS specifically focused on the mine configuration, access options, product strategy, equipment selection, mine design, mining schedule, and an appropriately detailed cost model. The overall study level of accuracy was sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resource could classify as a Mineral Reserve.

 Appropriately detailed mine layouts and box cut designs were prepared and scheduled with optimised equipment selections. The compilation of the cost estimate was based on a combination of estimation techniques, including market quotations, benchmarking, factoring and unit costs.

1.4 Permitting

Land Use rights

The Tonota Sub Land Board at its meeting held on the 22nd of July 2015 approved our application for surface rights for the MEIPP Mine and Power station. A formal Land Lease Agreement for the approved Surface Rights is being prepared for execution.

Environmental Authorisation

The Environmental and Social Impact Assessment for the MEIPP and associated Mine is under final review by the Department of Environmental Affairs (DEA). Initial comments from the DEA have been addressed and final approval is expected in Q1 2016

Water Use rights

Shumba Energy has received a water allocation from Shashe Dam and an associated water use license is being prepared
2. Sechaba Coal Independent Power Plant ("SCIPP")

The SCIPP is a 300MW (gross capacity) coal-fired power plant being developed to supply electricity to Botswana and other countries in Southern Africa. The SCIPP Project is being developed by Shumba Energy as sole developer. Coal supply for the SCIPP Project will be provided by Shumba Energy through its Sechaba Coal prospecting license.

The Sechaba Coal field is located some 47km north north-west of the town of Palapye in Botswana and in the vicinity of the Morupule power station complex owned and operated by the Botswana Power Corporation (BPC), located some 30km from the SCIPP site. The site is about 10km west of the main railway and main A1 road transport highway connecting Botswana to South Africa in the south and Zimbabwe to the north.

The proposed SCIPP Project power plant is envisaged to be located close to the south-eastern corner of Sechaba Natural Resources coal prospecting licence PL053/2005, with indicative geographical coordinates of the proposed power station location being S22030’00 and E27018’00, as further described in subsequent sections of the response.

The SCIPP Project development activities are supported by a number of credible and experienced South African and Botswana services providers, including:
Shumba Energy are committed to maximise use of local suppliers with the objective to contribute to ensuring a competitive and sustainable coal-fired power.

Project Technical Details

Based on the completed conceptual design study undertaken by Parsons Brinckerhoff Power, the SCIPP power plant is envisaged to be configured as a 2 x 150MW (gross capacity) coal-fired power plant. The contracted net power available would be approximately 270 MW after deduction of auxiliary consumption.

The boiler furnace will be of the circulating fluidized bed subcritical natural circulation type with one steam generator provided for each unit, with dry air cooled condenser technology. Sulphur Oxide (“SOx”) control will be achieved by in-situ SOx capture by limestone dosing in the boiler furnace. Particulate matter control will be achieved with Electrostatic Precipitators (ESPs). NOx control is achieved inherently in CFB boilers by virtue of their low operating furnace temperatures (i.e. <950°C - below the temperature at which NOx is typical formed).

Coal Supply

The SCIPP will be supplied by coal from PL053/2005 held by Shumba Energy. The estimated in-situ coal resource is 1,144 Mt in accordance with (Australian) JORC Code, predominately contained in two main coal seams, being the upper Taukome Bright Seam (TKS) and the lower Morupule Main seam (MMS). Average seam thicknesses are 2.6m (TKS) and 3.7m (MMS) with the coal found at average depths of 30-100m, to be accessed by underground mining. Further details below.

Limestone

Limestone will be sourced from either Botswana or South Africa and will be supplied to the Project via truck or railway line in terms of a long-term (minimum of 10 years) ZAR based Limestone Supply Agreement.

Water Supply
The estimated average water intensity of the SCIPP power plant is estimated at 0.32l/kWh. The annual water consumption of the SCIPP power plant is 0.7 million m³ per annum based on a power plant load factor of 85%.

Based on a pre-feasibility study undertaken, it is anticipated to use ground water as the primary source of water for power plant operation, possibly combined with collection of seasonal surface water supply to minimise the use of groundwater resources. Groundwater will be drawn from aquifers in the vicinity of the proposed SCIPP power plant site.

The water authorities in Botswana, being the Department of Water Affairs (DWA) and the Water Utilities Corporation (WUC) have been approached with respect to the proposed water supply solution, with DWA having granted permission for the Sponsors to undertake the current water drilling and test pumping programme forming part of the ongoing feasibility study.

**Transmission**

The SCIPP power plant will be connected at 400kV into a nearby Botswana Power Corporation’s 400kV substation, located some 27km in a south-south-westerly direction from the proposed power station site. Transmission to the north and west of Botswana will be achieved via the ZIZABONA inter connection currently being developed by the Southern Africa Power Pool.

### 2.1 SCIPP Transmission and Engineering

In early 2014 Norconsult completed a Study describing options available to export power from a potential power station to be sited on Shumba Energy’s Sechaba coal field. Norconsult is Norway’s and one of Scandinavia’s largest multidisciplinary engineering and design consultancies, providing services to clients in the public and private sectors worldwide.

The Study found that transmission into the Southern African Power Pool (including 9 countries) was straightforward and that transmission costs of SCIPP export are lowest for export to South Africa and Zimbabwe and slightly higher for export to Namibia and countries further afield.

In mid-2014 Parsons Brinckerhoff were engaged to provide conceptual studies for the proposed coal fired power plant development addressing site, boiler technology and plant configuration assessment, limestone consumption assessment and conceptual design and description of the power plant based on the preferred boiler technology and configuration. Parsons Brinckerhoff is a multinational engineering and design firm with approximately 14,000 employees. The firm operates in the fields of strategic consulting, planning, engineering, construction management, and infrastructure/community planning. In 2013, the company was named the tenth largest U.S.-based engineering/design firm by Engineering News Record.

Based on the assessment, the power plant is envisaged to be configured as a 2 x 150MW Circulating Fluidised Bed (CFB) coal fired power plant. The configuration was chosen as the preferred configuration primarily due to suitability of unit size to the Botswana grid and redundancy offered by the configuration in the event of loss of one of the units. Furthermore, the power plant is expected to consist of a subcritical non-reheat steam turbine with dry air cooled condenser technology. SOx control will be achieved by in-situ SOx capture by limestone dosing in the boiler furnace. Particulate matter control will be achieved with Electrostatic Precipitators (ESPs). Nitrogen Oxide (NOx) control
is achieved inherently in CFB boilers by virtue of their low operating furnace temperatures (i.e. <950°C - temperatures below which NOx is typical formed).

The plant is estimated to require 100ha for the power plant and balance of plant, while the ash dump will require up to 36ha over the 25 year lifespan. An area of approximately 140ha will therefore be required for the 25 year operating life of the Sechaba power plant. An area of 1600ha (4km by 4km) was considered as the site study area for assessment within which the 140ha power plant site would be located. The study area was assessed based on proximity to coal, water, sorbent (lime stone) sources, point of power evacuation, land availability, study area topography, impact on the environment and other considerations. The assessment revealed that there are no apparent fatal flaws with the study area for locating 300MW coal fired power plant.

2.2 Coal supply

The SCIPP will be supplied by coal from PL053/2005 held by Shumba Energy. The estimated in-situ coal resource is 1,144 Mt in accordance with (Australian) JORC Code, predominately contained in two main coal seams, being the upper Taukome Bright Seam (TKS) and the lower Morupule Main seam (MMS). Average seam thicknesses are 2.6m (TBS) and 3.7m (MMS) with the coal found at average depths of 30-100m, to be accessed by underground mining.

Ukwazi Mining Solution (Pty) Ltd conducted the positive mining pre-feasibility study (“PFS”) for Sechaba Thermal Project on the Taukome Bright Seam, Morupule Upper Seam, and Morupule Main Seam on behalf of Shumba Energy. The study includes a preliminary investigation of options to determine the viability of the project. Specific aspects considered during this study included the potential for opencast and underground mining, an effective method of mineral processing and appropriate financial analysis based on realistically assumed assumptions of technical, engineering, operating and economic factors. The purpose of the mining section of the prefeasibility study was to define the mine configuration and the technical and economic potential of the project. The mining section had a specific focus on mine configuration, access options, product strategy, equipment selection, mining schedule, underground mining layouts and an appropriately detailed cost model.

The overall study level of accuracy was sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resource could classify as an Ore Reserve. This was due to the level of accuracy of the inputs and assumptions to the mining section of the project and the non-material project economic reliance on Inferred Mineral Resources. A Joint ore reserve committee (2012) compliant Ore Reserve estimate was prepared.

The selected mine configuration targets surface and mining infrastructure and an underground mine to ramp up to 1.5Mtpa in the shortest possible time frame and at the lowest cost. Once the 1.5Mtpa production level has been established, phase two expansion is commenced to increase the annual production to 3Mtpa. Appropriately detailed mine layouts for the boxcut and the underground mines for MMS and TBS were prepared and major equipment sized.

3. Solar Power

During June 2015, the Ministry of Minerals, Energy and Water Resources of Botswana issued a request for Expression of Interest to construct, operate, maintain and decommission at the end of its
economic life, a scalable solar power plant to meet electricity demands for Jwaneng, mines in the North West region and surrounding areas, or any other areas in Botswana. In response to the request for an EOI, Shumba Energy after having identified opportunities to develop solar PV power plants in Botswana partnered with Co – Developers, namely Mulilo, SunPower and Total.

The Developers have a combined installed renewable energy capacity in excess of 2000 MW, with more than 420 MW allocated under the South African Renewable Energy Independent Power Producer Procurement Programme.

The Developers will form a special purpose vehicle which will own, operate and maintain the proposed PV Project assets. Mulilo will assist the local partner and lead developer (Shumba Energy) with site identification, the project structure, managing environmental impact assessments, arranging finance and compiling the bid response. Total would mainly be involved in raising finance with SunPower acting as EPC and Operation & Maintenance contractor.

The combination of top tier Developers (Total and SunPower), one of South Africa’s most successful developers (Mulilo), Shumba Energy as reputable local partner and the unbeaten quality and durability of the technology provided by SunPower ensures a fully integrated and innovative bidding strategy. The Developers will focus on optimising EPC costs, debt and equity in order to provide the most competitive tariff in the market.

Below is a link to the backgrounds to each development partner:


### Shumba Energy Projects - Resources Statement

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<th>Seam Name</th>
<th>JORC Category</th>
<th>Gross In-Situ Tonnes ('000)</th>
<th>Calorific Values (MJ/kg)</th>
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Notes on Resources Statement

Shumba Energy has 2 billion tons of coal out of which 920 million tons have been drilled to indicated and measured level, it’s the highest confidence level of exploration drilling and these are resources that are used to convert to mineral reserves for mining purposes. Sechaba coal can be used for generating power and international coal exportation; and Mabesekwa coal can be used for generating power and regional coal exportation.

Date 31 December 2015
The standard used for the disclosure of Mineral Resources, results, exploration is the JORC code. The Board of Directors accepts full responsibility of the accuracy of the information contained in the report.

The statement of direct and indirect directors and senior officers pursuant to section 8(2)M of the Securities (disclosure obligations of reporting issuers) rules 2005 is available free of charge at the registered office of the Company at IFS Court, Bank Street, Twenty Eight, Cybercity, Ebene, 72701, Mauritius.