BUSINESS ACTIVITIES REPORT FOR THE FIRST HALF OF FINANCIAL YEAR 2016

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

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

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

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

HIGHLIGHTS

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

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

- Trans-Africa Projects Proprietary Limited ("TAP") has conducted a grid integration and transmission study to investigate the most desired point of interconnection to evacuate energy from the MEIPP Power Plant into the Botswana Power Corporation ("BPC") network. The Study was concluded successfully in late October 2015 and showed a simple integration into the BPC network and a clear transmission route to get power to South Africa, Zimbabwe, Zambia and Namibia.
The Tonota Sub Land Board at its meeting held on the 22nd of July 2015 approved our application for surface rights for the MEIPP Mine and Power station.

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

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

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

OUTLOOK FOR NEXT QUARTER

**Mabesekwa Export Independent Power Plant**

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

**Sechaba Coal Independent Power Plant**

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

**Solar Power**

- Await response to Botswana Solar Expression of Interest ("EOI") submissions
- Advance other opportunities for Solar Development
FULL ANNOUNCEMENT

This announcement contains only a summary of the information found in the full announcement dated 31 December 2015 made on the Botswana Stock Exchange and Stock Exchange of Mauritius Ltd websites. Please refer to the full announcement for full details and additional information, which is also available for viewing on the Company’s website at www.shumbaenergy.com.

Also, copy of the full announcement is available free of charge at the registered office of the Company at IFS Court, Bank Street, Twenty Eight, Cybercity, Ebene, 72701, Mauritius.

By order of the Board

International Financial Services Limited
Company Secretary

6 January 2016

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

This Report is issued pursuant to Section 87 of the Securities Act 2005, Rule 5 of the Securities (Disclosure Obligation of Reporting Issuers) Rules 2007 and DEM Rule 21.