

Clean Energy Brazil PLC

**Consolidated Interim Financial Statements
for the six months ended 31 October 2011**

Chairman's Statement

Dear Shareholders,

As of the 31 October 2011 balance sheet date, our Net Asset Value was \$36.1 million, primarily comprising \$20.1 million in cash and our investment in Unialco MS. We had no substantial liabilities. In December we distributed £11,765,600 (\$18.4 million) or 8.8 pence per share. Our remaining cash position as of 31 December 2011 was approximately \$1.3 million. Post balance sheet, we have also retired the 13,863,929 Clean Energy Brazil Plc shares Unialco SA tendered in return for an option to purchase our interest in Unialco MS for \$16 million. That option expired unexercised. We continue to endeavour to sell our interest in Unialco MS and to obtain fair value for this investment. Given the uncertainty over the timing of our exit from our last remaining investment, we continue closely to monitor our costs and eliminate any unnecessary expenses.

As previously announced, Mr Jossef (Yossi) Barath resigned as a director of the Company with effect from 1 January 2012. Mr Barath joined the Board in December 2009 and also took on the role of Chairman. I replaced him as Chairman with immediate effect. The Board would like to thank Mr Barath for his contribution to the Company.

Respectfully yours,
Josef (Yossi) Raucher
Chairman
27 January 2012

Independent Review Report To Clean Energy Brazil Plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 31 October 2011 which comprises Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 31 October 2011 is not prepared, in all material respects, in accordance with IAS 34 and the AIM Rules.

KPMG Audit LLC

Chartered Accountants

Heritage Court
41 Athol Street
Douglas
Isle of Man
IM99 1HN

27 January 2012

Consolidated Statement of Comprehensive Income
For the six months ended 31 October 2011

		(Unaudited)	(Unaudited)	(Audited)
	Note	6 Months ended 31 October 2011 \$'000	6 Months ended 31 October 2010 \$'000	12 Months ended 30 April 2011 \$'000
Interest income on bank balances		47	70	138
Sundry income		-	77	-
Fair value movement on revaluation of investments	7	(3,510)	(5,843)	(6,401)
Profit on share option	7	2,974	-	-
Gain on disposal of agricultural assets		-	21	62
Net investment expense		<u>(489)</u>	<u>(5,675)</u>	<u>(6,201)</u>
Provision for potential claim		-	-	(6,880)
Other administration fees and expenses		(576)	(1,340)	(2,075)
Total administrative expenses		<u>(576)</u>	<u>(1,340)</u>	<u>4,805</u>
Foreign exchange gain		369	202	(84)
Finance costs		(5)	(5)	(12)
Loss for the period/year before tax		<u>(701)</u>	<u>(6,818)</u>	<u>(1,492)</u>
Taxation		(24)	(36)	(90)
Loss for the period/year after tax		<u>(725)</u>	<u>(6,854)</u>	<u>(1,582)</u>
Foreign exchange loss on translation of subsidiaries		(192)	(339)	(29)
Total comprehensive loss for the period/year		<u>(917)</u>	<u>(7,193)</u>	<u>(1,611)</u>
Basic and diluted loss per share		<u>(\$0.00)</u>	<u>(\$0.05)</u>	<u>\$(0.01)</u>

Consolidated Statement of Financial Position At 31 October 2011

	Note	(Unaudited) 31 October 2011 \$'000	(Unaudited) 31 October 2010 \$'000	(Audited) 30 April 2011 \$'000
Non-current assets				
Investments at fair value through profit or loss	7	16,000	20,068	19,510
Property, plant and equipment		46	50	51
Total non-current assets		16,046	20,118	19,561
Current assets				
Trade and other receivables		385	1,007	1,059
Cash and cash equivalents		20,130	20,678	19,701
Total current assets		20,515	21,685	20,760
Total assets		36,561	41,803	40,321
Current liabilities				
Provision for potential claim		-	(6,880)	-
Trade and other payables		(437)	(490)	(306)
Total liabilities		(437)	(7,370)	(306)
Net assets		36,124	34,433	40,015
Equity:				
Share capital	8	2,920	2,920	2,920
Treasury shares	8	(2,974)	-	-
Distributable reserves		34,115	29,568	34,840
Other reserves		2,063	1,945	2,255
Total equity		36,124	34,433	40,015
Net Asset Value per share (\$)	9	0.24	0.23	0.27
Net Asset Value per share, excluding treasury shares (\$)	9	0.27	0.23	0.27

Consolidated Statement of Changes in Equity For the six months ended 31 October 2011

	Share capital	Treasury Shares	Distributable reserves	Other reserves	Shareholders' funds
	\$'000	\$'000	\$'000	\$'000	\$'000
Changes in equity for period ended 31 October 2010 (unaudited)					
Balance as at 1 May 2010	2,920	-	36,422	2,284	41,626
Loss for the period	-	-	(6,854)	-	(6,854)
Other comprehensive loss					
Foreign exchange loss on translation of subsidiaries	-	-	-	(339)	(339)
Balance at 31 October 2010	2,920	-	29,568	1,945	34,433
Changes in equity for period ended 30 April 2011 (audited)					
Balance at 1 May 2010	2,920	-	36,422	2,284	41,626
Loss for the year	-	-	(1,582)	-	(1,582)
Other comprehensive income					
Foreign exchange loss on translation of subsidiaries	-	-	-	(29)	(29)
Balance at 30 April 2011	2,920	-	34,840	2,255	40,015
Changes in equity for period ended 31 October 2011 (unaudited)					
Balance as at 1 May 2011	2,920	-	34,840	2,255	40,015
Loss for the period	-	-	(725)	-	(725)
Other comprehensive loss					
Foreign exchange loss on translation of subsidiaries	-	-	-	(192)	(192)
Transactions with owners recorded directly in equity					
Treasury shares (see Note 8)	-	(2,974)	-	-	(2,974)
Balance at 31 October 2011	2,920	(2,974)	34,115	2,063	36,124

Consolidated Statement of Cash Flows

For the six months ended 31 October 2011

	(Unaudited) 31 October 2011	(Unaudited) 31 October 2010	(Audited) 30 April 2011
	\$'000	\$'000	\$'000
Cash flows from operating activities			
Loss for the period/year after tax	(725)	(6,854)	(1,582)
Adjustments for:			
Fair value adjustment	3,510	5,843	6,401
Finance income	(47)	(267)	(138)
Finance expense	5	-	12
Foreign exchange (gains)/loss	(369)	(21)	84
Gain on sale of agricultural assets	-	-	(62)
Profit on share option	(2,974)	-	-
Tax paid	24	36	90
Depreciation of fixed assets	11	8	11
Changes in working capital			
Change in trade and other receivables	674	50	(22)
Change in provision for potential claim	-	-	(6,880)
Change in trade and other payables	105	(248)	(485)
Cash inflow/(outflow) from operating activities	214	(1,453)	(2,571)
Cash flows from investing activities			
Interest income	47	70	138
Disposal of agricultural assets	-	2,123	2,250
Purchase of fixed assets	(6)	-	(5)
Net cash flows generated from investing activities	41	2,193	2,383
Cash flows from financing activities			
Interest expense and other finance costs	(5)	(5)	(12)
Net cash flows used in financing activities	(5)	(5)	(12)
Net increase/(decrease) in cash and cash equivalents	250	735	(200)
Effect of exchange rate fluctuations on cash balances	179	(136)	(178)
Cash and cash equivalents at start of period/year	19,701	20,079	20,079
Cash and cash equivalents at end of period/year	20,130	20,678	19,701

Selected notes to the condensed consolidated interim financial information For the six months ended 31 October 2011

1. General information

Clean Energy Brazil Plc (“CEB” or “the Company”) is a closed-end investment company incorporated on 19 September 2006 in the Isle of Man as a public limited company. The address of its registered office is IOMA House, Hope Street, Douglas, Isle of Man.

The Company is listed on the AIM market of the London Stock Exchange.

The condensed consolidated financial information comprises the results of the Company and its subsidiaries (together referred to as the “Group”) and is unaudited.

The consolidated financial statements of the Group as at and for the year ended 30 April 2011 are available upon request from the Company’s registered office at IOMA House, Hope Street, Douglas, Isle of Man or at www.cleanenergybrazil.com.

2. Statement of Compliance

These interim consolidated financial statements are unaudited and have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 April 2011.

These interim consolidated financial statements were approved by the Board of Directors on 27 January 2011.

3. Significant accounting policies

The accounting policies applied by the Group in these interim consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 April 2011.

4. Critical accounting estimates and assumptions

The preparation of condensed consolidated interim financial statements in conformity with IFRSs requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results for which form the basis of making the judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgements in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at end for the year ended 30 April 2011.

5. Financial risk management policies

The principal risks and uncertainties are consistent with those disclosed in preparation of the Group’s annual financial statements for the year ended 30 April 2011.

6. Loss per share

The basic and diluted loss per share is calculated by dividing the loss for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during the period:

	6 months ended 31 October 2011 (unaudited)	6 months ended 31 October 2010 (unaudited)	year ended 30 April 2011 (audited)
Loss attributable to ordinary shareholders of the Company	\$ (725,000)	\$ (6,854,000)	\$ (1,562,000)
Weighted average number of shares in issue	147,563,929	147,563,929	147,563,929
Basic loss per share (\$)	<u>(0.00)</u>	<u>(0.05)</u>	<u>(0.01)</u>

There is no difference between fully diluted loss/earnings per share and basic earnings per share.

7. Investments

Investments during the period and at the period end comprise a 33% equity interest in Unialco MS Participações S/A (“Unialco MS”), a company incorporated in Brazil.

The investment is considered to be a joint venture. However it is not equity accounted for, but designated as held at fair value through profit or loss in accordance with a permitted exemption under IAS 31. The investment in Unialco is stated at fair value, as estimated by the Directors.

	31 October 2011 \$'000	31 October 2010 \$'000	30 April 2011 \$'000
Fair value at 30 April 2011	19,510	25,911	25,911
Fair value adjustment in period	<u>(3,510)</u>	<u>(5,843)</u>	<u>(6,401)</u>
Fair value at 31 October 2011	<u>16,000</u>	<u>20,068</u>	<u>19,510</u>

On 25 August 2011, the Company and certain subsidiaries entered into a share option agreement with Unialco S/A – Alcool E Açúcar, (“Unialco S/A”), which gave Unialco S/A the option to purchase the Company’s entire interest in Unialco MS Participações S/A (“Unialco MS”). As consideration for this option, Unialco S/A irrevocably surrendered its 13,863,929 CEB shares. The option gave Unialco S/A the right to acquire, on or before 30 September 2011, CEB’s entire interest in Unialco MS for US\$16 million payable in cash on completion, but the option was not exercised and therefore expired.

The market value on 25 August 2011 of the of the 13,863,929 shares which were surrendered on that date amounted to US\$2,974,000. As the Company’s obligations under the Share Option Agreement fell away upon expiry, this amount has been recognised as a gain in the profit or loss.

On 25 November 2011, the Company granted a second option to Unialco S/A to purchase its entire interest in Unialco M/S. Unialco S/A was given the right to acquire, on or before 12 December 2011, the Company’s entire interest in Unialco MS for US\$16 million payable in cash on completion, but this option was also not exercised and so expired.

8. Share capital

	Number of shares	Value £'000
Ordinary shares of 1pence each As at 31 October 2011 and 30 April 2011		
Issued	147,563,929	1,475
Authorised	600,000,000	6,000

All shares are fully paid and each ordinary share carries one vote.

As described in note 7, on 25 August 2011, Unialco S/A irrevocably surrendered its holding of 13,863,929 shares as consideration for the option to acquire Unialco MS Participações SA. As at 31 October 2011, the shares were being held by a nominee company pending the approval by shareholders at the AGM to cancel the shares. The shares are shown as Treasury shares in the Statement of Financial Position, at the value of US\$2,974,000 attributed to them at the time of surrender. The shares were subsequently cancelled following the AGM on 29 November 2011, thereby reducing the number of shares in issue to 133,700,000.

In addition to the ordinary shares, 25,000,000 equity warrants were admitted to trading on the AIM market in December 2006. Each warrant entitled the holder to subscribe for one new ordinary share at £1.00 per share. The warrants expired on their fifth anniversary on 18 December 2011.

9. Net asset value (NAV)

The Company's NAV per share is calculated by dividing the net assets attributable to the equity holders of the Company at the end of the period by the number of shares in issue.

	31 October 2011	31 October 2010	30 April 2011
Net assets	\$36,124,000	\$34,433,000	\$40,015,000
Number of shares in issue	147,563,929	147,563,929	147,563,929
NAV per share	<u>\$0.24</u>	<u>\$0.23</u>	<u>\$0.27</u>

As described in note 8, 13,863,929 shares were held in trust by a nominee on 31 October 2011, pending the approval by shareholders at the AGM to cancel them. The shares were cancelled following the AGM on 29 November 2011 thereby reducing the number of shares in issue to 133,700,000. The NAV per share based on the number of shares in issue excluding shares pending cancellation is as below.

	31 October 2011	31 October 2010	30 April 2011
Net assets	\$36,124,000	\$34,433,000	\$40,015,000
Number of shares in issue, excluding shares awaiting cancellation	133,700,000	147,563,929	147,563,929
NAV per adjusted number of shares	<u>\$0.27</u>	<u>\$0.23</u>	<u>\$0.27</u>

10. Subsequent events

Unialco option

As described in note 7, on 25 November 2011, the Company granted a second option to Unialco S/A to purchase its entire interest in Unialco M/S. The Company and Unialco S/A also agreed to a standstill until the expiration of the option period. The option gave Unialco S/A the right to acquire, on or before 12 December 2011, the Company's entire interest in Unialco MS for US\$16 million payable in cash on completion, but the option expired unexercised.

Share cancellation

As described in note 8, 13,863,929 shares were cancelled following the AGM on 29 November 2011 thereby reducing the number of shares in issue to 133,700,000.

Warrants

As described in note 8 the 25,000,000 warrants to subscribe for ordinary shares at £1.00 per share expired on 18 December 2011.

Distribution

On 23 December 2011, the Company paid a distribution of 8.8 pence per share, amounting to £11,765,600 in total, equivalent to USD \$18,430,000. The distribution was financed from the reserves created in December 2009 by the cancellation of the share premium which had arisen upon the issue of share capital in December 2007 and in April 2008.

Board Changes

Mr Jossef (Yossi) Barath resigned as a director of the Company with effect from 1 January 2012. He was replaced as Chairman by Mr Josef (Yossi) Raucher.