

AFRICA CLEAN ENERGY SOLUTIONS LIMITED

Incorporated in the Republic of Mauritius
Registration number: 152282 C1/GBL
Having its registered office address at
c/o Intercontinental Trust Ltd, Level 3, Alexander House
35 Cybercity, Ebene 72201, Mauritius
SEM share code: ACES.N0000
ISIN: MU0620N00008
("ACES" or the "company" or the "Group")



ABRIDGED AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

DIRECTORS' COMMENTARY & COMPANY OVERVIEW

"Different times, interesting uncharted challenges"

We have pleasure in presenting to you the Audited Consolidated Financial Statements for the year ended 30 June 2020.

ACES has successfully completed its second full year of operation. Whilst the Group continues with its strategy of developing, owning, and operating renewable energy projects in Africa the last six months of the financial year has been tough and challenging due to the impact of Covid-19.

With restrictions on work and travel globally we found ourselves having to think outside the box for solutions to continue with operations in our projects, and like so many other businesses around the globe, ensuring that we remained financially and operationally strong for the future stability of the business, while securing our staff employment and well-being.

ACES has been operating on the African continent since 2007 through its associate and subsidiary companies. ACES Group boasts a track record as an Independent Power Producer, dedicated to providing high quality proven technology projects and services that deliver clean energy to selected African countries. ACES' shares listed on the Official Market of the Stock Exchange Mauritius Ltd ("SEM") on 31 May 2019.

The Group has embarked on an operating strategy to develop, finance, build and own clean energy projects in Africa. The current project and country details are set out below.

Although projects in Kenya and Uganda have not yet reached financial close due to the delay caused by Covid-19, progress is underway to achieve this goal.

Tana Biomass Generation Limited ("Tana") – Kenya:

- Kenya Power and Light Company ("KPLC") and Tana have agreed on the content of the Power Purchase Agreement ("PPA") however a date still needs to be confirmed for the signature. Due to the travel restriction no date has been allocated;

- In terms of Kenyan law, the land lease must be registered and zoned as industrial land as Non- Kenyan citizens are not permitted to own or lease agricultural land. This process will continue as soon as the PPA is finalized;
- The licence for the Environmental Impact Assessment (“EIA”) is underway. The grid study, and topographical study have been completed;
- Application will be made for the appropriate generating licence soon after the signing of the PPA;
- Feed stock for the biogas plant will be Napier grass and sweet sorghum, which have been tested for suitability and are currently being grown to meet the needs of the biogas plant;
- Final engineering, procurement and construction quotes will have to be obtained again as the delay due to Covid-19 has caused the expiry of the current contracts; and Final funding (debt and equity) will be applied for following the signature of the PPA.

Unergy Limited (“Unergy”) - Uganda:

- Uganda Electricity Transmission Company Limited (“UETCL”) has granted and issued a permit to Unergy to commence with a feasibility study for the 20 MW biogas project;
- Unergy has commenced with the feasibility study, selected the technology, type of feedstock, and prepared the financial model. The project is bankable and demonstrated a return that meets the Group investment and risk policy requirements; Once the feasibility study is complete, Unergy will progress to the signature of a PPA;
- Due to Covid-19 travel restrictions, planting and harvesting of the first batch of Napier grass for testing was not possible. The aim is now to plant and harvest in the first quarter of 2021.

Through the acquisition of the business of South Africa Clean Energy Solutions Limited (“**SACES**”), ACES now has investment in the following:

SACE Projects (Pty) Limited (“SACE Projects”) – South Africa

- ACES holds a 49.9% shareholding in SACE Projects;
- SACE Projects are in discussions regarding the Power Purchase Agreement (“PPA”) for the 2.4 MW solar plant in Uitenhage, and for the selection of technology for the 4.2 MW biomass project in Mpumalanga;
- Application for a generating licence will be re-submitted for the two projects soon after the signing of the PPA;
- SACE Projects has a financial debt term sheet for the solar plant.

Africa Renewable Clean Power (Pty) Limited (“ARCP”) – Namibia

- ACES holds a 72% shareholding in ARCP;
- ARCP holds 15% in two 5 MW Solar plants in Namibia;
- The plants are completely constructed and operational, energy is being supplied to Nampower.

The last few months of the financial year were vastly different to what the Group had planned to achieve during the year 2020. At the beginning of March, progression on the existing projects was delayed due to Global lockdown and the Covid-19 pandemic.

In order to maintain adequate levels of working capital the Board decided to diversify its skills and in April 2020, incorporated SAFEPOD (Pty) Limited.

SAFEPOD (Pty) Limited (“SAFEPOD”) – South Africa

The strategy of SAFEPOD is to offer field hospitals with an off-grid solution to Government institutions to combat the spread of Covid-19, but also to erect field hospitals and clinics in rural areas where medical facilities are scarce or non-existent.

By the end of the financial year 2020, SAFEPOD had successfully secured a contract for two field hospitals at a mine in the Northern Cape.

This development has had a positive effect on the companies’ cashflow for the year ahead.

Fund Raising

The impact of Covid-19 has also seen cancellations of confirmed travel arrangements to meet with potential investors in our fund-raising efforts. The need to raise funds to meet future equity and to develop projects remains.

ACES intends to raise approximately US\$6.3 million through the issue of new shares by way of placing by end of December 2020. Details of the capital raise will be announced by the company in due course.

When the company listed on the SEM on 31 May 2019, the shares on the first day of trading was at US\$1 each and it maintained this level up until May 2020. As the company is still a small cap company, the share trading is intermittent. The current share trade is at 96 US cents. Taking into consideration the effect that the Covid-19 pandemic is having on markets, ACES has not been immune to the impact. Everything possible under the current circumstances is being done to get the projects and the acquisitions completed so the investors can receive a return on their investment, and enough fund is generated to grow the business of ACES.

Human Resources

As the company is developing further projects, it will need to increase its administrative and technical expertise in the form of:

- Selection of the staff compliment for the various professions;
- Finding the correct qualified candidates that can deliver and voyage in Africa; and
- Staff capable to monitor and administer completed projects to ensure the collection of cash flow.

REVIEW OF THE RESULTS

These results are somewhat in line with the expectations of Management in that during the period the company continued to develop the projects. As these projects are in the development stage the need to utilize cash will continue. Set out earlier is a brief report on the status of the projects in Kenya, Uganda and the short- and medium-term operation policy.

The funds that the company intends to raise in terms of the placing are required to meet the working capital needs and development capital of the Group for the forthcoming financial year.

The Group has been in discussions with funders to provide debt funding to the projects and has received positive responses. However, the funders will only commit once the relevant Power Purchase Agreements are completed for signature.

The company's profitability will increase once each of the projects reach financial close. It is expected that financial close for two of the projects will be reached prior to the 2021 year end, which will result in the company earning its development and management fees.

Management has engaged in opportunities in Africa, including projects in early development stage to projects that have reached financial close and require equity partners. SAFEPOD has been appointed to erect two off grid field hospitals for a mine in Northern Cape and is actively promoting off grid infrastructure solutions to governments and mines.

The strategy of the Group remains a developer, builder and owner of renewable projects in Africa and this strategy includes the investment into projects that have reached financial close and meet the minimum Internal Rate of Returns required by the Board and are located in those countries that ACES considers suitable for long term investment.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited as at 30 June 2020	Audited as at 30 June 2019
	US\$	US\$
ASSETS		
Non Current Assets		
Investments in subsidiary companies	-	-
Investments in associated companies	-	-
Financial assets at fair value through other comprehensive income	1,071,580	-
Goodwill	11,283	-
Property, plant and equipment	870	-
Amounts receivable from related parties	1,779,596	-
Total non current assets	2,863,329	-
Current Assets		
Amounts receivable from related parties	-	481,574
Other receivables	44,235	14,937
Cash and cash equivalents	26,844	4,549
Total current assets	71,079	501,060
Total assets	2,934,408	501,060
EQUITY AND LIABILITIES		
Equity		
Stated capital	3,247,721	938,635
Equity component of convertible loan	32,995	32,083
Subscription monies received in advance	140,000	-
Foreign currency translation reserve	5,479	1,288
Accumulated losses	(1,745,607)	(871,198)
Equity attributable to owners of the parent	1,680,588	100,808
Non-controlling interest	(67,824)	(168,384)
Total equity	1,612,764	(67,576)
Non Current Liabilities		
Borrowings	389	1,329
Current Liabilities		
Borrowings	13,232	6,588
Accruals and payables	1,128,841	197,969
Amounts payable to related parties	179,182	362,750
Total liabilities	1,321,644	568,636
Total equity and liabilities	2,934,408	501,060
Number of shares in issue	29,115,770	26,099,042
Net asset value per share	0.0577	0.0039

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Audited for the year ended 30 June 2020	Audited for the year ended 30 June 2019
INCOME	US\$	US\$
Interest on loan	38,945	16,350
Exchange gain	20,879	-
Gain on loss of control of subsidiary	89,916	-
	149,740	16,350
EXPENSES		
Professional fees	(109,526)	(242,897)
Audit fees	(39,045)	(24,686)
Directors' fees	(149,000)	(13,580)
Licence fees	(2,600)	(19,556)
Accounting fees	(41,868)	(4,507)
Legal fees	-	(97,094)
Interest expenses	(26,186)	(36,716)
Bank charges	(3,282)	(4,377)
Consulting fees	(49,721)	(67,766)
Exchange loss	-	(5,688)
Goodwill written off	(601,968)	-
Share of loss of associated companies	(4,445)	-
Other operating expenses	(25,112)	(52,965)
	(1,052,753)	(569,832)
Loss before taxation	(903,013)	(553,482)
Taxation	-	-
Loss for the period	(903,013)	(553,482)
Other comprehensive loss for the period	4,255	7,375
Total comprehensive loss for the period	(898,758)	(546,107)
Loss attributable to:		
Non-controlling interests	(28,604)	(90,652)
Owners of the company	(874,409)	(462,830)
	(903,013)	(553,482)
Total comprehensive loss attributable to:		
Non-controlling interests	(28,540)	(90,393)
Owners of the company	(870,218)	(455,714)
	(898,758)	(546,107)
Weighted average number of shares	27,115,240	24,947,759
Basic loss per share	(0.0322)	(0.0186)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited for the year ended 30 June 2020	Audited for the year ended 30 June 2019
	US\$	US\$
Net cash used in operating activities	(270,859)	(458,273)
Net cash flows used in investing activities	(169,180)	(301,863)
Net cash flows generated from financing activities	462,334	709,262
Net increase /(decrease) in cash and cash equivalents	22,295	(50,874)
Cash and cash equivalents at beginning of year	4,549	55,423
Cash and cash equivalents at end of year	26,844	4,549

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2019	Stated Capital	Equity component of convertible loan	Foreign currency reserves	Accumulated losses	Equity attributable to owners of the company	Non- controlling interest	Total Equity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance as 1 July 2018	180,423	32,390	(5,828)	(408,368)	(201,383)	(77,991)	(279,374)
Loss for the period	-	-	-	(462,830)	(462,830)	(90,652)	(553,482)
Other comprehensive income for the year	-	-	7,116	-	7,116	259	7,375
Total comprehensive loss	-	-	7,116	(462,830)	(455,714)	(90,393)	(546,107)
Issue of shares	758,212	-	-	-	758,212	-	758,212
Equity component of convertible loan	-	(307)	-	-	(307)	-	(307)
Balance at 30 June 2019	938,635	32,083	1,288	(871,198)	100,808	(168,384)	(67,576)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2020	Stated Capital	Equity component of reserves convertible loan	Foreign currency of reserves	Subscription monies received in advance	Accumulated Losses	Equity attributable to owners of the company	Non- controlling interest	Total Equity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 01 July 2019	938,635	32,083	1,288	-	(871,198)	100,808	(168,384)	(67,576)
Loss for the year	-	-	-	-	(874,409)	(874,409)	(28,604)	(903,013)
Other comprehensive income for the year	-	-	4,191	-	-	4,191	64	4,255
Total comprehensive loss for the year	-	-	-	-	(874,409)	(870,218)	(28,540)	(898,758)
Issue of shares	2,309,086	-	-	-	-	2,309,086	-	2,309,086
Equity component of convertible loan	-	912	-	-	-	912	-	912
Adjustment arising on loss of control of subsidiary	-	-	-	-	-	-	27,384	27,384
Non controlling interest arising on business combination	-	-	-	-	-	-	101,716	101,716
Subscription monies for shares	-	-	-	140,000	-	140,000	-	140,000
Balance at 30 June 2020	3,247,721	32,995	5,479	140,000	(1,745,607)	1,680,588	(67,824)	1,612,764

NOTES:

- The company is required to publish audited consolidated financial statements in terms of SEM Listing Rule 12.14.
- The abridged audited consolidated financial statements for the year ended 30 June 2020 (“**abridged audited consolidated financial statements**”) have been prepared in accordance with the measurement and recognition requirements of IFRS, the SEM Listing Rules and the Mauritian Securities Act 2005, using the same accounting policies as those of the audited consolidated financial statements for the year ended 30 June 2019, except for new standards applicable as from 1 July 2019 and after.
- The company’s external auditors, BDO & Co have issued an unmodified audit opinion on the consolidated financial statements for the year ended 30 June 2020. These abridged audited consolidated financial statements were approved by the Board of Directors on 16 October 2020.
- No dividends were declared or paid to shareholders during the financial year ended 30 June 2020.
- Copies of the abridged audited consolidated financial statements and the Statement of direct and indirect interests of each officer of the company, are available free of charge, upon request at the Registered Office of the company at c/o Intercontinental Trust Limited, Level 3, Alexander House, 35 Cybercity, Ebene 72201, Mauritius. Contact Person: Mrs Smitha Algoo-Bissonauth.
- This communiqué is issued pursuant to SEM Listing Rules 11.3 and 12.14 and Section 88 of the Mauritian Securities Act 2005. The Board of Directors accepts full responsibility for the accuracy of the information contained in this communiqué.

By order of the Board

Intercontinental Trust Limited
Company Secretary

19 October 2020

For further information, please contact:

**SEM Authorised Representative &
Sponsor**



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Company Secretary



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