SHUMBA
ENERGY
Powering the Future

ANNUAL REPORT 2020

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ENERGY

Powering the **Future**

ANNUAL **REPORT 2020**

Corporate Information

Country of incorporation and domicile
Republic of Mauritius

Nature of business and principal activities
The acquisition and development of highly prospective coal exploration licences in Republic of Botswana and to trade solar energy.

Directors

	Date of appointment	Date of resignation
Alan Mitchell Clegg (Chairman)	24 January 2013	-
Mashale Phumaphi	28 August 2012	-
Thapelo Mokhathi	24 January 2013	-
Sipho Alec Ziga	02 August 2013	-
Boikobo Bashi Paya	01 July 2015	-
Lerang Selolwane	30 April 2019	-
Amal Arpun Autar	21 March 2019	26 November 2019
Jihane Muhamodsaroar	21 March 2019	-
Yannick Pascal Lan Yee Man	26 November 2019	-

Registered Office
Mauritius International Trust Company Limited
4th Floor, Ebene Skies
Rue de L'Institut
Ebene 80817
Republic of Mauritius

Administrator and Secretary
Mauritius International Trust Company Limited
4th Floor, Ebene Skies
Rue de L'Institut
Ebene 80817
Republic of Mauritius

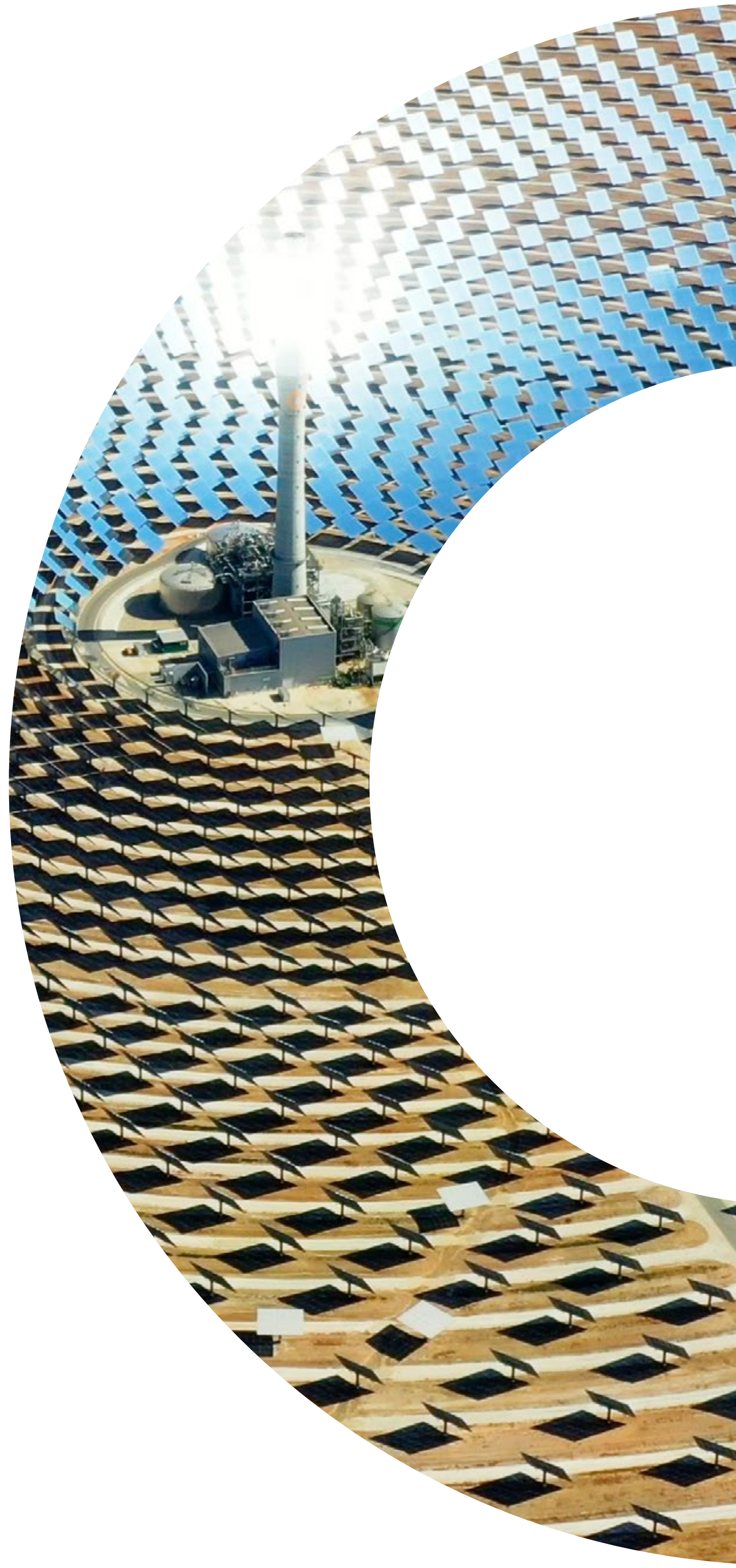
Banker (In the Republic of Mauritius)
AfrAsia Bank Limited
4th Floor, NeXTeracom Tower III
Ebene 72201
Republic of Mauritius

Auditors
Grant Thornton
Ebene Tower
52 Cybercity
Ebene 72201
Republic of Mauritius

Transfer Secretary
Transaction Management Services (Proprietary) Limited
C/o Corpserve Botswana
Unit 206 Second Floor
Plot 64516
Showgrounds Close, Fairgrounds
Gaborone
Republic of Botswana

Sponsoring Broker (Botswana)
Imara Botswana Limited
2nd, Floor, Morojwa Mews
Unit 6, Plot 74769
Western Commercial Road, CBD
Gaborone
Republic of Botswana

Legal Advisor
Armstrong Attorneys
Second Floor, Acacia House
Plot 74358
Corner of Khama Crescent Ext.
and PG Matante Road
New CBD
Gaborone
Republic of Botswana



Commentary of **Contents**

The reports and statements set out below comprise the consolidated financial statements presented to the shareholders:

Commentary of **the Directors**

The directors are pleased to present their report together with the consolidated financial statements of Shumba Energy Ltd, the "Company", and its subsidiaries, collectively referred to as the "Group", for the year ended 30 June 2020.

Incorporation

Shumba Energy Ltd (the "Company") was incorporated on 28 August 2012 as a public company limited by shares and is primarily listed on the Botswana Stock Exchange ("BSE").

Review of activities

Main business and operations

The principal activities of Shumba Energy Ltd, Shumba Resources Limited, Sechaba Natural Resources (Pty) Limited and Shumba Coal Trading Ltd, collectively (the "Group"), are:

i. To acquire and develop highly prospective coal exploration licences in Botswana for the exploration, mining, production and sustainable supply of thermal energy; and

ii. to invest in sustainable energy, including energy fuels, thermal energy, solar energy and coal/energy trading.

Results

The results for the year are shown in the consolidated statement of profit or loss and other comprehensive income.

The directors do not recommend the payment of any dividend for the year under review (2019: Nil).

Directors

The directors of the Company during the year ended 30 June 2020 and at the date of this report are as follows:

Alan Mitchell Clegg
Chairman

Mashale Phumaphi
Managing Director

Thapelo Mokhathi
Finance Director

Sipho Alec Ziga
Non–Executive Director

Boikobo Bashi Paya
Non–Executive Director

Lerang Selolwane
Non–Executive Director

Amal Arpun Autar
Non–Executive Director
(Resigned 26th November 2019)

Jihane Muhamodsaroar
Non–Executive Director

Yannick Pascal Lam Yee Man
Non–Executive Director
(Appointed 26th November 2019)

Commentary of the Directors (Continued)

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 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 ("IFRS"). 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

Grant Thornton

The auditors, Grant Thornton, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual Meeting.

Corporate governance

Company profile

Shumba Energy Ltd, the "Company", was incorporated on 28 August 2012 as a public company with liability limited by shares and is listed on the Botswana Stock Exchange ("BSE"). The principal activities of Shumba Energy Ltd, Shumba Resources Ltd, Shumba Energy (Proprietary) Limited (previously Sechaba Natural Resources (Proprietary) Limited) and Shumba Coal Trading Ltd, collectively (the "Group"), are:

(i) to acquire and develop highly prospective coal exploration licences in Botswana for the exploration, mining, production and sustainable supply of thermal energy;

(ii) to invest in sustainable energy, including solar energy in Southern Africa, and

(iii) the trading of coal.

Commentary of the Directors (Continued)

Holding structure

Compliance with Corporate Governance

Though the Company does not fall under the definition of a public interest entity, the Board ensures that the Company is in compliance with the principles of the National Code of Corporate Governance (the "Code") of Mauritius as issued by National Committee on Corporate Governance on 13 February 2017. The Board has on 28 September 2018 adopted a Corporate Governance Framework which is based on the eight principles of the Code. The Board considers that it has maintained appropriate policies and procedures during the year ended 30 June 2020 to ensure compliance with the Corporate Governance Framework of the Company.

Throughout the year ended 30 June 2020, to the best of the Board's knowledge, the Company has complied with the Code. The Company has applied all of the principles set out in the Code and explained how these principles have been applied.

The eight principles of the Code have been implemented as detailed below:

1. Governance Structure

The Company has obtained a Category I Global Business Licence ("GBL1") and a Financial Services Licence /Authorisation letter ("FSL/Authorisation letter") from the Financial Services Commission ("FSC") on 11 April 2014.

Commentary of the Directors (Continued)

Compliance with Corporate Governance (continued)

1. Governance Structure (continued)

As part of the Corporate Governance Framework which the Board has adopted, the Company has also adopted a Board Charter, which clearly defines the role, function and objectives of the Board of Directors, the various committees in place, as well as that of the Secretary/Administrator.

The Company has in place a Constitution and Admission Document which sets out the rules and regulations which it needs to abide along with other local laws and regulations.

As part of the Corporate Governance Framework, the Company has adopted a Code of Ethics which sets out general statements on principles of ethical conduct towards stakeholders and reviews the suitability and effectiveness of the Code of Ethics at least once per year.

2. Structure of the Board and its Committees

The Board currently comprises of Messrs Alan Mitchell Clegg, Boikobo Bashi Paya, Yannick Pascal Lam Yee Man, Sipho Alec Ziga, Thapelo Mokhathi, Mashale Phumaphi, Lerang Selolwane and Ms Jihane Muhamodsaroar. The Board meets as and when required to discuss routine and other significant matters so as to ensure that the directors maintain overall control and supervision of the Group's affairs. In line with the requirement of the Financial Services Act 2007, all the meetings of the Board have been attended by the 2 resident directors or alternates and in line with the Constitution of the Company, all Board meetings were quorate and have been held, chaired and minuted in Mauritius.

To further assist the Board in its functions, the undermentioned committees have been set up and delegated with specific tasks:

- Risk and Audit Committee
- Remuneration and Compensation Committee

The minutes of the Committee meetings and decisions taken therein for the year under review have been duly reviewed and ratified by the Board.

	Meetings and written resolution of directors	
Directors	**Held**	**Present**
Alan Mitchell Clegg	6	6
Mashale Phumaphi	6	6
Thapelo Mokhathi	6	6
Sipho Alec Ziga	6	6
Boikobo Bashi Paya	6	5
Yannick Pascal Lam Yee Man	4	4
Amal Autar	2	2
Jihane Muhamodsaroar	6	6
Lerang Selolwane	6	5

Commentary of the Directors (Continued)

Compliance with Corporate Governance (continued)

3. Director Appointment Procedures

During the year under review, the following directors have been re-appointed on the Board at the Annual Meeting of the Company held on 28 December 2018: Messrs Alan Mitchell Clegg, Boikobo Bashi Paya, Sipho Alec Ziga, Mashale Phumaphi, and Thapelo Mokhathi. Such re-appointment is valid up to the next Annual Meeting whereby shareholders can vote for the re-appointment of the directors for one additional year. The appointment of director has been effected in accordance with the Constitution of the Company subject to receipt of customer due diligence documents on the latter, in line with the Code of Prevention of Money Laundering and Terrorist Financing. During the year under review, Mr Yannick Pascal Lan Yee Man has been appointed and all prior appointment of the director have been effected in accordance with the Constitution of the Company subject to receipt of customer due diligence documents on the latters, in line with the Code of Prevention of Money Laundering and Terrorist Financing.

4. Directors Duties, Remuneration and Performance

The directors of the Company are aware of their duties under the Mauritius Companies Act 2001 and the Constitution of the Company and exercise sufficient care, diligence and skills for the good conduct of the business.

The Board meets to discuss and approve the Company's operational, regulatory and compliance matters. Some decisions are also taken by way of written resolution of directors depending on the nature of business and operations. The directors are provided appropriate notice and materials to help them in their decision-making.

The Company maintains an interest register which will be tabled in the next board meeting for members of the Board to confirm its accuracy and completeness.

Directors declare their interest and gauge in the best interest of the Group whether to abstain themselves from any discussion and decision on matters in which they have material financing interests.

Messrs Thapelo Mokhathi, Alan Mitchell Clegg and Mashale Phumaphi are also shareholders of the Company.

All remuneration of the members has been duly reviewed / recommended by the Remuneration and Risk Committee and approved by the Board before any disbursement is done.

Messrs Alan Mitchell Clegg, Mashale Phumaphi and Thapelo Mokhathi hold an aggregate of 19,591,098 warrants issued by the Company.

Common Directorship as at 30 June 2020

Name of Director	Shumba Energy Limited	Shumba Resources Limited	Sechaba Natural Resources (Pty) Ltd	Shumba Coal Trading Ltd
Alan Mitchell Clegg	√	√	-	√
Mashale Phumaphi	√	√	√	-
Thapelo Mokhathi	√	√	√	-
Lerang Selolwane	√	-	√	-
Sipho Alec Ziga	√	-	-	-
Jihane Muhamodsaroar	√	√	-	-
Amal Autar	√	-	-	-
Boikobo Paya	√	-	-	-

Commentary of the Directors (Continued)

5. Risk Management and Internal Control

The directors are responsible for maintaining an effective system of internal control and risk management.

The Company has also contracted an insurance cover for its directors and officers from SWAN GENERAL LTD which is renewable every year. The current insurance policy is valid up to 17 November 2020.

6. Reporting with Integrity

The directors are responsible for preparing the audited consolidated financial statements of the Group on a yearly basis in accordance with applicable law and regulations. The consolidated financial statements have been prepared under the International Financial Reporting Standards.

The consolidated financial statements for the year ended 30 June 2020 will be filed with the FSC after the Board's approval.

In addition to the yearly consolidated audited financial statements, in line with the SA 05, the Company has to file quarterly management accounts with the FSC within 45 days from the closing date of each quarter.

7. Audit

In line with the Financial Services Act 2007, the consolidated financial statements are audited by Grant Thornton, appointed after prior approval of the FSC, in the Republic of Mauritius. The re-appointment of Grant Thornton will be done at the next Annual Meeting.

In addition to the external auditors, the Company has also proposed to appoint an independent firm for internal audit as well as corporate, legal and compliance audit of the Company.

8. Relations with Shareholders and other Key stakeholders

The Annual Meeting of the shareholders of the Company will be held by 31 December 2020 to adopt the consolidated audited financial statements for the year ended 30 June 2020. Notice of this meeting will be sent within the deadline stipulated by the Constitution of the Company.

As at 30 June 2020 the company had 291 819 493 shares in issue. Of the shares in issue 203 115 756 shares were held by the public, representing 69.60%. The remaining 88 703 737 were held by non-public shareholders representing 30.40%.

Details of shareholders with more than 5% holding as at 30 June 2020

Shareholder Name		Percentage holding
BLACK PHOENIX LIMITED	73,238,713	25.10 %
FNB BOTSWANA NOMINEES (PTY) LTD RE:AA BPOPF EQUITY	84,444,900	28.94 %
HE LIESEN	24,867,437	8.52 %
BAI CO (MTIUS) LTD	16,666,666	5.71 %
RAMNAUTH MUNESH SHARMA	14,414,894	4.94 %

Commentary of the Directors (Continued)

Calendar of important events

The next financial year will run for the period 1 July 2020 to 30 June 2021.

The next Annual Meeting will be held in December 2020

Dividends

The Company has not adopted any dividend policy as it is still at its development stage and reinvesting all income generated.

Board of Directors

The Board of directors is the link between the Company and its stakeholders and board members are collectively responsible to lead and control the Company to enable it to attain its strategic objectives. The Board of directors also plays a vital role to ensure that the Company's business is conducted with the highest ethical standards and in conformity with applicable laws and regulations.

Pursuant to the Constitution of the Company, the number of the directors shall be not less than four and more than ten. At least two directors shall be residents of Mauritius at all times. Where the number of directors falls below the minimum, the remaining directors shall only be permitted to act for the purpose of filling vacancies or calling meeting of shareholders.

Commentary of the Directors (Continued)

ALAN MITCHELL CLEGG
(PR.Eng, PMP, FSAIMM)
Chairman

Mr Alan Mitchell Clegg, a British and South African citizen, is a mining industry professional with over 37 years experienced in mining and minerals projects in over 150 countries worldwide.

He is a recognised 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.

MASHALE PHUMAPHI
(MEng, IMC)
Managing Director

Mashale is an executive focused on funding and developing energy 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 projects in the Americas, Europe and Africa. He began his career as an engineer with Debswana Diamond Company based on Jwaneng Mine in Botswana. Mashale holds a Master 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).

THAPELO MOKHATHI
(BComm)
Finance Director

"Mr Thapelo Mokhathi holds a degree in Management Accounting and an Executive Program in Mining and Minerals (Wits University). He started his career in the mining industry at Impala Platinum where he spent 5 years in various financial positions. Since 2004 he has been involved in the formation and development of junior mining companies in the region."

SIPHO ALEC ZIGA
(LLB)
Non-Executive Director

Mr Sipho Alec Ziga graduated from the University of Botswana with an LLB in 1997 and immediately joined Armstrongs Attorneys, as an Attorney in the Commercial Department. He became a Partner in 2004. Currently as a partner, Sipho specialises in all disciplines of business law; corporate commercial law, securities and financial services regulations; mining and resources law; privatisation and public private partnerships. He has acted as legal advisor to a large number of pre-imminent Botswana Stock Exchange listed companies and parastatals, and many of the multinationals doing business in Botswana on a wide range of corporate issues ranging from regulatory compliance; corporate governance; company formations; acquisition; take overs; due diligence reviews; capital raising corporate and trade finance; listings and rights issues; schemes of arrangement; banking law; loan finance agreements; negotiable instruments and capital market instruments.

Commentary of the Directors (Continued)

BOIKOBO BASHI PAYA
(BSc, Mphil Geology)
Non-Executive Director

Mr Boikobo Bashi Paya is former Permanent Secretary of the Ministry of Minerals Energy and Water Affairs and is currently Deputy Vice Chancellor at the the Botswana International University of Science and Technology. Mr Paya's prior experience in government positions included Project Manager, Mmamabula Coordinating Unit, under the Ministry of Minerals, Energy and Water Resources and Director of the Department of Water Affairs, which included responsibility for two major wetlands: the Okavango Delta and the Kwando-Linyanti Delta. He holds a BSc and an MPhil in geology and has extensive research experience. He is also a Non-Executive Director of Debswana, Chairman of Diamond Trading Company Botswana (both joint ventures between De Beers and the Botswanan Government), a Non-Executive Director of De Beers and a Director of BBKR Productions (Pty) Ltd. In addition, Mr. Paya is a member of the administrative boards of DB Investments SA, Debswana Investments SA and De Beers SA.

LERANG SELOLWANE
Non-Executive Director

Lerang Selolwane is the Co-Founder and CEO of The Lucient Group, an industrial engineering company, employing over 400 people, with operations in both Botswana and South Africa. Lerang is an Engineer by profession, he holds a BSc in Engineering (Hons) from the University of Cape Town and an Executive MBA from London Business School. He began his career with the Debswana Diamond Company/ DE Beers Group as a Graduate Engineer in the mining operations where he worked his way up senior management before moving to London as the Technical Assistant to the De Beers Group CEO. After a short stint in De Beers SA Head Office in Johannesburg, he returned to Botswana to co-Found the Lucient Group in 2014. The Lucient Group has grown into one of the largest industrial engineering companies in Southern Africa. Lerang has served on the boards of several organizations including Botswana International University of Science and Technology (BIUST), Can Manufacturers Botswana and most recently Dhruv Diamond Manufacturing Botswana.

JIHANE MUHAMODSAROAR
(ACCA)
Non-Executive Director

Jihane has joined the MITCO Group as Accounting Manager in October 2016. She has a wide experience of the global business sector (investment holdings, open ended and closed ended funds, CIS manager and investment advisors) and sat on a number of boards.

Prior to joining MITCO, Jihane spent 11 years at International Financial Services Limited as a junior executive and where she was promoted to Manager.

Jihane holds a BSc in Finance from the University of Mauritius and is a Fellow of the Chartered Association of Certified Accountants (ACCA) in United Kingdom.

YANNICK PASCAL LAM YEE MAN
Non-Executive Director
(Appointed 26th November 2019)

Yannick is an executive at MITCO, the group's management company based in Mauritius.

Pursuant to the Constitution of the Company, all directors shall retire at each annual meeting. Directors who are required to retire at the annual meeting are however eligible to be re-elected at the annual meeting.

Commentary of the Directors (Continued)

Company Secretary

Company Secretary in Mauritius

The Board considered the competence, qualifications and experience of the Company Secretary, Mauritius International Trust Company Limited, and is deemed fit to continue in the role as Company Secretary for the Company.

The relationship with the Board has been assessed and is considered to be at arm's length.

Transfer Secretary in Botswana

The Board considered the competence, qualifications and experience of the Transfer Secretary in Botswana, Transaction Management Services (Pty) Limited, c/o Corpserve Botswana and is deemed fit to continue in the role as Transfer Secretary for the Company. The relationship with the Board has been assessed and is considered to be at arm's length.

Directors' interests

A full list of directors' interests is maintained in the interest register of the Company and the directors certify that the list is correct at Board meetings carried out on regular basis.

Directors abstain themselves from any discussion and decision on matters in which they have a material financial interest.

Messrs Alan Mitchell Clegg, Mashale Phumaphi, and Thapelo Mokhathi are also shareholders in the Company.

Shareholding:

As at 30 June 2020, the directors had a direct or indirect interest in the Company as tabled below:

Name	Shares in the Company	Direct Interest %	Indirect Interest %
Alan Mitchell Clegg	6,769,389	Nil	2.32
Mashale Phumaphi	73,238,723	Nil	25.10
Thapelo Mokhathi	6,658,904	Nil	2.28
Total	**86,667,016**		

Commentary of the Directors (Continued)

Remuneration

Name	USD
Alan Mitchell Clegg	49,140
Mashale Phumaphi	195,746
Thapelo Mokhathi	121,367
Lerang Selolwane	30,000
Sipho Alec Ziga	30,000
Boikobo Paya	30,000
Total	**456,253**

Incentive Warrants

Incentive warrants issued as detailed below to the directors to subscribe for ordinary shares of the Company at any time during the exercise period at the exercise price of BWP 1.06 each, as tabled below:

Name	Warrants
Mashale Phumaphi	7,979,791
Thapelo Mokhathi	6,455,862
Alan Clegg	5,155,445
Total	**19,591,098**

Dealing in securities by the directors

Dealing in the Company's securities by directors and Company's officials is regulated and monitored as required by the BSE Listing Rules. All directors' trading must take place exclusively outside the closed periods prescribed by the Stock Exchange Regulations and require written authorisation from the Board of directors. The Company maintains a closed period from the end of a financial period to the date of publication of the financial results.

Commentary of the Directors (Continued)

Special resolutions passed

Annual Meeting: 27th December 2019
(i) Waiver of pre-emptive rights on new issue of shares.
(ii) Retirement and appointment of directors
(iii) Remuneration of directors
(iv) Financial statements
(v) Re-appointment of auditors

Communications with stakeholders

The Company is committed to ensuring timely, effective and transparent communication with shareholders and other stakeholders through annual integrated and quarterly financial reports, presentations to analysts and press releases.

Sustainability

The Company demonstrates a commitment to operate in a sustainable global economy. The Company strives as well to make decisions that combine long term profitability with ethical behavior, social justice and environmental care at all times.

Environmental and health and safety practices

The Company takes into account the best practices in line with the Company's corporate values and long term objectives as far as Social, Environmental and Health and Safety practices are concerned and aims to comply with existing legislative and regulatory framework.

Political contributions

The Company did not pay out any amount with regard to political contributions during the financial year ended 30 June 2019.

Ethics

The Board of Directors is responsible for ensuring that policies, procedures and controls are in place so that business is conducted honestly, fairly and ethically. Thus, there is the practical application of its corporate values and the concepts of honesty and integrity.

Corporate social responsibilities ("CSR")

The company made contributions to the communities it operates in during the COVID 19 pandemic, to help fight the spread of the pandemic and were made specifically to schools in the areas. The contributions included amongst other face masks in line with Government regulations.

Related parties transactions

Related parties transactions have been disclosed in Note 3.18 to the audited financial statements

Chairman's **Report**

Dear Shareholders and Investors, herewith I take pleasure on behalf of your Board of Directors in presenting for your consideration the audited results of Shumba Energy Limited ("Shumba" or the "Company") and its subsidiaries, collectively referred to as the "Group", for the 12 months operating period ended 30 June 2020, along with commentary on the operating environment and related outlook with trends that are affecting our industry sector.

Alan M. Clegg
Pr.Eng Pr.CPM PMP
FSAIMM MIOD

Macro environment within a likely reset in the global financial system and with investment in hard commodities focussed on energy and environment in search of a sustainable economic future.

The first two quarters of the period under review was generally filled in the financial and financing sector with the IMF working primarily with the G7 and selected G20 central banks in implementing 'Modern Monetary Theory' ("MMT") with interest rates at or near zero and increasing money printing to cover fiscal stimulus to stagnant economies. However, for all intents and purposes, this flood of cheap money just ended up fuelling the general stock markets in a volatile but strongly upward trending performance. Discussions and debates around replacement of FIAT currencies with new electronic units of credit controlled through the 'Internet of Things' ("IOT") and 'Blockchain' was also evident in published documents if anyone cared to look!? Interestingly though, little to none of this new money went into the natural resources equities and in-demand commodities sector of the market.

During this same period, the rhetoric and political dominance of what has now morphed into a global imperative and no-longer just a debate, i.e. 'Climate Change' and its resolution. This continued to be propagated and used as a weapon against developing economies in particular in the drive for reduced 'carbon-footprints' and 'green-energy' generation, with Africa suffering as a result. And while the NGO's are still out in-force and against the cleanest and greenest form of energy, i.e. Nuclear Power, the potential Uranium producer countries in Africa have benefited from a pending shortage of Uranium for existing nuclear utilities with spot prices doubling to US$34/lb. in the period and investment levels in exploration and development increasing 5x on the back of strong bilateral relations from demand side economies and nuclear utilities.

Generally though, with exception of Thermal Coal and Oil, the mining and natural resources investment sector has remained on a strong upward trend but still polarised on demand from two sectors; one 'Financial and Safe-haven' driven, i.e. precious metals like Gold & Silver and to an increasing degree Platinum against the perception that the debt bubble will burst sooner rather than later; and one Energy & Environment driven, dominantly the energy or battery metals, i.e. Nickel, Cobalt, Lithium & Graphite and ofcourse always Copper against the demand and investment in renewable energy technologies and generation sources, Electric Vehicle ("EV") manufacture in the name of Carbon reduction and repairing/stopping anthropogenic driven Climate Change.

Conclusively though, the overall economic and political environment remains volatile, regional conflicts such as those in the Middle East inter-Arab states, South China Sea, Korean Peninsula and even the Eurozone between ex-CIS states and Russia. Overarching these conflicts was the ongoing USA/China trade war further exacerbated by the COVID-19 emergence in the third quarter at the start of 2020.

The COVID-19 pandemics emergence has been grabbed firmly with great 'utility' for the political powers in force and central bankers alike to further drive policies focussed on 'West vs East' and @ Home focussed cultural nationalism, entrenchment of MMT, cementing the need for a 'Green future', and a striving for less reliance on China as the ultimate consumer of infrastructure and energy commodities; all of this no matter what your thesis on how and why COVID-19 arrived and spread like it did, in particular in Europe and the USA!?

Despite the resulting production shutdowns of many mines globally in the second half, in particular in the western world, this has been fundamentally positive for resource commodity prices as inventories have been drawn down, but several minor pullbacks have occurred which is also healthy as in general the prices have been making higher lows and higher highs in their march to projected new records. The precious metals, Gold & Silver have continued to benefit from the demand in support and acceptance as the only 'Real Money' for risk hedging against accelerating rising government and public debt levels, US dollar and Euro uncertainty and now accepted understanding that Fiat currency replacement is almost a given, it is just a question of when?

Chairman's Report (Continued)

Macro environment within a likely reset in the global financial system and with investment in hard commodities focussed on energy and environment in search of a sustainable economic future. (Continued)

The world's leading economy continues to assert itself within as a primary producer of all that it needs to achieve and maintain a level of 'self-sufficiency' via industrial development policy driven by the Trump government. There is a continued focus on the natural resources production value chain in the Americas with re-establishment and expansion of old mines, plants & refineries across the country. As I wrote last year this trend has largely cut-off Africa in general for natural resources investment from North America which was traditionally strong. Whether this will continue into the 2021 operating period very much depends on the outcome of the United States ("US") elections in November 2020.

New projects in precious metals and battery metals continue to be invested in by the Billionaire elites globally, increasing their levels of future influence and control while the institutional and retail markets are largely still like grazing sheep. The continued increased focus on Environmental and Social Governance ("ESG") processes for accessing any sort of project funding by resource developing companies like Shumba has both added cost and time to establishment of bankability and subsequently new production in an already protracted development cycle, typically well in excess of a decade to meet demand.

The Thermal Coal and energy fuels markets where the bulk of Shumba's assets and activities remain focussed, continues to show resilience despite the negative political rhetoric on CO2 emissions control from Western Economies in Europe in particular, which traditionally is where the funding emanated for projects focussed on these in Africa. The global Thermal Coal price been driven down below last years predicted lower levels by the COVID-19 pandemic lowering industrial and other energy consuming activities demand. However, given the major utility & industrial consumers continued to manage lower or deplete stocks in the first half of the reporting period, with further depletion effect in the second half during the pandemic lock-downs the pricing is expected to bounce back in the second half of 2021 financial year.

Fundamentally though, the subcontinental (India and Pakistan) and South East Asian ("SEA") markets for the Steel/Cement and Power generation sectors respectively, demand for better quality African sourced thermal coal continue to remain strong on the back of the ongoing fast-track development path due to base load power demand and infrastructure growth. Even China, while re-stating in the fourth quarter of our reporting period their commitment to removing pollution from old Lignite and Brown Coal based mines and power plants, are still building new Coal-fired generation plants utilising clean coal technologies for efficient combustion and cleaned emissions in the c.1800Mw to c.2400Mw size category.

(NB: Note, pollution and not CO2 emissions, which along with the promoted anthropogenic causal thesis remains a one-sided pseudo-scientific political agenda driving regulatory control and taxation).

Coking Coal market prices for reductants in pyrometallurgical processes were also hit lower by COVID-19 as Steel and Cement producers in particular took the opportunity for major plant shutdowns and maintenance, and with new projects being suspended. Capital deployment for exploration remains buoyant and trending upwards providing significant funding for the usual junior resource investment market, especially for energy metals and energy fuels.

Chairman's Report (Continued)

Political, financial and structural economic impacts on Africa

Regional mineral economy politics continues to be very much on the agenda of governments of the day, supported by the African Union Commission driving the natural resource industry investment message for economic development and sustainability. Further, it is my firm belief that based on the impacts of COVID-19 which has resulted in unemployment at highest levels in history at between c.25% to c.35% in many countries; the needs for social security and support for the unemployed; reset of the medical system and CDC; that massive structural adjustment and reform for fiscal stimulus at levels never before seen, will further drive energy demand and this will translate to Thermal Coal Demand.

While I believe that the Nuclear future for Africa is secure, both for localised baseload requirements in remote or semi-remote locations prevalent on our continent, and to balance pollutive emissions. This will especially be based on the advent and adoption of the Small Modular Reactor ("SMR") which, requires no large-scale grid network and where South Africa is a world leader in this technology; however, this is still perhaps one to two and potentially three decades away continentally speaking. In the meantime, Coal fired power plants utilising 'Clean Coal Technologies' ("CCT") will be required and will be constructed to generate much needed base load power for established industrial centres and fast-growing new towns/cities.

Renewables will play a part and remain fastest growing and is likely to attain c.20% of the Africa market, up from current c.6%, over the next two decades subject to availability of deployable battery storage to improve capture of generated power for distribution.

Within the SADC region some solid improvement in investment in both exploration and development has been seen, albeit focussed on battery metal and infrastructure commodities such as Copper, Vanadium, Manganese and Tin. Also, the Uranium sector in Namibia, Zambia and emerging in Botswana has also seen strong activity in readiness for the projected existing utilities demand boom in the 3 to 5 years' forward time horizon. The Botswana recognition of the one China policy has enabled Shumba to within the reporting period further cement solid relations with strong sector players like Power China and WISON Group for the development of its Coal Petroleum 'Coal-to-Liquids' ("CTL") project to the company benefit.

The SADC region and its individual economies still need over the next two to three decades to build broader and deeper energy-dependent economic bases and have little choice but to exploit the Coal as both a geographic and economic necessity. However, responsible coal mining and coal usage commensurate with new technological pollution/emissions control solutions in the realm of 'clean-coal-technologies' will be the order of the day. This includes transformation of Coal for both Liquid fuels, Aromatics for support of the developing Hydrogen based economy which will also claim its share, and for which South Africa in particular has established leading edge technology and development capability.

For South Africa Coal remains critical, it is a serious coal user for base load energy and has negligible oil, but more importantly in a post-COVID19 world engages direct and indirect employment approaching 350,000 people, supporting an estimated 1.8 million people or c.2.5% of the population.

For the SADC region Coal is critical as bulk of the energy is distributed from South Africa and while Botswana remains a well-favoured economy with some of its own need self -generating, it is not enough to meet the industrial development growth targets required nor its needs to diversify its GDP reliance away from diamonds. Fortunately, Botswana has the largest un-tapped Coal resources on the continent and upon which Shumba continues to expand its influence with the continued advancement of its coal-based CTL processes and investigation of other uses towards achievement of its socio-economic contribution goals aligned with the Government strategy.

Chairman's Report (Continued)

Political, financial and structural economic impacts on Africa (Continued)

In Botswana Coal Resources Development ("CRD") will remain a key driver for both its own industrialisation and future sustainability in economic growth as well as its contribution to the SADC regional economic development for the next many decades, a position that Shumba is promoting for the benefit of all its stakeholders.

Shumba continues relentlessly to drive its strategy to unlock shareholder value through sustainable energy businesses with clear focus on operational activities to facilitate appropriate funding ability in the face of the 'Green Lobby'. We continue to seek to lever monetisation of company assets and structuring the investment focussed in so far as it strategically matters in the SADC region and this has meant engaging in regional Joint-Ventures in Renewables projects as well as developing our own renewables projects in Botswana and which we are optimistic can be realised in the first half of the 2021 financial year. This sustainably offers you, our shareholders and investors diversification bringing further strength to the foundations in the Shumba business and in progressive and measured project developments.

The founding Management and Non-Executive members continue to be very closely connected with all aspects of the execution of the company strategy. The delivery by management in advancement of the Company's projects has been sustained again in this year at better than could be expected levels despite the challenges of the pandemic. Deployment of the Company's financial resources has continued to remain cautious and focussed on both short term and sustainable long-term value generation.

Some of the Company's key financial results and features reported are:

- Total incomes related with monetisation of its assets and Coal trading activities respectively was just under USD 1.1 million
- Total expenditures on Projects and Asset development during the year was in excess of USD 200 000.
- The Group's net assets at the end of the year were USD 10.6 million, an increase year on year of 84% reflecting the acquisition and development expenditures.
- Cash and cash equivalents of the Group as at the reporting date were USD 108,567 a decrease year on year of 29%.
- Management's ongoing commitment and competence in the disciplined maintenance of a low-cost structure within the Group shown clearly in the Company's continued advancement and maintenance of cash position relative to its peers.
- Subject to the meeting of the financial obligations of the Company's joint venture partner Lurco Group, The Group will remain adequately funded to meet its immediate operational expenditure requirements in the coming financial year while future funding requirements through a combination of the active pursuit of asset monetisation and where appropriate settlement of obligations through issues of equity.

Chairman's Report (Continued)

Coal mining and coal-based energy environment

As I have emphasised here above, until a reliable and potentially a renewable form of sustainable reasonably priced base-load source of energy is found, most likely propagated and/or supplemented by energy storage technologies with grid scale such as LOHC ("Liquid Organic Hydrogen Carrier"), Redox Batteries, etc., fossil fuels are required and in Botswana case specifically Coal Resources Development ("CRD") will remain the next leg for its continued industrialisation and future sustainability in economic growth.

Shumba Energy Limited continually endeavours to be involved with and operate at the cutting edge of developments such as LOHC and has had a relationship with German company H2-Industries GmbH (www.h2-industries.com) for the last 4 years and with SADC based leading LOHC research & development facilities, Development Bank projects and initiatives to ensure that we continue to take the lead in CRD for Hydrogen fuel production such as in the form of Aromatics as a principle by-product from our CTL Project on our Mabesekwa Asset. This assists towards creating a 'carbon' neutral footprint for the project and in the context of the prevailing sentiment represents transformation of natural resources for use in a true 'Green Energy' future, addressing the '4IR' substantially.

The business remains a long-term business and runs with high focus and prudent expense management for project value creation and provide protection of our shareholder's investment, realise growth opportunity and ultimately superior return on investment. Again, despite the constriction generated by the COVID-9 pandemic we have this year continued to make all efforts to ensure that Shumba retains the first ranking position for success as an integrated energy business.

Renewable energy environment

The '4th Industrial Revolution' ("4IR") propagation and realisation at industrial scale in the SADC region remains a clear strategy component for socio-economic development, new industries creation, transfer of technology, development of Southern African natural resources, with a 'Renewable Energy' focus.

Within the reporting period, Shumba successfully submitted against prequalification a significant 30 year 'BOOT' ("Build, Own, Operate & Transfer") bid to supply a sustainable 1680kW/hr of power to a global Mining & Metals major in joint venture with JSE listed Hulisani, a renewable energy projects funder and operator. It is our belief that the bid is most competitive while accessing best-in-class technologies and equipment from our partner Power China Solar Energy division and reasonably expect to be shortlisted for negotiation on final tariffs in the second quarter of the coming reporting period, subject to any delays from the pandemic.

Further, Shumba Group has continued to complete environmental and permitting work on its Tati 100MWe Solar project while reviewing other potential sites and expects to report further on this within the first quarter of the new 2021 reporting period.

The innovative solutions from H2-Industries make the use of highly explosive hydrogen gas in power storage technology simple, intrinsically safe and effective. LOHC technology makes it possible to store, transport and release large quantities of electricity in an environmentally neutral way.

Chairman's Report (Continued)

Established thermal coal markets

The Coal trends for calendar 2019 showed steady price erosion with a brief but unsustained respite in the summer as high energy demand for air conditioning and industrial cooling, rose again on very hot weather in Asia and Europe. The Chinese government has also continued its crackdown on polluting industries adding sustained pressure on prices.

The benchmark thermal coal price decreased to an average of the 5-year period 2014 to 2018 at US$ 77.90 a tonne, FOB Incoterms. While nothing has changed according to the latest International Energy Agency (IEA) reports on the energy mix. Thermal Coal remains the second-largest global source of primary energy, behind oil, and the largest source of electricity. While the coal narrative still is a tale of two socio-economic and socio-political groupings, with those on the left preaching climate action policies based on pseudo-science and financial economic forces leading to closing coal power plants in some countries; while on the right coal continues to play a part in securing access to affordable energy and economic inclusivity of the poor in others.

In Southern Africa and Southeast Asia, it remains as a primary vehicle to provide energy security and underpin economic development. China's consumption rose again in 2019, while India, which became the second-largest consumer after overtaking the US in 2015, again experienced growth in coal consumption in particular imports for the steel and cement industries. Demand in the US was flat, as a result of older renewables facilities collapsing after 15 years, and 5 years ahead of the nameplate life. US President Donald Trump continues to save the coal industry in the country, but it is inevitable a switch to Nuclear for base-load is in the medium to long term going to replace US coal mining.

Demand has remained strong and this has kept prices in 2019 (H1/2020 reporting period) at the US$ 75+ level for coal and supporting ongoing robust seaborne trade with export trade of all types of coal in the world increased again by a further 2.7% in 2019, from 1,420 million tonnes in 2018, but this was curtailed by the COVID-19 pandemic as we moved into 2020.

The required investment in new mines in established and emerging economies in particular such as those in Africa is not occurring fast enough according to the IEA. Again, this is because NGO opposition and policies aimed at combating climate change are creating uncertainty about future demand, with Investment Banks retracting altogether form the equity markets, but expensive debt is still available to those that can demonstrate revenues.

The Coal outlook for 2020 was one of stable demand ahead until the pandemic hit. With the 'switch-off' of whole industries offtakers declared force-majeure en-masse and as the financial year came to a close it is clear that the 2021 financial period will be tougher in the coal space everywhere except the high base load energy deficit markets, like Southern Africa and South-East Asia.

Overall, in terms of demand, global coal demand looks set for a fairly rapid rebound in support of industrial reset and fiscal stimulus expected over the next five years. The expected ongoing declines in Europe and North America will be offset by ongoing necessary growth in India and Southeast Asia. The IEA forecast for Coal's contribution to the total energy mix globally has remained at c.25 percent, but growth in SEA and Africa is forecast to increase from c.50% to c.70% due to availability, sustaining input to low energy costs and need for sustained economic growth with employment.

Chairman's Report (Continued)

Established thermal coal markets (continued)

Looking over to prices forecasts, thermal coal average price to the end of the reporting period fell by 21% over the 2019 average to a low of C.US$61.25 per tonne, FOB. It is expected to recover marginally by mid-2021 Fyr and further to c.US$66 per tonne, FOB by end of 2021. Medium term forecasts are suggesting a sustainable range of between US$70.25 and US$72.50 per tonne, FOB is likely.

For Shumba, Africa still remains most important as the SADC market is still growing deficits and this will continue to force upward local price pressure. We continue to focus on developing our coal trading business and have established a track record of sustainable supply to our anchor customer Lonrho through established long-term offtake agreement. Growing from this base into industrial markets will remain a point of focus.

We retain our intent to future export onto world seaborne spot markets in the longer term, but again this continues to depend largely on the logistical infrastructure establishment and transport costs. The SADC regional governments and parastatal Transnet in South Africa and international development investment from the Chinese remains on track to deliver new infrastructure rail transport links.

Overview of Operations

Sechaba Mine and SCIPP Project

In the 2019 reporting period Shumba executed a legally binding 50/50 JV with Lurco of RSA for a consideration in total of US$20m in cash and cash equivalents. The 50% share and operational management control of the JV within a new JV Co, was given to Lurco Group of South Africa, subject to certain conditions precedent. However, this has proven to be a challenging venture with our substantially not fulfilling its obligations, both financial and otherwise in terms of physical project advancement.

In fairness on the physical side the operational plans for the exploration drilling of the early start opencast mining area was affected first by contractor availability in first half of the year and then seriously by the COVID-19 pandemic lock-downs in the second half with no advancement having been made.

On the financial side, despite several accommodations and leniencies in terms of re-stating the timelines and payment schedules by Shumba towards Lurco, they still missed their obligations significantly putting the company under severe financial stress in the second half as a result of sporadic and underpayment of cashflows to Shumba in terms of the binding terms of our agreement.

By close of the reporting period in total Lurco have paid within this financial year c. ZAR9 million, with c. ZAR3.5 million in arrears and a total debt due in Q1/2021 reporting period on August 30 of c. ZAR89 million, before interest and fees. The Company has formally informed Lurco that it retains its rights under the binding agreement and is considering further appropriate remedies if they continue to be non-performing.

Chairman's Report (Continued)

Overview of Operations (continued)

Mabesekwa mine and MEIPP development and studies

Last year I reported that due to certain corporate activity beyond our control our stake in Kibo Energy Plc had been significantly devalued by 85% since execution. As a result, Shumba decided to reduce its holdings for cash to also support its own operating cash requirements in the face of the Sechaba JV payments deferments and has by the end of this reporting period fully divested its entire stake in Kibo to fund operations.

Since Shumba entered into a binding Coal Supply Agreement ("CSA") with Coal Petroleum Ltd ("CoPet") in the previous reporting period, specifically Q3/2019 (March 2019), in order to guarantee supply of all the feedstock required for the life of its CTL Project from its 700Mt Mabesekwa coal resource, the company acted to further secure its future for the development of this resource by acquiring 80% of the issued share capital with full associated corporate and management control of CoPet in Q1/2020 (July 2019). This was reported in detail under post reporting period events last year.

This important acquisition and project control position was followed up by a restructuring of the divided Mabesekwa Coal resource (700Mt Shumba and 300Mt Kibo) under a multi-faceted joint venture in Q2/2020 (October 2019) within a new Botswana JV Co. with Shumba holding 15% and Kibo 85% and all development responsibilities for the 300Mw MEIPP to supply the CoPet CTL project being transferred to Kibo Energy Plc. Under the agreement Shumba retained 85% of the Coal Resource and Kibo 15%.

Further, in Q3/2020 (March 2020) just prior to the COVID-19 pandemic lockdown, Shumba managed to conclude a Consortium Agreement for the development of the CoPet CTL plant with Power China International Group Limited and WISON Engineering Limited. This is an agreement of great significance to the development objectives of both the Company and the Government of the Republic of Botswana ("GRB").

Shumba obligations are limited under the agreement to providing local content for Civil Works and Local Services along with sourcing Botswana based equity investment and providing/negotiating the debt funding requirements for the project. While the Chinese partners are providing jointly the EPC ("Engineering, Procurement & Construction"), Operations and Maintenance, and External Equity Funding; the Shumba subsidiary CoPet will be the Consortium Leader, Developer and minor equity funder.

CoPet is continuing to work methodically with local Botswana professionals and with Shumba specialists for the integration of the Mabesekwa site geotechnical, regulatory permitting and environmental impact assessment ("EIA") activities.

Meanwhile, Shumba and CoPet is continually engaging with the MMGE and the client being BOL towards its ultimate selection as preferred bidder to advance the project to execution. And Shumba is continuing to engage with PCI and WG on technical and project development issues, including the completion of a DFS ("Definitive Feasibility Study") also on funding matters, including potential equity and project financing options.

Chairman's Report (Continued)

Morupule south mine project

While strategic discussions and negotiations were reported last time as ongoing with a number of parties for the development of at least three sub-sections of the Morupule South Coal asset; these were all stalled to the end of the reporting period with no progress.

However, Shumba has continued developmentally to continue with its sub-division processes and completion of necessary ESG requirements for the eventual progressing of development deals with the third parties mentioned. For interest, these parties are involved in securing reductant and thermal fuel resources in-situ as future source of supply for infrastructure related support industries as well for provision of industrial heating energy.

By way of a reminder the total project area has a resource of 2.45 billion tonnes of JORC compliant resources of which 380 million tonnes are in the measured and indicated categories.

Concluding Comments

The core strategy of the Group remains unchanged and embraces the following integrated energy sector elements:

- Thermal energy production space as a pure non-operational investment partner earning both royalties from revenues and profits, as well as shareholder dividends;
- The pure renewable energy production and storage space with solar and wind generation projects both owned and in Joint Venture;
- Pursuit of adoption of and contribution to LOHC technologies to enhance these projects; and
- The development and establishment of a CTL facility in Botswana for fulfilling all of the countries domestic fuel supply requirements, export into the SADC region and to contribute significantly to the Hydrogen Economy development.

Finally, now on behalf of the Board and Management, I offer our continuous appreciation and sincere regard for the ongoing support shown by you, our shareholders and investors new and old alike in the ever changing, challenging world and environment we find ourselves continuing in.

Chairman's Report (Continued)

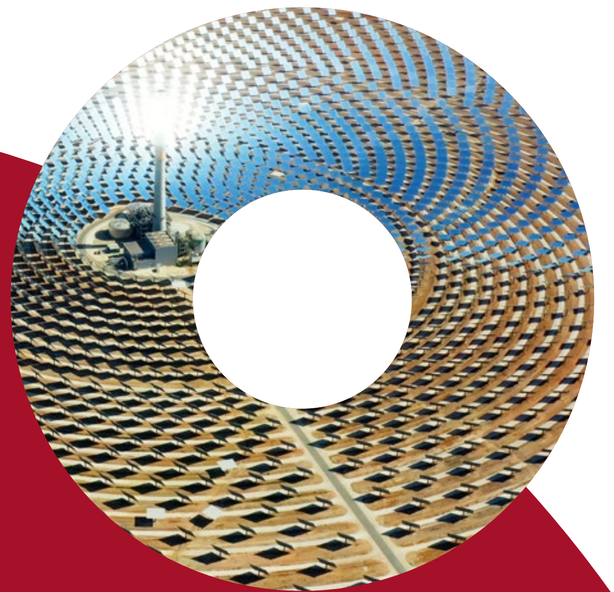
We look forward to a 2021 financial year of both recovery post pandemic, but also continued real value growth that we strive for and to be realised in the share value as the delivery of operational revenue growth projects are realised and our strategy is executed unwaveringly and communicated broadly to you our shareholders and prospective investors alike.

This reporting period was without doubt the toughest the Group has faced in its almost decade long journey; despite this the Shumba team has delivered for you, our valued shareholders and stakeholders alike through the solid and continued execution within our sustained philosophy of

*"Saying what we will do
and doing what we have said we will do!"*

Take care.

ALAN M. CLEGG | Pr. Eng. Pr.CPM PMP FSAIMM F. Inst.D
Non-Executive Chairman



Certificate from the Secretary to the Members of Shumba Energy Ltd

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 ENERGY LTD** under the Mauritius Companies Act 2001 during the financial year ended 30 June 2020.

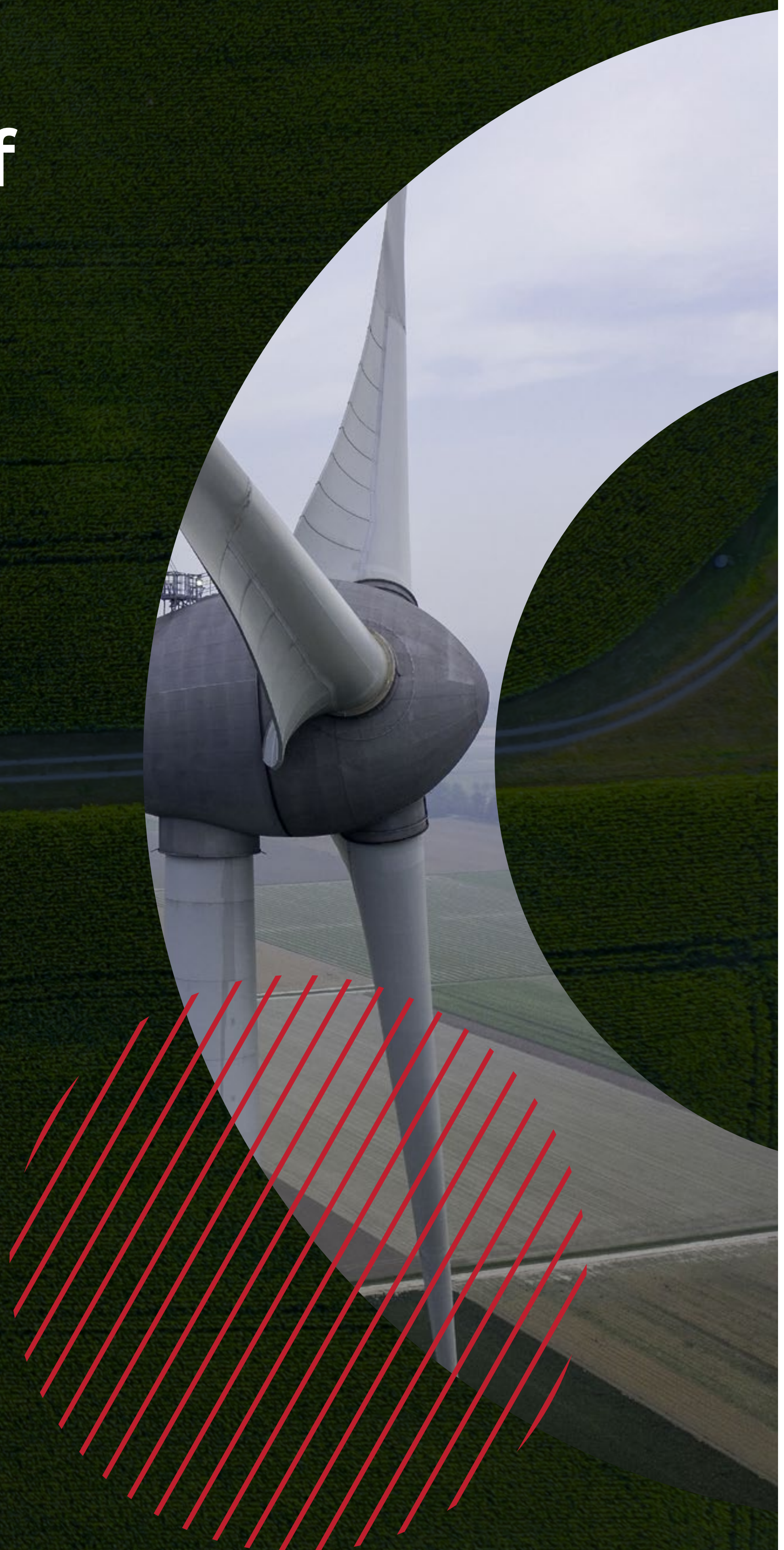
for **Mauritius International Trust Company**
Secretary

Registered Office:

4th Floor, Ebene Skies
Rue de L'Institut
Ebene 80817
Republic of Mauritius

Date: 30 October 2020

Independent Auditors' Report to the members of Shumba Energy Ltd



GrantThornton

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Shumba Energy Ltd, the "Company" and its subsidiaries, collectively referred to as the "Group", which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements on pages 43 to 85 give a true and fair view of the financial position of the Group and the Company as at 30 June 2020 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Mauritius Companies Act 2001.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Going concern

We draw attention to Note 29 of the consolidated financial statements regarding the availability of funds to support the Group's activities and operations. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 30 June 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The only key audit matter identified in relation to the audit of the consolidated financial statements is as described below.

Risk Description

Exploration assets

We focussed on the exploration assets due to the size of the balance on the consolidated statement of financial position and the key judgements, assumptions and estimates used by the Group to assess the recoverability of the costs incurred so far. These include reserves and resources estimates, production estimates, economic factors like coal prices on the market, the movement in exchange rates, exploration costs to be incurred and the renewability of the tenement rights and the effects of Covid-19.

Grant Thornton

Report on the Audit of the Consolidated Financial Statements (Continued)

How audit responded to this matter

Our audit procedures included among others:

- confirmed that tenement rights are still valid and adherence to tenement requirements.
- performed walkthrough and tests of control to gain an understanding of how and when costs are recognised and capitalised in compliance with IFRS 6, Exploration for and Evaluation of Mineral Resources.
- confirmed that management is closely monitoring the progress of the exploration presently undertaken and all deviations are addressed.
- ensured that external analyst reports are available in support for all assumptions and estimates used in financial forecasts.

Information Other than the Financial Statements and Auditors' Report Thereon ("Other Information")

Management is responsible for the Other Information. The Other Information comprises mainly of information included under the Corporate Information, Commentary of the Directors sections, and the Chairman's Report but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Grant Thornton

Report on the Audit of the Consolidated Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on the Audit of the Consolidated Financial Statements (Continued)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of 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 it appears from our examination of those records.

Other Matter

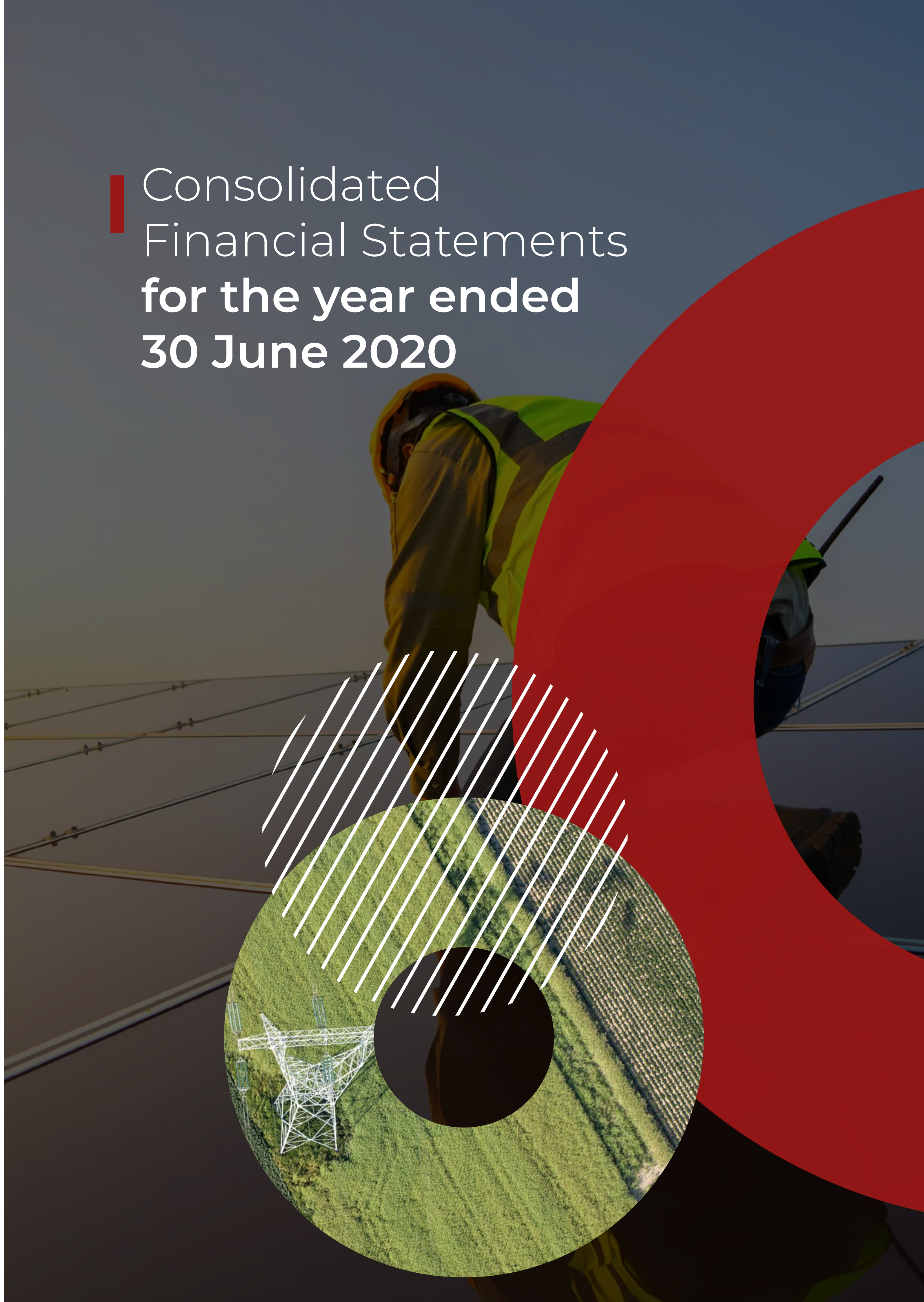
Our report is made solely to the members of the Company as a body in accordance with Section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them an auditors' report and for no other 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: 30 October 2020

Ebene 72201, Republic of Mauritius



Consolidated Statement of Financial Position as at 30 June 2020

	Notes	The Group 2020 USD	The Group 2019 USD	The Company 2020 USD	The Company 2019 USD
Assets					
Non-current					
Investment in subsidiaries	7	-	-	**2,030,743**	2,036,706
Goodwill	8	**2,745,662**	2,745,662	-	-
Loans	9	**93,168**	-	**18,929,005**	18,194,213
Plant and equipment	10	**403,116**	440,386	-	-
Right-of-use assets	23	**372,864**		-	
Exploration assets	11	**15,122,560**	4,739,648	-	-
Financial assets at fair value through other comprehensive income	12	-	2,614,300	-	-
		18,737,370	10,539,996	**20,959,748**	20,230,919
Current					
Receivables and prepayments	13	**88,297**	227,915	**1,783,815**	1,806,400
Cash and cash equivalents	14	**108,567**	153,003	**205**	10,111
		196,864	380,918	**1,784,020**	1,816,511
Total assets		**18,934,234**	10,920,914	**22,743,768**	22,047,430
Equity and liabilities					
Equity					
Stated capital	15	**17,621,778**	17,621,778	**17,621,778**	17,621,778
Translation reserves		**28,772**	591,311	-	-
Fair value reserves	12	-	(8,724,959)	-	-
Accumulated losses		**(9,313,206)**	(3,731,999)	**(1,929,341)**	(2,115,873)
Equity attributable to owners of the parent		**8,337,344**	5,756,131	**15,692,437**	15,505,905
Non-controlling interest	16	**2,760,194**	(1,145,328)	-	-
		11,097,538	4,610,803	**15,692,437**	15,505,905
Liabilities					
Non-current					
Loan notes	17	**3,282,272**	2,862,021	**3,282,272**	2,862,021
Finance lease liabilities	25	**378,122**	-	-	-
Contingent consideration	18	**1,500,000**	1,500,000	**1,500,000**	1,500,000
		5,160,394	4,362,021	**4,782,272**	4,362,021
Current					
Payables and accruals	19	**2,644,397**	1,946,109	**2,269,059**	2,179,504
Finance lease liabilities	25	**1,416**	-	-	-
Bank overdraft	14	**29,435**	-	-	-
Current tax liabilities	20	**1,054**	1,981	-	-
		2,676,302	1,948,090	**2,269,059**	2,179,504
Total liabilities		**7,836,696**	6,310,111	**7,051,331**	6,541,525
Total equity and liabilities		**18,934,234**	10,920,914	**22,743,768**	22,047,430

Approved by the Board of Directors and authorised for issue on 30 October 2020 and signed on its behalf by:

Director

Director

The notes on pages 43 and 85 form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020

	Notes	The Group 2020 USD	The Group 2019 USD	The Company 2020 USD	The Company 2019 USD
Revenue		**618,933**	733,625	-	-
Cost of sales		**(499,749)**	(671,205)	-	-
		119,184	62,420	-	-
Expenditure					
Professional fees		**15,419**	89,556	**31,566**	62,936
Listing fees		-	25,718	-	25,718
Licence fees		**4,870**	4,160	**2,240**	1,750
Directors' fees		-	70,918	-	70,293
Audit fees		**50,500**	26,475	**39,950**	17,650
Bank charges		**849**	3,165	**799**	2,397
Operating expenses		**2,423,382**	2,680,161	**47,491**	178,978
		2,495,020	2,900,153	**122,046**	359,722
Operating loss for the year		**(2,375,836)**	(2,837,733)	**122,046**	(359,722)
Finance costs		**(455,047)**	(435,461)	**(432,401)**	(435,460)
Finance income		**1,831**	97,318	**746,942**	900,525
Share issue costs		-	(133,688)	-	(133,688)
Foreign exchange (losses)/gains		**(16,482)**	(14,284)	-	16,485
Investment income		-	12	-	-
Gain on bargain purchase	23	**4,977,507**	-	-	-
Impairment loss on investment	7	-	-	**(5,963)**	-
Other income	21	**574,958**	(1,145,328)	-	-
Profit/(loss) before tax		**2,706,931**	(2,271,518)	**186,532**	(11,860)
Tax expense	20	**(1,054)**	(1,981)	-	-
Profit/(loss) for the year		**2,705,877**	(2,273,499)	**186,532**	(11,860)
Other comprehensive income, net of tax:					
Items that will not be reclassified subsequently to profit or loss Items that will be reclassified subsequently to profit or loss:		-	-	-	-
Loss on remeasurement of financial assets at FVOCI	12	-	(5,896,157)	-	-
Exchange differences on retranslation of foreign operations		**(446,978)**	866,164		
		(446,978)	(5,029,993)	-	-
Total comprehensive income for the year		**2,258,899**	(7,303,492)	**186,532**	(11,860)
Profit/(loss) for the year attributable to:					
Owners of the parent		**3,216,395**	(2,033,379)	-	-
Non-controlling interest	16	**(510,518)**	(240,120)	-	-
		2,705,877	(2,273,499)	-	-
Total comprehensive income attributable to:					
Owners of the parent		**2,653,856**	(6,416,655)	-	-
Non-controlling interest	16	**(394,957)**	(886,837)	-	-
		2,258,899	**(7,303,492)**	-	-
Profit/(loss) per share					
Basic profit/(loss) per share	22	**0.01102**	(0.00707)	-	-
Diluted profit/(loss) per share	22	**0.01012**	(0.00648)	-	-

Consolidated Statement of Changes in Equity for the year ended 30 June 2020

The Group	Stated capital USD	Translation reserves USD	Fair value reserves USD	Accumulated losses USD	Equity attributable to owners of the parent USD	Non-controlling interest USD	Total USD
At 01 July 2019	**17,621,778**	**591,311**	**(8,724,959)**	**(3,731,999)**	**5,756,131**	**(1,145,328)**	**4,610,803**
On acquisition of subsidiaries	-	-	-	(72,643)	(72,643)	4,300,479	4,227,836
Recycling of fair value reserves (Note 12)	-	-	8,724,959	(8,724,959)	-	-	-
Profit for the year				3,216,395	3,216,395	(510,518)	2,705,877
Other comprehensive income							
Exchange differences on translating foreign operations	-	(562,539)	-		(562,539)	115,561	(446,978)
Total comprehensive income for the year	-	(562,539)	-	3,216,395	2,653,856	(394,957)	2,258,899
At 30 June 2020	**17,621,778**	**28,772**	**-**	**(9,313,206)**	**8,337,344**	**2,760,194**	**11,097,538**
At 01 July 2018	15,918,178	(331,954)	(4,004,750)	(1,112,288)	10,469,186	(258,491)	10,210,695
Issue of shares	1,703,600	-	-	-	1,703,600	-	1,703,600
Transactions with the shareholders	1,703,600	-	-	-	1,703,600	-	1,703,600
Reclassification to profit or loss	-	-	586,332	(586,332)	-	-	-
Loss for the year	-	-	-	(2,033,379)	(2,033,379)	(240,120)	(2,273,499)
Transactions with the shareholders	1,703,600	-	-	-	1,703,600	-	1,703,600
Reclassification to profit or loss	-	-	586,332	(586,332)	-	-	-
Loss for the year	-	-	-	(2,033,379)	(2,033,379)	(240,120)	(2,273,499)
Other comprehensive income							
Exchange differences on translating foreign operations	-	923,265	-	-	923,265	(57,101)	866,164
Fair value movement	-	-	(5,306,541)	-	(5,306,541)	(589,616)	(5,896,157)
Total comprehensive income for the year	-	923,265	(5,306,541)	(2,033,379)	(6,416,655)	(886,837)	(7,303,492)
At 30 June 2019	17,621,778	591,311	(8,724,959)	(3,731,999)	5,756,131	(1,145,328)	4,610,803

The notes on pages 43 and 85 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended 30 June 2020 (Continued)

The Company	Stated capital USD	Accumulated losses USD	Total USD
At 01 July 2019	**17,621,778**	**(2,115,873)**	**15,505,905**
Profit for the year	**-**	**186,532**	**186,532**
Other comprehensive income	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**186,532**	**186,532**
At 30 June 2020	**17,621,778**	**(1,929,341)**	**15,692,437**
At 01 July 2018	15,918,178	(2,104,013)	13,814,165
Issue of shares	1,703,600	-	1,703,600
Transactions with the shareholders	1,703,600	-	1,703,600
Loss for the year	-	(11,860)	(11,860)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(11,860)	(11,860)
At 30 June 2019	17,621,778	(2,115,873)	15,505,905

Consolidated Statement of Cash flows for the year ended 30 June 2020

	The Group		The Company	
	2020 USD	2019 USD	2020 USD	2019 USD
Cash flows from operating activities				
Profit/(loss) before tax	**2,706,930**	(2,271,518)	**186,532**	(11,860)
Adjustments for:				
Bad debts	**-**	20,179	**-**	20,179
Loan written off	**-**	-	**42,915**	-
Interest expense	**455,421**	435,461	**432,401**	435,460
Interest income	**(1,831)**	(97,318)	**(746,942)**	(900,525)
Loss on disposal of financial assets	**1,021,713**	-	**-**	-
Share issue costs	**-**	133,688	**-**	133,688
Foreign exchange losses/(gains)	**(16,482)**	14,284	**-**	(16,485)
Costs upon conversion of convertible loan notes to equity shares	**-**	(275,861)	**-**	(275,861)
Depreciation of plant and equipment	**3,747**	9,272	**-**	-
Depreciation of right-of-use assets	**8,004**	-	**-**	-
Impairment loss on investment and exploration assets	**112,965**	-	**5,963**	-
Operating profit/(loss) before working capital changes	**4,290,467**	(2,031,813)	**(79,131)**	(615,404)
Change in receivables and prepayments	**139,618**	410,324	**(20,330)**	11,561
Change in payables and accruals	**699,342**	(453,488)	**89,555**	(430,898)
Net cash from/ (used in) operations	**5,129,427**	(2,074,977)	**(9,906)**	(1,034,741
Tax paid	**(1,981)**	-	**-**	-
Cash flows from investing activities				
Purchase of plant and equipment	**(4,020)**	(425,179)	**-**	-
Proceeds from disposal of investment	**688,855**	1,406,138	**-**	-
Exploration assets on business combinations	**(6,130,380)**	-	**-**	-
Expenditure on exploration assets	**(94,086)**	(226,057)	**-**	-
Proceeds from disposal of exploration assets	**-**	60,507	**-**	-
Loans	**(93,168)**	-	**-**	1,023,381
Net cash (used in)/from investing activities	**(5,632,799)**	815,409	**-**	1,023,381
Cash flows from financing activities				
Repayment of convertible loan notes	**(12,150)**	-	**-**	-
Repayment of right-of-use liabilities	**(1,403)**	-	**-**	-
Net cash used in financing activities*	**(13,553)**	-	**-**	-
Net change in cash and cash equivalents	**(518,906)**	(1,259,568)	**(9,906)**	(11,360)
Cash and cash equivalents at beginning of the year	**153,003**	1,352,602	**10,111**	21,471
Exchange differences on cash and cash equivalents	**445,035**	59,969	**-**	-
Cash and cash equivalents at end of the year	**79,132**	153,003	**205**	10,111
Cash and cash equivalents made up of:				
Cash at bank (Note 14)	**108,567**	153,003	**205**	10,111
Bank overdraft (Note 14)	**(29,435)**	-	**-**	-
	79,132	**153,003**	**205**	10,111
Non-cash transactions:				
Right-of-use assets	**(372,864)**	-	**-**	-
Right-of-use liabilities	**372,864**	-	**-**	-
Issue of shares	**-**	1,569,912	**-**	1,569,912
Conversion into equity shares	**-**	1,569,912	**-**	(1,569,912)

** For reconciliation of liabilities arising from financing activities, refer to Note 27.*

Notes to the Consolidated Financial Statements for the year ended 30 June 2020

1. General information and statement of compliance with International Financial Reporting Standards

Shumba Energy Ltd, 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 registered office is at Mauritius International Trust Company Limited, 4th Floor, Ebene Skies, Rue de L'Institut, Ebene 80817, Republic of Mauritius. The Company is currently listed on the Botswana Stock Exchange.

The Company was previously known as Shumba Coal Limited and it changed name to "Shumba Energy Ltd " on 22 October 2015 as evidenced by a Certificate of Incorporation on Change of Name issued by the Registrar of Companies.

The Company holds a Category 1 Global Business Licence issued by the Financial Services Commission of Mauritius.

The Company and its subsidiaries are collectively referred to as the "Group".

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

The consolidated financial statements of the Group have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

2. Adoption of new and revised IFRS

2.1 New and revised standards that are effective for the annual period beginning on 01 July 2019

In the current year, the following new and revised standards and one interpretation issued by the IASB became mandatory for the first time for the financial year beginning on 01 July 2019:

IFRS 16, Leases

The new standard requires lessees to account for leases 'on-balance sheet' by recognising a 'right-of-use' asset and a lease liability.

IFRIC 23, Uncertainty over Income Tax Treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

IFRS 9, Prepayments Features with Negative Compensation (Amendments to IFRS 9)

This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

IAS 28, Long-term interest in Associates and Joint Ventures (Amendments to IAS 28)

These amendments provide clarification in the case where an entity applies IFRS 9 'Financial Instruments' to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

2. Application of new and revised International Financial Reporting Standards (Continued)

2.1 New and revised standards and interpretations that are effective for annual year beginning on 01 July 2019 (Continued)

IAS 19, Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

Management has assessed the impact of these new and revised standards and interpretation and concluded that only IFRS 16, Leases has an impact on these consolidated financial statements.

Application of IFRS 16 Leases

In the current year, the Group has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 01 July 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the Group's financial statements is described below.

The Group has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases; and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

IFRS 16 has been adopted by applying the modified retrospective approach, whereby the comparative figures are not restated.

Leases where the Group is lessee

Leases previously classified as operating leases

The Group undertook the following at the date of initial application for leases which were previously recognised as operating leases:

- recognised a lease liability, measured at the present value of the remaining lease payments, discounted at the incremental borrowing rate at the date of initial application.
- recognised right-of-use assets measured on a lease by lease basis, at either the carrying amount (as if IFRS 16 applied from commencement date but discounted at the incremental borrowing rate at the date of initial application) or at an amount equal to the lease liability adjusted for accruals or prepayments relating to that lease prior to the date of initial application.

The Group applied IAS 36 to consider if these right-of-use assets are impaired as at the date of initial application.

2. Application of new and revised International Financial Reporting Standards (Continued)

2.1 New and revised standards and interpretations that are effective for annual year beginning on 01 July 2019 (Continued)

Application of IFRS 16 Leases (Continued)

Leases where the Group is lessee (Continued)

Leases previously classified as operating leases (Continued)

The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases in terms of IAS 17. Where necessary, they have been applied on a lease by lease basis:

- hindsight was applied where appropriate. This was specifically the case for determining the lease term for leases which contained extension or termination options.

Impact on financial statements

On transition to IFRS 16, the Group recognised an additional USD 372,864 of right-of-use assets and USD 372,864 of lease liabilities.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 01 July 2019. The weighted average rate applied is 6.5%.

Management has assessed the impact of these new and revised standards and interpretation and concluded that only IFRS 16, Leases has an impact on these consolidated financial statements.

2.2 Standards, amendments to existing standards and interpretations 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 and amendments to existing standards have been published but are not yet effective and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements, as relevant to the Group's activities, will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on the new standards and amendments to existing standards is provided below.

IFRS 17, Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4, Insurance Contracts as of 01 January 2021.

IFRS 3, Definition of a Business (Amendments to IFRS 3)

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

2. Adoption of new and revised IFRS (Continued)

2.2 Standards, amendments to existing standards and interpretations that are not yet effective and have not been adopted early by the Group (Continued)

IAS 1 and IAS 8, Definition of Material (Amendments to IAS 1 and IAS 8)

The changes in 'Definition of Material' (Amendments to IAS 1 and IAS 8) relate to a revised definition of 'material' which states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

IAS 1, Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments in classification as liabilities as current or non-current affect only the presentation of liabilities in the consolidated statement of financial position – not the amount or timing of recognition of any asset, liability, income or expense, or the information that entities disclose about those items. They:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform (IBOR)

The IASB has issued amendments to IFRS 9, IAS 39 and IFRS 7 that provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

Management has yet to assess the impact of the above standards and amendments on the Group's financial statements.

3. Summary of accounting policies

3.1 Overall considerations

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

3.2 Basis of consolidation

The Group financial statements consolidate those of the parent company and of its subsidiaries as at

30 June 2020. The parent 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.

3. Summary of accounting policies (Continued)

3.2 Basis of consolidation (Continued)

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. 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 subsidiaries acquired or disposed of during the year 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 subsidiaries' profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

3.3 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. Consideration in respect of business combinations comprises of actual cash paid, shares issued or contingent consideration.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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 acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of 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.

3.4 Financial instruments

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 instruments and are measured initially at fair value adjusted by transactions costs, where appropriate. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled, or expires.

Classification and subsequent measurement of financial assets

Except for those receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs, where appropriate.

3. Summary of accounting policies (Continued)

3.4 Financial instruments (Continued)

Classification and subsequent measurement of financial assets (Continued)

Financial assets are classified into the following categories:

- amortised cost;
- fair value through profit or loss ("FVTPL"); and
- fair value through other comprehensive income ("FVOCI").

In the current year, the Group does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the Group's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's receivables and cash and cash equivalents fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is "hold to collect" the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income ("OCI") will be recycled upon derecognition of the asset.

3. Summary of accounting policies (Continued)

3.4 Financial instruments (Continued)

Classification and subsequent measurement of financial assets (Continued)

Principles of valuation of investment

Unlisted investments are stated at amounts considered by the directors to be a reasonable assessment of their fair value, where fair value is the amount at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Listed investments are fair valued with reference to their closing price quoted on the relevant stock exchange.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss ("ECL") model'. Instruments within the scope of these requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

The Group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in Note 13.

3. Summary of accounting policies (Continued)

3.4 Financial instruments (Continued)

Impairment of financial assets (Continued)

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance.

Classification and measurement of financial liabilities

The Group's financial liabilities include payables and accruals, convertible loan notes and contingent consideration.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3.5 Investment in subsidiaries

A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company is exposed to, 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.

All investments in subsidiaries are stated at cost less impairment charges in the separate financial statements. 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 profit or loss and other comprehensive income. On disposal of the investment, the difference between the net disposal proceeds and the carrying amount is charged or credited in the consolidated statement of profit or loss and other comprehensive income.

3.6 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See Note 3.3 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses, if any.

Negative goodwill is recognised in the consolidated statement of comprehensive income.

3. Summary of accounting policies (Continued)

3.7 Plant and equipment

The cost of an item of plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Group; and
- the cost of the item can be measured reliably.

Plant and equipment are initially measured at cost.

Costs include any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management.

Plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of plant and equipment have been assessed as follows:

Item	Average useful life
Furniture and fittings	10 years
Office equipment	10 years
IT equipment	4 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The gain or loss arising from the de recognition of an item of plant and equipment is included in profit or loss. The gain or loss arising from the derecognition is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

3.8 Exploration assets

Exploration and evaluation expenditure include costs associated with exploration and evaluation activity as well as cost of procurement of tenement rights for prospecting mineral resources. 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 include:

- 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; and
- Conducting market and finance studies.

3. Summary of accounting policies (Continued)

3.8 Exploration assets (Continued)

Exploration and evaluation expenditure are capitalised on an area of interest basis.

Exploration assets are initially recognised at cost.

Expenditure on exploration on the prospecting stage on tenements are capitalised. Expenditure, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the production of mineral resources from each respective area. The costs are also carried forward, where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest is amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to the area of interest.

The exploration and evaluation expenditure capitalisation cease when the board of directors concludes that the project is capable of commercial production whereupon accumulated costs are amortised on a unit of production basis.

3.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the First In First Out method. Net realisable value is the estimated selling price in the ordinary course of the business less any applicable selling expenses.

3.10 Site restoration and dismantling cost

The Group has an obligation to dismantle, remove and restore items of plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Group incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss; and
- if the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in profit or loss.

3. Summary of accounting policies (Continued)

3.10 Site restoration and dismantling cost (Continued)

If the related asset is measured using the revaluation model, changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:

- a decrease in the liability (subject to (b)) is credited in other comprehensive income and accumulated in the revaluation reserve in equity, except that it is recognised in profit or loss to the extent that it reverses a revaluation deficit on the asset that was previously recognised in profit or loss;
- an increase in the liability is recognised in profit or loss, except that it is debited to other comprehensive income as a decrease to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in profit or loss; and
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to profit or loss and to other comprehensive income under (a). If a revaluation is necessary, all assets of that class are revalued.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank, fixed deposits and demand deposit, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts are shown under current liabilities.

3.12 Equity and reserves and dividend payments

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

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

Fair value reserves comprise of gains and losses on remeasurement of financial assets at fair value through other comprehensive income.

Accumulated losses include all current and prior years' results as disclosed in the consolidated statement of profit or loss and other comprehensive income.

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

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

3.13 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.

3. Summary of accounting policies (Continued)

3.14 Operating expenses

Operating expenses are recognised in the consolidated statement of profit or loss and other comprehensive income upon utilisation of the service or at the date of their origin.

3.15 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; and
- weighted average of the borrowing costs applicable to the Group on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowings costs incurred.

The capitalisation of borrowing costs commences when:

- expenditure for the asset has occurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

3.16 Taxation

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting years, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting date in the respective jurisdiction where each entity is incorporated.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting date.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided in full.

3. Summary of accounting policies (Continued)

3.16 Taxation (Continued)

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

3.17 Foreign currency

Functional and presentation currency

The consolidated financial statements are presented in United States Dollars (USD), which is also the functional currency of the parent company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Group, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when 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 currencies of the overseas subsidiaries have 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.

Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserves in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

The closing and average exchange rates for the year ended 30 June 2020 were as follows:

	2020 USD	2019 USD
BWP/USD (Closing)	**0.08480**	0.09270
BWP/USD (Average)	**0.08947**	0.09234
ZAR/USD (Closing)	**0.05775**	0.07080
ZAR/USD (Average)	**0.06403**	0.07046

3.18 Related parties

A related party is a person or company where that person or company has control or joint control of the reporting company; has significant influence over the reporting company; or is a member of the key management personnel of the reporting company or of a parent of the reporting company

3. Summary of accounting policies (Continued)

3.19 Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. When an indication of an impairment loss exists, the carrying amount of the asset is assessed and is written down to its recoverable amount.

The impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income.

3.20 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 year 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.

3.21 Revenue recognition

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

To determine whether to recognise revenue, the Group ensures that the following 5 conditions are satisfied:

1. Identifying the contract with a customer.
2. Identifying the performance obligations.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations.
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised over time, when (or as) the Group satisfies performance obligations by delivering goods to its customers.

Interest income is recognised on an accrual basis unless collectability is in doubt.

Dividend income is recognised when the right to receive payment is established.

3.22 Leases

The Group assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3. Summary of accounting policies (Continued)

3.22 Leases (Continued)

In order to assess whether a contract is, or contains, a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Group under residual value guarantees;
- the exercise price of purchase options, if the company is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

3. Summary of accounting policies (Continued)

3.22 Leases (Continued)

Lease liabilities (Continued)

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses.

The lease liability is presented as a separate line item on the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Group will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the company incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

3. Summary of accounting policies (Continued)

3.22 Leases (Continued)

Right-of-use assets (Continued)

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are presented in the following table:

Item	Depreciation method	Average useful life
Leasehold property straight line 50 years	Straight line	50 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

3.23 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3.24 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements.

Determination of functional currency

The determination of the functional currency of the Group is critical since recording of transactions and exchange differences arising therefrom 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.

3. Summary of accounting policies (Continued)

3.24 Significant management judgement in applying accounting policies and estimation uncertainty (Continued)

Significant management judgement (Continued)

Income taxes

The Company and its subsidiaries are subject to income taxes in jurisdictions where each company is incorporated. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determinations 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 year in which such determination is made.

Contingent liabilities

Management applies its judgement to facts and advices it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

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 reserves 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.

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:

3. Summary of accounting policies (Continued)

3.24 Significant management judgement in applying accounting policies and estimation uncertainty (Continued)

Significant management judgement (Continued)

Production start date (Continued)

- 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.

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 Group's future taxable income against which the deductible temporary differences can be utilised.

Going concern

The directors have exercised significant judgement in assessing that the preparation of these consolidated financial statements on a going concern basis is appropriate. In making this assessment, factors like current financial position and financial performance of the Group as well as future business prospects, future profits and cash flows have been considered.

Impact of COVID-19

In January 2020, the World Health Organization has declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets.

The directors have considered the potential adverse impact of COVID- 19 on the Group's business activities and have exercised significant judgement in assessing that the preparation of these consolidated financial statements on a going concern basis is appropriate. In making this assessment, the directors have considered the Group's future business projects, future cash flows and profitability, the global economic conditions and the government's financial support.

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 overleaf. Actual results may be substantially different.

3. Summary of accounting policies (Continued)

3.24 Significant management judgement in applying accounting policies and estimation uncertainty (Continued)

Estimation uncertainty (Continued)

Inventories

The directors estimate the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Business combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, the directors use estimates of future cash flows and discount rates.

Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognised in profit or loss in the subsequent period.

Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether 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.

Useful lives of depreciable assets

The estimates of useful lives as translated into depreciation rates are detailed in plant and equipment policy in the consolidated financial statements. 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.

Impairment testing (including goodwill)

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions by management may change which may then impact these estimations and may then require a material adjustment to the carrying value of assets.

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply demand, together with economic factors such as exchange rates, inflation and interest.

3. Summary of accounting policies (Continued)

3.24 Significant management judgement in applying accounting policies and estimation uncertainty (Continued)

Estimation uncertainty (Continued)

Impairment of financial assets

The Group uses the guidance of IFRS 9 to determine the degree of impairment of its financial assets. Management considers a broader range of information when assessing credit risk and estimating the credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the receivables. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

4. Financial instrument risk

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk. The Group's financial assets and liabilities by category are summarised below:

	The Group				The Company	
	2020		2019		2020	2019
	USD	USD	USD	USD	USD	2019 USD
	Amortised cost	FVOCI	Amortised cost	FVOCI	Amortised cost	
Financial assets Non-current						
Loans	**93,168**	**-**	-	-	**18,929,005**	18,194,213
Investments in a quoted entity	**-**	**-**	-	2,614,300	**-**	-
	93,168	**-**	-	2,614,300	**18,929,005**	18,194,213
Current						
Receivables	**18,495**	**-**	139,132	-	**1,781,414**	1,801,451
Cash and cash equivalents	**108,567**	**-**	153,003	-	**205**	10,111
	127,062	**-**	292,135	-	**1,781,619**	**1,811,562**
Total financial assets	**220,230**	**-**	292,135	2,614,300	**20,710,624**	20,005,775

4. Financial instrument risk

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk. The Group's financial assets and liabilities by category are summarised below:

	The Group		The Company	
	2020 USD	2019 USD	2020 USD	2019 USD
Financial liabilities				
Financial liabilities measured at amortised cost:				
Non-current				
Loans notes	**3,282,272**	2,862,021	**3,282,272**	2,862,021
Finance lease liabilities	**378,122**	-	**-**	-
Contingent consideration	**1,500,000**	1,500,000	**1,500,000**	1,500,000
	5,160,394	4,362,021	**4,782,272**	4,362,021
Current				
Finance lease liabilities	**1,416**	-	**-**	-
Bank overdraft	**29,435**	-	**-**	-
Payables and accruals	**2,644,397**	1,946,109	**2,269,059**	2,179,504
Total financial liabilities	**7,835,642**	6,308,130	**7,051,331**	6,541,525

The Group's risk management is carried out under policies approved by the Board of Directors and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets.

The Group does not actively engage in the trading of financial assets and derivatives for speculative purposes nor does it write options.

The most significant financial risk to which the Group and the Company are exposed are described below.

4.1 Market risk analysis

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or 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.

Foreign currency sensitivity

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

4. Financial instrument risk (Continued)

Risk management objectives and policies (Continued)

4.1 Market risk analysis (Continued)

Foreign currency sensitivity (Continued)

The foreign currency profile of the Group's and the Company's financial instruments is as follows:

	Financial assets			
	The Group		The Company	
	2020 USD	2019 USD	2020 USD	2019 USD
USD	**883**	41,907	**205**	10,111
BWP	**139,328**	122,808	**20,710,419**	19,995,664
ZAR	**80,019**	127,420	**-**	-
	220,230	292,135	**20,710,624**	20,005,775

	Financial liabilities			
	The Group		The Company	
	2020 USD	2019 USD	2020 USD	2019 USD
USD	**2,082,794**	1,804,297	**2,057,216**	2,037,646
BWP	**5,752,848**	3,003,833	**3,494,115**	3,003,883
	7,835,642	4,808,130	**5,551,331**	5,041,529

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

It assumes an 8% change of the USD/BWP exchange rate for the year ended 30 June 2020 (2019: 2%).

This percentage has been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Company's and the Group's foreign currency financial instruments held at the reporting date.

If the BWP had weakened against the USD by 8% (2019: 2%), then this would have the following impact:

	The Group		The Company	
	Profit/(loss) and equity		Profit/(loss) and equity	
	2020 USD	2019 USD	2020 USD	2019 USD
At 30 June	**218,621**	57,621	**(17,962)**	(339,836)

4. Financial instrument risk (Continued)

Risk management objectives and policies (Continued)

4.1 Market risk analysis (Continued)

Foreign currency sensitivity (Continued)

If the BWP had strengthened against the USD by 8% (2019: 2%), then this would have the following impact:

	The Group		The Company	
	Profit/(loss) and equity		Profit/(loss) and equity	
	2020 USD	2019 USD	2020 USD	2019 USD
At 30 June	**(218,621)**	(57,621)	**17,962**	339,836

Interest rate sensitivity

The Group's interest-bearing financial liabilities consist of convertible loan notes which carry interest at a fixed rate and are therefore not exposed to any interest rate risk.

The Group's interest-bearing financial assets include its bank balances. Interest on the bank balances is based on market interest rates. At 30 June 2020, the bank balance stood at USD 108,567 (2019: USD 153,003) and interest earned during the year was insignificant. Therefore, any change in the market interest rate would impact marginally on the Group's operating cash flows.

4.2 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation resulting in financial loss to the Group. The Group's and the Company's exposures to credit risk are limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	The Group		The Company	
	2020 USD	2019 USD	2020 USD	2019 USD
Assets				
Non-Current				
Loans	**93,168**	-	**18,929,005**	18,194,213
Current				
Receivables	**18,495**	139,132	**1,781,414**	1,801,451
Cash and cash equivalents	**108,567**	153,003	**205**	10,111
	127,062	292,135	**1,781,619**	1,811,562
Total	**220,230**	292,135	**20,710,624**	20,005,775

The Group transacts with reputable banks in order to minimise its credit risk on its bank balances.

The Group has policies in place to deal with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

4. Financial instrument risk (Continued)

Risk management objectives and policies (Continued)

4.3 Liquidity risk analysis

Liquidity risk is the risk arising from the Group not being able to meet its financial obligations as and when they fall due.

The Group manages liquidity risk by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Funding for long term liquidity needs is secured by loans from related parties and raising funds from the public.

The following are the contractual maturities of the financial liabilities:

The Group	Within 1 year		More than 1 year	
	2020 USD	2019 USD	2020 USD	2019 USD
Loan notes	**-**	-	**3,282,272**	2,862,021
Contingent consideration	**-**	-	**1,500,000**	1,500,000
Finance lease liabilities	**1,416**	-	**378,122**	-
Bank overdraft	**29,435**	-	**-**	-
Payables and accruals	**2,644,397**	1,946,109	**-**	-
	2,675,248	1,946,109	**5,160,394**	4,362,021

The Company	Within 1 year		More than 1 year	
	2020 USD	2019 USD	2020 USD	2019 USD
Convertible loan notes	**-**	-	**3,282,272**	2,862,021
Contingent consideration	**-**	-	**1,500,000**	1,500,000
Payables and accruals	**2,269,059**	2,179,504	**-**	-
	2,269,059	2,179,504	**4,782,272**	4,362,021

5. Capital risk management policies and procedures

The Group's capital management objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to shareholders and other stakeholders.

The Group aims to maintain a reasonable gearing ratio, which would allow it to achieve its investment objectives.

5. Capital risk management policies and procedures (Continued)

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the consolidated statement of financial position.

The Group sets the amount of capital in proportion to its overall financing structure, that is, equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, reduce capital, issue new shares, or sell assets to reduce debts.

The Group was not geared for the two years ended 30 June 2020.

6. Fair value measurement

6.1 Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- **Level 3:** unobservable inputs for the asset or liability.

The level within which the financial asset is classified is determined based on the lowest level of significant input to the fair value measurement.

At 30 June 2019, the financial instruments at fair value in the consolidated statement of financial position is grouped into the fair value hierarchy as follows:

	Level 1 USD	Level 2 USD	Level 3 USD	Level 4 USD
Financial Assets				
Fair value of financial assets:				
Quoted investments	**1,772,322**	-	**-**	1,772,322
Unquoted investments	**-**	-	**841,978**	841,978
At 30 June 2019	**1,772,322**	-	**841,978**	2,614,300

At 30 June 2020, the quoted investments were fully disposed resulting in a loss of USD 1,021,713 and the unquoted investments have been reclassified to investment in subsidiary as per IFRS 10, Consolidated Financial Statements.

6. Fair value measurement (Continued)

6.2 Fair value measurement of non-financial assets and non-financial liabilities

The Company's non-financial assets consist of investment in subsidiaries and prepayments for which fair value measurement is not applicable since these are not measured at fair value on a recurring and non-recurring basis in the statement of financial position. At the reporting date, the Company did not have any non-financial liabilities.

The Group's non-financial assets consist of plant and equipment, exploration assets which are measured using the cost model and inventories and prepayments for which fair value measurement is not applicable. At the reporting date, the Group's non-financial liabilities include only current tax liabilities, for which the fair value measurement is not applicable.

7. Investment in subsidiaries

7.1 Unquoted and at cost:

	2020 USD	2019 USD
At 01 July	**2,036,706**	2,036,706
Impairment loss (Note 7.3 below)	**(5,963)**	-
At 30 June	**2,030,743**	2,036,706

7.2 Details of the investments are as follows:

Investee company	Country of incorpora-tion	Type of shares	% held	Cost 2020 USD	Cost 2019 USD
Shumba Resources Ltd	Republic of Mauritius	Ordinary shares	100%	**2,030,742**	2,030,742
Shumba Coal Trading Ltd	Republic of Mauritius		100%	**1**	5,964
				2,030,743	2,036,706

7.3 The principal activity of Shumba Coal Trading Ltd is to trade in coal. The investment was impaired during the year as the subsidiary is dormant.

7.4 The principal activity of Shumba Resources Ltd is to hold investment in Shumba Energy (Proprietary) limited

7. Investment in subsidiaries (Continued)

Indirect holding through Shumba Resources Ltd:

Investee company	Country of incorpora-tion	Type of shares	% held	Cost 2019 & 2020 USD
Shumba Energy (Proprietary) Limited	Republic of Botswana	Ordinary shares	90%	**359**

The principal activity of Shumba Energy (Proprietary) Limited is the acquisition and development of highly prospective coal exploration licences in the Republic of Botswana.

Indirect holding through Shumba Energy (Proprietary) Limited:

Investee company	Country of incorpora-tion	Type of shares	% held (Effective holding)	Cost 2020 USD	Cost 2019 USD
Shumba Energy (Proprietary) Limited	South Africa	Ordinary shares	67%	**6**	**6**
Morupule South Resources Limited	Republic of Botswana	Ordinary shares	88%	**3,082,121**	**3,082,121**
Coal Petroleum (Proprietary) Limited	Republic of Botswana	Ordinary shares	72%	**3,793**	-
Shumba Coal Trading Botswana (Propri-etary) Limited	Republic of Botswana	Ordinary shares	100%	**9**	-
Lurco Thermal Botswana (Proprietary) Limited	Republic of Botswana	Ordinary shares	100%	**7**	-
Kibo Energy Botswana (Proprietary) Limited	Republic of Botswana	Ordinary shares	59%	**841,978**	-
Total				**3,927,914**	**3,082,127**

Indirect holding through Shumba Coal Trading Ltd:

Investee company	Country of incorpora-tion	Type of shares	% held	Cost 2019 & 2020 USD
Hodges Morupule Mauritius Limited	Republic of Mauritius	Ordinary shares	100%	**1**

7. Investment in subsidiaries (Continued)

Indirect holding through Hodges Morupule Mauritius Limited:

Investee company	Country of incorpora-tion	Type of shares	% held	Cost 2019 & 2020 USD
Hodges Resources (Morupule) (Proprietary) Limited	Republic of Mauritius	Ordinary shares	90%	**1**

8. Goodwill

	2020 USD	2019 USD
Goodwill on acquisition	**2,745,662**	2,745,662 1

Goodwill arose on the acquisition of a subsidiary in 2018. The directors have assessed the goodwill for impairment and no indication of impairment loss has been identified at the reporting date.

9. Loans

The Group

Loan of USD 93,168 is receivable from a third party and it is unsecured, bears no interest and with no fixed term of repayment.

The Company	2020 USD	2019 USD
At 01 July	**18,194,213**	18,300,584
Repayments made during the year	**(12,150)**	(1,006,896)
Interest element for the year	**746,942**	900,525
At 30 June	**18,929,005**	18,194,213

(i) The loan carries interest at the USD Libor rate +50 basis points.

(ii) Interest income for the year amounted to USD 746,942 (2019: USD 900,525).

10. Plant and equipment

Plant and equipment						
The Group	**Furniture & fittings USD**	**Motor vehicles USD**	**IT equipment USD**	**Office equipment USD**	**Capital WIP**	**Total USD**
Cost						
At 01 July 2019	**11,988**	**31,622**	**15,384**	**1,620**	**424,226**	**484,840**
Additions during the year	**-**	**-**	**4,020**	**-**	**-**	**4,020**
Exchange differences	**(1,002)**	**(2,695)**	**(1,491)**	**(138)**	**(36,153)**	**(41,499)**
At 30 June 2020	**10,966**	**28,927**	**17,913**	**1,482**	**388,073**	**447,361**
Depreciation						
At 01 July 2019	**8,495**	**25,484**	**9,334**	**1,141**	**-**	**44,454**
Charge for the year	**1,148**	**-**	**2,463**	**136**	**-**	**3,747**
Exchange differences	**(775)**	**(2,342)**	**(736)**	**(103)**	**-**	**(3,956)**
At 30 June 2020	**8,868**	**23,142**	**11,061**	**1,174**	**-**	**44,245**
Net book values						
At 30 June 2020	**2,098**	**5,785**	**6,853**	**308**	**388,073**	**403,116**
Cost						
At 01 July 2018	12,178	32,123	12,958	1,645	-	58,904
Additions during the year	-	-	3,736	-	422,561	426,297
Disposals during the year	-	-	(1,118)	-	-	(1,118)
Exchange differences	(190)	(501)	(192)	(25)	1,665	757
At 30 June 2019	11,988	31,622	15,384	1,620	424,226	484,840
Depreciation						
At 01 July 2018	7,413	19,275	8,120	1,013	-	35,821
Charge for the year	1,194	6,300	1,636	142	-	9,272
Disposals adjustment	-	-	(301)	-	-	(301)
Exchange differences	(112)	(91)	(121)	(14)	-	(338)
At 30 June 2019	8,495	25,484	9,334	1,141	-	44,454
Net book values						
At 30 June 2019	3,493	6,138	6,050	478	424,226	440,386

11. Exploration assets

Exploration assets		
The Group	**2020 USD**	**2019 USD**
Cost		
At 01 July	**4,739,648**	4,635,464
On consolidation of new subsidiaries	**11,107,887**	-
Additions during the year	**94,086**	226,057
Impairment loss	**(112,965)**	(60,507)
Exchange differences	**(706,096)**	(61,366)
At 30 June	**15,122,560**	4,739,648

(i) Exploration assets which relate to intangible assets under development represent:

- cost of procurement of tenement rights for prospecting certain mineral resources in specified geographical area; and
- accumulated costs in connection with undertaking of various activities involving carrying out and assessment of technical feasibility as well as commercial viability of the extraction of mineral resources, available as mining reserves in the area of interests for which the Group has acquired the tenement rights.

(ii) The following table states the details of all tenements as at 30 June:

2020		
License number	**Size (Km2)**	**Expiry date**
PL 121/2010	**124.00**	31 December 2021
PL 428/2009	**101.90**	31 March 2021
PL 053/2005	**247.40**	30 September 2020
PL 218/2016	**42.00**	31 March 2021

2019		
License number	**Size (Km2)**	**Expiry date**
PL 308/2014	**477**	31 December 2019
PL 053/2005	**247.40**	30 September 2020
PL 218/2016	**42.00**	31 March 2021
PL 121/2010	**124**	31 December 2019

Licence PL 308/2014 was formally relinquished in the prior year.

(i) The directors have assessed whether the exploration assets and prospecting licences are still valid and concluded that based on independent reports dated 09 September 2016 and 13 December 2016 from KPMG South Africa on the Sechaba Independent Power Producer (SIPP) project and Mabesekwa Export Independent Power Producer (MEIPP) project respectively, the explorations assets and prospecting licences have not suffered any impairment in value since these projects are still commercially viable, except for a particular project which has been deemed to be no longer viable by management during the year under review. The licence thereof has been relinquished.

12. Financial assets at FVOCI

Financial assets at FVOCI	2019 USD
Kibo Energy PLC (Note (i))	1,772,322
Kibo Energy Botswana (Proprietary) Limited (Note (ii))	841,978
Additions during the yeara At 30 June	2,614,300

(i) Kibo Energy PLC

This holding represents 134,000,940 (2019: 153,710,030) shares, which equates to 21% (2019: 28%) shareholding of Kibo Energy PLC (formally Kibo Mining PLC), a company listed on the London Stock Exchange. The Group has no significant influence and has no representation on the Board of Kibo Energy PLC, and therefore, has no influence on the operational and financial decision of Kibo Energy PLC.

At 30 June 2019, the investment was fair valued with reference to its closing price on the London Stock Exchange and which resulted in a fair value loss of USD 5,896,157.

The shares were fully disposed during the year.

(ii) Kibo Energy Botswana (Proprietary) Limited

This represents 15% of the equity shares of Kibo Energy Botswana (Proprietary) Limited, a company incorporated in the Republic of Botswana.

The Group's share interest increased from 15% to 65% in this investee and the latter is now considered as a subsidiary (Note 7).

(iii) Fair value reserves

Fair value reserves	2020 USD	2019 USD
At 01 July	**(8,724,959)**	(4,004,750)
Released to profit or loss on disposal	**8,724,959**	586,332
Share of fair value loss on remeasurement	**-**	(5,306,541)
At 30 June	**-**	(8,724,959)

13. Receivables and prepayments

Receivables and prepayments	The Group		The Company	
	2020 USD	2019 USD	2020 USD	2019 USD
Trade receivables gross	**41,897**	117,373	**-**	-
Loss allowance	**(27,715)**	(30,297)	**-**	-
Trade receivables, net	**14,164**	87,076	**-**	-
Due from related parties	**-**	-	**1,781,414**	1,801,451
Deposits	**12,155**	13,287	**-**	-
Other receivables	**4,331**	52,056	**-**	-
VAT recoverable	**27,722**	48,371	**-**	-
Prepayments	**29,925**	27,125	**2,400**	4,949
Total	**88,297**	227,915	**1,783,815**	1,806,400

13. Receivables and prepayments (Continued)

13.1 Expected credit losses

The Group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles.

The loss allowance provision is determined as follows:

	2020 USD	2020 USD	2019 USD	2019 USD
The Group	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Expected credit loss:				
Less than 30 days past due	**56,112**	**-**	54,806	-
31-60 days past due	**-**	**-**	32,270	-
More than 120 days past due (Note 13.3)	**30,705**	**27,715**	30,297	30,297
Total	**86,817**	**27,715**	117,373	30,297

13.2 Receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired.

13.3 Receivables impaired

As of 30 June 2020, trade and other receivables of USD 27,715 (2019: USD 30,297) were impaired and provided for.

14. Cash and cash equivalents

Cash and cash equivalents	The Group		The Company	
	2020 USD	2019 USD	2020 USD	2019 USD
Cash at bank in:				
United Stated Dollar (USD)	**678**	19,840	**-**	9,713
Botswana Pula (BWP)	**41,119**	5,345	**-**	-
Mauritian Rupees	**205**	398	**205**	398
South African Rand (ZAR)	**66,565**	127,420	**-**	-
	108,567	153,003	**205**	10,111
Bank overdraft:				
Botswana Pula (BWP)	**29,435**	-	**-**	-

15. Stated capital

	The Company	
15.1 Issued and fully paid:	**2020 USD**	**2019 USD**
291,819,493 shares at no par value	**17,621,778**	17,621,778

The movement is as follows:

At 01 July	**17,621,778**	15,918,178
Conversion of convertible loan notes into equity shares		1,703,600
At 30 June	**17,621,778**	17,621,778

15.2 Warrants

Pursuant to a Board meeting dated 29 September 2015, the Board had resolved to issue 7,050,709 warrants to founding directors of the Company to subscribe for ordinary shares of the Company at any time during the exercise period at an exercise price of BWP 1.18 each. Pursuant to a Board meeting dated 31 December 2015, it was resolved to issue 603,226 warrants to General Research GMBH to subscribe for ordinary shares of the Company at any time during the exercise period at the listed market price.

Pursuant to a Board meeting dated 20 April 2017, the Board had resolved to issue 18,367,962 warrants to the below holders to subscribe for ordinary shares of the Company at any time during the exercise period at the exercise price of BWP 1.06 each.

As at the date of this report, the directors have not yet exercised their rights to the warrants.

Details of warrants:

Name	2017 Warrants (Number)	2016 Warrants (Number)	Total (Number)
Mashale Phumaphi	4,423,958	3,555,833	7,979,791
Thapelo Mokhathi	4,423,958	2,031,904	6,455,862
Alan Clegg	4,423,959	731,486	5,155,445
Grant Ramnauth	4,423,959	731,486	5,155,445
General Research GMBH	-	603,226	603,226
Thamang Thabolo	572,128	-	572,128
Priscillah Gaonyadiwe Sengwatse	100,000	-	100,000
Total warrants	**18,367,962**	**7,653,935**	**26,021,897**

16. Non-controlling interest

Non-controlling interest	2020 USD	2019 USD
At 01 July	**(1,145,328)**	(258,491)
On acquisition of subsidiaries	**4,300,479**	-
Share of loss for the year	**(510,518)**	(240,120)
Share of other comprehensive income	**-**	(589,616)
Share of translation reserves for the year	**115,561**	(57,101)
At 30 June	**2,760,194**	(1,145,328)

17. Loan Notes

17.1 Convertible Loan Note

Convertible Loan Note	2019 USD
At 01 July	4,272,334
Interest expense for the year	35,680
Reclassification to Medium-Term Loan Note	(2,713,132)
Conversion into equity shares	(1,569,912)
Exchange differences	(24,970)
At 30 June	-

During the previous year, the Group had settled the liability through the issue of 16,367,150 shares.

17.2 Medium-Term Loan Note

Medium-Term Loan Note	2020 USD	2019 USD
At 01 July	**2,862,021**	-
Reclassification (See Note above)	**-**	2,713,132
Interest expense for the year	**432,401**	399,780
Repayments made during the year	**(12,150)**	-
Exchange differences	**-**	(250,891)
At 30 June	**3,282,272**	2,862,021

In 2018, the Group issued convertible loan notes for an amount of USD 2,553,282 (BWP 25,000,000) which carry interest at the rate of prime plus margin semi-annually and maturing by end of 31 January 2024 (maturity date).

18. Contingent consideration

On 24 November 2016, an agreement was made with Hodges Resources Limited for the acquisition of all the shares held by the latter in Hodges Morupule Mauritius Limited which has an effective interest of 75% in the Morupule South Project at the time of acquisition.

18. Contingent consideration (Continued)

On 24 November 2016, an agreement was made with Hodges Resources Limited for the acquisition of all the shares held by the latter in Hodges Morupule Mauritius Limited which has an effective interest of 75% in the Morupule South Project at the time of acquisition.

The transfer was thus done and the salient terms of the acquisition are as follows:

- Payment of USD 1.4 million to Hodges Resources Limited;
- Payment of USD 1.5 million on the first year's anniversary from the date on which mining commences; and
- Payment of a gross sales royalty of 1% of sales revenue generated from the sale of coal from the Morupule South Project to Hodges Resources Limited.

An amount of USD 1,500,000 was thus recognised as a contingent consideration in 2016/2017 though the timing of payment will depend upon the successful operation of the relevant mine.

19. Payables and accruals

	The Group		The Company	
	2020 USD	2019 USD	2020 USD	2019 USD
Payables	**2,559,481**	1,785,334	**2,211,843**	2,141,862
Accruals	**84,916**	160,775	**57,216**	37,642
	2,644,397	1,946,109	**2,269,059**	2,179,504

Included in payables is an amount of USD 2,000,000 (2019: USD 2,000,000) which is secured by the Daheng Licence. This amount is payable on the first anniversary of the commencement of mining at the Mabesekwa project.

20. Taxation

(i) The Subsidiaries

The income tax rate applicable to the subsidiaries depends upon the jurisdiction in which they are incorporated/registered.

(ii) The Company

The Company, being resident in the Republic of Mauritius, is liable to income tax in the Republic of Mauritius on its chargeable income at the rate of 15%. The Company has received its Category 1 Global Business Licence ("GBL1") before 16 October 2017 and is grandfathered under the provisions of the Finance (Miscellaneous Provisions) Act 2018 ("FA 2018"). As from 01 July 2021, the Company's GBL1 licence will be automatically converted to a Global Business Licence ("GBL"). The Company will therefore operate under the current tax regime up to 30 June 2021.

20. Taxation (Continued)

(ii) The Company (Continued)

Until 30 June 2021, the Company's foreign sourced income is eligible for a foreign tax credit which is computed as the higher of the Mauritian tax and the foreign tax on the respective foreign sourced income. The foreign tax for a GBL1 company is based on either the actual foreign tax charged by the foreign jurisdiction or a deemed foreign tax. The deemed amount of foreign tax is based on 80% of the Mauritian tax on the relevant foreign sourced income. In computing its total actual foreign tax credit, the Company is allowed to pool all of its foreign sourced income.

The Company's GBL1 licence will convert to a GBL licence on 01 July 2021 and will operate under the new tax regime. Under the new regime, the Company will be able to claim an 80% partial exemption on specific types of income (including foreign dividends and interest), subject to meeting pre-defined substance conditions. Other types of income not falling within the categories of income benefitting from the partial exemption will be taxed at 15%. As an alternative to the partial exemption, the Company can claim a tax credit against its Mauritius tax liability based on the foreign tax charged on the income in the foreign jurisdiction.

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

	2020 USD	2019 USD
Profit/(loss) before tax	**186,532**	(11,860)
Tax at 15%	**27,980**	(1,779)
Impact of:		
Non-deductible expenses	**7,371**	88
Exempt income	**-**	(3,758)
Deferred tax asset/(liability) not recognised	**(35,351)**	5,449
Tax expense	**-**	*

(ii) Subsidiaries incorporated in Republic of Mauritius

(a) The subsidiaries' income tax liabilities at 30 June 2020 are as follows:

	2020 USD	2019 USD
Shumba Resources Ltd	**1,054**	1,981

Shumba Coal Trading Ltd holds a Category 2 Global Business Licence, and by virtue of this licence this subsidiary is exempt from income tax in the Republic of Mauritius.

20. Taxation (Continued)

(iii) Subsidiaries incorporated in Botswana Shumba Energy (Proprietary) Limited (formerly Sechaba Natural Resources (Proprietary) Limited, Morupule South Resources Limited and Hodges Resources (Morupule) (Proprietary) Limited), Kibo Energy Botswana (Proprietary) Limited, Coal Trading Botswana (Proprietary) Limited, Coal Petroleum (Proprietary) Limited, and Lurco Thermal Botswana (Proprietary) Limited,

The above subsidiaries have 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 9 603 571 (2019: USD 7,866,440). These losses can be carried forward without any limitation of time until there are taxable profits, as they do not fall away. The subsidiaries have not recognised deferred tax assets as it is still proceeding with exploration activities and has not begun to generate revenues.

21. Other income

Other income of USD 574,958 (2019: USD 1,052,318) arose on recoveries on exclusivity fee.

22. Profit/(loss) per share

Both the basic and diluted profit/(loss) per share have been calculated using the loss attributable to shareholders of the parent company.

The reconciliation of the weighted average number of shares for the purposes of diluted loss per share to the weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:

	Number of Shares	
	2020 USD	**2019 USD**
Weighted average number of shares used in basic loss per share	**291,819,493**	287,727,706
Shares deemed to be issued for warrants and options	**26,021,897**	26,021,897
Weighted average number of shares used in diluted loss per share	**317,841,390**	313,749,603

23. Gain on bargain purchase

Pursuant to a Shareholders' agreement (the "agreement") dated 05 December 2019 entered into by Kibo Energy (Cyprus) Limited, Shumba Energy (Proprietary) Limited and Kibo Energy Botswana (Proprietary) Limited, it was resolved to adjust the economic shareholder interests of the latter resulting from the implementation of the provisions of clause 2.2.1 of the agreement in respect of the Mabesekwa Coal Independent Power Project ("MCIPP") in Botswana with the prospecting license PL428/2009.

The above has resulted in a change of shareholding of Shumba Energy (Proprietary) Limited in Kibo Energy Botswana (Proprietary) Limited from 15% to 65% and consequently a gain on bargain purchase of USD 4,977,507 has been recognised in profit and loss.

24. Right-of-use assets

The Group has the option to purchase the plant at a nominal amount on completion of the lease term.

Details pertaining to leasing arrangements, where the Group is lessee are presented below:

24. Right-of-use assets (Continued)

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are included in the following line items:

	USD
Leasehold property	372,864
Additions to right-of-use assets	
Leasehold property	380,868

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed as well as depreciation which has been capitalised to the cost of other assets.

	USD
Buildings	7,741
Interest expense on lease liabilities	23,767

25. Lease liabilities

	2020 USD	2019 USD
Minimum lease payments due		
within one year	**25,097**	-
in second to fifth year inclusive	**100,387**	-
later than five years	**1,043,602**	-
	1,169,085	-
Less: future finance charges	**(789,547)**	-
Present value of minimum lease payments	**379,538**	-
Present value of minimum lease payments due	**1,416**	-
within one year	**6,633**	-
in second to fifth year inclusive	**371,489**	-
later than five years	**379,538**	-
Non-current liabilities	**378,122**	-
Current liabilities	**1,416**	-
	379,538	-

The lease term is for a period of 50 years and the average effective borrowing rate was 6.5%.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

26. Consolidation

Details regarding the Company's subsidiaries, their total assets and liabilities at 30 June 2020, and revenue and loss for the year then ended are as follows:

	Shumba Resources Ltd	Shumba Coal Trading Ltd
Country of incorporation	Republic of Mauritius	Republic of Mauritius
Proportion of ownership interest	100%	100%
Activity of subsidiary	Investment holding	Trading of coal
Total assets	USD 2,673,883	USD 513
Total liabilities	USD 318,566	USD 13,764
Revenues	USD 53,800	-
Profit for the year	USD 34,065	USD 30,945

Indirectly owned by Shumba Resources Limited:

	Shumba Energy (Proprietary) Limited
Country of incorporation	Republic of Botswana
Proportion of ownership interest	100%
Activity of subsidiary	Exploration
Total assets	USD 8,216,063
Total liabilities	USD 22,131,450
Revenues	USD 575,019
Loss for the year	USD 3,992,140

26. Consolidation (Continued)

Indirectly owned by Shumba Energy (Proprietary) Limited:

	Shumba Energy South Africa Proprietary Limited	Morupule South Resources (Proprietary) Hodges Morupule Limited	Kibo Energy Botswana (Pty) Ltd	Coal Trading Botswana (Pty) Ltd	Coal Petroleum (Pty) Ltd	Lurco Thermal Botswana (Pty) Ltd
Country of incorporation	South Africa	Republic of Botswana	Republic of Botswana	Republic of Botswana	Republic of Botswana	Republic of Botswana
Proportion of ownership interest	74%	97.5%	65%	100%	80%	75%
Activity of subsidiary	Wholesale of coal	Exploration	Exploration	Wholesale of coal	Solar Energy	Exploration
Total assets	USD 251,295	USD 718,586	USD 10,612,292	USD 48,030	USD 372,915	USD 3,130,295
Total liabilities	USD 452,856	USD 134,443	USD 1,272	USD 48,022	USD 668,182	USD Nil
Revenues	USD 45,559	USD Nil	USD 77	USD Nil	USD Nil	USD Nil
Loss for the year	USD 140,185	USD Nil	USD 2,583	USD Nil	USD 227,801	USD Nil

Indirectly owned by Shumba Coal Trading Ltd:

	Hodges Morupule Mauritius Limited
Country of incorporation	Republic of Mauritius
Proportion of ownership interest	100%
Activity of subsidiary	Investment holding
Total assets	USD 1
Total liabilities	USD 88,405
Revenues	USD Nil
Loss for the year	USD Nil

Indirectly owned by Hodges Morupule Mauritius Limited:

	Hodges Resources Morupule (Proprietary) Limited
Country of incorporation	Republic of Botswana
Proportion of ownership interest	100%
Activity of subsidiary	Exploration
Total assets	USD Nil
Total liabilities	USD Nil
Revenues	USD Nil
Loss for the year	USD Nil

27. Reconciliation of liabilities arising from financing activities

2020	On 01 July 2019 USD	Cash flows USD	Non-cash changes/ reclassification USD	Lurco Thermal Botswana (Pty) Ltd
Medium Term Note	2,862,021	-	420,251	3,282,272
Total liabilities from financing activities	2,862,021	-	420,251	3,282,272

2019	On 01 July 2019 USD	Cash flows USD	Non-cash changes/ reclassification USD	Lurco Thermal Botswana (Pty) Ltd
Convertible loan notes	4,272,334	-	(4,272,334)	-
Medium Term Note	-	-	2,862,021	2,862,021
Total liabilities from financing activities	4,272,334	-	(1,410,313)	2,862,021

28. Related party transactions

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

Nature of relationship	Nature of transaction	Volume of transaction USD	Debit/(credit) balances at 30 June 2020 USD	Debit/(credit) balances at 30 June 2019 USD
Subsidiary	Loans	273,673	13,590,767	13,317,094
Subsidiary	Receivable	20,037	281,414	301,451
Subsidiary	Payables	69,981	(211,843)	(141,862)
Key management personnel	Director fees	43,375	15,500	(27,875)

One director of the Company, Mr Sipho Alec Ziga, is deemed to have interests in the Company, through his firm Armstrong Attorneys, which provide legal services to the Company.

29. Emphasis of matter - Going concern

The Group's major assets concern the exploration costs incurred in respect of coal mining projects and which stood at USD 15,122,560 at 30 June 2020. These costs have been deferred and their recovery will depend on successful exploitation of the mines. These exploration and operating costs are financed by both equity and non-equity funds since the Group has not yet started generating operating income to support its activities and operations.

The directors have carefully considered and formed a reasonable judgement that, at the time of approving these consolidated financial statements, there is a reasonable expectation that the Group will be able to obtain sufficient funds to continue operations for the foreseeable future. For this reason, the directors continue to consider the Group as a going concern one.

30. Events after the reporting date

COVID-19 outbreak was declared a pandemic by the World Health Organization in January 2020 with financial and non-financial effects still being felt as at the date of this report. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. There are meaningful direct and indirect effects developing with companies across multiple industries and the world.

The Group experienced a fall in revenues as a direct consequence of lockdowns and it was also affected by fluctuations in currencies it trades in. The directors have made an assessment of the Group's ability to continue as a going concern taking into account all available information about the future including the analysis of the possible impacts in relation to COVID-19, which is at least, but is not limited to, twelve months from the date of approval of these financial statements and at 30 June 2020 no events or conditions have been identified that may cast significant doubt on the Group's ability to continue as a going concern. The prolonged effects of the outbreak as well as the resultant lockdown will have an impact on business activities and cash flows.

Except for the above, there have been no material events since the end of the reporting period which would require disclosure or adjustment to the consolidated financial statements for the year ended 30 June 2020.

Compliance with King IV

	Principle	Description	Explanation	Outcome
1	Leadership	The Board should lead ethically and effectively.	The board leads ethically and effectively. All directors conform to the duties of directors by acting with due care and maintaining sufficient expertise in the industry the company operates in. The directors have sufficient experience and skills to set strategic goals and oversee management in implementation of those goals. This is demonstrated by the wide range of skills by the directors.	Ethical culture
2	Organisational Ethics	The Board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	The board has adopted a Code of Ethics on 27 September 2018. As part of the Corporate Governance Framework, the Company has adopted a Code of Ethics which sets out general statements on principles of ethical conduct towards stakeholders and reviews the suitability and effectiveness of the Code of Ethics at least once per year.	Ethical culture
3	Responsible Corporate Citizenship	The Board should ensure that the organisation is and is seen to be a responsible corporate citizen.	The board ensures that the group continues to be a good corporate citizen. The board has appointed a Corporate Affairs Executive to advise on all matters related to be a good corporate citizen. Furthermore, the group uses industry leading practices for environmental impact of all their projects, the board ensures this by using only independent environmentalist for all projects. Furthermore, in the current year, the group made donations to the various locations it operates in for the fight against COVID-19 pandemic, this included face masks amongst others.	Ethical culture
4	Strategy and Performance	The Board should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	The board of directors assumes responsibility for the group strategy. This is formalised by the strategy documents, that is agreed by the board and presented to management for implementation All investments made by the group are discussed and approved by the board. Board ensures that all strategic decision are towards improving shareholder value.	Ethical culture
5	Reporting	The Board should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects	The board has delegated the approval of the integrated report to the Audit & Risk Committee The committee ensures the following: • That annual reports are issued • Ensuring that the Annual financial statements are prepared in accordance to the IFRSs, Companies Act and BSE requirements. • Approves the quarterly management accounts The board further ensures that all press releases, circulars and notices contain all the relevant information and are distributed to the relevant authorities appropriately.	Ethical culture

Compliance with King IV (continued)

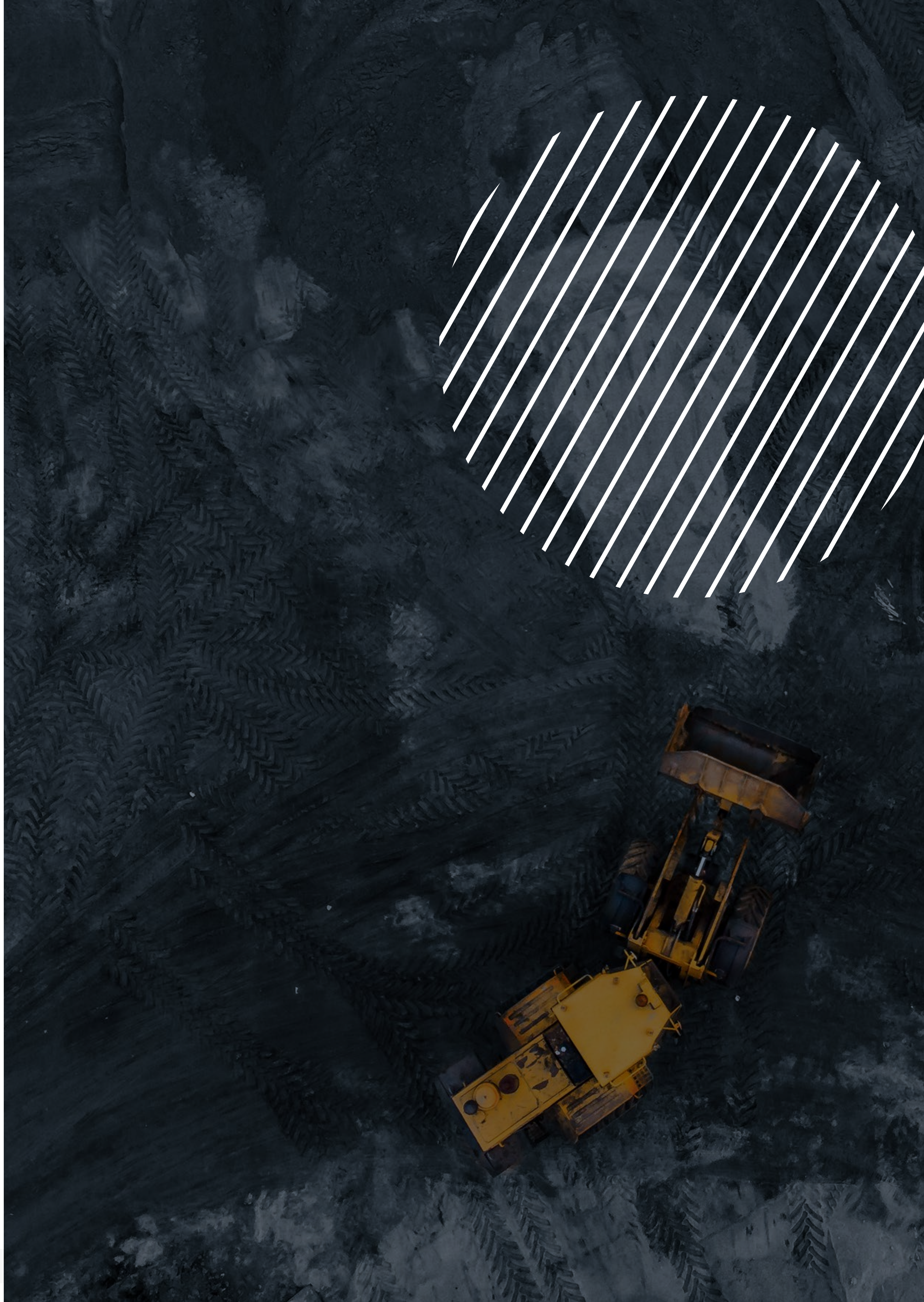
	Principle	Description	Explanation	Outcome
6	Primary Role and Responsibilities of the Board	The Board should serve as the focal point and custodian of corporate governance in the organisation.	The board of directors is the custodian of good corporate governance in the Group. It also ensured it was well informed of the corporate governance code to adopt and is committed to ensuring that it continues to comply with the code.	Ethical culture
7	Composition of the Board	The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	The board has individuals of varying skills to ensure that it has the capacity to handle all situations that may arise Currently comprises of the 2 Executive Directors and 6 Non-Executive Directors The nomination of directors is done by the current board members. The board also has a non-executive chairman whose role is separate from the Managing Director. Further the board ensures that it is updated with relevant skills through appointment of new directors.	Good performance
8	Committees of the governing body	The Board should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.	The board has created the audit committee which is chaired by an independent non-executive director. The audit committee also regularly invites the group auditors to attend. The board has also appointed a remuneration committee, which is chaired by a non-executive director. The remuneration committee does not include any executive director.	Good performance
9	Evaluations of the performance of the Board	The Board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	The board carries out a evaluation of its performance on a regular basis. The process is led by the lead independent director of the board. During the current year the board has been satisfied that its performance and effectiveness has improved.	Good performance
10	Appointment and delegation to management	The Board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	The board appoints the Managing Director and Finance Director and regularly monitors their performance. The Managing Director heads the executive committee which comprises of divisional heads The performance of the executive is regularly monitored through board and management sessions. Due to the COVID-19 pandemic these has been held virtually for the second half of the year.	Effective control

Compliance with King IV (continued)

	Principle	Description	Explanation	Outcome
11	Risk Governance	The Board should govern risk in a way that supports the organisation in setting and achieving strategic objectives	The Board maintains a risk register which is regularly reviewed by the directors and management to ensure all risks are adequately identified and mitigated.	Effective control
12	Technology and Information Governance	The Board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	The board has formally adopted an IT policy that governs information and technology management within the group. As a result of the COVID-19 pandemic, the IT policy had to be augmented to now include enhanced data security since most staff members work remotely and need to share sensitive data from outside the normal office infrastructure.	Effective control
13	Compliance Governance	The Board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	The board use company secretaries and transfer secretaries to ensure full compliance with the BSE Listing requirements as well as the Companies Act requirements. The company also uses independent tax advisors to ensure compliance with the tax requirements.	Effective control
14	Remuneration Governance	The Board should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	The board has appointed a remuneration committee, which comprises of only non-executive directors The committee sets the director remuneration annually. The group also discloses remuneration paid to each director in its Annual Report. The remuneration of all director is approved by the shareholders at the AGM.	Legitimacy
15	Assurance	The Board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of the organisation's external reports.	The board has adopted a combined assurance model. The responsibility for assurance is delegated to the Audit Committee which annually reviews the internal controls. These are also reviewed by the external auditors The board also uses independent external experts for professional advise for matters concerning company. Furthermore the company Provides the external auditors with unrestricted access to the Board and Audit Committee members and ensures that the designated partner of the external audit firm attends the AGM of the Company;	Legitimacy

Compliance with King IV (continued)

	Principle	Description	Explanation	Outcome
16	Stakeholders	In the execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	The Company is committed to ensuring timely, effective and transparent communication with shareholders and other stakeholders through annual integrated and quarterly financial reports, presentations to analysts and press releases. The directors avail themselves to the AGM and EGM. The boards ensures that management avail it self to all stakeholders. All press releases are uploaded to company website www.shumbaenergy.com	Legitimacy



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