ANNUAL REPORT | 2013

SHUMBA COAL
Coal Exploration in Botswana
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</table>
SHUMBA COAL LIMITED | CORPORATE DATA

DIRECTORS:                      Date of Appointment
Kapildeo Joory       28 August 2012
Munesh Sharma (Grant) Ramnauth 28 August 2012
Mashale Phumaphi       28 August 2012
Alan Mitchell Clegg       24 January 2013
Thapelo Mokhathi       24 January 2013
Sipho Alec Ziga       02 August 2013

ADMINISTRATOR
AND SECRETARY:
International Financial Services Limited
IFS Court
TwentyEight
Cybercity
Ebene
Republic of Mauritius

REGISTERED OFFICE:
IFS Court
TwentyEight
Cybercity
Ebene
Republic of Mauritius

AUDITORS:
Grant Thornton
Ebene Tower
52 Cybercity
Ebene
Republic of Mauritius

BANKERS:
( IN MAURITIUS)
Standard Bank (Mauritius) Ltd
Level 9, Tower A
1 CyberCity
Ebene
Republic of Mauritius

AfrAsia Bank Ltd
Bowen Square
10, Dr Ferrière Street
Port Louis
Republic of Mauritius
SHUMBA COAL LIMITED | CORPORATE DATA (CONTINUED)

TRANSFER SECRETARY: Transaction Management Services (Pty) Limited
C/o Corpserve Botswana
Unit 206, Second Floor, Plot 64516
Showgrounds Close, Fairgrounds
P.O. Box 1583, AAD
Gaborone
Republic of Botswana

CORPORATE FINANCE ADVISOR: Imara Botswana Limited
2nd Floor, Morojwa Mews
Unit 6, Plot 74769
Western Commercial Road, CBD
Gaborone
Republic of Botswana

LEAD ADVISOR: Armstrongs Attorneys
2nd Floor, Acacia House, Plot 74358
Corner of Khama Crescent Ext and PG Matante Road
New CBD
Gaborone
Republic of Botswana

SPONSORING BROKER: Imara Capital Securities
Member of the Botswana Stock Exchange
2nd Floor, Morojwa Mews
Unit 6, Plot 74770
Western Commercial Road, CBD
Gaborone
Republic of Botswana

Anglo-Mauritius Stockbrokers Limited
3rd Floor, Swan Group Centre
10 Intendance Street
Port-Louis
Republic of Mauritius

REPORTING ACCOUNTANTS: Grant Thornton
Chartered Accountants
Acumen Park
Plot 50370, Fairgrounds
Gaborone
Republic of Botswana
COMMENTARY OF THE DIRECTORS
The directors are pleased to present their first report together with the consolidated financial statements of Shumba Coal Limited, the “Company”, and its subsidiaries, collectively referred to as the “Group”, for the period from 28 August 2012 (date of incorporation) to 30 June 2013.

INCORPORATION
The Company was incorporated in Mauritius on 28 August 2012 as a public company with liability limited by shares.

ACTIVITIES
The principal activity of the Group is the acquisition and development of highly prospective coal exploration licences in Botswana.

RESULTS
The results for the period are shown on page 8. The directors do not recommend the payment of any dividend for the period under review.

DIRECTORS
The present membership of the Board is set out on page 2.

DIRECTORS’ RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS
Company law requires the directors to prepare consolidated financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the Group and the Company. In preparing those consolidated financial statements, the directors are required to:

• select suitable accounting policies and then apply them consistently;
• make judgements and estimates that are reasonable and prudent;
• state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
• prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors have confirmed that they have complied with the above requirements in preparing the consolidated financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the consolidated financial statements comply with the Mauritius Companies Act 2001 and International Financial Reporting Standards. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS
The auditors, Grant Thornton, have indicated their willingness to continue in office.
CHAIRMANS REPORT

Herewith I take pleasure on behalf of the Board in presenting for your consideration the audited results of Shumba Coal Limited ("Shumba" or the "Company") and its subsidiaries, collectively referred to as the “Group”, for the 10 months ended 30 June 2013.

Key Features

Finances

- In total the Group raised USD 1.9 million during the period from financing activities.
- Total Group expenditures on Exploration and Evaluation during the period were USD 603,402.
- The Group’s net assets at the end of the period were USD 3 million.
- Cash and Cash Equivalents of the Group as at the reporting date were USD 1,233,946.
- Continued management commitment to maintain a low cost structure within the Group.
- The Group remains adequately funded to meet its planned expenditure requirements in the coming financial year.

Junior Mining Environment

In the reporting period we have seen the continuation of the global economic downturn, global financial crisis and associated strong aversion for risk that has led to a severely depressed environment for junior miners seeking to raise capital in all markets. The continued existence of a fundamental disconnect between the realities of the long term mining value chain, associated return on investment profiles and the expectation of/requirement for short term returns by fund managers and investment bankers, continues to restrict access to, and the deployment of, the considerable and excess cash liquidity existing in investment markets.

Further with lower average commodity prices and rising costs added to the lack of access to capital funding is threatening the future viability of many projects and has resulted in poor equity price performance across the board. As a result, those companies willing and able to take a medium to long term position have been able to acquire quality assets at highly discounted valuations. Collectively we believe that Shumba’s relatively low operating costs coupled with disciplined execution of the Group long term strategy, has put us in a strong position to take advantage of the current environment.

Overview of Operations

Sechaba

The Company’s flagship Sechaba Thermal Coal project near Morupule, Botswana, has approximately 1 billion tonnes JORC compliant defined coal resources. A Positive Scoping Study has been completed over the Sechaba Project Area in 2012, which confirmed the potential to produce coal both for domestic consumption and specific target export markets.

In August 2012 Shumba received from the Government of Botswana a renewal of Exploration Licence PL 053/2005 for a period of two years beginning July 1, 2012. This Exploration Licence comprises the area known as “Sechaba” in the Morupule Coalfield in Botswana. The minimum expenditure requirement on the licence is BWP 6,355,000 which Shumba Coal has already exceeded as of the date of this publication.
CHAIRMAN’S REPORT (CONTINUED)

Subsequently, within 2013 and completed in March, Shumba completed a 2,500 metre drill programme consisting of 28 boreholes at Sechaba. This exploration programme which commenced in November 2012 had the objective of raising the resource status of the SW section of Licence PL53/2005 at Lechana, Central District, to a substantially measured resource level resulting in an overall upgrade of the Resource Base for the under-writing and completion of a Pre-Feasibility Study.

During the next financial year the Company intends to continue to complete the Pre-Feasibility Study and Full Environmental Impact Assessment which, inter-alia will include continued assessment of the logistical options being developed regionally to underwrite the export of the planned higher grade washed coal product from Sechaba for enhancement of the return on investment profile.

Scoping Report for Environmental Impact Assessment

In first quarter 2013 Shumba submitted the required Scoping Report for Environmental Impact Assessment at Sechaba to Government. I am pleased to report that subsequent to the submission of the this report and related Terms of Reference to the Department of Environmental Affairs (“DEA”), the Company has received written notice from the DEA that the Scoping Report has been approved.

Further, in the second quarter of 2013 Shumba completed a Strategic Water Source Pre-Feasibility Study. Initial indications are that there is abundant ground water available in and around the Sechaba project area for mining and coal process related activities. This gives the Board significant comfort as water supply is a key utility resource in the operations of a mine.

Corporate Activities
Achievement of Local Asset Status by NBFIRA

Pleasingly, in late March 2013 Shumba and its Sechaba Project was granted “local asset status” by the Non-Bank Financial Institutions Regulatory Authority of Botswana (“NBFIRA”). NBFIRA is the regulatory authority responsible for the regulation and orderly market conduct of all non-bank financial institutions registered within the Republic of Botswana. The granting is a significant development as local investment and pension funds will have greater ability to invest in Shumba as it will also qualify for the fund’s allocation for local investments. There are only a few publicly traded companies that have local asset status in Botswana and therefore this development has the potential to increase the appetite for the stock.

Botswana Stock Exchange Listing

We successfully listed Shumba Coal on the Botswana Stock Exchange on the 8 of April 2013. Its current market capitalisation is approximately USD 22 Million, which in size puts it in the top 3 Botswana focused listed coal companies. One of the key strategic objectives of Shumba is to ensure significant diversified Botswana citizen participation in the ownership of Botswana's coal assets. We are currently the only citizen controlled company in the Botswana mining sector and with the listing we currently have over 200 local shareholders including 8 pension funds.

Strategic Business Development

In early May 2013 Shumba announced that it has entered into a Sale and Purchase Agreement with Australia Stock Exchange Listed Impact Minerals Ltd (“Impact”), for the purchase of four energy Prospecting Licences in the northern part of Botswana. The four licences: PL118/2008, PL120/2008, PL121/2008 and PL097/2010 will be transferred from Impact to Shumba for a total of US$800,000, consisting of US$250,000 cash and Consideration Shares equal to US$550,000 in Shumba.
CHAIRMAN'S REPORT (CONTINUED)

Strategic Business Development (Continued)

The purchase is subject to the successful renewal of the Prospecting Rights, Ministerial approvals, with the purchase price due and payable in the following tranches:
1. US$50,000 cash (non-refundable) payable to Impact upon execution of the Sale and Purchase Agreement.
2. US$50,000 cash payable to Impact upon the renewal of the Prospecting Rights;
3. US$150,000 cash and $550,000 in shares in Shumba payable to Impact upon the Minister of Minerals, Energy and Water Resources approving the transfer of the Prospecting Rights.

The above conditions are to be fulfilled on or before 30 June 2014. Should the acquisition be successful the Group may require further funding during the 2014 financial year in order to fast track exploration on these new licenses. The Directors are confident based on discussions with investors in the local and main international markets on our progress and track record to date, that should the need arise, the Group has a high potential of success in raising additional funds from a mix of existing and new investors as demand requires.

Strategy Going Forwards
The strategy of the Group remains unchanged, i.e. the focus on acquisition and development of highly prospective coal exploration Licenses in Botswana and our objective is to develop the production and sustainable supply of thermal coal from these for supply to both domestic and export markets.

Given the current challenging financial conditions and the desire to diversify the Group’s exposure to single project risk, management has been looking for additional Licences which can potentially be acquired at very favourable terms currently. As the Group is now well advanced in its exploration work and studies, Shumba has begun engaging third parties about the construction of a Power Station at Sechaba and is also looking at possibilities for coal export via rail logistical corridors that are opening up regionally.

Finally let me take this opportunity, for and on behalf of the Board, to thank you for your continued support and to assure you of our commitment to deliver the Sechaba Project for a superior return on your investment with Shumba over the medium and long term.

Sincerely yours

_________________________________
Alan Mitchell Clegg Pr. Eng FSAIMM
CHAIRMAN
DIRECTORS’ REPORT

Directors of the company at any time during the course of the year were as follows:

ALAN CLEGG (PR.Eng, PMP, FSAIMM) – Chairperson

Mr Clegg, a British and South African citizen is a mining industry professional with over 30 years experience in mining and minerals projects in over 150 countries worldwide. He is a recognized mining technical assessment, reporting and project valuation expert with experience in stock exchange listings and capital raising.

Mr Clegg has been involved with feasibility studies and the construction of over 60 mining and mineral projects with a combined value in excess of US$8 billion over the last 30 years. He currently holds 6 directorships in the mining and energy related sector.

Mr Clegg has been Chairman of the company since its inception.

MASHALE PHUMAPHI (MENG, IMC) – MANAGING DIRECTOR

Mashale Phumaphi is a Botswana national who has been focused on sourcing, financing and structuring mineral projects in Africa. He was formerly part of the corporate finance team of a London based natural resources corporate finance and issuing house. In addition to conducting investment analysis and research he has raised debt and equity finance for mining projects in both Europe and Africa.

Mr Phumaphi began his career as an engineer with Debswana Diamond Company based on Jwaneng Mine in Botswana. Mashale holds a Masters of Engineering degree from the University of Sheffield, is a member of the United Kingdom Society of Investment Professionals (UKSIP) and is a member of the London based Association of Mining Analysts (AMA). Recently he held the position of Director of a London based Coal Bed Methane Exploration Company with projects in Botswana.

Mr Phumaphi has been Managing Director of the company since inception.

THAPELO MOKHATHI (BCOMM) – FINANCE DIRECTOR

Mr Mokhathi holds a degree in Management Accounting and Executive Program in Mining and Minerals (Wits). He started his career in the mining industry at Impala Platinum where he is spent 5 years in various financial positions.

Over the last 10 years Mr Mokhathi has been an Executive Director of various Junior Mining Companies in various African countries. In 2004 he co-founded BSC Resources Ltd a Junior Exploration company that grew to have significant assets in Nickel, Copper and Coal across South Africa.

Mr Mokhathi has been an Executive Director of the company since inception.
KAPILDEO JOORY (BA, Chartered Accountant) – Non Exec Director

Mr Joory is co-founder and Executive Director of International Financial Services Limited, a leading management company specialising in international tax, business and corporate advisory services. He is a Fellow of the Institute of Chartered Accountants in England and Wales and associate member of the Society of Trust and Estate Practitioners. After qualifying as a Chartered Accountant in 1974, he joined Price Waterhouse, Paris working mainly on audit of multinationals operating in Northern and Western African countries followed by international tax specialisation with Touche Ross, London (1975) and Arthur Young (1983). He was until 1993 a Senior Tax Executive at Ernst & Young, London office.

Mr Joory has over twenty years of experience in international tax planning and business structuring. His areas of specialization cover international banking and financial services including Islamic banking, offshore fund structuring and administration, intellectual and real property planning, aircraft and ship leasing, franchising and retail operations. Mr Joory also serves as a director of numerous offshore funds and companies.

GRANT RAMNAUTH (Dip. PFS, BSc, MBA) – Non Exec Director

Mr Ramnauth holds a B.Sc. (Hons) from London University and a Joint M.B.A. from Hartford University (USA and France) where he specialised in investments. He holds an Investment Advisor license in the offshore financial sector in Mauritius. He formally was based in Jersey at HSBC Bank where he conducted business development for international high net worth investment advisory and distribution. Currently, as a Senior Partner of St. James’s Place Wealth Management, Grant specialises in advising high-net-worth Private Clients and Institutional Investors on offshore investment management. He is a Fellow of the Mauritius Institute of Directors.

Mr Ramnauth has been a Non- Executive Director of the company since inception.

Attendance of Directors Meetings:

<table>
<thead>
<tr>
<th>Directors</th>
<th>Held</th>
<th>Present</th>
</tr>
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<tbody>
<tr>
<td>Alan Clegg</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Mashale Phumaphi</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Thapelo Mokhathi</td>
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<td>8</td>
</tr>
<tr>
<td>Alan Clegg</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Dev Joory</td>
<td>8</td>
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Significant Events after Balance Sheet Date

On the 25th of July 2013, the Board approved the issuance of incentive warrants to Directors and Officers of the company as follows as shown in the table below. The exercise price of the warrants was set at the prevailing market price as reflected on the Botswana Stock Exchange.

<table>
<thead>
<tr>
<th>Directors and Officers</th>
<th>Share Options</th>
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</thead>
<tbody>
<tr>
<td>Mashale Phumaphi</td>
<td>4,611,250</td>
</tr>
<tr>
<td>Thapelo Mokhathi</td>
<td>4,042,917</td>
</tr>
<tr>
<td>Alan Clegg</td>
<td>3,681,250</td>
</tr>
<tr>
<td>Grant Ramnauth</td>
<td>3,681,250</td>
</tr>
<tr>
<td>Thamang Thabololo</td>
<td>775,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16,791,667</strong></td>
</tr>
</tbody>
</table>

The company appointed Sipho Ziga as the Independent non-Executive Director on the 2nd of August.

Sipho Ziga is a partner at Armstrongs Attorneys a leading commercial law firm in Botswana. Sipho has over 16 years’ experience in commercial law and currently heads the Commercial Department in the firm. Sipho specialises on corporate commercial legal transactions; mining law; legal due diligence enquiries; capital raisings, public and private, listings, corporate governance; negotiating and drafting commercial agreement takeovers, subscription, management and shareholders agreements.

Sipho has advised various parties in most of the recent major capital raisings for mines in Botswana and acted as lead advisor for the recent shares listing of Shumba on the Botswana Stock Exchange. He is widely considered to be one of the leading commercial lawyers in Botswana.

Indemnification and Insurance of Directors and Officers

The Company has agree to indemnify all the directors of the company for any liabilities to another person (Other than the Company or related body corporate) that may arise from their position as Directors of the company and its controlled entities, except where the liability arises out of conduct involving lack of good faith.

During the financial year the Company paid a premium in respect of a contractual insuring the Directors and officers of the company and its controlled entities against any liability incurred in the course of their duties to the extent permitted. The contract of insurance prohibits disclosures of the nature of the liability and the amount of the premium.
OVERVIEW OF OPERATIONS

Sechaba

The Group’s flagship Sechaba Thermal Coal project near Morupule has approximately 1 billion tonnes JORC compliant coal resources. The project is located, at its center point, at Latitude 22°09'24" South, Longitude 26°58'48" East, some 47 km north-north-west of the town of Palapye, Botswana. The elevation of the Project area is some 1,000 m above mean sea level. The Sechaba Asset covers some 247 km2 in the Central District of Botswana. Due to its proximity to the A1 highway and the existence of large resources of ground water and two river basins. A Positive Scoping Study has been completed over the Sechaba Project Area, which confirms the potential to produce coal both for domestic consumption and export.

During the next financial year the Group intends to continue to complete the Pre-Feasibility Study and Full Environmental Impact Assessment

License Renewal

In August 2012 Shumba received from the Government of Botswana a renewal of Exploration License PL 053/2005 for a period of two years beginning July 1, 2012. This Exploration license comprises the area known as “Sechaba” in the Morupule Coalfield in Botswana. The minimum expenditure requirement on the license is BWP 6,355,000 which Shumba Coal has already exceeded as of the date of this publication.

Drilling

On the 8th of March 2013 Shumba completed a 2,500 drill programme consisting of 28 boreholes at Sechaba. The exploration programme which commenced in November 2012 had the objective of raising the resource status of the SW section of PL53/2005 at Lechana, Central District.

The objectives of the programme were laid down as follows:

• Decrease the previous borehole layout east and southwards to a 500m grid based on the potential indicated in the previous report to raise the resource level to “Measured”.
• Take samples of the Morupule Main Seam, Taukome Bright Seam and other coal seams deemed to have economic potential.

Two horizons were targeted; namely the Morupule Main (Basal seam in the succession) and the Taukome Bright Seam which is associated with significant inter-bedded coals and carbonaceous mudstone.

All samples have been analysed at Advanced Coal Technology in South Africa. Full wash analyses are done at the following densities F1 .40, F1 .50, F1 .60, F1.70, F1.80 and S1.80.

Data entry of all the borehole logs and analytical results into the database has been completed and modelling resource is currently being completed by GEMECS of South Africa in order for the Company to produce an updated JORC compliant resource statement early 2014.
Scoping Report for Environmental Impact Assessment

In first quarter 2013 Shumba Submitted Scoping Report for Environmental Impact Assessment ("EIA") to Government. The Directors of Shumba are pleased to report that subsequent to the submission of the Scoping Report and Terms of Reference to the Department of Environmental Affairs ("DEA") in relation to an Environmental Impact Assessment at its flagship Sechaba project, the Company has received written notice from the DEA that the Scoping Report has been approved.

The Company is therefore authorised, in accordance with Section 8(4) of the Environmental Affairs Act No. 10 of 2011, to proceed with the final stage of undertaking and completing a Detailed EIA study. The Detailed EIA is currently underway.

Water Source Pre-Feasibility Study

In the second quarter of 2013 Shumba completed a Strategic Water Source Pre-Feasibility Study. The feasibility Study was undertaken to investigate all possible water supply options (both surface water and groundwater) within a 50 km radius of the Sechaba Project for the establishment of a mine and associated infrastructure.

The specific objectives of the study were as follows:

- To identify all possible water sources within a 50km radius of the Sechaba Project demand centre; and
- To apply a quantitative evaluation scheme to the potential groundwater sources that will provide a priority rating for the identified sources in terms of:
  1. The resources potential of each source;
  2. The investigation and development requirements at each source that would be necessary to fully quantify and ultimately efficiently and economically utilize these resources.

Initial indications are that there is abundant ground water available in and around the project area for mining related activities. This gives the Board great comfort as water supply is key in the operations of a mine.

Power Transmission Studies

The Company has engaged an Independent third party to conduct a high level scoping study describing options available to export power from a potential power station, to be sited on Shumba Coal’s Sechaba coal field, located some 30 km northwest of Palapye to South Africa, Zimbabwe and Namibia. Sechaba Energy Project will initially be a 300 MW (gross capacity) power station with the full power output (approximately 270 MW after deduction of power plant and mine auxiliary loads) injected into BPC’s 400kV high-voltage transmission grid at the Morupule B 400kV sub-station for transmission to end users in the Southern African Power Pool.
Option to Acquire more licenses

In early May 2013 Shumba announced that it has entered into a Sale and Purchase Agreement with Australia Stock Exchange listed Impact Minerals Ltd (“Impact”), for the purchase of four energy Prospecting Licences in the northern part of Botswana. The four licences: PL118/2008, PL120/2008, PL121/2008 and PL097/2010 will be transferred from Impact to Shumba for a total of US$800,000, consisting of US$250,000 cash and Consideration Shares equal to US$550,000 in Shumba.

The purchase is subject to the successful renewal of the Prospecting Rights, Ministerial approvals, with the purchase price due and payable in the following tranches:

1. US$50,000 cash (non-refundable) payable to Impact upon execution of the Sale and Purchase Agreement.
2. US$50,000 cash payable to Impact upon the renewal of the Prospecting Rights;
3. US$150,000 cash and $550,000 in shares in Shumba payable to Impact upon the Minister of Minerals, Energy and Water Resources approving the transfer of the Prospecting Rights.

The above conditions are to be fulfilled on or before 30 June 2014. Should the acquisition be successful the Group may require further funding during the 2014 financial year in order to fast track exploration on these new licenses. The Directors are confident that should the need arise, the Group will be successful in raising additional funds from existing and new investors as is the normal practice with exploration companies of this nature.

Markets

Power Generation Opportunity

Severe Short fall in Domestic and Regional Power Markets means that a huge opportunity exists for new Independent Power Producers

In Botswana alone an additional 600MW is required in the short term. The South African economy has been growing in excess of 3- 5% per year. This growth rate has resulted in a situation where ESKOM, southern Africa’s major generating utility and price bench mark setter, no longer has sufficient surplus generating capacity. Leading coal industry experts, Wood Mackenzie believes that there is a massive potential power deficit that could emerge in South Africa with a potential capacity shortfall of up to 32,000MW by 2030.

In SADC, Namibia and Zimbabwe have historically been power deficit countries. Zambia is expected to run short of power as its mining sector grows. Combined; these three countries will have a power deficit of nearly 4,000MW in the near future.

The infrastructure and legislation for regional power distribution is already in place. The regions average tariff adjustments have meant a 150% price increase in the last 4 years and there is a significant price increase planned over the coming 5 years. This translates into attractive returns available for new Independent Power Producers.
Current Export Coal Market Opportunity

Existing Infrastructure and Capacity exists for the immediate export of coal

The mine next door to Sechaba currently exporting Botswana coal to Europe using existing rail and Durban Port. There is currently two million tonnes per annum of export capacity on the line which will increase to 10 million tonnes of export capacity by 2016. Our neighbours have also exported coal to regional power producers in Namibia and South Africa.

Future Export Capacity

Transnet (South Africa's Port and Rail Utility)

In 2018 Transnet Freight and Rail intend to have built a rail link between Botswana and South Africa as part of the current heavy haul expansion in Limpopo's Waterberg to bring coal from Botswana. It is estimated that over 20 million tonnes per annum of capacity will be available for Botswana.

Grindrod (Owners of Matola port in Maputo and rail operators)

The first dedicated export coal train from Botswana has exported coal using existing rail via Zimbabwe to the Matola Coal Terminal in Mozambique consisting a train of 34 wagons which carried 1,600 tonnes of coal. Grindrod is keen to see the utilisation of this route as it is currently expanding its Matola Port. They intend to have 10 million tonnes per annum of capacity available for Botswana in the coming couple of years.

Mega Projects

Two consortia intend to construct two separate railway lines. The Trans-Kalahari route shall terminate at ports in Namibia and the Ponto Technobanine rail route will terminate at the Mozambique port. Each of these routes envisages minimum 60 million tonnes per annum coal export from Botswana and they are not likely to be ready until 2020.

Strategy Going Forwards

The strategy of the company has remained the acquisition and development of highly prospective coal exploration Licenses in Botswana and objective is to develop the production and sustainable supply of thermal coal in Botswana. Four coal and power production projects are being developed at Sechaba as shown below:
Shumba has begun engaging third parties about the construction of a Power Station at Sechaba and is also looking at possibilities for coal export via rail. The short term milestones of the Company are as follows:

Mine feasibility and market related studies at Sechaba
- Complete Resource Upgrade (Underway)
- Complete Mine Pre-Feasibility Studies (Underway)
- Complete Environmental Impact Assessment (Underway)
- Coal Marketing Studies (Underway)
- Coal Transportation Studies
- Delineation of Water Reserve

Power Station studies
- Conduct Power station selection and design study
- Conduct Baseline Power Station Environmental Impact Assessment
- Complete Power Transmission studies (Underway)

Acquisitions
Complete the acquisition of the 4 additional licenses which will increase Shumba Coal’s acreage in Botswana by 400%

Remuneration Report (Audited)
This report outlines the remuneration arrangements in the for the key management personnel of the company for the financial year ended 30 June 2013. The information provided here has been audited.
The remuneration report details the remuneration arrangements for the key management personnel ('KMP') who are defined as those persons having the responsibility for planning, directing and controlling the major activities of the Company and its controlled entities, directly and indirectly, including any Director (whether executive or otherwise) of the parent company.

Tenement Schedule
Sechaba currently has one prospecting license which is valid and was recently renewed in July 2012. The table below shows the prospecting license held by Sechaba. An agreement has also been signed to secure 4 more licences.

<table>
<thead>
<tr>
<th>Project Name</th>
<th>License Number</th>
<th>Shumba Equity</th>
<th>Tenement Area (sq km)</th>
<th>Date Granted</th>
<th>Expiry Date</th>
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<tbody>
<tr>
<td>Sechaba Project</td>
<td>PL 053/2005</td>
<td>90%</td>
<td>247</td>
<td>July 2012</td>
<td>30 June 2014</td>
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</table>

Remuneration Policy
The remuneration policy of the Group has been designed to align the Director and Executive objectives with the shareholder and business objectives by providing a fixed remuneration component which is assessed on annual basis in line with markets rates. The Board of Shumba believes the remuneration policy to be appropriate and effective its ability to attract and retain the best talent to run and manage the Group, as well as create a goal congruence between directors and directors and shareholders.

<table>
<thead>
<tr>
<th>Directors and Officers</th>
<th>Salary and Benefits ($)</th>
<th>Bonuses ($)</th>
<th>Share Options ($)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Mashale Phumaphi</td>
<td>117 281</td>
<td>-</td>
<td>-</td>
<td>117 281</td>
</tr>
<tr>
<td>Mr Thapelo Mokhathi</td>
<td>57 137</td>
<td>-</td>
<td>-</td>
<td>57 137</td>
</tr>
<tr>
<td>Mr Alan Clegg</td>
<td>15 000</td>
<td>-</td>
<td>-</td>
<td>15 000</td>
</tr>
<tr>
<td>Mr Grant Ramnauth</td>
<td>27 000</td>
<td>-</td>
<td>-</td>
<td>27 000</td>
</tr>
<tr>
<td>Mr Dev Joory</td>
<td>3 126</td>
<td>-</td>
<td>-</td>
<td>3 126</td>
</tr>
<tr>
<td>Total</td>
<td>219 544</td>
<td></td>
<td></td>
<td>219 544</td>
</tr>
</tbody>
</table>

Interests of the Directors in the Company
As at date hereof the Directors have a direct or indirect interest in the Company

<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 Mitchel 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>0.0</td>
<td>41.1</td>
</tr>
<tr>
<td>Grant Munesh S Ramnauth</td>
<td>13,295,460</td>
<td>7.9</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>
Mr Dev Joory also has an interest in the Company as a result of his position as director of the Company Secretary, International Financial Services Limited.

Mr. Ramnauth has been appointed as an introducer further to a Mandate Agreement entered with the Company. He has agreed to perform certain services for the Company in relation to the raising of capital.

Mr Sipho Ziga has an interest in the Company as a result of his position as partner of the law firm Armstrongs which acts for the Company in Botswana.

**Details of the major Shareholders**
The following are the major shareholders as at 31 October 2013:

<table>
<thead>
<tr>
<th>Name</th>
<th>Total Shares</th>
<th>Country</th>
<th>Industry</th>
<th>Tax</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black Phoenix Limited</td>
<td>68,050,356</td>
<td>VG</td>
<td>FC</td>
<td>5</td>
<td>40.45%</td>
</tr>
<tr>
<td>Jim Nominees Limited</td>
<td>19,210,692</td>
<td>UK</td>
<td>FC</td>
<td>13</td>
<td>11.42%</td>
</tr>
<tr>
<td>Ruby Sen Rambocus</td>
<td>10,813,985</td>
<td>MU</td>
<td>FI</td>
<td>10</td>
<td>6.43%</td>
</tr>
<tr>
<td>Mr. Munesh Sharma Ramnauth</td>
<td>13,295,460</td>
<td>MU</td>
<td>NR</td>
<td>10</td>
<td>7.90%</td>
</tr>
<tr>
<td>Afrasia Mining &amp; Energy and Investment Holdings Limited</td>
<td>8,769,389</td>
<td>GG</td>
<td>FC</td>
<td>5</td>
<td>5.21%</td>
</tr>
<tr>
<td>Sam Mpuchane</td>
<td>8,523,164</td>
<td>BW</td>
<td>LR</td>
<td>-</td>
<td>5.07%</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>128,663,046</strong></td>
<td><strong>5.07%</strong></td>
<td><strong>76.48%</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**RISK FACTORS**

**Key Persons**

The success of the Company depends largely upon the expertise of the Directors and management and their ability to develop the Company’s intended business activities profitably. The loss of one or more of the Directors or management team member would have an adverse effect on the Company and its viability; whilst the Company has entered into contractual arrangements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. Accordingly, the loss of any key management of the Company may have an adverse effect on the future of its business. Sechaba Natural Resources has taken out a multi-peril insurance for a period of one year which is renewable on an annual basis on behalf of the Group to help mitigate this risk.
The Company’s future success will also depend, inter alia, on its future directors and management team. The recruitment of suitably skilled directors and retention of their services or the services of any future management team cannot be guaranteed. The Company’s board regularly reviews the skills that are available within it in relation to the activities of the Company. Should there be a shortfall then the required expertise are acquired through the engagement of consultants or the employment of relevant individuals.

**Market Conditions**

It is likely that the Company will need to raise further funds in the future to develop its Project. There is no guarantee that the then prevailing market conditions will allow for such a fundraising or that new investors will be prepared to subscribe for ordinary Shares at the same price as the Listing Price, or higher. Shareholders may be materially diluted by any further issue of ordinary Shares by the Company. The Company generally embarks on fundraising exercises several months before its cash reserves run out.

The Ordinary Shares carry significant risk; the managements’ ambitions for the Company are likely to take a considerable time to be realised and therefore may not be suitable as a short-term investment.

Investors may therefore not realise their original investment at all, or within the time frame they had originally anticipated. The Company is only targeting investors whom are financially capable to assess the risks for themselves or those that have been advised of the long-term nature of the investment.

**Political and Economic Factors**

The Company may choose to invest or make acquisitions in politically and economically volatile regions. No assurance can be given that such factors will not have a material adverse effect on the Company’s ability to carry out its proposed Coal exploration strategy in Botswana and Southern Africa or that such strategy can be carried out on any given time scale. The Company will use its management’s expertise and experience to make decisions that it believes will add value to the Company and its shareholders.

**Legal Issues**

The Company’s business may be adversely affected by the introduction of new legislation, amendments to existing legislation by the Botswana government or the interpretation of those laws by the Botswana government which could impact adversely on the assets, operations and ultimately the financial performance of the Company.

**Exchange Controls**

Currency fluctuations and exchange control restrictions imposed in the countries in which the Company can invest may affect the cash flow the Company may realise from its investments. Fluctuations in exchange rates between currencies in which the Company operates in the future may cause fluctuations in its financial results. The Company actively manages its exposure to risk associated with currency fluctuations.
Country Risk

All of the Company’s properties and operations will be located in a developing country. As a result, the Company is subject to political, economic and other uncertainties, including but not limited to, changes in policies or the personnel administering them, terrorism, nationalisation, expropriation of property without fair compensation, cancellation or modification of contract rights, export quotas, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the area in which these operations are conducted, as well as risks of loss due to civil strife, acts of war (whether declared or not), guerrilla activities and insurrection. The Company is comfortable with Botswana as a good mining destination with low country risk.

Lack of Revenue

The Company currently has no revenues and therefore there are currently no profits available for distribution to shareholders. The Company strategy is to get into a revenue producing position at the soonest profitable situation. By their very nature, early stage investments bear the risk that the Company may have a higher chance of failure.

Geological Risks

The Company is searching for natural resources in an area that is relatively unexplored in terms of the region. As such, geological risk exists where the Company may find that its exploration targets are barren of any meaningful resources. The Company’s primary asset has an Australian Joint Ore Reserves Committee (JORC) compliant resource.

Renewal of Licence

The Company owns or may acquire various licenses granted by Government or parastatal authorities. These licenses have limited life and will rely on Government approvals for renewal. No guarantee can be given that such renewals will be forthcoming. The Company’s current licences expire on 30 June 2014 and will need to be renewed by application to the Minister for the Ministry of Minerals, Energy and Water Resources in Botswana.

Others

The operations of the Company may be disrupted by a variety of risks and hazards which are beyond the control of the Company, including geological, geotechnical and seismic factors, environmental hazards, industrial accidents, occupation and health hazards, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions, explosions and acts of God. These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. No assurance can be given that the Company will be able to obtain insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

The occurrence of any of these hazards can delay activities of the Company and may result in liability. The Company may become subject to pollution or other hazards against which it has not insured or cannot insure, including those in respect of past activities for which it was not responsible. The Company is currently carrying out an environmental impact assessment to be able to actively minimise its effect on the environment and exposure to potential pollution.
CERTIFICATE FROM THE SECRETARY TO THE MEMBERS OF SHUMBA COAL LIMITED

We certify, to the best of our knowledge and belief, that we have filed with the Registrar of Companies all such returns as are required of SHUMBA COAL LIMITED under the Mauritius Companies Act 2001 during the financial period from 28 August 2012 (date of incorporation) to 30 June 2013.

for International Financial Services Limited
Secretary

Registered Office:
IFS Court
TwentyEight
Cybercity
Ebène
Mauritius

Date: 15/11/2013
INDEPENDENT AUDITORS’ REPORT
TO THE MEMBERS OF SHUMBA COAL LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Shumba Coal Limited, the “Company” and its subsidiary, collectively referred to as the “Group”, which comprise the consolidated statement of financial position as at 30 June 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

Directors’ Responsibilities for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and in compliance with the requirements of the Mauritius Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements on pages 11 to 38 give a true and fair view of the financial position of the Group and the Company as at 30 June 2013, and of their financial performance and their cash flows for the period then ended in accordance with the International Financial Reporting Standards and the requirements of the Mauritius Companies Act 2001.
INDEPENDENT AUDITORS’ REPORT (CONTINUED)
TO THE MEMBERS OF SHUMBA COAL LIMITED

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or any interests in, the Company and its subsidiaries other than in our capacity as auditors;
- we have obtained all the information and explanations we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Other Matters

This report is made solely to the members of the Company as a body in accordance with Section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditors’ report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinion we have formed.

Grant Thornton
Chartered Accountants

Y NUBEE, FCCA
Licensed by FRC

Date: 15 Nov 2013

Ebene, Mauritius
## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 28 AUGUST 2012 (DATE OF INCORPORATION) TO 30 JUNE 2013

<table>
<thead>
<tr>
<th></th>
<th>THE GROUP USD</th>
<th>The Company USD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td>458,523</td>
<td>292,710</td>
</tr>
<tr>
<td><strong>EXPENDITURE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional fees</td>
<td>11,650</td>
<td>11,650</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>206,951</td>
<td>45,104</td>
</tr>
<tr>
<td>Directors fees</td>
<td>46,482</td>
<td>46,482</td>
</tr>
<tr>
<td>Audit fees</td>
<td>17,766</td>
<td>13,800</td>
</tr>
<tr>
<td>Set up costs</td>
<td>3,975</td>
<td>3,975</td>
</tr>
<tr>
<td>Licence fees</td>
<td>2,012</td>
<td>2,012</td>
</tr>
<tr>
<td>Listing fees</td>
<td>169,295</td>
<td>169,295</td>
</tr>
<tr>
<td>Bank charges</td>
<td>392</td>
<td>392</td>
</tr>
<tr>
<td><strong>Operating costs</strong></td>
<td>(458,523)</td>
<td>(292,710)</td>
</tr>
<tr>
<td>Negative goodwill</td>
<td>44,630</td>
<td>-</td>
</tr>
<tr>
<td>Unrealised loss on exchange</td>
<td>(30,913)</td>
<td>-</td>
</tr>
<tr>
<td>Finance income</td>
<td>1,615</td>
<td>-</td>
</tr>
<tr>
<td><strong>Loss before tax</strong></td>
<td>(443,191)</td>
<td>(292,710)</td>
</tr>
<tr>
<td>Tax expense</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td><strong>Loss for the period</strong></td>
<td>(443,191)</td>
<td>(292,710)</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange difference on retranslation of foreign operations</td>
<td>130,335</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income for the period, net of tax</td>
<td>130,335</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the period</strong></td>
<td>(312,856)</td>
<td>(292,710)</td>
</tr>
<tr>
<td><strong>Loss for the period attributable to:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the parent</td>
<td>(418,265)</td>
<td>(292,710)</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>(24,926)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the period attributable to:</strong></td>
<td>(443,191)</td>
<td>(292,710)</td>
</tr>
<tr>
<td>Owners of the parent</td>
<td>(306,067)</td>
<td>(292,710)</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>(6,789)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Earnings/(loss) per share</strong></td>
<td>7 (0.00257)</td>
<td>(0.0017)</td>
</tr>
</tbody>
</table>
# CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

<table>
<thead>
<tr>
<th>Notes</th>
<th>The Group USD</th>
<th>The Company USD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in subsidiary</td>
<td>8</td>
<td>-</td>
</tr>
<tr>
<td>Loan</td>
<td>9</td>
<td>-</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>10</td>
<td>15,389</td>
</tr>
<tr>
<td>Exploration assets</td>
<td>11</td>
<td>1,827,011</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables and prepayments</td>
<td>12</td>
<td>179,319</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>13</td>
<td>1,233,946</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,413,265</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,255,665</td>
</tr>
</tbody>
</table>

| **EQUITY AND LIABILITIES** | | |
| **Equity** | | |
| Stated capital | 14 | 3,189,773 | 3,189,773 |
| Share application monies | 15 | 125,000 | 125,000 |
| Translation reserves | | 112,198 | - |
| Loss for the period | | (418,265) | (292,710) |
| **Equity attributable to owners of the parent** | | |
| | | 3,008,706 | 3,022,063 |
| Non-controlling interest | 16 | 271 | - |
| **Total equity** | | |
| | | 3,008,977 | 3,022,063 |

| **Current liabilities** | | |
| Borrowings | 17 | 125,000 | - |
| Payables and accruals | | 121,688 | 30,488 |
| **Total liabilities** | | |
| | | 246,688 | 30,488 |
| **Total equity and liabilities** | | |
| | | 3,255,665 | 3,052,551 |

Approved by the Board of Directors and authorised for issue on 15 November 2013 and signed on its behalf by:

Director

Director

The notes on pages 30 - 52 form an integral part of these consolidated financial statements.
### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 28 AUGUST 2012 (DATE OF INCORPORATION) TO 30 JUNE 2013

The Group

<table>
<thead>
<tr>
<th></th>
<th>Stated capital USD</th>
<th>Share application monies USD</th>
<th>Translation reserves USD</th>
<th>Equity attributable to owners of the parent USD</th>
<th>Non-controlling interest USD</th>
<th>Total equity USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue of shares</td>
<td>3,189,773</td>
<td>-</td>
<td>-</td>
<td>3,189,773</td>
<td>-</td>
<td>3,189,773</td>
</tr>
<tr>
<td>Funds received</td>
<td>-</td>
<td>125,000</td>
<td>-</td>
<td>125,000</td>
<td>-</td>
<td>125,000</td>
</tr>
<tr>
<td>Non-controlling interest arising of acquisition of subsidiary</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,060</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Transactions with shareholders</strong></th>
<th><strong>3,189,773</strong></th>
<th><strong>125,000</strong></th>
<th><strong>-</strong></th>
<th><strong>-</strong></th>
<th><strong>3,314,773</strong></th>
<th><strong>7,060</strong></th>
<th><strong>3,321,833</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss for the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(418,265)</td>
<td>(418,265)</td>
<td>(24,926)</td>
<td>(443,191)</td>
</tr>
</tbody>
</table>

**Other comprehensive income:**

- Exchange difference on retranslation of foreign operations
  - 112,198
  - 112,198
  - 18,137
  - 130,335

<table>
<thead>
<tr>
<th><strong>Total comprehensive income for the period</strong></th>
<th><strong>112,198</strong></th>
<th><strong>(418,265)</strong></th>
<th><strong>(306,067)</strong></th>
<th><strong>(6,789)</strong></th>
<th><strong>(312,856)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 30 June 2013</strong></td>
<td><strong>3,189,773</strong></td>
<td><strong>125,000</strong></td>
<td><strong>112,198</strong></td>
<td><strong>(418,265)</strong></td>
<td><strong>3,008,706</strong></td>
</tr>
</tbody>
</table>

The notes on pages 30 - 52 form an integral part of these consolidated financial statements.
### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 28 AUGUST 2012 (DATE OF INCORPORATION) TO 30 JUNE 2013

<table>
<thead>
<tr>
<th>The Company</th>
<th>Stated capital USD</th>
<th>Share application monies USD</th>
<th>Loss USD</th>
<th>Total equity USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue of shares</td>
<td>3,189,773</td>
<td>-</td>
<td>-</td>
<td>3,189,773</td>
</tr>
<tr>
<td>Funds received</td>
<td>-</td>
<td>125,000</td>
<td>-</td>
<td>125,000</td>
</tr>
<tr>
<td><strong>Transactions with shareholders</strong></td>
<td>3,189,773</td>
<td>125,000</td>
<td>-</td>
<td>3,314,773</td>
</tr>
<tr>
<td>Loss for the period</td>
<td>-</td>
<td>-</td>
<td>(292,710)</td>
<td>(292,710)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income for the period</td>
<td>-</td>
<td>-</td>
<td>(292,710)</td>
<td>(292,710)</td>
</tr>
<tr>
<td><strong>At 30 June 2013</strong></td>
<td>3,189,773</td>
<td>125,000</td>
<td>(292,710)</td>
<td>3,022,063</td>
</tr>
</tbody>
</table>

The notes on pages 30 - 52 form an integral part of these consolidated financial statements.
The notes on pages 30 - 52 form an integral part of these consolidated financial statements.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

1. GENERAL INFORMATION

Shumba Coal Limited, the “Company”, was incorporated on 28 August 2012 in the Republic of Mauritius under the Mauritius Companies Act 2001 as a public company with liability limited by shares. The Company’s registered office is IFS Court, TwentyEight, Cybercity, Ebene, Republic of Mauritius. The Company has been listed on the Botswana Stock Exchange on 08 April 2013.

The Company as a holder of a Category 1 Global Business License under the Mauritius Companies Act 2001 and the Financial Services Act 2007 is required to carry on its business in a currency other than the Mauritian rupee. The consolidated financial statements of the Group are expressed in United States Dollars (“USD”).

The principal activity of the Group is the acquisition and development of highly prospective coal exploration licences in the Republic of Botswana.

2. BASIS OF PREPARATION

Statement of compliance with International Financial Reporting Standards (“IFRS”)

The consolidated financial statements of the Group and Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The consolidated financial statements are presented in United States Dollar (‘USD’) which is also the functional currency of the Group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2013.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.
2. **Basis of consolidation (Continued)**

Where the ownership of a subsidiary is less than 100% and a non-controlling interest ("NCI") exists, the NCI is allocated its share of the total comprehensive income of the period, even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent’s share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

3. **Significant management judgement in applying accounting policies and estimation uncertainty**

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

**Judgements**

In the process of applying the Group’s accounting policies, management has made the following judgements, which have the most significant effect on the amount recognized in the consolidated financial statements.

**Going concern**

The Group’s management has made an assessment of the Group’s ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast doubt upon the Group’s ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

3. SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY (CONTINUED)

Functional currency

The determination of the functional currency of the Group is critical since recording of transactions and exchange differences arising there functional from are dependent on the functional currency selected. The directors have considered those factors and have determined that the functional currency of the Group is the USD.

Coal reserve and resource estimates

Coal reserves are estimates of the amount of coal that can be economically and legally extracted from the Group’s mining properties. The Group estimates its coal reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body. Such analysis requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the coal body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration assets, mine properties, plant and equipment, recognition of deferred tax assets, and depreciation and amortisation charges. Depreciation and amortisation charges in profit or loss may change where the useful life of the related assets change. The recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

Exploration and evaluation expenditure

The application of the Group’s accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. These estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in profit or loss in the period when the new information becomes available.

Recognition of deferred tax asset

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Company’s and subsidiaries’ future taxable income against which the deductible temporary differences can be utilised.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

3. SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY (CONTINUED)

Estimation uncertainty (Continued)

Income taxes

The Company and its subsidiaries are subject to income taxes in jurisdictions where each company is incorporated/registered. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Production start date

The Group assesses the stage of each mine under construction to determine when a mine moves into the production stage being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine development project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the production phases is considered to commence and all related amounts are reclassified from ‘Mines under construction’ to ‘Exploration assets’ and ‘plant and equipment’. Some of the criteria used will include, but are not limited to, the following:

- Level of capital expenditure incurred compared to the original construction cost estimates
- Completion of a reasonable period of testing of the mine plant and equipment
- Ability to produce in saleable form (within specifications)
- Ability to sustain ongoing production

When a mine development project moves into the production stage, the capitalisation of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation / amortisation commences.

Impairment of assets

The Group assesses each asset annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

3. SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY (CONTINUED)

Estimation uncertainty (Continued)

Useful lives of depreciable assets

The estimates of useful lives as translated into depreciation rates as per the Group’s policy. These rates and residual lives of the assets are reviewed annually taking cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments in the industry.

Loans and receivables

The Group assesses its loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

4. SUMMARY OF ACCOUNTING POLICIES

4.1 Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

4.2 Basis of consolidation

The Group financial statements consolidate those of the holding company and of its subsidiaries as of 30 June 2013. The Group controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiaries have a reporting date of 30 June.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Amounts reported in the financial statements of the subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiary acquired or disposed of during the period are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interest, presented as part of equity, represents the portion of a subsidiary’s profit or loss and net assets that are not held by the Group. The Group attributes total comprehensive income or loss of subsidiary between the owners of the parent and the non-controlling interest based on their respective ownership interests.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

4. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

4.2 Basis of consolidation (Continued)

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree and (c) acquisition-date fair value of any existing equity interest in the acquire, over the acquisition-date fair values of identifiable net assets. If the fair values of the identifiable net assets exceed the sum calculated above, the excess amount (i.e gain on a bargain purchase) is recognised in profit or loss immediately.

4.3 Investment in subsidiaries

Subsidiaries are those entities in which the Company has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Company controls another entity.

Investment in subsidiary is stated at cost. Where an indication of impairment exists, the recoverable amount of the investments is assessed. Where the carrying amount of the investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is charged to statement of comprehensive income. On disposal of the investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to consolidated statement of comprehensive income.

4.4 Mineral exploration, evaluation and development expenditure

Exploration and evaluation costs

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analysing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the directors conclude that a future economic benefit is more likely than not to be realised. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

4. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

4.4 Mineral exploration, evaluation and development expenditure (Continued)

Exploration and evaluation costs (Continued)

In evaluating if expenditures meet the criteria to be capitalised, several different sources of information are utilised. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Exploration and evaluation assets acquired in a business combination are initially recognised at cost. They are subsequently measured at cost less accumulated impairment.

Mines under construction

Expenditure is transferred from “Exploration and Evaluation Assets” to “Mines Under Construction” in “Mine Properties” once the work completed to date supports the future development of the property and such development receives appropriate approvals.

Upon transfer of “Exploration and Evaluation Assets” into “Mines Under Construction” in “Mine Properties”, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised in “Mines Under Construction”. Development expenditure is net of proceeds from the sale of ore extracted during the development phase. After production starts, all assets included in “Mines Under Construction” are transferred to “Producing Mines” in “Mine Properties”.

4.5 Plant and equipment

Upon completion of mine construction, the assets are transferred into property, plant and equipment. Items of property, plant and equipment and mine properties are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment.

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development.

(i) Measurement

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

4. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

4.5 Plant and equipment (Contd)

(ii) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Average useful life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and fixtures</td>
<td>10 years</td>
</tr>
<tr>
<td>Office equipment</td>
<td>10 years</td>
</tr>
<tr>
<td>IT equipment</td>
<td>4 years</td>
</tr>
</tbody>
</table>

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in the statement of comprehensive income when the changes arise.

(iii) Major maintenance and repairs

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will flow to the Group through an extended life, the expenditure is capitalised.

Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off. All other day to day maintenance costs are expensed as incurred.

(iv) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the statement of comprehensive income.

4.6 Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less cost to sell and its value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group bases its impairment calculation on detailed budgets and forecasts that are prepared separately for each of the Group's assets, based on the life-of-mine plans. The estimated cash flows are based on expected future production, metal selling prices, operating costs and forecast capital expenditure, and cash flows beyond five years are based on life-of-mine plans. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

4. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

4.6 Impairment of assets (Continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase and is recognised through other comprehensive income.

4.7 Financial instruments

Financial assets

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Classification and subsequent measurement of financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group’s cash and cash equivalents and other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Cash and cash equivalents

Cash and cash equivalents comprise current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

4. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

4.7 Financial instruments (Continued)

Classification and subsequent measurement of financial assets (Continued)

Derecognition

A financial asset (or where applicable a part of financial asset or part of a group of similar assets) is derecognised when:

(i) The rights to receive cash flows from the asset have expired.

(ii) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence arises.

Financial liabilities

Initial recognition and measurement

The Group’s financial liabilities include borrowings and payables. The Group determines the classification of its financial liabilities at initial recognition.

All other financial liabilities are recognized on the date that they were originated. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

4. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

4.7 Financial instruments (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.8 Foreign currencies

The consolidated financial statements are presented in USD, which is the parent company’s functional currency and the Group’s presentation currency.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the respective spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated to the spot rate of exchange ruling at the reporting date. All differences are taken to profit or loss or other comprehensive income, should specific criteria be met.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at a revalued amount in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign operations

In the Group’s consolidated financial statements, all assets, liabilities and transactions of the Group entities with a functional currency other than the USD are translated into USD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting year.

On consolidation, assets and liabilities have been translated into USD at the closing rate at the reporting date. Income and expenditure have been translated into USD at the average rate over the reporting year. Translation differences are classified under translation reserves in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into USD at the closing rate.

4.9 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.
4. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

4.10 Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior year.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

4.11 Related parties

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if they have the ability, directly or indirectly, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or where the Group is subject to common control or common significant influence. Related parties may be individuals or other entities.

4.12 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation has been made. At the time of the effective payment, the provision is deducted from the corresponding expenses. All known risks at reporting date are reviewed in detail and provision is made when necessary.

4.13 Expense recognition

Expenses are accounted for in the statement of comprehensive income on the accrual basis.

4.14 Revenue recognition

Revenue is recognised at the fair value of consideration received or receivable, excluding taxes, rebates and discounts.

Interest income is recognised on an accrual basis.

Dividend income is recognised when the right to receive payment is established.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

• Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.

• Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

All other borrowing costs are expensed.

4.16 Equity and reserves

Stated capital represents the nominal value of shares that have been issued.

Translation reserves comprise foreign currency translation differences arising from the translation of financial statements of the Group’s foreign entity.

Loss for the period comprise of current year result as disclosed in the consolidated statement of comprehensive income.

All transactions with owners of the parent are recorded separately within equity.

Dividend distributions to equity shareholders are included in liabilities when the dividends have been approved by the Board prior to the reporting date.

4.17 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

4.18 Comparatives

No comparatives figures are presented as it is the first consolidated financial statements since the incorporation date.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

5. STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY BY THE GROUP

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

IFRS 13 Fair Value Measurement
IFRS 12 Disclosure of Interests in Other Entities
IFRS 11 Joint Arrangements
IFRS 10 Consolidated Financial Statements
IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
IAS 27 Separate Financial Statements
IAS 28 Investments in Associates and Joint Ventures (Revised 2011)
IAS 19 Employee Benefits (Revised 2011)
IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
IFRS 9 Financial Instruments
IAS 12 Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)
IFRS 1 Government Loans (Amendments to IFRS 1)
IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
IFRS 10, 12 Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
and IAS 27
IFRS 10, 11 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities:-Transition Guidance
IFRIC 20 Stripping costs in the Production Phase of a Surface Mine
IFRIC 21 Levies

The Group's management have yet to assess the impact of the above standards, amendments and interpretations on the Group's consolidated financial statements.

6. TAXATION

(i) The Company

The Company is, under current laws and regulations, liable to pay income tax on its net income at a rate of 15%. The Company is, however, entitled to a tax credit equivalent to the higher of actual foreign tax suffered and 80% of the Mauritius tax payable in respect of its foreign source income thus reducing its maximum effective tax rate to 3%.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

6. TAXATION (CONTINUED)

(i) The Company (Continued)

A reconciliation of the actual income tax expense based on accounting profit and the actual income tax expense is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss before tax</td>
<td>(292,710)</td>
</tr>
<tr>
<td>Tax @ 15%</td>
<td>(43,907)</td>
</tr>
<tr>
<td>Impact of:</td>
<td></td>
</tr>
<tr>
<td>Non-deductible expenses</td>
<td>896</td>
</tr>
<tr>
<td>Foreign tax credit</td>
<td>34,408</td>
</tr>
<tr>
<td>Deferred tax asset not recognised</td>
<td>8,603</td>
</tr>
<tr>
<td>Tax expense</td>
<td>-</td>
</tr>
</tbody>
</table>

(ii) Subsidiary incorporated in British Virgin Islands.

The above subsidiary is exempt from any tax obligation in that jurisdiction.

(iii) Subsidiary incorporated in the Republic of Botswana.

The above subsidiary has no income tax liability due to tax losses carried forward. The estimated tax losses available for set off against future taxable income amounted to USD 2,703,245 (2012: USD 1,587,628). These losses can be carried forward without any limitation of time until there are taxable profits, as they do not fall away. The subsidiary has not recognised deferred tax assets as it is still proceeding with exploration activities and has not begun to generate revenues.

7. EARNINGS/(LOSS) PER SHARE

Basic earnings per share amounts are calculated by dividing the net loss for the period by the weighted average number of ordinary shares outstanding during the year.

The basic and diluted earnings per share are the same as there are no instruments that have a dilutive effect on earnings.

<table>
<thead>
<tr>
<th>Description</th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss attributable to owners of the parent</td>
<td>(418,625)</td>
<td>(292,710)</td>
</tr>
<tr>
<td>Number of ordinary shares in issue at 30 June 2013</td>
<td>168,225,783</td>
<td>168,225,783</td>
</tr>
<tr>
<td>Basic and diluted earnings per ordinary share</td>
<td>(0.0025)</td>
<td>(0.0017)</td>
</tr>
</tbody>
</table>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

8. INVESTMENT IN SUBSIDIARY

(i) Unquoted and at cost

Additions during the period and at 30 June 2013

(ii) Details of the investment are as follows:

<table>
<thead>
<tr>
<th>Investee company</th>
<th>Country of Incorporation</th>
<th>% Holdings</th>
<th>Number of shares</th>
<th>Cost USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shumba Resources Ltd</td>
<td>British Virgin Islands</td>
<td>95.65%</td>
<td>16,159,633</td>
<td>1,527,729</td>
</tr>
</tbody>
</table>

Pursuant to a Share Exchange Agreement dated 23 January 2013, the Company acquired 16,159,633 shares in Shumba Resources Ltd by issuing 153,034,681 of its own equity shares. The fair value of the investment in subsidiary has been determined based on its net asset value at the acquisition date.

(iii) Indirect holding through Shumba Resources Ltd

<table>
<thead>
<tr>
<th>Name of unquoted subsidiary</th>
<th>Country of Incorporation</th>
<th>% Holdings</th>
<th>Cost USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sechaba Natural Resources (Proprietary) Limited</td>
<td>Republic of Botswana</td>
<td>90%</td>
<td>359</td>
</tr>
</tbody>
</table>

The principal activity of Sechaba Natural Resources (Proprietary) Limited is to acquire and develop highly prospective coal exploration licences in the Republic of Botswana.

(iv) Goodwill

<table>
<thead>
<tr>
<th>Fair value of consideration transferred</th>
<th>1,527,729</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets acquired</td>
<td>(1,527,359)</td>
</tr>
<tr>
<td>Goodwill on acquisition</td>
<td>(44,630)</td>
</tr>
</tbody>
</table>

9. LOAN

The loan of USD 492,981 to the subsidiary is interest free, unsecured and with no fixed repayment date.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

10. PLANT AND EQUIPMENT

<table>
<thead>
<tr>
<th></th>
<th>Fixtures &amp; Fittings USD</th>
<th>Office Equipment USD</th>
<th>Computer Equipment USD</th>
<th>Total USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On acquisition of subsidiary</td>
<td>5,085</td>
<td>1,969</td>
<td>231</td>
<td>7,285</td>
</tr>
<tr>
<td>Additions during the period</td>
<td>7,792</td>
<td>2,566</td>
<td>1,537</td>
<td>11,895</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>(712)</td>
<td>(256)</td>
<td>(84)</td>
<td>(1,052)</td>
</tr>
<tr>
<td>At 30 June 2013</td>
<td>12,165</td>
<td>4,279</td>
<td>1,684</td>
<td>18,128</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On acquisition of subsidiary</td>
<td>673</td>
<td>425</td>
<td>-</td>
<td>1,098</td>
</tr>
<tr>
<td>Charge for the period</td>
<td>797</td>
<td>890</td>
<td>113</td>
<td>1,800</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>(84)</td>
<td>(70)</td>
<td>(5)</td>
<td>(159)</td>
</tr>
<tr>
<td>At 30 June 2013</td>
<td>1,386</td>
<td>1,245</td>
<td>108</td>
<td>2,739</td>
</tr>
<tr>
<td>Net book values</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As at 30 June</td>
<td>10,779</td>
<td>3,034</td>
<td>1,576</td>
<td>15,389</td>
</tr>
</tbody>
</table>

11. EXPLORATION ASSETS

USD

<table>
<thead>
<tr>
<th></th>
<th>The Group USD</th>
<th>The Company USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>On acquisition of subsidiary</td>
<td>1,320,209</td>
<td>630,926</td>
</tr>
<tr>
<td>Additions during the period</td>
<td>(124,124)</td>
<td>(187,187)</td>
</tr>
<tr>
<td>At 30 June</td>
<td>1,827,011</td>
<td>443,743</td>
</tr>
</tbody>
</table>

At 30 June 2013, the directors consider that the exploration assets still meet the Group’s policy on deferral.

12. RECEIVABLES AND PREPAYMENTS

<table>
<thead>
<tr>
<th></th>
<th>The Group USD</th>
<th>The Company USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables</td>
<td>173,057</td>
<td>125,000</td>
</tr>
<tr>
<td>Prepayments</td>
<td>6,262</td>
<td>6,262</td>
</tr>
<tr>
<td></td>
<td><strong>179,319</strong></td>
<td><strong>131,262</strong></td>
</tr>
</tbody>
</table>
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

13. CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th></th>
<th>The Group USD</th>
<th>The Company USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States Dollar (USD)</td>
<td>900,579</td>
<td>900,579</td>
</tr>
<tr>
<td>Botswana Pula (BWP)</td>
<td>333,367</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,233,946</strong></td>
<td><strong>900,579</strong></td>
</tr>
</tbody>
</table>

14. STATED CAPITAL

<table>
<thead>
<tr>
<th></th>
<th>Number of shares</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares at no par value</td>
<td>168,225,783</td>
<td>3,189,773</td>
</tr>
</tbody>
</table>

The stated capital was issued on the basis of:

<table>
<thead>
<tr>
<th></th>
<th>Number of shares</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-cash consideration</td>
<td>153,034,681</td>
<td>1,527,729</td>
</tr>
<tr>
<td>Cash consideration</td>
<td>15,191,102</td>
<td>1,662,044</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>168,225,783</strong></td>
<td><strong>3,189,773</strong></td>
</tr>
</tbody>
</table>

Ordinary shares confer upon the holders the right to vote on all matters submitted to shareholders, except those requiring approval of a class of shareholders other than the ordinary shareholders.

The transfer secretary from the shares is Transaction Management Services (Pty) Limited.

15. SHARE APPLICATION MONIES

Share application monies represent funds received and for which shares have not yet been issued at the reporting date.

16. NON-CONTROLLING INTEREST

<table>
<thead>
<tr>
<th></th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-controlling interest arising on acquisition of subsidiary</td>
<td>7,060</td>
</tr>
<tr>
<td>Share of loss for the period</td>
<td>(24,926)</td>
</tr>
<tr>
<td>Share of exchange differences arising on retranslation of foreign operations</td>
<td>18,137</td>
</tr>
<tr>
<td>At 30 June</td>
<td>271</td>
</tr>
</tbody>
</table>

17. BORROWINGS

The loan from a third party of USD 125,000 is interest free, unsecured and repayable within one year.
18. FINANCIAL INSTRUMENT RISKS

Fair values

The Group’s other assets and liabilities include deposit on investment, cash and cash equivalents and accruals and other payables which are realised or settled within a short-term period. The carrying amounts of these assets and liabilities approximate their fair values.

Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Interest rate risk
- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group’s exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing risk, and the Group’s management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Group’s financial assets and liabilities by category are summarised below:

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>The Group USD</th>
<th>The Company USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and receivables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan to a related party</td>
<td>-</td>
<td>492,981</td>
</tr>
<tr>
<td>Current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>1,233,946</td>
<td>900,579</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,233,946</td>
<td>1,025,579</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>1,233,946</td>
<td>1,518,560</td>
</tr>
</tbody>
</table>

Financial liabilities

Financial liabilities measured at amortised cost:
Current
Borrowings | 125,000 | - |
Payables and accruals | 121,688 | 30,488 |
| 246,688 | 30,488 |
| Total financial liabilities | 246,688 | 30,488 |
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

18. FINANCIAL INSTRUMENT RISK (CONTINUED)

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Credit risk analysis

The Group take on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Group's and Company's main credit risk concentration is its receivables and cash and cash equivalents.

With respect to credit risk arising from financial assets, which comprise of receivables and cash and cash equivalents, the Group's and Company's exposure to credit risk arises from the default of the counterparties, with a maximum exposure equal to the carrying amounts of these financial assets.

The Group manages credit risk related to cash and cash equivalents by banking with reputable financial institutions while the other receivables are settled within three months. As at 30 June 2013, the assets held by the Group are not past due or impaired.

<table>
<thead>
<tr>
<th></th>
<th>The Group USD</th>
<th>The Company USD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan to a related party</td>
<td>-</td>
<td>492,981</td>
</tr>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>-</td>
<td>125,000</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,233,946</td>
<td>900,579</td>
</tr>
<tr>
<td>Total</td>
<td>1,233,946</td>
<td>1,518,560</td>
</tr>
</tbody>
</table>

Liquidity risk analysis

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Group's reputation.
18. FINANCIAL INSTRUMENT RISK (CONTINUED)

Liquidity risk analysis (Continued)

The maturity profile of the Group’s financial liabilities is summarised as follows:

<table>
<thead>
<tr>
<th></th>
<th>The Group Within 1 year</th>
<th>The Company Within 1 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD 2013</td>
<td>125,000</td>
<td>30,488</td>
</tr>
<tr>
<td>USD 2013</td>
<td>121,688</td>
<td>30,488</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>246,688</strong></td>
<td><strong>60,968</strong></td>
</tr>
</tbody>
</table>

Market risk analysis

Market risk is the risk of changes in market prices, such as interest rates and foreign currency and which will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk which result from both its operating and investing activities.

Foreign currency risk

The Group’s transactions are carried out in the United States Dollar (USD). The Group is exposed to foreign exchange risk arising from its currency exposures, primarily with respect to the Botswana Pula (BWP). Consequently, the Group is exposed to the risk that the exchange rates of the USD relative to the BWP may change in a manner which has a material effect on the reported value of the Group’s assets and liabilities which are in BWP. The Group does not use any financial instruments to hedge its foreign exchange risk.

The currency profile of the Group’s and the Company’s financial instruments are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Financial assets</th>
<th>Financial liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The Group USD</td>
<td>The Company USD</td>
</tr>
<tr>
<td>USD 900,579</td>
<td>1,025,579</td>
<td></td>
</tr>
<tr>
<td>333,367</td>
<td>492,981</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,233,946</strong></td>
<td><strong>1,518,560</strong></td>
</tr>
</tbody>
</table>
18. FINANCIAL INSTRUMENT RISK (CONTINUED)

Foreign currency sensitivity

The following table illustrates the sensitivity of profit/loss and equity in regards to the Group's financial assets and financial liabilities and the USD/BWP exchange rate "all other things being equal".

It assumes a 11% change of the USD/BWP exchange rate for the period ended 30 June 2013. This percentage has been determined based on the average market volatility in exchange rates from date of incorporation to 30 June 2013. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the reporting date.

The Group has transactional currency exposures arising from sales or purchases in currencies other than the respective functional currencies. The Group manages this risk by matching receipts and payments in the same currency and monitoring movements in exchange rates.

If the BWP had weakened against the USD by 11%, then this would have the following impact:

\[
\begin{array}{cc}
\text{Loss and equity} & \\
\text{The Group} & \text{The Company} \\
\text{USD} & \text{USD} \\
(18,240) & - \\
\end{array}
\]

At 30 June

If the BWP had strengthened against the USD by 11%, then this would have the following impact:

\[
\begin{array}{cc}
\text{Loss and equity} & \\
\text{The Group} & \text{The Company} \\
\text{USD} & \text{USD} \\
18,240 & - \\
\end{array}
\]

At 30 June

Exposure to foreign exchange rates varies during the period depending upon the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Interest rate risk

The Group is subject to cash flow interest rate risk due to fluctuations in the prevailing market interest rates. The Group’s only significant interest bearing financial liability is a loan from a related party. Interest income from cash at bank may fluctuate in amount, in particular due to changes in market interest rates. In view of the small average balance held in cash and cash equivalents, the directors are of the opinion that interest rate changes will not have a material impact on the Group’s net results.

While the Group seeks to optimise overall performance from the assets it holds, it does not seek to maximise interest income in view of its policy to focus on investments in equity and other securities.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

19. CAPITAL RISK MANAGEMENT AND POLICIES

The Group actively and regularly reviews and manages its capital position to maintain a balance between its liability and equity level. The management of the Group’s capital position is undertaken by the management team of its parent company. The management team ensures that the Group is adequately capitalised to meet economic and regulatory requirements. Capital injections and repatriations of funds are executed in a timely fashion, working closely with the business and infrastructure groups.

The management team meets on a regular basis and manages capital by taking into account key considerations which may include business developments, regulatory requirements, gap profitability and market movements such as foreign exchange and interest rate.

20. RELATED PARTY TRANSACTIONS

The nature, volume of transactions and balances with the related parties are as follows:

<table>
<thead>
<tr>
<th>Nature of relationship</th>
<th>Nature of transaction</th>
<th>Volume of transaction USD</th>
<th>Debit/(credit) balances at 30 June 2013 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidiary</td>
<td>Loan (Note 9)</td>
<td>492,981</td>
<td>492,981</td>
</tr>
<tr>
<td>Subsidiary</td>
<td>Receivable (Note 12)</td>
<td>125,000</td>
<td>125,000</td>
</tr>
<tr>
<td>Administrator and Secretary</td>
<td>Administration fees</td>
<td>45,318</td>
<td>(45,318)</td>
</tr>
</tbody>
</table>

One director of the Company, Mr Kapildeo Joory is deemed to have beneficial interests in the Service Agreement between the Company, the Administrator and Secretary.

21. SHAREHOLDERS

The Company is listed on Botswana Stock Exchange and as of date, 248 shareholders had subscribed to shares of the Company. The share price as at 30 June 2013 was BWP 106.

22. EVENTS AFTER REPORTING DATE

The Board had approved for listing of shares of the Company on the Development & Enterprise Market in the Republic of Mauritius. The application had been made on 15 October 2013.