

AEP Energy Africa Limited
Incorporated in the Republic of South Africa
(Registration number 2017/024904/06)

JSE share code: AEY

ISIN: ZAE000241741

("AEP" or "the Company")

Unaudited Condensed Consolidated Interim Results for the six months ended 31 December 2018

AEP Energy Africa Limited

(Registration number 2017/024904/06)

Unaudited Condensed Consolidated Interim Results for the six months ended 31 December 2018

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Preparer

The unaudited condensed consolidated interim results for the six months ended 31 December 2018 have been prepared under the supervision of ECMB Kikonyogo in his capacity as the acting finance director.

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Introduction

1. Nature of business

AEP was incorporated on 24 January 2017 and successfully listed as a Special Purpose Acquisition Company (SPAC) on the Alternative Exchange (AltX) of the JSE on 30 June 2017. The primary purpose of a SPAC is to pursue the acquisition of viable assets being investments in commercial enterprises in the energy sector with high growth potential. Unless and until such viable assets are acquired, the only material asset of a SPAC is the cash which it holds pursuant to a capital raise through the issue of shares. The cash is held in escrow and invested conservatively for the protection of the Company's shareholders. If the acquisition of a viable asset is not completed within a 24 month period from the date on which the SPAC was listed or such later date as the JSE may permit, the SPAC is required to return the subscription funds initially invested to shareholders, plus accrued interest, less permissible expenses and taxation.

AEP's business model is to acquire energy infrastructure or businesses that are operating and cash generative, or related assets under construction that are not more than 12 months from commercial operations.

There have been no material changes to the nature of the Company's business from the prior period.

2. Commentary

On 26 June 2018, AEP entered into an agreement ("the Sale and Purchase Agreement") with First Independent Power (Kenya) Limited and Global Power Generation Sociedad Anónima ("the Seller") to acquire 100% of the issued share capital of, and all shareholders' claims against, IberAfrica Power (East Africa) Limited for a total consideration of \$61.5 million ("the Viable Acquisition"). On 26 October 2018 the Viable Acquisition was approved by the Company's shareholders in general meeting.

As at 31 December 2018, AEP was in the process of implementing the Viable Acquisition.

On 27 March 2019 the board of directors of AEP ("Board") announced that the Company has received notice of termination from the Seller in relation to the Sale and Purchase Agreement, owing to delays in achieving completion of the Viable Acquisition. The Board is considering the way forward, considering that the Company is a SPAC and has a deadline of no later than 30 June 2019 to acquire a viable asset.

All income generated thus far has solely been from interest received on cash balances. The Company made a loss after tax for the period of R12,009,370 (31 December 2017: R6,962,600). Basic and headline loss of 228.50 cents per share (31 December 2017: 132.48 cents per share) is based on 5 255 680 shares, being the weighted average number of shares in issue over the interim period to 31 December 2018 and is a result of interest received from funds in escrow and current accounts, less permissible expenses.

The current tax for the period under review amounts to R226,574 (31 December 2017: R354,037).

3. Comparatives

Comparative financial information for the period ended 31 December 2017 and the year ended 30 June 2018 is included in this report.

4. Dividends

There were no dividends declared for the interim period.

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Introduction

5. Board of Directors

The directorate at the date of this report is as follows:

Executive directors

ECMB Kikonyogo (Chief Executive Officer and acting Finance Director)

N Gugushe (Chief Operating Officer)

KG Simons (Chief Financial Officer) - resigned on 3 October 2018

Non-executive directors

DW Wright* (Chairman)

SM David*

CJ Dooling*

SS Sibiyi*

MM Kekana*

SM Moloko

TP Leeuw

ONW Petersen

** Independent*

6. Registered office

The registered address of the company is:

Second Floor, Illovo Boulevard
28 Fricker Road
Illovo
Sandton
2196

7. Company secretary

The company secretary of AEP is Imbokodvo Bethany Governance and Statutory Compliance Proprietary Limited who is represented by Ms Siphwiwe Ngwenya.

Business address:

First Floor, Yellowwood House
Ballywoods Office Park
33 Ballyclare Drive
Bryanston
2196

8. Designated advisor

Questco Corporate Advisory Proprietary Limited is the designated advisor to AEP.

Business address:

First Floor, Yellowwood House
Ballywoods Office Park
33 Ballyclare Drive
Bryanston
2196

Date of issue: 29 March 2019

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Unaudited Condensed Consolidated Statement of Financial Position as at 31 December 2018

Figures in Rand	Note (s)	31 December 2018 Unaudited	31 December 2017 Unaudited	30 June 2018 Audited
Assets				
Non-Current Assets				
Property, plant and equipment		7,674	13,814	10,744
Investment in subsidiary	8	12,534	-	12,534
		20,208	13,814	23,278
Current Assets				
Other receivables		1,285,375	162,213	544,909
Current tax receivable		2,978	-	2,978
Cash and cash equivalents		19,471,527	37,776,257	31,468,938
		20,759,880	37,938,470	32,016,825
Total Assets		20,780,088	37,952,284	32,040,103
Equity and Liabilities				
Equity				
Share capital		48,741,085	48,741,085	48,741,085
Accumulated loss		(30,473,063)	(13,099,495)	(18,463,692)
		18,268,022	35,641,590	30,277,393
Liabilities				
Current Liabilities				
Trade and other payables		2,512,066	2,233,088	1,762,710
Current tax payable		-	77,606	-
		2,512,066	2,310,694	1,762,710
Total Equity and Liabilities		20,780,088	37,952,284	32,040,103

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Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Note(s)	six months ended 31 December 2018 Unaudited	six months ended 31 December 2017 Unaudited	year ended 30 June 2018 Audited
Foreign exchange gains		2,749	26,077	22,736
Other operating expenses		(12,545,198)	(7,861,949)	(13,973,232)
Operating loss		(12,542,449)	(7,835,872)	(13,950,496)
Interest received		759,653	1,227,309	2,263,978
Loss before taxation		(11,782,796)	(6,608,563)	(11,686,518)
Taxation	6	(226,574)	(354,037)	(640,280)
Loss for the six months		(12,009,370)	(6,962,600)	(12,326,798)
Total comprehensive loss for the six months		(12,009,370)	(6,962,600)	(12,326,798)
Loss per share				
Per share information				
Basic loss per share (cents)	4	(228.50)	(132.48)	(234.54)
Diluted loss per share (cents)	4	(228.50)	(132.48)	(234.54)

There are no dilutive instruments in issue for all periods presented.

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Unaudited Condensed Consolidated Statement of Changes in Equity

Figures in Rand	Share capital	Accumulated loss	Total Equity
Balance at 01 July 2017 (audited)	48,741,085	(6,136,894)	42,604,191
Total comprehensive loss for the six months	-	(6,962,600)	(6,962,600)
Balance at 31 December 2017 (unaudited)	48,741,085	(13,099,494)	35,641,591
Total comprehensive loss for the six months	-	(5,364,198)	(5,364,198)
Balance at 30 June 2018 (audited)	48,741,085	(18,463,692)	30,277,393
Total comprehensive loss for the six months	-	(12,009,370)	(12,009,370)
Balance at 31 December 2018 (unaudited)	48,741,085	(30,473,062)	18,268,023

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Unaudited Condensed Consolidated Statement of Cash Flows

Figures in Rand	Note (s)	six months ended 31 December 2018 Unaudited	six months ended 31 December 2017 Unaudited	year ended 30 June 2018 Audited
Cash flows from operating activities				
Cash used in operations	5	(12,530,490)	(14,433,365)	(21,397,992)
Interest received		759,653	1,227,309	2,263,978
Tax paid		(226,574)	(286,280)	(653,107)
Net cash outflow from operating activities		(11,997,411)	(13,492,336)	(19,787,121)
Cash flows from investing activities				
Investment in subsidiary		-	-	(12,534)
Net cash outflow from investing activities		-	-	(12,534)
Cash flows from financing activities				
Repayment of loans from related parties		-	(1,323,435)	(1,323,435)
Net cash outflow from financing activities		-	(1,323,435)	(1,323,435)
Net decrease in cash and cash equivalents		(11,997,411)	(14,815,771)	(21,123,090)
Cash and cash equivalents at the beginning of the period		31,468,938	52,592,028	52,592,028
Cash and cash equivalents at the end of the period		19,471,527	37,776,257	31,468,938

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Notes to the Unaudited Condensed Consolidated Financial Statements

	six months ended 31 December 2018 Unaudited	six months ended 31 December 2017 Unaudited	year ended 30 June 2018 Audited
Figures in Rand			

1. Basis of preparation

The unaudited condensed consolidated interim results are prepared in accordance with International Financial Reporting Standard ("IFRS"), the provisions of the JSE Listings Requirements for interim reports, and the requirements of the Companies Act of South Africa. The Listings Requirements require interim reports to be prepared in accordance with and contain the information required by IAS 34 Interim Financial Reporting, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council.

The condensed consolidated interim results for the six months ended 31 December 2018 have not been audited or reviewed and have been prepared under the supervision of ECMB Kikonyogo in his capacity as the acting finance director.

The accounting policies are in terms of IFRS and are consistent with those used in the preparation of the consolidated annual financial statements for the year ended 30 June 2018.

2. Subsequent events

On 27 March 2019 the Board announced that the Company has received notice of termination from the Seller in relation to the Sale and Purchase Agreement, owing to delays in achieving completion of the Viable Acquisition. This is a non-adjusting event in terms of IAS 10. As at the date of the release of the Unaudited Condensed Consolidated Interim Results, a reasonable estimate of the effect of this event cannot be made.

3. Going concern

The interim results have been prepared on the going concern basis of accounting. The directors have reviewed the Group's cashflow forecast for the period up to 31 December 2019 and in the light of this review and the current financial position they are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future.

Shareholders are advised that should the Company not complete a viable acquisition on or before 30 June 2019, the Listings Requirements require it to secure shareholder approval to begin a voluntary winding up of the Company. The Board will make an announcement in due course on the way forward.

4. Basic and headline loss per share

Basic loss per share is determined by dividing the loss attributable to the ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Loss for the year	(12,009,370)	(6,962,600)	(12,326,798)
Headline loss	(12,009,370)	(6,962,600)	(12,326,798)
Number of shares in issue	5,255,680	5,255,680	5,255,680
Weighted number of shares	5,255,680	5,255,680	5,255,680
Basic and diluted loss per share (cents)	(228.50)	(132.48)	(234.54)
Basic and diluted headline loss per share (cents)	(228.50)	(132.48)	(234.54)

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Notes to the Unaudited Condensed Consolidated Interim Results

	six months ended 31 December 2018 Unaudited	six months ended 31 December 2017 Unaudited	year ended 30 June 2018 Audited
Figures in Rand			

4. Basic and headline loss per share (continued)

Basic loss per share is based on losses after tax of R12,009,370 (31 December 2017: R6,962,600 ; 30 June 2018: R12,326,798) and weighted average ordinary shares of 5 255 680 at 31 December 2018 (31 December 2017: 5 255 680 ; 30 June 2018: 5 255 680).

During the period there were no potential share conversions that could result in any additional shares being issued. Therefore, the diluted loss per share and diluted headline loss per share equalled the basic loss per share.

5. Cash used in operations

Loss before taxation	(11,782,796)	(6,608,563)	(11,686,518)
Adjusted for:			
Depreciation	3,070	3,070	6,140
Interest income	(759,653)	(1,227,309)	(2,263,978)
Changes in working capital:			
Other receivables	(740,466)	931,387	548,691
Trade and other payables	749,355	(7,531,950)	(8,002,327)
	(12,530,490)	(14,433,365)	(21,397,992)

6. Taxation

South African normal taxation

Current

Local income tax	226,574	354,037	640,280
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Reconciliation of the tax expense

Reconciliation between accounting profit / (loss) and tax expense:

Accounting loss	(11,782,796)	(6,608,563)	(11,686,518)
Tax at the applicable tax rate of 28%	(3,299,183)	(1,850,398)	(3,272,225)

Tax effect of adjustments on taxable income

Non-deductible expenses in terms of S11(a)	3,538,608	2,191,226	3,847,403
Leave pay provision	(12,851)	13,209	65,102
	226,574	354,037	640,280

7. Related parties

Relationships

Trodera Proprietary Limited ("Trodera")

Trodera is the investment vehicle through which the two management founders of AEP, indirectly hold their shares in AEP. The entity's equal shareholders are AEP directors, ECMB Kikonyogo and N Gugushe.

Destiny Corporation Management Services Proprietary Limited ("DCMS")

DCMS is the contractually appointed Management Company of AEP, and therefore has significant influence. The executive directors of DCMS, ECMB Kikonyogo and N Gugushe, are also the executive directors of AEP. The shareholders of DCMS are Kaemelon with 67% and both the executive directors of DCMS, ECMB Kikonyogo and N Gugushe holding 16.5% each, respectively.

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Notes to the Unaudited Condensed Consolidated Interim Results

Figures in Rand	six months ended 31 December 2018 Unaudited	six months ended 31 December 2017 Unaudited	year ended 30 June 2018 Audited
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7. Related parties (continued)

Relationships

Kaemelon Proprietary Limited ("Kaemelon")

Kaemelon has a 67% shareholding in DCMS. The directors of Kaemelon, ECMB Kikonyogo and N Gugushe, are also the executive directors of DCMS. The shareholders of Kaemelon are Destiny Corporation Energy Proprietary Limited ("DCE") with 51% and Thesele Group Proprietary Limited with a 49% shareholding.

Thesele Group Proprietary Limited ("Thesele")

Thesele has a 49% shareholding in Kaemelon. Thesele has three non-executive directors on the Board, being TP Leeuw, SM Moloko and ONW Petersen.

Related party transactions

Trodera

Shareholder hosting fees	13,800	45,624	59,364
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These are bank charges incurred by Trodera for holding its shares in AEP in custody with Rand Merchant Bank ("RMB"), as part of the Listings Requirements of a SPAC. These bank charges were on-charged to AEP.

DCMS

Management fees	900,000	900,000	1,800,000
Recovered costs	-	-	534,131

The recovered costs include lease rental recoveries and legal fee recoveries on overruns.

Thesele

Office lease rental expense	101,909	138,434	182,733
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The Company entered into a 12 month lease rental agreement with Thesele on 01 August 2017. Since 31 July 2018, the lease was rolled over on a month-to-month basis on the same terms and conditions as the initial lease.

Kaemelon

Recovered costs	-	-	262,848
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The recoveries relate to a Due Dilligence done on a potential viable acquisition target. These costs were fully recovered from Kaemelon by 30 June 2018.

The related party transactions are at arm`s length.

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Figures in Rand			

8. Investment in subsidiary

Direct - unlisted

Name of company	Held by	% holding and voting power 31 December 2018	% holding and voting power 31 December 2017	% holding and voting power 30 June 2018	Carrying amount 31 December 2018	Carrying amount 31 December 2017	Carrying amount 30 June 2018
AEP Energy Africa International Limited (Mauritius)	AEP Energy Africa Limited	100%	-	100%	12,534	-	12,534