



SHUMBA
E N E R G Y
Powering the Future

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Republic of Mauritius

(A public company registered in the Republic of Mauritius - Company No. 111905 C1/GBL)

QUARTERLY MARKET UPDATE – 30 JUNE 2022

Shumba Energy Ltd (“Shumba” or the “Company”) is an energy development company based in Botswana and listed on the Botswana Stock Exchange (BSE: SHUMBA). The Company offers the advantage of being based in a country with the best credit rating in sub-Saharan Africa with a stable fiscal and political setting. Established in 2011, the company is reaching its development objectives and controls a significant portion of advanced energy projects in Botswana. *Shumba is developing a portfolio of Projects servicing energy poor Southern Africa with emphasis on state-of-art technology deployment and low impact emissions.*

For Shumba “Powering the Future” means addressing chronic power shortages head-on and supplying energy to affected southern African countries in a sustainable and cost-effective manner. The Company’s main activity areas include development of production and trading/export of thermal coal, near term generation of renewable energy, medium term generation of base load energy from ‘HELE’ (High Efficiency Low Emissions) thermal power plants, and medium-long term production of Liquid Fuels using state-of-art STL (Solids to Liquids) technologies with experienced partners.

Shumba Energy has several energy assets in the advanced development stage as follows:

TATI SOLAR PV PROJECT - Ownership:80%

Shumba has secured rights to a world class 100 MWp solar PV project near the city of Francistown, Botswana, and is currently in the late stage of developing the Solar farm on a project site of 295 hectares (ha) owned by Shumba. The Project is a key strategic initiative in the region. During the current year the company obtained the environmental approvals from the Departments of Environmental Affairs. The company further obtained a generation license for the project from Botswana Energy Regulatory Authority (BERA). Recently the Special Economic Zone Authority issued the confirmation of special economic zone (SEZ) status for the project for a duration of 50-years from issue of license. On 22 October 2021, the Botswana Trade and Industry Ministry published Statutory Instrument 89 of 2021, “Income Tax (Special Economic Zones Development Approval) Order, 2021” (SEZ order), to give legislative effect to the income tax incentives that are available to licensed investors and developers operating in Botswana’s special economic zones (SEZs). A SEZ licensed business will be taxable at a special rate of 5% for the first 10 years of operations in an SEZ and 10% thereafter.

In the current quarter the company raised additional capital of USD145,680 for continued projects development.

During the period the Company continued to progress developments in relation to the 100MW Tati Solar Project. Key remaining milestones are the execution of the grid connection agreement and the appointment of an EPC contractor.

Some activities carried out during the period are as follows:

Borehole

The team successfully drilled for water onsite with a borehole now possible to supply construction phase water. A borehole completion certificate has been received for the borehole which shows that the water is of a good quality.

Competent Persons Report

The Company has completed an Independent Persons Report for the technical aspects of the project. The report concluded that the project is located on undeveloped, largely flat land with high levels of irradiation and low levels of rainfall. A preliminary grid impact study to assess the impact of the Tati Solar PV plant on the operation of the grid was undertaken which concluded that the Tati Solar PV plant would not have a significant impact on the fault levels of the local grid and nor would it introduce any additional instabilities and will actually contribute to improving the stability and resilience of the system. Finally, the site has sufficient space to install the required capacity of PV as well as space for possible future expansion of the plant. The site selected is generally flat and hydrology and geotechnical investigations have been undertaken in order to reduce ground risk.

EPC Procurement

EPC Procurement underway with four Tier 1 contractors having been shortlisted in the process.

Geotechnical

SMEC submitted the report on Geotechnical investigations. They concluded that although the whole 300ha site is geotechnically suitable for development, the most suitable portion of the site for the initial phase of development is considered to be the south-western portion of the site, with the exception of the disturbed area. This deduction has been made based on the interpolated depth to bedrock, as well as the presence of active clays in the north-eastern portion of the site. For ease of reference, the below figure presents the most geotechnically suitable portion (~150ha) of the site. Most of this portion of the site is anticipated to have bedrock at shallow depths (<1 m) and does not present any obvious geotechnical challenges to construction.

Expenditures

The project development expenditures for the quarter were as follows;

All figures in USD

Description	Expenditure
Geotechnical	11 585
Technical Consulting	167 000
Legal	63 992
Financial Advisory	207 031
Administration	168 965
Land Leasing	63 077
Total	681 650

SECHABA PROJECT - Licenses: Prospecting License 053/2005 & 218/2016; Ownership: 100%

Shumba Energy holds 100% in the Sechaba Natural Resources Proprietary Limited (“**Sechaba**”), which owns the Sechaba coal mining project situated in the Morupule coalfield in Botswana. The project is located approximately 47km north-west of the town of Palapye within Botswana’s coal rich area in close proximity (30km) to Botswana Power Corporation’s Morupule Power Station complex.

Sechaba holds a valid prospecting licence which is in process of conversion to a mining licence based upon a completed pre-feasibility study (PFS) and approved ESIA, and is awaiting the land rights award for the surface infrastructure to enable issue of the mining right to commence with project execution and mining.

The project PFS completed indicated the optimal solution is to develop a 2 x 150MWp ‘HELE’ circulating fluidised bed coal fired power plant known as the Sechaba Independent Power Producer Project (“**SIPPP**”) The SIPPP integration into the Botswana transmission grid is envisaged to be 400kV through Morupule B’s substation which 27km from the project site.

Recently, Shumba received expressions of interest to fast-track development of the project in partnership and discussions are ongoing.

MORUPULE SOUTH RESOURCES PROJECT - License: Prospecting License 121/2010; Ownership: 97.5%

Morupule South Resources Limited (“**Morupule South**”) holds the exploration licenses over the Morupule South Project. The Project licence covers a total area of 184.4km² and is situated between Palapye and Serowe, in the central eastern district of Botswana. The project lies immediately south of state owned Morupule Coal Mine within the hub of the extensive power transmission grid, with a new 440kV connection node having been installed within the area. The project area is also serviced by sealed roads and rail, which link into the neighbouring countries. Morupule South is a greenfields development project with the company having submitted the Environmental and Social Impact Assessment (ESIA) for review by the Department of Environmental Affairs and approval, also a pre-feasibility study (PFS) is completed for the first Mine project on an area circa one quarter of the licenced rights on the shallowest part of the resource amenable to Open pit mining. Currently 283 million tonnes (Mt) are at a JORC standard of measured and indicated resources level for the Morupule South No.1 Mine planned, and the coal is of a quality suitable for use in both the coal exports and for power generation.

Several serious approaches have been made recently by International Coal importers and users to acquire portions of the in-situ resource rights under tribute and/or for third party managed contract mining by Shumba and discussions are continuing.

TWO MABESEKWA PROJECTS - License: Prospecting License 428/2009; Ownership: 65% & 80%

The licence area and projects are located in the north eastern part of Botswana some 60km south-west of the town of Francistown. The Mabesekwa project area contains two elements, the Mabesekwa No.1 Mine and Independent Power plant to be developed within subsidiary Kibo Energy Botswana Pty Ltd (65% owned) and the Mabesekwa No.2 Mine and Ikaegeng Coal to Liquids Plant to be developed under the subsidiary Coal Petroleum Ltd (80% owned). Circa 30% of the in-situ resources c.300Mt will be mined and

used for the 600MWp MEIPP and the 70% balance of the in-situ resources c.560Mt will be mined and used for a 300MWp power plant and CTL liquid fuels plant feed.

The Mabesekwa Export Independent Power Project (“MEIPPP”) is planned to be a 600MWp mine-mouth power plant using coal from the Mabesekwa No.1 mine for which ESIA and pre-feasibility studies have already been completed. The Mabesekwa Power Plant will be configured as a 4x150MW ‘HELE’ coal fired power plant with a minimum 25-year operating life with ability to expand development to 1200MWp.

The Mabesekwa No.2 Mine is planned to be developed to feed Ikaegeng Coal to Liquids (CTL) Plant.

As a result, Shumba is seeking to establish the project independently with a 300MWp IPP under a Special Economic Zones Authority (SEZA) Investment Licence to produce minimum 25,000bpd clean burning liquid fuels and associated petrochemical by-products such as BT (Benzyl-toluene) for LOHC (Liquid Organic Hydrogen Carrier) energy storage technologies. Experienced CTL technology and equipment partners involved historically with the project and whom completed all technical and engineering aspects of the BFS are being re-engaged with. Further, pre-Pandemic Shumba secured and in principal agreement and a term sheet for 100% of the project cost in 2019 money terms with a UK Private Equity Giant. Accordingly, the company is seeking to reengage with these funders to proceed as originally planned.

The quarterly reporting to the department of mines is as follows;

All figures in USD

	PL053/2005		PL218/2014		PL121/2010
Direct Expenditure		Direct Expenditure		Direct Expenditure	
Drilling	-	Drilling	-	Drilling	-
Geotechnical	-	Geotechnical	-	Geotechnical	-
Environmental	-	Environmental	-	Environmental	-
Consulting	-	Consulting	-	Consulting	-
Total	-	Total	-	Total	-
Indirect Expenditure		Indirect Expenditure		Indirect Expenditure	
Salaries and Wages	25 116	Salaries and Wages	12 558	Salaries and Wages	25 116
Travel & Accommodation	-	Travel & Accommodation	-	Travel & Accommodation	-
Administrative Costs	12 549	Administrative Costs	6 275	Administrative Costs	12 549
Financing Costs	65 569	Financing Costs	32 784	Financing Costs	65 569
Total	103 234	Total	51 617	Total	103 234

Additional Information:

- The development activities per license and money used per activity in the quarter is disclosed in the table herein above. It is to be noted that prudently the company has limited external project

development expenses in favour of continuing as much work as possible utilising internal resources of its professional experienced employee team.

- The quarterly cash flow update is attached herewith.
- The pandemic delayed outstanding audited financials for 2021 are nearing completion and will be published shortly during August 2022. The company expects to immediately roll into completion of the 2022 audit and is targeting all statutory financial reporting being up to date by Calendar year end 2022.
- The company continues to manage to impact of the COVID-19 pandemic and seeks to return to pre-pandemic levels of increased development and corporate activity.

By order of the Board

This Announcement is issued, in compliance with the Botswana Stock Exchange Equity listing requirements and pursuant to Section 87 of the Securities Act 2005, Rule 5 of the Securities (Disclosure Obligation of Reporting Issuers) Rules 2007.

The Board of Directors of the Company accepts full responsibility for the accuracy of the information contained in this Announcement.

APPENDIX 8A
Mining Company Quarterly Cash flow Update

Name of Company

Shumba Energy Ltd

BSE Code

SHUMBA

Quarter ended ("current quarter")

30-Jun-22

Consolidated statement of cash flows

	Current quarter USD	Year to date (12 months) USD
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	76 605	530 969
1.2 Payments for (a) exploration and evaluation	-	-
(b) development	(245 045)	(1 083 482)
(c) production	-	-
(d) administration	(147 900)	(327 549)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Trading Costs	(72 400)	(430 028)
Net Operating Cash Flows	(388 740)	(1 310 089)
Cash flow related to investing activities		
1.8 Payment for purchase of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of :		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Proceeds from rights use	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows brought forward	-	-
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc.	145 680	1 785 120
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayments of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other (provide details if significant)	-	-
Net financing cash flows	145 680	1 785 120
Net increase (decrease) in cash held	(243 060)	475 031
1.20 Cash at beginning of quarter/year to date	732 825	14 734
1.21 Exchange rate adjustments to item 1.20		
1.22 Cash at end of quarter	489 765	489 765

Payments to directors of the company and associates of the directors payments to related entities of the company and associates of the related entities

- 1.23 Aggregate amount of payment to the parties included item 1.2
- 1.24 Aggregate amount of loans to the parties included in item 1.10
- 1.25 Explanation necessary for an understanding of the transactions

Current quarter
USD

55 465

-

Payment to the directors. Payment included as directors are considered related parties.

-

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a significant effect on consolidated assets and liabilities but did not impact cash flow

None

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

The outlays are mainly the development expenditure for the renewables projects

Financing facilities available

Add notes as necessary for an understanding of the position.

- 3.1 Loan facilities
3.2 Credit standby arrangements

Amount available USD	Amount used USD
-	-
-	-

Estimated cash outflows for next quarter

- 4.1 Exploration and evaluation
4.2 Development
4.3 Production
4.4 Administration

Total

USD
-
250 000
-
25 000
275 000

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

- 5.1 Cash on hand and at bank
5.2 Deposit at call
5.3 Bank overdraft
5.4 Other (provide details)

Total: Cash at end of quarter (item 1.22)

Current quarter USD	Previous quarter USD
489 765	732 825
-	-
-	-
-	-
489 765	732 825

Changes in interest in mining tenements

Tenement reference	Nature of interest	Interest at the beginning of quarter	Interest at the end of the quarter
6.1 Interest in mining tenements relinquished,	<i>No change</i>		
reduced or lapsed			
6.2 Interests in mining tenements acquired or increased	<i>No change</i>		