

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 2019**

DIRECTORS' COMMENTARY & COMPANY OVERVIEW

"A year of great achievements and overcoming challenges"

It is with great pleasure that we present the 2019 Audited Consolidated Financial Statements for the year ended 30 June 2019. It is a year that yet again symbolizes progress and growth for ACES.

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, while uplifting people's lives and giving a steady return to our investors. The current project and country details are set out below.

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

- Kenya Power and Light Company and Tana are finalizing the Power Purchase Agreement ("PPA") in October 2019;
- Tana is finalizing the land lease in terms of Kenyan law;
- All the necessary licenses are in the process of being obtained including the Nema license which includes the Environmental Impact Assessment ("EIA"), the grid study, and topographical study;
- An application will be made for the appropriate generating licence;
- Feed stock for the biogas plant will be 'Napier grass' and/or 'Sweet sorghum' which is being tested for suitability and is currently being grown to meet the needs of the plant;
- Final engineering, procurement and construction providers are being secured; and
- Final funding (debt and equity) is being secured.

Unergy Limited (“Unergy”) - Uganda:

- Application has been submitted to the Electrical Regulatory Authority by Unergy for permit to commence the feasibility study; and
- Once the feasibility study is completed, Unergy will progress to the PPA signature.

It would be remiss of us not to discuss the challenges that comes with operating in various African countries and the challenges that ACES has overcome during the past year. The company has experienced and overcome:

- Delays resulting from administrative and legal constraints;
- Limited legal access in the country concerned;
- Instituting Group corporate governance policies; and
- Government delays of issuing permits and signing agreements.

Renewable Projects are by their nature very capital-intensive which will require continued fund raising until such time that the company has developed a number of projects resulting in free cash flow. Until the company has developed, built and operated renewable plants of at least 100 MW, which have been operating for between 3 to 5 years, the company will not be able to utilize its internal cash flow for further development and working capital and will need to raise new equity from time to time.. Therefore, ACES is required to raise substantial funding to meet immediate and future equity needs to develop projects and demonstrate its financial capacity. It is important, whenever a company raises capital, to make clear why the funds are being raised and how this will lead to increased shareholder value in the future. Proceeds from the present capital raising shall be utilised as follows by the company:

- The ability to develop up to financial close its current and future renewable projects, which entails funding for working capital, feasibility studies, application fees, technical and environmental reports, land leases or acquisition, legal and accounting advice up to the PPA stage;
- Funding after financial close includes legal fees, fund raising fees for debt and equity and development fees;
- Funding is then needed for capital expenditure to build the projects, which normally requires the balance of equity and debt;
- Each project requires the company to raise capital in the form of debt and equity, normally in the ratio of 25% equity and 75% debt;
- Funding its ongoing operations and administration obligations; and
- Expansion into Africa, developing new projects in countries requiring urgent solutions.

The present financial year promises to be just as eventful as the previous one.

Fund Raising

ACES is currently looking to raise US\$5 million through the issue of new shares at US\$1.00 each by way of placing, which will close on 28 November 2019. Details of the placing are on the company's web page www.acesrenewables.com/documents.

When the company listed on the SEM on 31 May 2019, the shares' opening trade was at US\$1.00 each and it has maintained this level. Given that the company is still a small cap company, share trading is fairly intermittent. This situation is likely to continue until the company finalizes the PPAs in Kenya and Uganda.

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.

Board appointment

Mr. Antoine King was appointed as an Independent Non-Executive Director to the Board of ACES, with effect from 28 August 2019.

Acquisition of the business of South African Clean Energy Solutions Limited

The South Africa Exchange Control Authorities has granted permission to ACES to acquire the business of South African Clean Energy Solutions Limited ("**SACE**") in exchange for new shares in ACES by 31 December 2019. A circular to be distributed to the respective shareholders is being prepared together with the underlying value of SACE. The major assets of SACE consist of:

- **72% of Africa Renewable Clean Power (Pty) Limited ("ARCP") - Namibia:**
 - ARCP holds 15% in two 5 MW Solar plants in Namibia. Progress to bring the two 5 MW plants to Commercial Operating Date has been delayed, however the plants are completely constructed and Nampower has agreed do the final testing of the plants by 30 September 2019 prior to Commercial Operating Date.
- **49% of SACE Projects (Pty) Limited - South Africa:**
 - Application for a generating license has been submitted for the two projects under way in SACE Projects namely the 2.4 MW solar plant in Uitenhage and 4.2 MW Biogas plant in Mpumalanga.
 - SACE Projects has a conditional debt term sheet for the Solar project.

All this progress to date would not have been made possible without the strong support of our existing shareholders, and the effort, advice and availability of the management team, the company's employees, and the Board of directors of the company.

REVIEW OF THE RESULTS

The results for the period under review is first set of results since the Company was listed on the Stock Exchange of Mauritius.

These results are in line with the expectations of Management in that during the period the Company continued to develop the projects in Kenya and Uganda. 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 and Uganda.

The company is embarking on a fund raising exercise to raise US\$5,000,000 by the issue of 5,000,000 new shares at US\$1.00 per share. The fund raise closes on 28 November 2019.

These funds 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 2020 year end, which will result in the Company earning its development and management fees.

Management continues to investigate other opportunities in Africa including projects in early development stage to projects that have reached financial close and require equity partners.

The strategy of the company 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 terms investment.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited as at 30 June 2019	Audited as at 30 June 2018
	US\$	US\$
ASSETS		
Current Assets		
Amounts receivable from related parties	481,574	154,735
Other receivables	14,937	12,595
Cash and cash equivalents	4,549	55,423
Total current assets	501,060	222,753
Total assets	501,060	222,753
EQUITY AND LIABILITIES		
Equity		
Stated capital	938,635	180,423
Equity component of convertible loan	32,083	32,390
Foreign Currency translation reserve	1,288	(5,828)
Accumulated loss	(871,198)	(408,368)
Equity attributable to owners of the parent	100,808	(201,383)
Non-controlling interest	(168,384)	(77,991)
Total	(67,576)	(279,374)
Liabilities		
Borrowings	7,917	7,610
Accruals and payables	197,969	78,600
Amounts payable to related parties	362,750	415,499
Subscription monies received in advance	-	418
Total liabilities	568,636	502,127
Total equity and liabilities	501,060	222,753
Number of shares in issue	26,099,042	435,613,209*
Net asset value per share	0.0039	(0.0005)

* At the general meeting held on 31 October 2018, the shareholders of the company approved a consolidation of shares on a 1 for 20 basis.

The net asset value as at 30 June 2018 would have been USD (0.0092) should the number of shares have been consolidated at date of issue. The consolidated number of shares for the period ended 30 June 2018 is 21,780,660.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Audited for the year ended 30 June 2019	Audited for the period ended 30 June 2018
	US\$	US\$
INCOME		
Interest on loan	16,350	514
EXPENSES		
Professional fees	(242,897)	(74,678)
Audit fees	(24,686)	(17,750)
Directors' fees	(13,580)	(1,453)
Licence fees	(19,556)	(2,700)
Accounting fees	(4,507)	(5,487)
Legal fees	(97,094)	(37,192)
Interest expenses	(36,716)	(16,582)
Bank charges	(4,377)	(1,790)
Consulting fees	(67,766)	(22,067)
Exchange losses	(5,688)	(273)
Goodwill impaired	-	(228,186)
Other operating expenses	(52,965)	(28,295)
	(569,832)	(436,453)
Loss before taxation	(553,482)	(435,939)
Taxation	-	-
Loss for the year/ period	(553,482)	(435,939)
Other comprehensive loss for the year/ period	7,375	(7,826)
Total comprehensive loss for the year/ period	(546,107)	(443,765)
Loss attributable to:		
Non-controlling interests	(90,652)	(27,571)
Owners of the company	(462,830)	(408,368)
	(553,482)	(435,939)
Total comprehensive loss attributable to:		
Non-controlling interests	(90,393)	(29,569)
Owners of the company	(455,714)	(414,196)
	(546,107)	(443,765)
Weighted average number of shares	24,947,759	346,530,318
Basic loss per share	(0.0186)	(0.0012)

The basic loss per share for the period ended 2018 would have been USD (0.0236) should the number of shares have been consolidated at date of issue. The consolidated weighted average number of shares for the period ended 30 June 2018 is 17,326,516.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited for the year ended 30 June 2019	Audited for the period ended 30 June 2018
	US\$	US\$
Net cash used in from operating activities	(458,273)	(143,119)
Net cash flows used in investing activities	(301,863)	(82,754)
Net cash flows generated from financing activities	709,262	281,296
Net decrease in cash and cash equivalents	(50,874)	55,423
Cash and cash equivalents at beginning of year/ period	55,423	-
Cash and cash equivalents at end of year/ period	4,549	55,423

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2018	Stated Capital	Equity component of convertible loan	Foreign currency reserves	Retained Earnings	Equity attributable to owners of the company	Non- controlling interest	Total Equity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance as 08 December 2017	-	-	-	-	-	-	-
Loss for the period	-	-	-	(408,368)	(408,368)	(27,571)	(435,939)
Foreign currency translation reserves	-	-	(5,828)	-	(5,828)	(1,998)	(7,826)
Total comprehensive loss	-	-	(5,828)	(408,368)	(414,196)	(29,569)	(443,765)
Issue of shares	180,423	-	-	-	180,423	-	180,423
Equity component of convertible loan	-	32,390	-	-	32,390	-	32,390
Non -controlling interest arising on business combination	-	-	-	-	-	(48,422)	(48,422)
Balance at 30 June 2018	180,423	32,390	(5,828)	(408,368)	(201,383)	(77,991)	(279,374)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY							
2019	Stated Capital	Equity component of convertible loan	Foreign currency reserves	Retained Earnings	Equity attributable to owners of the company	Non-controlling interest	Total Equity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 01 July 2018	180,423	32,390	(5,828)	(408,368)	(201,383)	(77,991)	(279,374)
Loss for the year	-	-	-	(462,830)	(462,830)	(90,652)	(553,482)
Foreign currency translation reserves	-	-	7,116	-	7,116	259	7,375
Total comprehensive loss for the year	-	-	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)

NOTES:

The company is required to publish the abridged audited consolidated financial statements (“**abridged audited financial statements**”) for the year ended 30 June 2019 in terms of Listing Rule 12.14 of the SEM and Section 88(1) of the Mauritian Securities Act 2005. These abridged audited 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 financial statements for the period ended 30 June 2018.

- The company’s external auditors, BDO & Co have issued an unqualified audit opinion on the consolidated financial statements for the year ended 30 June 2019. These abridged audited financial statements were approved by the Board of Directors on 30 September 2019.
- No dividends were declared or paid to shareholders during the financial year ended 30 June 2019.
- Copies of the abridged audited 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 accepts full responsibility for the accuracy of the information contained in this communiqué.

By order of the Board

Intercontinental Trust Limited
Company Secretary

30 September 2019

For further information, please contact:

**SEM Authorised Representative &
Sponsor**



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Company Secretary



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