

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended), who specialises in advising on the acquisition of shares and other securities.**

If you have sold or transferred your Ordinary Shares you should send this document, along with the Form of Proxy and/or Form of Direction, at once to the purchaser or transferee or stockholder or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, the foregoing documents must not be distributed, forwarded or transmitted in or into any Restricted Jurisdiction. If you have sold or transferred only part of your holding of Ordinary Shares you should retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

This document, which comprises an AIM Admission Document drawn up in accordance with the AIM Rules, has been issued in connection with the application for admission to trading of the Enlarged Share Capital on AIM. This document contains no offer to the public within the meaning of section 102B of FSMA, the Act or otherwise. Accordingly, this document does not comprise a prospectus within the meaning of section 85 of FSMA and has not been drawn up in accordance with the Prospectus Rules or approved by or filed with the Financial Conduct Authority or any other competent authority.

**Application will be made for the Enlarged Share Capital to be admitted to trading on AIM, a market operated by the London Stock Exchange. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. It is emphasised that no application is being made for admission of the Enlarged Share Capital to the Official List of the UK Listing Authority.**

The Company, the Directors and the Proposed Directors (whose names and functions appear in paragraph 1 of Part XIII of this document) accept responsibility for the information contained in this document and for compliance with the AIM Rules for Companies. To the best of the knowledge of the Company, the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

**You should read the whole of this document and any documents incorporated herein by reference. In particular, your attention is drawn to the factors described in Part IV and the Letter from your Chairman which is set out in Part I, and which contains a recommendation from your Board that you vote in favour of the Resolutions to be proposed at the General Meeting.**

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# ATLANTIS RESOURCES LIMITED

*(Incorporated and registered in the Republic of Singapore with registered number 200517551R)*

**Proposed acquisition of SIMEC Uskmouth Power Limited  
Proposed Placing of 57,142,857 new Ordinary Shares at 35p per share  
Proposed change of name to SIMEC Atlantis Energy Limited  
Waiver of Rule 14 under the Singapore Takeover Code  
Admission of the Enlarged Share Capital to trading on AIM  
Notice of General Meeting**

*Financial Adviser to the Company*

**Evercore Partners International LLP**

*Independent Financial Adviser for the Whitewash Resolution*

**Ernst & Young Corporate Finance Pte. Ltd**

*Nominated Adviser, Joint Broker and Joint Bookrunner*

**Cantor Fitzgerald Europe**

*Joint Broker and Joint Bookrunner*

**Macquarie Capital (Europe) Limited**

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The Consideration Shares and the Placing Shares will rank *pari passu* in all respects with the Ordinary Shares and will rank in full for all dividends or other distributions declared, made or paid on the Ordinary Shares after Admission. It is expected that Admission will take place and that trading in the Consideration Shares and Placing Shares will commence on AIM on 15 June 2018.

Evercore Partners International LLP (“**Evercore**”), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as financial adviser to the Company in connection with the Proposals and will not regard any other person as its client in relation to the Proposals nor will it be responsible to any person other than the Company for providing the protections afforded to its clients or for advising any other person in respect of the Proposals other than the Company. Neither Evercore nor its affiliates have authorised the contents of any part of this document and neither accepts liability for the accuracy of any information or opinions contained in this document nor for the omission of any material information from this document for which the Company, the Directors and Proposed Directors are responsible. No representation or warranty, express or implied, is made by Evercore or its affiliates as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

Ernst & Young Corporate Finance Pte. Ltd (“**EY**”), which is incorporated and registered in the Republic of Singapore with registered number 199702967E, is licensed and regulated in the Republic of Singapore by the Monetary Authority of Singapore. EY is acting as independent financial adviser to the Independent Directors of the Company in relation to the Whitewash Resolution, and will not regard any other person as its client in relation to the Whitewash Resolution nor will it be responsible to any person other than the Independent Directors of the Company for providing the protections afforded to its clients or for advising any other person in respect of the Whitewash Resolution other than the Independent Directors of the Company. EY has not authorised the contents of any part of this document and neither accepts liability for the accuracy of any information or opinions contained in this document (other than the EY Whitewash Advice Letter) nor for the omission of any material information from this document for which the Company, the Directors and Proposed Directors are responsible. No representation or warranty, express or implied, is made by EY as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

Cantor Fitzgerald Europe (“**Cantor Fitzgerald**”), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as nominated adviser, joint broker and joint bookrunner to the Company in connection with the Proposals and will not regard any other person as its client in relation to the Proposals nor will it be responsible to any person other than the Company for providing the protections afforded to its clients or for advising any other person in respect of the Proposals other than the Company. Cantor Fitzgerald’s responsibilities as the Company’s nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director, Proposed Director or to any other person in respect of such person’s decision to acquire shares in the Company in reliance on any part of this document. Cantor Fitzgerald has not authorised the contents of any part of this document and neither accepts liability for the accuracy of any information or opinions contained in this document nor for the omission of any material information from this document for which the Company, the Directors and Proposed Directors are responsible. No representation or warranty, express or implied, is made by Cantor Fitzgerald as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

Macquarie Capital (Europe) Limited (“**Macquarie**”), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as joint broker and joint bookrunner to the Company in connection with the Proposals and will not regard any other person as its client in relation to the Proposals nor will it be responsible to any person other than the Company for providing the protections afforded to its clients or for advising any other person in respect of the Proposals other than the Company. Macquarie has not authorised the contents of any part of this document and neither accepts liability for the accuracy of any information or opinions contained in this document nor for the omission of any material information from this document for which the Company, the Directors and Proposed Directors are responsible. No representation or warranty, express or implied, is made by Macquarie as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

This document does not constitute an offer to sell, or the solicitation of an offer to buy or subscribe for Placing Shares in any jurisdiction in which such offer or solicitation is unlawful. The Placing Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or qualified for sale under the laws of any state or other jurisdiction of the United States or under the applicable laws of any of Canada, Australia, the Republic of South Africa or Japan and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of South Africa or Japan. Neither this document, nor any copy of it, may be sent to or taken into the United States, nor may it be distributed to any US person (within the meaning of Regulation S under the Securities Act).

**Notice convening a general meeting of the Company to be held at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA at 10.00 a.m. on 13 June 2018 is set out at the end of this document.** Shareholders who hold their shares in certificated form will find enclosed with this document a Form of Proxy. Whether or not they intend to be present at the General Meeting, such Shareholders are requested to complete the Form of Proxy in accordance with the instructions printed on it and return it as soon as possible and in any case so as to be received by PXS, Link Asset Services, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (by post or by hand) as soon as possible and, in any event, **no later than 10.00 a.m. on 11 June 2018**. The completion and return of a Form of Proxy will not prevent such Shareholders from attending the General Meeting and voting in person if they wish to do so.

Holders of Depositary Interests will find enclosed with this document a Form of Direction which may be used to instruct Link Market Services Trustees Limited, the Depositary, how to vote the number of Ordinary Shares in the Company represented by their Depositary Interests. Holders of Depositary Interests are requested to complete the Form of Direction in accordance with the instructions provided on it and return it as soon as possible and in any case so as to be received by PXS, Link Asset Services, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (by post or by hand) **no later than 10.00 a.m. on 8 June 2018**. Alternatively, Depositary Interest holders may instruct the Depositary how to vote by utilising the CREST electronic voting service as explained in the notes to the Notice.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) from the Company’s registered office from the date of this document until the date which is one month from the date of Admission. A copy of this document will also be available from the Company’s website at [www.atlantisresourcesltd.com](http://www.atlantisresourcesltd.com) (up to Admission) or [www.simecatlantis.com](http://www.simecatlantis.com) (following Admission)

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## FORWARD LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “envisages”, “estimates”, “anticipates”, “projects”, “expects”, “intends”, “may”, “will”, “could”, “seeks” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy plans, objectives, goals, future events or intentions. These forward-looking statements include statements regarding the Company’s, the Directors’ and the Proposed Directors’ current intentions, beliefs or expectations concerning, amongst other things, investment strategy, financing strategy, performance, results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which the Enlarged Group will operate.

By their nature, forward-looking statements involve risks (including unknown risks) and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not an assurance of future performance. The Company’s actual performance, results of operations, financial condition, liquidity and dividend policy and the development of the business sector in which the Enlarged Group will operate, may differ materially from those suggested by the forward-looking statements contained in this document. In addition, even if the Company’s performance, results of operations, financial condition, liquidity and dividend policy and the development of the industry in which the Enlarged Group will operate, are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Prospective investors are advised to read this entire document, including Part IV entitled “Risk Factors”, for a more complete discussion of the factors that could affect the Enlarged Group’s future performance and the industry in which the Enlarged Group will operate. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may or may not occur.

Any forward-looking statements in this document reflect the Company’s, the Directors’ and the Proposed Directors’ current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the matters referred to above. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision. Other than in accordance with the Company’s obligations under the AIM Rules for Companies, neither the Company nor Evercore nor Cantor Fitzgerald nor Macquarie undertakes any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

## SOURCES

Certain information in Parts I, II and IV pertaining to technical aspects of the Conversion of the Power Station to use waste derived pellets as a fuel source is derived from the SUP Technical Report, which is included in Part VI of this document. While the information in Parts I and II provides a summary of certain aspects of the SUP Technical Report, such report includes further details, as well as various assumptions and qualifications and should therefore be read in its entirety.

Various market data and forecasts used in this document have been obtained from independent industry sources. Neither the Company nor Evercore nor Cantor Fitzgerald nor Macquarie has verified the data, statistics or information obtained from these sources and cannot give any guarantee of the accuracy or completeness of the data. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications, risks and uncertainties as above.

Various figures and percentages in text and tables in this document have been rounded and accordingly may not total. Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

All times referred to in this document are, unless otherwise stated, references to London time.

## EXCHANGE RATES

All references to US\$ are to US Dollars, £ are to UK Pounds Sterling, S\$ are to Singapore Dollars and EUR are to Euros. Unless otherwise stated, the following rates of exchange have been used in this document:

US\$1.00 = £0.74

S\$1.00 = £0.55

EUR1.00 = £0.88

## NOTICE TO OVERSEAS INVESTORS

The distribution of this document and the issue of Placing Shares into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of any such jurisdiction. In particular, subject to certain exceptions, this document should not be distributed, forwarded to or transmitted in or into the United States or any Restricted Jurisdiction.

### European Economic Area

In member states of the European Economic Area, Placing Shares are only being made available to persons who are “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive (“**Qualified Investors**”). For the purposes of this provision, the expression “Prospectus Directive” means Directive 2003/71/EC, as amended, and includes any relevant implementing measure in each member state of the European Economic Area which has implemented the Prospectus Directive. In the United Kingdom, Placing Shares are only being made available to persons who are Qualified Investors (i) who have professional experience in matters relating to investments who fall within the definition of “investment professional” in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”), (ii) who are high net worth companies, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2)(a) to (d) of the Order; or (iii) other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as “**Relevant Persons**”). This document must not be acted on or relied on by persons participating in the Placing (i) in the United Kingdom, by persons who are not Qualified Investors.

### United States

The Placing Shares will be offered and sold only outside the United States in offshore transactions as defined in and in reliance on Regulation S (“**Regulation S**”) under the Securities Act to persons who are not, and are not acting for the account or benefit of, US persons as defined in Regulation S (“**US Persons**”). The Placing Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States, except pursuant to an exception from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States. There will be no public offer of the Placing Shares in the United States. The Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended (the “**US Investment Company Act**”), and investors will not be entitled to the benefits of the US Investment Company Act. Neither the United States Securities and Exchange Commission (“**SEC**”) nor any state securities commission has been approved or disapproved of the Placing Shares or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offence.

### Australia

This document is not a prospectus or other disclosure document for the purposes of the Australian Corporations Act 2001 (Cth) (the “**Corporations Act**”) and has not been lodged with the Australian

Securities and Investments Commission in connection with the Placing. The provision of this document to any person does not constitute an offer of Ordinary Shares to any person to whom such an offer or invitation would be unlawful. The invitation to subscribe for Placing Shares has only been made to investors in Australia to whom an offer can be made without a disclosure document in accordance with Chapter 2D of the Corporations Act (as either a “sophisticated investor” or a “professional investor” who is exempt from the disclosure requirements under section 708(8) or (11) of the Corporations Act). It is a condition of any person receiving and retaining this document in Australia that they represent and warrant to the Company, its directors and the Joint Bookrunners that they are a “sophisticated investor” or a “professional investor”.

## **Singapore**

This document has not been registered as a prospectus with the Monetary Authority of Singapore in Singapore and may not be circulated or distributed in Singapore nor may any of the securities mentioned herein be offered for subscription or purchase, directly or indirectly, nor may any invitation to subscribe for or purchase any of such securities be made in Singapore except in circumstances in which such offer or sale is made pursuant to, and in accordance with the conditions of, an exemption invoked under Subdivision (4) Division I of Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), and to persons to whom such securities may be offered or sold under such exception. Accordingly, such securities may not be offered or sold nor may this document or any other offering document or material relating to such securities be circulated or distributed, directly or indirectly, to any person in Singapore other than (i) to an institutional investor pursuant to section 274 of the SFA or (ii) to other persons specified in, and in accordance with the conditions in, section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA. Section 276 of the SFA will have to be complied with upon the subsequent sale of any securities acquired pursuant to an exemption under section 274 or section 275 of the SFA.

## **Switzerland**

The Placing Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (“SIX”) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Placing Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland. Neither this document nor any other offering or marketing material relating to the offering, the Company or the Placing Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Placing Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offer of Placing Shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (“CISA”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Placing Shares.

## **OTHER NOTICES**

Apart from the responsibilities and liabilities, if any, which may be imposed on Evercore, Cantor Fitzgerald and Macquarie by the FSMA or the AIM Rules, neither Evercore nor Cantor Fitzgerald nor Macquarie makes any representation, express or implied, with respect to the accuracy or completeness of any information contained in this document or any other statement made or purported to be made by it or on its behalf, in connection with the Company, the Acquisition or the Placing. Neither Evercore nor Cantor Fitzgerald nor Macquarie accepts responsibility for and does not authorise the contents of this document and disclaims any and all liability, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this document or any such statement.

Neither Evercore nor Cantor Fitzgerald nor Macquarie nor any person acting on its behalf, accepts any responsibility or obligation to update, review or revise the information in this document or to publish or distribute any information which comes to its attention after the date of this document, and the distribution

of this document shall not constitute a representation by Evercore or Cantor Fitzgerald or Macquarie, or any such person, that this document will be updated, reviewed or revised or that any such information will be published or distributed after the date hereof.

The contents of this document should not be construed as legal, business or tax advice. Each Shareholder and prospective investor should consult his, her or its legal adviser, financial adviser or tax adviser for advice. Neither the Company nor Evercore nor Cantor Fitzgerald nor Macquarie nor any of their respective representatives, are making any representation to any offeree or purchaser or acquirer of the Placing Shares regarding the legality of an investment in the Placing Shares by such offeree or purchaser or acquirer under the laws applicable to such offeree or purchaser or acquirer.

Recipients of this document acknowledge that: (i) they have not relied on Evercore or Cantor Fitzgerald or Macquarie or any of their affiliates in connection with any investigation of the accuracy of any information contained in this document or in connection with their investment decision; and (ii) they have relied only on the information contained in this document. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company, including the merits and risks involved.

Evercore, Cantor Fitzgerald and Macquarie or any affiliate thereof, is acting as an investor for its or their own account may subscribe for, retain, purchase or sell Placing Shares or related investments for its or their own account and in that capacity may offer or sell such securities or other investments otherwise than in connection with the Placing. Accordingly, references in this document to Placing Shares being offered or placed should be read as including any offering or placement of Placing Shares to Evercore, Cantor Fitzgerald and Macquarie or any affiliate of any of them acting in such capacity. Except as required by applicable law or regulation, Evercore, Cantor Fitzgerald and Macquarie does not propose to make any public disclosure in relation to such transactions.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company or by Evercore, Cantor Fitzgerald and Macquarie. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as at any time subsequent to its date.

## **INVESTMENT CONSIDERATIONS**

The contents of this document are not to be construed as advice relating to legal, financial, taxation, investment or any other matters. Prospective investors should inform themselves as to:

- the legal requirements within their own countries for the subscription for, purchase, holding, transfer or other disposal of Ordinary Shares;
- any foreign exchange restrictions applicable to the subscription for, purchase, holding, transfer or other disposal of Ordinary Shares which they might encounter; and
- the income and other tax consequences which may apply in their own countries as a result of the subscription for, purchase, holding, transfer or other disposal of Ordinary Shares.

Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning an investment in Ordinary Shares.

An investment in Ordinary Shares should be regarded as a long term investment. There can be no assurance that the Company's objectives will be achieved.

This document should be read in its entirety before making any investment in Ordinary Shares.

## INFORMATION TO DISTRIBUTORS

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“**MiFID II**”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Placing Shares have been subject to a product approval process, which has determined that such securities are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “**Target Market Assessment**”). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Placing Shares may decline and investors could lose all or part of their investment; the Placing Shares offer no guaranteed income and no capital protection; and an investment in the Placing Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Cantor Fitzgerald and Macquarie will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Placing Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Placing Shares and determining appropriate distribution channels.

**NOTWITHSTANDING ANYTHING IN THE FOREGOING, NO PUBLIC OFFERING OF THE PLACING SHARES IS BEING MADE BY ANY PERSON ANYWHERE AND THE COMPANY HAS NOT AUTHORISED OR CONSENTED TO ANY SUCH OFFERING IN RELATION TO THE PLACING SHARES.**



## SHARE CAPITAL AND PLACING STATISTICS

Placing Price	35 pence
Number of Ordinary Shares in issue at date of this document	125,956,617
Number of Consideration Shares	152,642,330
Number of Placing Shares	57,142,857
Number of SIMEC Loan Completion Shares	30,457,142
Number of Ordinary Shares in issue following completion of the Acquisition and the Placing and the issue of the SIMEC Loan Completion Shares	366,198,946
Estimated gross proceeds of the Placing	£20 million
Estimated net proceeds of the Placing receivable by the Company	£19.5 million
Percentage of Enlarged Share Capital represented by the Placing Shares	15.60 per cent.
Percentage of Enlarged Share Capital represented by the Consideration Shares and the SIMEC Loan Completion Shares	49.99 per cent.
Number of Ordinary Shares owned by SIMEC on Admission	183,099,472
Percentage of Enlarged Share Capital owned by SIMEC on Admission	49.99 per cent.
Market capitalisation of the Company at the Placing Price following completion of the Acquisition and the Placing and the issue of the SIMEC Loan Completion Shares	£128,169,631
ISIN number	SG9999011118
Tradeable Instrument Display Mnemonic from Admission	SAE

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS<sup>1</sup>

Publication of this document	22 May 2018
Latest time and date for receipt of Forms of Direction	10.00 a.m. on 8 June 2018
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 11 June 2018
General Meeting	10.00 a.m. on 13 June 2018
Expected date of Admission of the Consideration Shares, the Placing Shares and the SIMEC Loan Completion Shares	8.00 a.m. on 15 June 2018
Completion of the Acquisition	15 June 2018
CREST accounts credited in respect of the Placing Shares by	15 June 2018
Despatch of definitive share certificates in respect of the Consideration Shares, the SIMEC Loan Completion Shares and the Placing Shares (where applicable) by	29 June 2018

<sup>1</sup> Each of the above dates is subject to change at the absolute discretion of the Company. Any such change will be notified to Shareholders by an announcement on a Regulatory Information Service.

## DIRECTORS, SECRETARY AND ADVISERS

### Current Directors

John Mitchell Neill (*Non-Executive Chairman*)  
Timothy James Cornelius (*Chief Executive Officer*)  
Duncan Stuart Black (*Non-Executive Director*)  
Michael Robert Lloyd (*Non-Executive Director*)  
Ian Anthony Macdonald (*Non-Executive Director*)  
John Anthony Clifford Woodley (*Non-Executive Director*)  
Ian George Cobban (*Non-Executive Director*)

*whose business address is at the Company's registered office:*

80 Raffles Place  
Level 36  
Republic of Singapore  
048624

### Proposed Directors to be appointed on Admission

Andrew Luke Dagley (*Chief Financial Officer*)  
Mark Edward Monckton Elborne (*Non-Executive Director appointed by SIMEC*)  
George Jay Hambro (*Non-Executive Director appointed by SIMEC*)

*whose business address is:*

80 Raffles Place  
Level 36  
Republic of Singapore  
048624

### Board of Directors following Admission:

John Neill  
Timothy Cornelius  
Andrew Dagley  
John Woodley  
Ian Macdonald  
Mark Elborne  
Jay Hambro

**Company website up to Admission** [www.atlantisresourcesltd.com](http://www.atlantisresourcesltd.com)

**Company website following Admission** [www.simecatlantis.com](http://www.simecatlantis.com)

**Company Secretary** Boardroom Corporate & Advisory Services Pte. Ltd  
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## PART I

### LETTER FROM THE CHAIRMAN OF ATLANTIS

# ATLANTIS RESOURCES LIMITED

*(Incorporated and registered in the Republic of Singapore with registered number 200517551R)*

*Directors:*

John Neill (*Non-Executive Chairman*)  
Timothy Cornelius (*Chief Executive Officer*)  
Duncan Black (*Non-Executive Director*)  
Michael Lloyd (*Non-Executive Director*)  
Ian Macdonald (*Non-Executive Director*)  
John Woodley (*Non-Executive Director*)  
Ian Cobban (*Non-Executive Director*)

*Registered Office:*

80 Raffles Place  
Level 36  
Republic of Singapore  
Singapore  
048624

21 May 2018

Dear Shareholder,

**Proposed acquisition of SIMEC Uskmouth Power Limited, Proposed Placing of 57,142,857 new Ordinary Shares at 35p per share, proposed change of name to SIMEC Atlantis Energy Limited, waiver of Rule 14 under the Singapore Takeover Code, Admission of the Enlarged Share Capital to trading on AIM and Notice of General Meeting**

## 1. Introduction

On 14 December 2017, the Company announced that it had reached agreement to conditionally acquire SIMEC Uskmouth Power Limited from SIMEC, a member of the GFG Alliance. SUP is the owner of the 393MW Uskmouth power station in Newport, South Wales. The Power Station suspended electricity generation in April 2017. It is proposed that, following the Acquisition, 220MW of capacity at the Power Station will be converted by Atlantis to use a waste derived energy pellet as the fuel source for power generation.

The value of the Power Station is supported by a robust and value-enhancing contractual structure. SUP has entered into two PPAs. The first is a route-to-market PPA with Marble Power Limited, a GFG Alliance company, pursuant to which a majority of the Power Station's power generation is proposed to be sold following Conversion. The Marble PPA contains a floor price of £30.90 per MWh (escalated at 50 per cent. annual CPI indexation). The second PPA is with Fuel SPV, a joint venture company incorporated by SIMEC Fuels, a GFG Alliance company and N+P Group B.V., a Dutch recycling group (through N&P UK Holding 2 Ltd), pursuant to which the Power Station proposes to supply up to 15MW of electricity to the SUP Fuel Processing Facility. Under the Fixed Price PPA, output will be sold at a fixed price of £130 per MWh (escalated annually based on CPI).

In addition, SUP has entered into the fixed price Fuel Supply Agreement pursuant to which all of the Power Station's fuel demands after Conversion will be supplied by Fuel SPV. Fuel SPV proposes to construct three Fuel Processing Facilities where the waste derived pellets for burning in the Power Station will be produced. One of these facilities (the SUP Fuel Processing Facility), is proposed to be constructed on a site adjacent to the Power Station.

A technical report in connection with the Conversion has been commissioned by the Company from AECOM Infrastructure & Environment UK Limited, a copy of which is set out in Part VI of this document. The Technical Consultant estimates that subject to completion of all front end engineering and design studies, all necessary consents being obtained, and subject to financing, the construction works in relation to Conversion (including commissioning) could be completed within 18 months of the final investment decision. Based on a final investment decision in mid-2019, this would allow completion of commissioning and entry into commercial operations in Q4 2020. The Technical Consultant has estimated the cost of Conversion at approximately £185 million subject to a -10 per cent./+30 per cent. estimate accuracy range. The Company expects to put the Conversion project out to tender on a fully wrapped engineering,

procurement and construction basis following a front end engineering and design phase which is anticipated to be completed by the end of Q1 2019. The Company anticipates that it will seek funding for the Conversion in Q2 of 2019, following completion of FEED and procurement of the necessary permits. Approximately half of the Conversion cost is expected to be met through debt funding, with the Company also looking to obtain an element of grant funding from the Welsh government or European sources as well as raising some further private and/or public equity capital to contribute towards the Conversion cost.

Upon completion of the Acquisition, it is intended that the name of the Company will be changed to SIMEC Atlantis Energy Limited. The consideration being paid to SIMEC will be satisfied by the issue to SIMEC of 152,642,330 Ordinary Shares in Atlantis. Following completion of the Acquisition and the Placing referred to below, and following the issue to SIMEC of the SIMEC Loan Completion Shares, SIMEC will own approximately 49.99 per cent. of the Enlarged Share Capital.

Upon completion of the Acquisition, the Enlarged Group will own 100 per cent. of SUP and a diversified portfolio of tidal energy assets and opportunities, including its approximately 77 per cent. interest in MeyGen. The Acquisition is intended to be the first of a number of acquisitions from the GFG Alliance that will transform Atlantis into a diversified energy company of scale owning development and generating assets across the sustainable energy spectrum, supplementing its existing portfolio of assets. In view of this intention, and the size of SIMEC's shareholding in Atlantis following Admission, Atlantis and SIMEC have entered into a Relationship Agreement which will, amongst other things, provide Atlantis with investment rights through a right of first offer to a pipeline of renewable power assets owned or subsequently acquired by the GFG Alliance. Details of the Relationship Agreement are set out at paragraph 8 of this Part I below.

The Company has also announced today that it has conditionally raised £20 million before expenses by way of a placing of 57,142,857 new Ordinary Shares at a price of 35 pence per share. Cantor Fitzgerald and Macquarie are acting as joint bookrunners in connection with the Placing. The proceeds of the Placing will be used to contribute towards the working capital requirements of the Enlarged Group, to pay down some debt, to fund the costs of the FEED study for the Conversion, for tidal project and technology development and to fund some of the costs of the Proposals. The Placing is conditional upon, amongst other things, the Acquisition being completed.

The Enlarged Group will continue to be led by John Neill (as Chairman) and Tim Cornelius (as Chief Executive Officer). With effect from Admission, Andrew Dagley will join the Board as Chief Financial Officer and Mark Elborne and Jay Hambro will join the Board as representatives of SIMEC. Also with effect from Admission, Duncan Black, Ian Cobban and Michael Lloyd will step down from the Board. The current personnel employed by SUP are with limited exceptions agreed between the Company and SIMEC expected to continue their employment with SUP as part of the Enlarged Group. This will comprise a team of approximately 50 personnel with strong operating capabilities to assist in delivering on the Conversion programme. Further details of the Directors, Proposed Directors, Senior Management and employees of the Enlarged Group are set out at paragraph 18 of this Part I below.

The Acquisition constitutes a reverse takeover under the AIM Rules for Companies. As such, the Acquisition, as well as the Placing, is subject to the approval of Shareholders, which is being sought at the General Meeting to be held at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA on 13 June 2018, notice of which is set out at the end of this document.

Following the Acquisition and the Placing, and following the issue to SIMEC of the SIMEC Loan Completion Shares, SIMEC will have an aggregate holding of 183,099,472 Ordinary Shares representing 49.99 per cent. of the Enlarged Share Capital, which would normally incur an obligation on SIMEC, under Rule 14 of the Singapore Code, to make a general offer to the Atlantis shareholders to acquire their Ordinary Shares. However, subject to the approval of Independent Atlantis Shareholders on a poll at the General Meeting to waive their rights to receive a general offer from SIMEC and its concert parties under Rule 14 of the Singapore Code, the Securities Industry Council of Singapore has agreed to waive this obligation. An explanation of the Singapore Code in relation to SIMEC is set out at paragraph 19 of this Part I below. Other information required to be included in this document, in accordance with the Singapore Code, is set out in Part X of this document.

Subject to all the conditions to the Acquisition being satisfied, the admission of the Ordinary Shares to trading on AIM will be cancelled, and the Enlarged Share Capital will be admitted to trading on AIM. It is anticipated that Completion and Admission will take place shortly following the General Meeting.

The purpose of this document is to set out the background to and reasons for the Proposals, to provide information on the Proposals, to explain why your Board believes that the Proposals are in the best interests of the Company and to recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting which is being convened for 13 June 2018, notice of which is set out at the end of this document.

## **2. Background to and reasons for Atlantis to make the Acquisition**

The Acquisition provides a number of benefits for Atlantis. The combination of Atlantis's existing tidal energy assets, the proposal to convert the Power Station to run on a waste derived energy pellet and the relationship with SIMEC and the GFG Alliance will create for Atlantis an enlarged renewable platform with scope for further growth across a broad range of operating and development stage assets. The immediate acquisition of the Power Station, a significant power generation asset, is expected to provide long-term contracted cash flows for Atlantis Shareholders following completion of the Conversion.

The contractual structure for Conversion and subsequent operations is expected to be robust and consistent with the requirements of limited recourse financing. Certain of the key commercial documents, including the Marble PPA, the Fixed Price PPA and the FSA, have been entered into and the main obligations under these documents will become effective on achieving financial close for the Conversion. The terms of these agreements will allow SUP, once operational, to generate long-term minimum contracted cash flows whilst also providing Atlantis Shareholders with the ability to benefit from upside linked to intra-day electricity prices in pounds sterling. In addition, given its existing ROC accreditation, SUP is actively assessing the scope for the biomass component of the energy pellet to attract ROCs.

Completion of the Acquisition will also establish a formal and long term relationship with SIMEC and the GFG Alliance whereby SIMEC will become the holder of 49.99 per cent. of the Enlarged Share Capital of Atlantis immediately following completion of the Acquisition and the Placing.

Atlantis has been granted a right of first offer on a portfolio of renewable power generation assets currently owned or to be subsequently acquired by the GFG Alliance. The SIMEC Pipeline comprises a number of assets in the UK and Australia with a total gross generation capacity of 680MW. Of this capacity, 224MW relates to operational projects with the remainder being in development or construction. The GFG Alliance has acquired this portfolio of assets over the last two years and expects to continue to build on the portfolio. Access to this pipeline of assets provides the opportunity for Atlantis to become a diversified renewable energy company of scale. Details of the existing SIMEC Pipeline, together with further details in relation to Atlantis's right of first offer in relation to the SIMEC Pipeline and other renewable power generation assets of the GFG Alliance, is set out at paragraph 7 of this Part I below.

The Board believes that the establishment of a formal and long term relationship with the SIMEC Group and the GFG Alliance will create material value for Atlantis Shareholders. The Board further believes that the relationship with the SIMEC Group and the GFG Alliance will increase Atlantis's access to a broader range of in-house expertise and funding opportunities as well as enhancing Atlantis's national and international profile.

## **3. Background information on SUP, the Power Station and rationale for Conversion**

SUP owns a 393MW power station at Newport, South Wales consisting of three units. The Power Station was originally built in 1959 by the Central Electricity Generating Board with a capacity of 363MW. Following privatisation in 1990, operations were transferred to National Power and subsequent owners have included AES (1998 – 2003), Welsh Power (2004 – 2009) and SSE (2009 – 2015). Under the ownership of AES, a substantial investment and modernisation programme was undertaken to meet contemporary environmental emission and legislative standards, which was completed in 2001. As part of the programme, the generating capacity of the Power Station was increased to 393MW.

The Power Station was acquired by SIMEC in 2015. The Power Station currently comprises three coal-fired units accredited under the Renewables Obligation to co-fire with biomass. In April 2013, one of the three



units (known as Unit 15) ceased generation, reducing generation capacity to approximately 260MW. The remaining two units (known as Units 13 and 14) have not generated any output since April 2017.

SUP believes it is not currently economically viable to operate the Power Station using coal as the primary fuel, and SUP has been exploring other fuel types. As a result of these studies, SUP has concluded that, of the fuel types reviewed, the most economically attractive option for future operation of the Power Station is to carry out a conversion to use a fuel pellet derived from a mixture of waste biomass (such as the by-products of paper production), and other waste types such as plastics. Recycling of these wastes is currently either technically or economically unfeasible, but they can be used to produce a fuel pellet which, subject to FEED, is expected to be suitable for combustion in the Power Station's existing boilers once they have been refurbished, pursuant to the Conversion.

The high calorific value and the consistency of the fuel pellet (to ensure it is suitable for combustion in the Power Station), are achieved using sorting and processing technology developed and demonstrated by N+P. N+P (through N&P UK Holding 2 Ltd) has formed the Fuel Joint Venture with SIMEC Fuels pursuant to which Fuel SPV (the joint venture company) will produce and supply fuel pellets to the Power Station under the Fuel Supply Agreement. Fuel SPV will be responsible for sourcing and processing the raw waste to produce the pellets, and will be liable for put or pay compensation to the Power Station should it fail to meet its delivery obligations. As Fuel SPV will receive gate fees from waste suppliers for the input feedstock, it is able to provide the output fuel pellets to the Power Station at a low cost in comparison to alternatives such as coal or various types of biomass.

The Directors and Proposed Directors believe, subject to FEED, that the Conversion offers the opportunity to operate the Power Station in an economically viable and sustainable way for a further twenty years, and that the contemplated works will allow for compliance with the latest applicable emissions requirements whilst permitting useful and efficient energy recovery from materials which could otherwise have been directed to landfill.

#### **4. Proposals in connection with the Conversion**

##### **● Design and engineering**

SUP proposes to convert Units 13 and 14 to operate using a waste derived energy pellet instead of pulverised coal. As part of the Conversion, the two units will be de-rated such that their maximum gross power generation per unit is 121MW (242MW in total), resulting in target maximum net power export per unit of 110MW (220MW in total).

The Conversion includes a programme of works to return the existing plant to service and to extend its operating life for a further 20 years. As part of the works, the major systems will be overhauled, existing combustion system deficiencies will be rectified, new low NO<sub>x</sub> burners will be installed, and the flue gas cleaning system will be renovated and supplemented to address new emission limits under the Industrial Emissions Directive. Other measures will be implemented to mitigate the corrosive and ash slugging potential of the new fuel.

No significant re-engineering is planned under the return to service proposals and neither the boilers nor the turbines will be replaced as part of the Conversion.

In 2017 SUP engaged combustion specialists RJM to assess the technical feasibility and cost of the conversion to accommodate the new waste derived fuel. SUP undertook a review of the necessary return to service and life extension costs, based on the Power Station's operation and maintenance history. Global engineering and infrastructure specialist AECOM has been engaged by Atlantis to critically review the work undertaken by RJM and SUP in relation to the Conversion.

Part VI of this document sets out the SUP Technical Report on the Conversion prepared by AECOM. In conclusion, AECOM's view, subject to the successful conclusion of FEED, is that the Power Station can be converted to operate using the proposed waste derived energy pellets. AECOM also developed a capital cost plan for the necessary works to an accuracy of -10 per cent./+30 per cent., and prepared a programme which demonstrates that commercial operations could be achieved within approximately 18 months of FID. AECOM has confirmed in its report the key technical and commercial parameters as set out in Table 1 below. The SUP Technical Report should be read in its

entirety for a full understanding of the assumptions, risks and methodologies used in arriving at the estimates set out in Table 1 below.

*Table 1: Summary of key technical and commercial parameters for the Conversion*

<i>Parameter</i>	<i>Value</i>
Capital cost for Conversion (including FEED)	On market prevailing EPC contract basis approximately £185 million subject to a –10%/+30% estimate accuracy range
Construction period (including commissioning)	Approximately 18 months from FID
Maximum net power export	220MW (net output), consisting of 2 units of 110MW each
Power Station efficiency (LHV)	33%
Operating life of Power Station following Conversion	20 years
Assumed load factor	76%

*Source: SUP Technical Report*

Subject to procurement, the Directors and the Proposed Directors intend that SUP will contract the Conversion works on an EPC basis. Such EPC contract would be expected to be on a fixed price, date certain, turnkey basis reflecting the market standard for power plant conversions funded through project finance, and including liquidated damages and an appropriate security package. The Directors and the Proposed Directors intend that SUP will tender the EPC contract to appropriate contractors following completion of FEED.

#### ● **Power offtake**

All electricity generated by SUP following Conversion will be sold under two long term PPAs which together provide downside protection and minimum contracted cash flows whilst providing upside linked to intra-day electricity prices in pounds sterling. The two PPAs are structured as follows:

- (a) Fixed Price PPA for supply of up to 15MW of power via a direct wire to the SUP Fuel Processing Facility to be constructed adjacent to the Power Station and owned by Fuel SPV. The annual energy offtake is expected to be between 35,000MWh and 118,260MWh, with the figure to be fixed between the parties during FEED according to the energy requirements of the SUP Fuel Processing Facility. The energy use is equivalent to a load factor of between 27 and 90 per cent. for the 15MW capacity. The price is fixed at £130 per MWh (escalated annually based on CPI); and
- (b) Route-to-market PPA for sale of any other generation (not sold via a direct wire) to Marble Power, a GFG Alliance company. SUP will sell output at a four per cent. discount to the intra-day price, subject always to a floor price of £30.90 per MWh (escalated at 50 per cent. annual CPI indexation) which is predicated on sales of 118,260MWh per year under the Fixed Price PPA and which is subject to downwards adjustment in certain scenarios, including where the generation from the Conversion is eligible for ROCs. The capacity relating to the Marble PPA is assumed to be operated at a load factor of 75 per cent.

In addition, SUP has agreed a term sheet with Liberty Steel Newport providing SUP with the opportunity to enter into a power purchase agreement for LSN's future electricity needs following the installation of a new electric arc furnace at the LSN Facility adjacent to the Power Station. The LSN PPA would be for a term of approximately 20 years with the price payable for electricity being 120 per cent. of the prevailing wholesale electricity price. Were the LSN PPA to be entered into, the volume of power to be sold to Marble pursuant to the Marble PPA would be reduced accordingly.

- **Fuel supply**

The primary fuel following Conversion is planned to be a waste derived energy pellet produced using a technology developed by N+P. SIMEC Fuels, a GFG Alliance company, has formed a joint venture company with N+P (through N&P UK Holding 2 Ltd) to produce the energy pellets for the Power Station after Conversion. Fuel SPV will construct three Fuel Processing Facilities in the UK. One facility will be constructed adjacent to the Power Station on land outside the Power Station boundary, with the others expected to be located in the north west of England and London, subject to finalisation of the Fuel Joint Venture's waste and logistics assessments. N+P has an existing facility for a similar pelletised fuel product, known as Subcoal®, in the Netherlands and is constructing and commissioning a second plant in Teesside in the UK. These existing facilities will have a combined maximum annual output of 250,000 tonnes of pellets.

Following Conversion, Fuel SPV, the joint venture company, will provide a dedicated supply of energy pellets to the Power Station pursuant to the 20 year Fuel Supply Agreement. The parties' obligations under the Fuel Supply Agreement will be conditional on certain conditions precedent being satisfied, including SUP achieving financial close on the Conversion.

Under the Fuel Supply Agreement, Fuel SPV will supply energy pellets to SUP based on SUP's forecast demand for fuel which is 875,000 tonnes per annum. SUP will pay £4 per tonne for the energy pellets, such price being subject to adjustment where the calorific value or ash content of the energy pellets is above/below certain thresholds and indexed in accordance with the CPI. The energy pellets will be required to meet the fuel specification under the agreement and a failure to do so will entitle SUP to either reject such energy pellets or accept them with an entitlement to claim compensation for the energy pellets being out of specification.

Fuel SPV is required to provide a parent company guarantee pursuant to the Fuel Supply Agreement in the form of a joint and several guarantee provided by SIMEC Group Limited and N&P Beheer B.V. (with N&P Beheer B.V.'s liability under the parent company guarantee limited to the lesser of £20 million and 50 per cent. of the losses).

SUP and Fuel SPV will seek to agree the terms of a loan provided by SUP (or an SUP group undertaking) to Fuel SPV for the purposes of funding part of the construction costs of the Fuel Processing Facilities. It is proposed that such loan will be to the value of £20 million, subordinated to Fuel SPV's senior lenders but ranking senior to any equity distributions, shareholder loans or other subordinated loans. If SUP and Fuel SPV are unable to agree the terms of such loan, SUP shall be required to provide a letter of credit to the value of £25 million at financial close of the Conversion as security for the performance of its obligations under the Fuel Supply Agreement.

- **Operation and maintenance**

Consistent with a robust contractual structure suitable for raising limited recourse project financing, it is intended that the operation and maintenance of the Power Station following Conversion will be undertaken by a separate company wholly-owned by Atlantis.

The operation and maintenance will be undertaken on an arm's length basis consistent with standard industry practice and is expected to include, amongst other things, performance guarantees and associated liquidated damage remedies.

- **Financing**

*Senior debt financing*

The Conversion is intended to benefit from a robust contractual suite and structure, including the Fixed Price PPA, Marble PPA and FSA as well as an EPC contract that will be put in place with a reputable contractor.

It is anticipated by the Directors and Proposed Directors that approximately half of the Conversion cost will be met through debt funding. Initial discussions have been held with two lending banks in relation to senior debt financing for the Conversion. Both banks have provided confirmation that based on certain assumptions and terms representative of equivalent industry sectors, it should be possible to raise senior debt for the Conversion.

Third party debt financing for the Conversion will not be sought until after successful completion of the FEED studies and procurement of the necessary consents and permits. Based on the SUP Technical Report, FEED is expected to be completed by the end of Q1 2019, with the consents and permits expected to be in place by mid 2019.

#### *Equity financing*

It is anticipated that the substantial balance of the financing required for the Conversion will be provided from equity, which may be both private and public and will not be raised until completion of the FEED studies and grant of the necessary consents and permits.

#### *Grant funding*

The Company will also seek grant funding from the Welsh government in light of opportunities for jobs and regeneration in the area or from European sources.

A more detailed discussion of the Power Station and the Conversion, including the proposals in relation to design and engineering, power offtake, fuel supply, operation and maintenance, financing, regulatory matters (including government funding support) and the Power Station's grid connection is set out in Part II of this document.

## **5. Net Present Value of the Power Station**

Based on the technical and commercial parameters outlined in Part II of this document and as further detailed in the SUP Technical Report contained in Part VI of this document and using AECOM's current estimate of the construction cost of approximately £185 million, the net present value ("**NPV**") of the Power Station has been calculated to be £123 million<sup>1</sup>. The NPV has been calculated using a levered equity discount rate of 13 per cent. which is considered by the Directors and the Proposed Directors to be appropriate for the Power Station given its long term contractual structure ensuring visibility on minimum contracted cash flows plus additional potential cash flows subject to future GB power prices.

Long term GB power price forecasts used in calculating the NPV reflect the views of the Directors and Proposed Directors and are consistent with current forecasts provided by a leading market consultant. Power prices used to calculate the NPV of £123 million increase in real terms from approximately £41/MWh in 2020 to £59/MWh in 2040. Table 2 below sets out the impact on the NPV of changes in the power price relative to the power curve prepared by the market consultant (the "**Power Curve**").

*Table 2*

<i>£m</i>	<i>Power Curve -10%</i>	<i>Power Curve -5%</i>	<i>Power Curve</i>	<i>Power Curve +5%</i>	<i>Power Curve +10%</i>
NPV (at 13%)	85	104	123	142	161

The fuel cost under the FSA of £4/tonne (real, 2017) and carbon cost forecasts have also been used in calculating the NPV. Carbon costs used to calculate the NPV of £123 million reflect the views of the Directors and Proposed Directors and are consistent with current forecasts provided by the market consultant.

<sup>1</sup> The NPV and illustrative nominal margin per MWh provided in this paragraph 5 of this Part I of this document are produced for illustrative purposes only and neither should be interpreted as a profit forecast, estimate or projection for the Company, SUP or for the Power Station. The numbers provided are estimates only of the net present value and illustrative nominal margin per MWh of the Power Station based on certain assumptions, including that Conversion takes place, and including assumptions about the contracted cash flows of SUP, future GB power prices, future carbon costs and rates of inflation. The NPV has also been calculated using a discount rate chosen by the Directors and the Proposed Directors. Potential investors should not place reliance on this NPV and should decide for themselves whether or not the NPV is reasonable based on the assumptions and discount rate chosen. Potential investors should also not place reliance on the illustrative nominal margin per MWh and should decide for themselves whether or not the illustrative nominal margin per MWh is reasonable based on the assumptions referred to. Investors should also make an assessment of the risks relating to the Company, the Power Station and the Conversion, including the "risk factors" set out in Part IV of this document.

Table 3 below sets out the illustrative nominal margin per MWh for the first year of commercial operations of the Power Station.

Table 3

<i>£/MWh nominal, December year end<sup>2</sup></i>	<i>Year 1 of operations</i>
15MW Fixed Price PPA power price <sup>3</sup>	141.8
205MW Marble PPA power price <sup>4</sup>	44.4
Weighted average power price	51.0
Fuel costs <sup>5</sup>	(2.6)
Carbon costs <sup>6</sup>	(5.6)
Illustrative margin per MWh	42.8

## 6. Background information on SIMEC and the GFG Alliance

The GFG Alliance is a London-headquartered international group of businesses, founded and owned by the British Gupta family. It combines energy generation, metal manufacturing, engineering, natural resources and financial services, working together to deliver a common business strategy. It has total revenues of approximately \$13 billion per annum, net assets of around \$3.1 billion and approximately 12,000 employees across more than 30 countries. The GFG Alliance comprises: Liberty House – an integrated industrial and metals business; SIMEC – a resources and infrastructure group; Wyelands – a banking and financial services arm; JAHAMA Estates – a division that manages the GFG Alliance’s global property holdings; and GFG Foundation, which focuses on the retention and creation of engineering and industrial skills. Through its forward-looking GREENSTEEL strategy, the GFG Alliance promotes industrial revival based on low-carbon and sustainable production methods, seeking to increase steel recycling and use sources of sustainable energy to produce steel at a lower cost both financially and environmentally. Its commercialisation of new technologies and the regeneration of manufacturing and engineering skills are also cornerstones of the GFG Alliance’s plan to deliver a step change for manufacturing in key regions of the world.

## 7. Opportunities to acquire other GFG Alliance assets

The Acquisition is intended to be the first of a number of acquisitions from the GFG Alliance, subject to the right of first offer provisions described below.

SIMEC has, under the Relationship Agreement described at paragraph 8 of this Part I below, provided Atlantis with investment rights via a right of first offer to a pipeline of renewable power assets owned and to be owned by the GFG Alliance from time to time. It is intended that, subject to receiving Board approval, including meeting appropriate shareholder return criteria, and approval of the board of the relevant GFG Alliance Member, additional renewable power assets will be injected over time into Atlantis providing a pathway to further growth and transforming Atlantis into a diversified renewable energy company of scale owning a broad spectrum of renewable energy assets.

Each asset acquired from the GFG Alliance pursuant to the terms of the Relationship Agreement will be subjected to a rigorous due diligence process, satisfaction of appropriate shareholder return criteria and will be subject always to Board approval.

The GFG Alliance currently has a portfolio of development and operational renewable power generation assets across a range of geographies and technologies. Table 4 below provides details of various projects in the SIMEC Pipeline, totalling approximately 680MW of gross capacity.

<sup>2</sup> Real numbers inflated using Her Majesty’s Treasury forecasts.

<sup>3</sup> Fixed Price PPA price of £130MWh (real, 2017) plus inflation.

<sup>4</sup> Market consultant’s view of power price in Year 1 of operations – post 4 per cent. discount to intraday power prices as set out in the Marble PPA.

<sup>5</sup> FSA fuel cost of £4/tonne (real, 2017) plus inflation.

<sup>6</sup> Market consultant’s view of carbon price/cost in Year 1 of operations – assumes fuel will have a 50 per cent. biogenic content.

Table 4: SIMEC Pipeline

<i>Project</i>	<i>Location</i>	<i>Technology</i>	<i>Gross capacity</i>	<i>Ownership stake</i>	<i>Status</i>
Glenshero	Scotland	Onshore wind	c 160MW	100%	Development
Kinlochleven	Scotland	Hydro	20 – 27MW	100%	Operational (20MW) + up to 7MW development
Lochaber	Scotland	Hydro	90MW	100%	Operational
Lochaber and Kinlochleven	Scotland	Hydro	10MW	100%	Development
Green Highland operational portfolio	Scotland	Hydro	17MW	49-100%	Operational
Green Highland development portfolio	Scotland	Hydro	11MW	100%	Development/Construction
Bioliq generation – various sites	Various	Bioliq	97MW	100%	Operational
Middleback	Australia	Pumped storage	90MW	100%	Development
Zen Whyalla	Australia	Solar	65MW	50%	Development
Zen Playford	Australia	Battery storage	c 120MW	50%	Development

### **Glenshero**

<i>Location</i>	<i>Technology</i>	<i>Gross capacity</i>	<i>Load factor</i>	<i>Estimated commercial operations date</i>	<i>Status</i>
Scotland	Onshore wind	c 160MW	To be determined	2022-2023	Development

The Glenshero onshore wind farm project is under development at Glenshero in the Scottish Highlands, and is expected to have a total installed capacity in the region of 160MW, subject to on-going design considerations and consultation with stakeholders. A planning application for the project is due to be submitted in the second half of 2018. The commercial operating date, should consent be granted, depends upon the duration of the planning determination period, but could be from early 2022.

Some of the steel required for the wind turbines may be sourced locally at Liberty’s Dalzell plant in Motherwell and could possibly be fabricated at a planned nearby wind tower manufacturing plant.

### **Kinlochleven**

<i>Location</i>	<i>Technology</i>	<i>Gross capacity</i>	<i>Load factor</i>	<i>Estimated commercial operations date</i>	<i>Status</i>
Scotland	Hydro	20MW (19.34MW net)	>95%	N/A	Operational
Scotland	Hydro	4 – 7MW (net)	To be determined	To be determined	Development

The Kinlochleven hydro plant is located in Scotland at the town of Kinlochleven, near Glencoe and Fort William. It, and the associated Blackwater Reservoir, were constructed over a hundred years ago to power the UK’s first industrial scale aluminium smelter. The smelter closed in 2000 and the hydro plant has since exported its output to the local grid.

A major refurbishment was undertaken in 2000/2001 to replace the turbines and generation equipment, and at this point the plant was accredited under the Renewables Obligation. As a condition of this accreditation, the plant output is constrained to 20MW gross output, although the original design capacity was higher than this and the works carried out in 2000/2001 retained the plant's potential to revert to this higher capacity, subject to some modifications. When the Renewables Obligation accreditation expires in March 2027 it is anticipated that the net output capacity could be increased by between 4 and 7MW. Development work is underway to prepare for bringing the additional generation capacity back into service.

### **Lochaber**

<i>Location</i>	<i>Technology</i>	<i>Gross capacity</i>	<i>Load factor</i>	<i>Estimated commercial operations date</i>	<i>Status</i>
Scotland	Hydro	90MW design rating, with 80MW typical peak output	78% (as proportion of typical peak output)	N/A	Operational

The Lochaber hydro plant is located in Scotland near the town of Fort William. It, and the associated Treig, Laggan and Spey dam and tunnel systems were constructed nearly ninety years ago to power the adjacent Lochaber aluminium smelter, which is now the UK's last operating smelter.

The turbines and generating equipment were replaced with modern equipment between 2009 and 2011 as part of a major refurbishment of the hydro plant. The design rating of the plant is 90MW but actual output is fully dependent on water levels. In a typical year the plant achieves a peak net output of just under 80MW and an average output of 63MW. All of the power is consumed by the adjacent Liberty British Aluminium smelter, a GFG Alliance company.

### **Lochaber and Kinlochleven**

<i>Location</i>	<i>Technology</i>	<i>Gross capacity</i>	<i>Load factor</i>	<i>Estimated commercial operations date</i>	<i>Status</i>
Scotland	Hydro	10MW	To be determined	By Q1 2021	Development

The GFG Alliance is developing eight new small scale hydro schemes on land owned by the GFG Alliance in Scotland, seven near Lochaber and one near Kinlochleven. The eight schemes, if all were consented and constructed, would total in the region of 10MW, made up of an aggregate of 8.5MW near Lochaber and a single 1.5MW scheme near Kinlochleven.

The seven schemes near Lochaber are intended to electrically connect into the existing Liberty British Aluminium smelter site and be an important component of self-supply to increase the viability of the forthcoming wheel factory to be built at the site. The project at Kinlochleven will export to the local grid via the existing grid connection at the main Kinlochleven hydro plant. All the schemes are planned to enter the feed in tariff scheme, meaning pre-accreditation is required by end Q1 2019, and construction must be completed by end Q1 2021.

### **Green Highland**

<i>Location</i>	<i>Technology</i>	<i>Capacity</i>	<i>Load factor</i>	<i>Estimated commercial operations date</i>	<i>Status</i>
Scotland	Hydro	17MW	Dependent on location	Since 2010	Operational
Scotland	Hydro	11MW	Dependent on location	2018 onwards	Development

The Green Highland hydro portfolio was acquired by the GFG Alliance in 2018 and, excluding certain joint venture interests, consists of fifteen operational projects with a combined capacity of 17MW, one project in construction and two projects in development. The projects range in size from 500kW up to almost 6MW for one of the development projects.

### ***Bioliquid generation – Various sites***

<i>Location</i>	<i>Technology</i>	<i>Gross capacity</i>	<i>Load factor</i>	<i>Estimated commercial operations date</i>	<i>Status</i>
Various sites in Scotland, England and Wales	Reciprocating engines fuelled by bioliquid	97MW in aggregate	Dependent on location	N/A	Operational

The bioliquid generation programme encompasses multiple generating stations that have a combined capacity of 97MW at peak load. The generating stations are currently located at a mix of GFG Alliance and third party sites. They are mobile generating units, meaning that they can be relocated in the future to other GFG Alliance or third party sites as required.

All the generating stations were commissioned by 31 March 2017 and have registered applications with Ofgem for accreditation under the Renewables Obligation or Renewables Obligation (Scotland) Scheme. Upon accreditation, the stations are eligible to claim ROCs until March 2037.

The GFG Alliance believes that industrial and commercial users can be powered by renewable energy whilst remaining cost effective. Private wire delivery from these biofuel generation units to GFG Alliance and third party sites fulfils both these aspects.

### ***Middleback***

<i>Location</i>	<i>Technology</i>	<i>Gross capacity</i>	<i>Load factor</i>	<i>Estimated commercial operations date</i>	<i>Status</i>
Whyalla, South Australia	Pumped storage	90MW/390MWh	To be confirmed	2022	Development

Following the acquisition of the Arrium OneSteel business in Australia in Q3 2017 the GFG Alliance is developing a pumped storage project near the Whyalla steel mill and mining complex in South Australia.

The project will use the existing Iron Duchess open mine pit in the Middleback range and create an upper reservoir nearby. The project is envisaged to have a rated output of 90MW and a storage capacity of 390MWh, giving over 4 hours of generation at peak output. The project will enter the feasibility stage shortly and has gained grant funding support from the South Australian government and the Australian Renewable Energy Agency. An operational timeframe of 2022 is targeted.

It is anticipated that once operational the project will contribute significantly to security of supply for the South Australian and East Coast grid, and will facilitate further deployment of renewable energy in the area.

### ***Zen Whyalla***

<i>Location</i>	<i>Technology</i>	<i>Gross capacity</i>	<i>Load factor</i>	<i>Estimated commercial operations date</i>	<i>Status</i>
Whyalla, South Australia	Solar	65MW	To be confirmed	2019	Development



Following the acquisition of a fifty per cent. stake in ZEN Energy (now SIMEC Zen Energy), in Q4 2017 the GFG Alliance is supporting SIMEC ZEN Energy's development of a 65MW ground mounted solar photovoltaic project close to the Whyalla steel mill complex in South Australia.

### **Zen Playford**

<i>Location</i>	<i>Technology</i>	<i>Capacity</i>	<i>Load factor</i>	<i>Estimated commercial operations date</i>	<i>Status</i>
Port Augusta, South Australia	Battery Storage	c 120MW/ c 140MWh	N/A	2019	Development

As well as SIMEC ZEN Energy's Whyalla solar project, the GFG Alliance is supporting development of a battery storage project close to the town of Port Augusta in South Australia, with rated output of approximately 120MW and storage capacity of approximately 140MWh. The design is not yet finalised.

Once operational, SIMEC ZEN Energy's solar and battery storage projects will contribute to SIMEC ZEN Energy's expansion of its retail customer portfolio in addition to the three year supply contract for the South Australian government that was agreed in late Q4 2017.

## **8. Relationship with SIMEC and the GFG Alliance**

Atlantis and SIMEC have entered into a Relationship Agreement which will become effective on Completion to govern the relationship between the Atlantis Group and the SIMEC Group and the GFG Alliance following Completion. Under the Relationship Agreement, SIMEC has undertaken to ensure that Atlantis can act independently of the SIMEC Group and the GFG Alliance following Completion, including an undertaking to the effect that transactions, agreements or arrangements entered into with the Atlantis Group will be at arm's length and on normal commercial terms and the majority of the Board will be independent of the SIMEC Group and the GFG Alliance. The agreement contains provisions that prevent SIMEC from voting on matters where it has a conflict of interest (or potential conflict of interest).

Pursuant to the agreement, SIMEC will be entitled to nominate two persons to be directors of Atlantis after Completion for so long as SIMEC owns in excess of 20 per cent. of the Company's issued ordinary share capital, and to nominate one person for so long as SIMEC owns in excess of 12.5 per cent. of the Company's issued share capital. The agreement also contains customary confidentiality obligations and a standstill under which SIMEC agrees not to acquire 50 per cent. or more of the issued share capital of Atlantis after Completion without the approval of the Board, such approval not to be unreasonably withheld or delayed.

The Relationship Agreement also contains the right of first offer to the SIMEC Pipeline referred to at paragraph 7 of this Part I above and to other renewable energy assets owned or acquired by the GFG Alliance from time to time.

Further details of the Relationship Agreement, are set out at paragraph 7 of Part XI of this document.

SIMEC has also agreed pursuant to the Lock-In and Orderly Marketing Deed not (save in certain circumstances), to dispose of any Ordinary Shares for a minimum period of six months from Completion, and to adhere to a further six months orderly marketing undertaking thereafter. Further details of the Lock-In and Orderly Marketing Deed are set out in paragraph 6 of Part XI of this document.

Furthermore, pursuant to the SIMEC Lease, SUP has with effect from the date of completion under the lease become the landlord to SIMEC Power, a member of the GFG Alliance with respect to certain land at the Power Station site which is owned by SUP but which is not expected to be required by SUP for the purpose of the proposed Power Station operations. In addition, it is intended that pursuant to the Road Access Agreement to be entered into on or prior to Completion, certain members of the GFG Alliance will with effect from Completion agree to certain arrangements in respect of procuring access rights over land adjacent or near to SUP's site for the benefit of the site. Further details of the SIMEC Lease and Road Access Agreement are set out at paragraphs 15 and 16 respectively of Part XI of this document.

SIMEC will be a related party under the AIM Rules for Companies. Pursuant to Rule 13 of the AIM Rules for Companies, at the time of any material transaction between the Company and SIMEC (or any affiliate of SIMEC or member of the GFG Alliance), the Board will be required to make an announcement to the effect that the directors, having consulted with the Company's nominated adviser, consider that the terms of the transaction are fair and reasonable insofar as Shareholders are concerned. Furthermore, all relationships between SIMEC, any affiliate of SIMEC, members of the GFG Alliance and the Company will be conducted at arm's length and on normal commercial terms.

## **9. Trading and prospects in relation to SUP**

SUP suspended electricity generation in April 2017. The plant continues to employ approximately 50 staff primarily to maintain the Power Station and assist in the on-going development work for the Conversion. The sale of coal and scrap metal are the only on-going revenue streams, with SUP operating with a skeleton cost base.

The Directors and Proposed Directors believe that once Conversion has taken place and the Power Station is operational, it will generate long-term minimum contracted cash flows whilst also providing Atlantis Shareholders with the ability to benefit from upside linked intra-day electricity prices in pounds sterling.

Through the period from September 2017 to 31 March 2018 SUP has continued its focus on finalising plans to convert two of the sites existing turbine units to operate on waste derived energy pellets. This has included continuing pre-FEED work, and engaging with National Resources Wales on the permitting strategy for the plant, as well as preliminary discussions with the local planning authorities. Progress over the period continues to be in line with SUP's expectations and SUP intends to enter FEED for the project this year. The total operational, maintenance and administrative expenses over the period were £2.747 million.

In order to continue to hold the plant in a state of readiness for the Conversion, it continues to be maintained in accordance with industry standards, and all key staff continue to be retained by SUP. In addition, SUP has continued to remove existing coal stocks that will no longer be required post Conversion.

## **10. Background information on Atlantis**

The Atlantis Group is a vertically integrated project developer and turbine supplier which has historically focused on the tidal stream power industry, for which its turbines and equipment are designed. More recently, the Group has sought to diversify its project portfolio whilst retaining a focus on sustainable generation. The Group's strategy is to build up origination and development opportunities to deliver value growth, supported by stable revenues from operational projects.

The Group's first operational project is the 6MW first phase of the MeyGen Project in northern Scotland, which is accredited to receive Renewables Obligation Certificates until 2036. In combination with the wholesale power price, this results in revenues of approximately £300 per MWh of generation. This project uses one 1.5MW turbine supplied by Atlantis, and three turbines of the same power output supplied by Andritz Hydro Hammerfest. In addition to 392MW of build out potential at the MeyGen Project, the Group has seabed options in the UK for a further 190MW of tidal stream capacity. The Group aims to significantly reduce the cost of generation and allow tidal stream energy to compete successfully under the Contract for Difference scheme which has replaced the Renewables Obligation Certificate scheme in the UK. Atlantis is also in discussions to acquire a development opportunity in France, where the government offers both capital and revenue support for small scale projects as a precursor to planned commercial scale leasing rounds, whilst in Indonesia and South Korea the Group is pursuing opportunities to supply turbines and project services to third party project owners.

## **11. Current trading and prospects in relation to Atlantis**

Since its June 2017 interim financial statements, the Company has continued to generate electricity from MeyGen Phase 1A, with MeyGen receiving almost £1.5 million in revenues (as of 31 March 2018) under its power purchase agreement and exporting more than 6GWh of energy to the distribution network. MeyGen Phase 1A is setting new records for the levels of generation from tidal streams, and at 6MW it represents the largest such project ever installed.

In September 2017, it was announced that a much larger commercial phase of the MeyGen Project had been unsuccessful in its bid for a Contract for Difference in the UK government's competitive auction rounds, and the Company has commenced discussions with BEIS and the UK government to explore different forms of revenue support to accelerate the buildout of the MeyGen Project, including restructuring of the next CfD auction and introduction of tax incentive schemes to encourage private offtake arrangements. In parallel, the Group has maintained a focus on diversity in terms of both technology and location, pursuing opportunities for tidal stream projects and equipment sales throughout Asia, Australia and elsewhere in Europe. Atlantis is also in discussions to acquire a development opportunity in France, where the government offers both capital and revenue support for small scale projects as a precursor to planned commercial scale leasing rounds. In the UK, the Company is in a period of exclusive negotiations with the Duchy of Lancaster to agree an option for a 120 year lease on the riverbed of the Wyre estuary, where it is intending to develop a tidal barrage and flood prevention project. The Directors and Proposed Directors believe that the successful delivery of the tidal range project in the Wyre estuary could initiate a new portfolio of tidal range opportunities which would supplement its tidal stream projects.

The Directors and Proposed Directors believe that there is significant value attached to the Company's projects under development or in planning, and the associated opportunities for sales of turbines, equipment and development expertise. The Directors and Proposed Directors intend to continue to develop this value both by expanding the portfolio, including through the Acquisition, and by furthering the maturity of the existing opportunities. By implementing this strategy the Directors and Proposed Directors intend to increase the proportion of operating projects in the Group's portfolio, ensuring that development stage schemes are complemented by cash generating assets to support sustainable growth.

## **12. Enlarged Group strategy**

The strategy for Atlantis is to become a diversified renewable energy company of scale owning high quality operational and development assets across the sustainable energy spectrum. The Directors and Proposed Directors believe that this strategy is capable of delivering material value to Atlantis Shareholders through the combination of operating assets with long-term contractually-secured cashflows and development assets that hold the potential for value crystallisation as they are brought into operation. The wider platform will provide access to a diversified range of assets as well as in-house operational and development skills across a number of renewable generation technologies that will ensure that the Enlarged Group is not reliant on one particular geography, renewable technology, regulatory regime or market dynamic. Given the wider platform is expected to generate regular newsflow and value crystallisation events over the lifecycle of these assets, the Directors and Proposed Directors believe that Atlantis's public markets listing will provide the most appropriate way for Shareholders to benefit from the realisation of value from this strategy.

Consistent with this strategy, the Acquisition provides an opportunity for Atlantis to enhance its existing renewable portfolio with an asset of significant scale which, following Conversion, will provide long-term contracted cash flows.

Atlantis is currently a leading project developer in the tidal power sector and this will continue to be an important part of the Enlarged Group's business in the future. Atlantis has an existing portfolio of tidal stream and barrage projects including the flagship MeyGen Project and the Wyre Project as well as international opportunities in Europe and Asia. The GFG Alliance has, through the SIMEC Pipeline, a portfolio of development and operational renewable power generation assets across a range of geographies and technologies currently amounting to 680MW of gross capacity. SIMEC also has an existing interest in the tidal power sector through its shareholding in Tidal Lagoon plc which is developing tidal lagoon opportunities in Wales and north-west England. The establishment of a long-term relationship with the GFG Alliance and the right of first offer in relation to the SIMEC Pipeline and other renewable energy assets of the GFG Alliance from time to time provides a route to further diversification and growth of the Company's renewable energy portfolio. It is the Board's intention that the next asset to be acquired by Atlantis is operational and able to provide immediate cash flow to the Enlarged Group.

## **13. Key strengths of the Enlarged Group**

The Directors and Proposed Directors believe that the Enlarged Group will have a number key strengths:

- *Leading tidal energy company:* Atlantis is the owner of MeyGen, the world's largest operational tidal stream project.

- *Diverse renewable platform:* completion of the Acquisition will diversify Atlantis's portfolio to provide exposure to the energy from waste sector.
- *Route to further growth:* the right of first offer set out in the Relationship Agreement on a portfolio of renewable power generation assets currently owned or subsequently acquired by the GFG Alliance will give Atlantis the opportunity to supplement its existing pipeline of opportunities to build a diversified renewable energy company of scale.
- *Future cash flow with upside:* the Power Station, following Conversion, is expected to provide visibility on future minimum cash flow generation with upside exposure to power prices.
- *Synergies:* the Enlarged Group is expected to have the ability to apply its renewable energy expertise across a range of renewable technologies and geographies.
- *Extensive international reach:* the ability to access expertise and relationships of the GFG Alliance globally.
- *In-house expertise:* strengthened Board with the addition of highly experienced directors, Mark Elborne and Jay Hambro.

#### **14. Use of proceeds of the Placing**

The proceeds of the Placing will be used:

- to fund the working capital of the Enlarged Group including the working capital requirements of SUP pending Conversion;
- to discharge up to £3.87 million of debt;
- to finance the FEED study for the Conversion of the Power Station, which is expected to cost approximately £5 million;
- to contribute towards the Enlarged Group's tidal projects and for tidal technology development; and
- to contribute towards the payment of the fees in connection with the Proposals.

#### **15. Principal terms of the Acquisition**

Set out below is a summary of the terms of the Acquisition and related documents entered into with SIMEC and GFG Alliance group companies. A summary of each of the Acquisition Documents entered into in connection with the Acquisition is set out in Part XI of this document.

Pursuant to the terms of the Sale and Purchase Agreement, the Company has conditionally agreed to acquire the entire issued share capital of SIMEC Uskmouth Power Limited from SIMEC, a member of the GFG Alliance. The consideration for the Acquisition will be satisfied entirely in Ordinary Shares through the issue of the Consideration Shares to SIMEC on Completion. Following the Acquisition, the Placing and the issue of the SIMEC Loan Completion Shares, SIMEC will own approximately 49.99 per cent. of the Enlarged Share Capital.

Completion of the Acquisition is conditional, amongst other things, on the satisfaction or waiver of a number of conditions precedent, including:

- the approval by the Atlantis Shareholders of the Acquisition;
- the approval by the Atlantis Independent Shareholders of the Whitewash Resolution;
- the Placing Agreement not being terminated or ceasing to become capable of becoming unconditional (save for Admission); and
- Admission having taken place by 14 December 2018.

The Sale and Purchase Agreement contains certain termination rights for each party and each of the Company and SIMEC have given certain warranties to each other and have agreed to provide certain tax indemnities to each other pursuant to the terms of two Tax Deeds of Indemnity.

The Company and SIMEC have agreed that at Completion the amount of SUP's working capital shall not be negative and that SUP shall have no indebtedness other than in respect of the SIMEC Loan, which will be convertible into Ordinary Shares at the Placing Price and will be secured in favour of SIMEC through a debenture which will be entered into on Completion. The Sale and Purchase Agreement includes certain adjustment mechanisms in respect of working capital and indebtedness.

A summary of the principal terms of the Sale and Purchase Agreement, together with a summary of the principal terms of the Tax Deeds of Indemnity, is set out at paragraph 1 of Part XI of this document. Further details of the SIMEC Loan Agreement, including a summary of the repayment terms and conversion rights, is set out in paragraph 8 of Part XI of this document and the SIMEC Debenture is summarised at paragraph 9 of Part XI of this document.

The SIMEC Loan after the determination of SUP's working capital and indebtedness in accordance with the terms of the Sale and Purchase Agreement is expected to be capped at approximately £12.99 million (before applying any conversion of the loan through the issue of the SIMEC Loan Completion Shares as a consequence of the Placing) and approximately £2.33 million (after applying any conversion of the loan through the issue of the SIMEC Loan Completion Shares as a consequence of the Placing).

Under the Fuel Supply Agreement with SUP and Fuel SPV (a joint venture company incorporated by SIMEC Fuels, a GFG Alliance company, and Dutch recycling group, N+P (through N&P UK Holding 2 Ltd)), Fuel SPV will be obliged to supply all of the Power Station's fuel demands after Conversion. The parties' obligations under the Fuel Supply Agreement are conditional on certain conditions precedent being satisfied, including SUP achieving financial close on the Conversion.

Fuel SPV proposes to construct the Fuel Processing Facilities where the waste derived energy pellets for burning in the Power Station will be produced. One of these facilities is proposed to be constructed on a site adjacent to the Power Station. In addition, SUP has entered into two power purchase agreements the main obligations in respect of which are conditional on SUP achieving financial close on the Conversion. The first PPA is with Marble Power, a GFG Alliance company, pursuant to which a majority of the Power Station's power generation will be sold, and the second PPA is with Fuel SPV pursuant to which the Power Station will supply up to 15MW of electricity to the SUP Fuel Processing Facility.

A summary of the principal terms of the Fuel Supply Agreement, the Marble PPA and the Fixed Price PPA is set out at paragraphs 2, 3 and 4 respectively of Part XI of this document.

SUP and Liberty Steel Newport have entered into a letter with associated heads of terms pursuant to which LSN and SUP have agreed in principle that SUP will be granted the opportunity to enter into a power purchase agreement for LSN's future electricity needs following the proposed installation of a new electric arc furnace at LSN's steel fabrication facilities at Newport in South Wales. LSN is a member of the GFG Alliance. Should this LSN PPA be entered into in due course, the power to be sold to Marble pursuant to the Marble PPA would be reduced accordingly. A summary of the LSN Heads of Terms is set out at paragraph 14 of Part XI of this document.

In addition, SUP and SIMEC Power have agreed, following Completion, to enter into certain agreements in relation to the Grid Assets so that the Power Station and the Biofuel Facility (which will be owned by SIMEC Power 2 Limited, a GFG Alliance company), will both be able to connect to the transmission network via the Grid Assets, which will be owned by SUP. A summary of the GridCo Shareholders' Agreement Heads of Terms is set out at paragraph 5 of Part XI of this document.

Pursuant to the SIMEC Lease, SUP has granted SIMEC Power, a member of the GFG Alliance, with effect from the date of completion under the lease, a 999 year lease at a rent of £100 per annum with respect to certain land which is owned by SUP and which is not expected to be required by SUP for the purposes of the proposed Power Station operations. In addition, it is intended that pursuant to the Road Access Agreement to be entered into on or prior to Completion, certain members of the GFG Alliance will with effect from Completion agree to certain arrangements in respect of procuring access rights over land adjacent or near to SUP's site for the benefit of the site.

Furthermore, the Company and SIMEC agreed that certain intellectual property rights owned by members of the GFG Alliance and which may be required by SUP following Completion will be assigned or licensed to SUP (as the case may be). This includes a right for the Enlarged Group to use the SIMEC name following Completion.

A summary of the principal terms of the SIMEC Lease, the Road Access Agreement and the SIMEC IP Licence and Assignment Agreement is set out at paragraphs 15, 16 and 10 respectively of Part XI of this document.

In addition to the agreements referred to above, SIMEC also agreed to contribute towards the Company's costs in connection with the Proposals and entered into the Costs Sharing Agreement which is summarised at paragraph 11 of Part XI of this document.

## 16. Details of the Placing

The Company is proposing to raise approximately £20 million before expenses by the issue of 57,142,857 new Ordinary Shares at 35 pence per Placing Share with certain Atlantis Shareholders and new investors. The Placing Shares represent 45.37 per cent. of the existing issued share capital of the Company and 15.60 per cent. of the Enlarged Share Capital and will when issued rank *pari passu* with the Consideration Shares and the Ordinary Shares.

Certain Atlantis Shareholders and new investors have conditionally agreed to subscribe for the Placing Shares at the Placing Price. The issue of the Placing Shares is conditional, amongst other things, upon the approval by Atlantis Shareholders of the Resolutions to be proposed at the General Meeting convened for 13 June 2018, upon the Acquisition Agreement becoming unconditional in all respects (save for Admission) and not being terminated in accordance with its terms, and upon Admission becoming effective on 15 June 2018 (or such later date as the Company and the Joint Bookrunners may agree but not later than 29 June 2018).

The Company and the Joint Bookrunners have entered into the Placing Agreement pursuant to which the Joint Bookrunners have agreed, subject to certain conditions, to use their reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing Agreement contains provisions entitling the Joint Bookrunners to terminate the Placing (and the arrangements associated with it), at any time prior to Admission in certain circumstances. If this right is exercised, the Placing will lapse, any monies received in respect of the Placing will be returned to the applicants without interest and Admission will not occur. In addition, since the Acquisition Agreement is conditional upon the Placing Agreement becoming unconditional and the Placing being completed, the Acquisition Agreement will also not become unconditional and, accordingly, Completion of the Acquisition will not occur.

Further details of the Placing Agreement are set out at paragraph 10.1 of Part XIII of this document.

In view of the fact that the Placing Shares are not being offered on a *pro rata* basis to existing Atlantis Shareholders, the Placing is conditional, amongst other things, upon Atlantis Shareholders resolving to disapply statutory pre-emption rights. Accordingly, the Placing is subject to the approval of Atlantis Shareholders, which is being sought at the General Meeting to be held at 10.00 a.m. on 13 June 2018, notice of which is set out at the end of this document.

## 17. Summary financial information on the Enlarged Group

Set out below is a summary of the audited consolidated results of Atlantis for the three years ended 31 December 2016 and the unaudited interim results of Atlantis for the six months ended 30 June 2017, which have been extracted from such results, each of which has been incorporated by reference in Part VIII of this document:

	<i>Six months ended 30 June 2017 (unaudited) £'000</i>	<i>Year ended 31 December 2016 (audited) £'000</i>	<i>Year ended 31 December 2015 (audited) £'000<sup>(1)</sup></i>	<i>Year ended 31 December 2014 (audited) £'000<sup>(1)</sup></i>	<i>Year ended 31 December 2014 (audited) S\$'000</i>
Revenue	–	235	1,375	2,558	5,279
Other gains	3,130	2,824	13,288	547	1,129
Total expenses	(5,804)	(9,108)	(11,972)	(9,585)	(19,779)
Operating profit/(loss)	(2,674)	(6,049)	2,691	(6,480)	(13,371)
Finance costs	(508)	(1,004)	(614)	(1,374)	(2,835)
Taxation	–	–	–	5	11
Net profit/(loss)	(3,219)	(7,264)	2,028	(7,848)	(16,195)
Total assets	113,950	115,354	91,670	71,077	146,668
Total liabilities	46,529	48,723	33,922	23,570	48,637

- (1) On 1 January 2016, the Group changed the presentational currency of its consolidated financial statements from Singapore Dollars to UK Pounds Sterling. This change in presentation currency has been applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and the figures for the financial years ended 31 December 2014 and 31 December 2015 have been restated to Sterling by reference to the closing exchange rate on 31 December 2014 and 31 December 2015, respectively. The audited financial statements for the year ended 31 December 2014 were prepared in Singapore Dollars (the functional currency of the Group at the time) and have been converted to UK Pounds Sterling using the closing exchange rate on 31 December 2014 of £1 : S\$ 2.0635.

Set out below is a summary of the audited results of SUP for the three years ended 31 March 2017, and the unaudited interim results of SUP for the six months ended 30 September 2017, which have been extracted from the short form report in Part VII of this document:

	<i>Six months ended 30 September 2017 (unaudited) £'000</i>	<i>Year ended 31 March 2017 (audited) £'000</i>	<i>Year ended 31 March 2016 (audited) £'000</i>	<i>Year ended 31 March 2015 (audited) £'000</i>
Revenue	2,492	72,376	48,639	–
Cost of sales	(4,961)	(68,847)	(44,487)	431
Gross profit/(loss)	(2,469)	3,529	4,152	431
Administrative expenses	(3,900)	(10,007)	(5,341)	(7,592)
Other operating income	79	141	193	0
Operating profit/(loss)	(6,290)	(6,337)	(996)	(7,161)
Finance costs	(144)	(231)	(291)	(222)
Taxation	–	293	(292)	60
Net profit/(loss)	(6,434)	(6,275)	(1,579)	(7,323)
Total assets	<u>80,262</u>	<u>89,288</u>	<u>89,832</u>	<u>83,156</u>
Total liabilities	<u>38,723</u>	<u>41,315</u>	<u>36,446</u>	<u>28,493</u>

Revenue in the financial years ended 31 March 2016 and 2017 largely comprised of the sale of coal and the sale of electricity generated and sold to the grid. The Power Station ceased energy generation in April 2017. The sale of coal and scrap metal stocks are the only on-going revenue streams, with SUP currently operating with a skeleton cost base.

## **18. Directors, Proposed Directors, senior managers and employees**

The Board currently consists of seven directors. On Admission, it is proposed that Michael Lloyd, Duncan Black and Ian Cobban will resign, that Andrew Dagley will be appointed to the Board as Chief Financial Officer and that Mark Elborne and Jay Hambro will be appointed to the Board as representatives of SIMEC.

The Directors of Atlantis and their current functions are as follows:

John Neill	<i>Non-Executive Chairman</i>
Timothy Cornelius	<i>Chief Executive Officer</i>
Duncan Black	<i>Non-Executive Director</i>
Michael Lloyd	<i>Non-Executive Director</i>
Ian Macdonald	<i>Non-Executive Director</i>
John Woodley	<i>Non-Executive Director</i>
Ian Cobban	<i>Non-Executive Director</i>

Upon Admission, the directors of Atlantis and their functions will be as follows:

John Neill	<i>Non-Executive Chairman</i>
Timothy Cornelius	<i>Chief Executive Officer</i>
Andrew Dagley	<i>Chief Financial Officer</i>
John Woodley	<i>Non-Executive Director</i>
Ian Macdonald	<i>Non-Executive Director</i>
Mark Elborne	<i>Non-Executive Director and SIMEC nominee</i>
Jay Hambro	<i>Non-Executive Director and SIMEC nominee</i>

Upon Admission, the Senior Managers of the Enlarged Group and their functions will be as follows:

Cameron Smith  
Drew Blaxland  
David Taaffe

*Director of Public Affairs and Business Development*  
*Director of Turbine and Engineering Services*  
*Director of Project Delivery*

It is proposed that following Completion, the Company will appoint further senior managers to assist with the management of the Conversion.

Profiles of the Directors, Proposed Directors and Senior Managers are set out below. Further information on the Directors' and Proposed Directors' previous directorships and their terms of appointment are set out in paragraphs 7 and 8 of Part XIII of this document.

### **Current Directors**

#### ***John Mitchell Neill CBE, Non-Executive Chairman (aged 70)***

John Neill became a Director and non-executive Chairman of the Company on 11 December 2013. John joined the Unipart group of companies from General Motors in 1974 and set out to establish a more independent and broad based role for what was then British Leyland's Parts Division. In 1987, he led the management buyout of the Company, of which he remains the Chairman and CEO. He has served as a non-executive director of Rolls-Royce plc, a director of the Court of the Bank of England and a non-executive director of the Royal Mail and Charter International plc.

#### ***Timothy James Cornelius, Chief Executive Officer (aged 41)***

Tim Cornelius became chief executive officer of the Company in 2006 and joined the Board on 11 December 2013. Prior to joining the Company, Tim worked in the subsea, offshore construction and oil and gas sectors with Submarine Escape and Rescue Service (Australia), Subsea Offshore, Halliburton Subsea and Subsea 7. He remains a certified submersible engineer and subsea ROV pilot and has experience in the power generation and shipping sectors. Tim has a BSc in Marine Biology from Flinders University and an MBA from Bond University.

#### ***Duncan Stuart Black, Non-Executive Director (aged 47)***

Duncan Black joined the Board on 11 December 2013. He has some twenty years of experience in the power generation and infrastructure sectors in senior management, operational and development roles, as an owner, fund manager, investment banker and engineer. Duncan was the Group's CFO from 2012 to 2015, and prior to that had held positions as the CEO of an Asian infrastructure fund, CFO of CLP Holdings' Australian electricity and gas utility (now Energy Australia), and business development and finance roles with CLP Holdings Ltd and InterGen, focused on power projects in Asia and Australia. Duncan resigned from his position as CFO on 7 September 2015 and is now Co-Head, Infrastructure at Eastspring Investments, the Asian asset management business of Prudential plc., but remains on the Board as a non-executive Director.

#### ***Michael Robert Lloyd, Non-Executive Director (aged 67)***

Mike Lloyd was appointed to the Board on 11 December 2013. He has more than forty years of experience in engineering, manufacturing and supply chain roles in the electrical machinery and power sectors. His senior leadership roles have included Group Manufacturing Director of Rolls-Royce plc, President of Rolls Royce Gas Turbines Operations, Technical Director of GEC Large Machines, Managing Director of Alstom Transport and Chairman of Magnomatics, a venture capital-backed technology company specialising in the development of innovative magnetic transmission drives for applications including wind turbines and hybrid vehicles. Mike is also a non-executive director of Ceres Power Holdings plc. He has a BSc in Electrical Engineering, a PhD in Electrical Machines and is a Fellow of the Royal Academy of Engineering.

#### ***John Anthony Clifford Woodley, Non-Executive Director (aged 58)***

John Woodley joined the Board on 22 September 2008. He was previously co-head of the power and gas-related commodity business for Europe and Asia at Morgan Stanley. He founded the very successful US electricity trading operations for Morgan Stanley in New York in 1994. After ten years with Morgan Stanley in New York, John moved to London to help build the electricity and electricity-related energy business outside the US. John is now based in Switzerland and acts as a senior adviser to Morgan Stanley. John has a BSc Eng (Elec) from Wits University, Johannesburg, an MBA from Valdosta State University, Georgia and an MS Finance from Georgia State University.



***Ian Anthony Macdonald, Non-Executive Director (aged 62)***

Ian Macdonald was appointed to the Board on 11 December 2013. Ian retired as President of Hong Leong Finance Limited in December 2016 after almost 15 years in charge of Singapore's largest finance company. Ian was formerly the National Manager of Business Finance at Australian Guarantee Corporation Limited, a subsidiary of Australian financial giant, Westpac Banking Corporation. Ian is also currently engaged in advisory and non-executive roles in a number of unlisted entities.

***Ian George Cobban, Non-Executive Director (aged 53)***

Ian Cobban was appointed to the Board on 3 August 2015. He has over 30 years' experience in the subsea construction, operations and maintenance industry. He first joined Subsea Offshore Ltd, a subsidiary of Subsea 7 S.A, a company listed on the Oslo Børs and a leading global contractor in seabed-to-surface engineering, construction and services to the offshore energy industry, as an offshore inspection coordinator in 1985. Thereafter Ian held various positions within the business, including General Manager with responsibility for Asia Pacific and the Middle East; Vice President for Global Projects and Operations in Aberdeen; Vice President for the Gulf of Mexico, covering the US, Mexico and Trinidad; and Vice President, Health, Safety, Security, Environment and Quality at Subsea 7. Ian is currently Chief Operating Officer of the Global Energy Group.

**Proposed Directors**

The following individuals will join the Board on Completion:

***Andrew Luke Dagley, Chief Financial Officer (aged 35)***

Andrew Dagley joined the Company in early 2014 from IFM Investors, a global fund manager with around A\$100 billion under management, having previously worked with a range of superannuation infrastructure investors, renewable energy project developers and Flinders Corporate Finance, a boutique investment bank. Andrew has been the Chief Financial Officer of Atlantis since 3 August 2017 and has over 12 years of experience in infrastructure investment with an emphasis on renewable energy, having worked on a range of wind, solar, hydroelectric and biomass projects in Australia, Brazil, Chile, China, India and the UK. He has a Bachelor of Commerce (Hons) Finance from the University of Melbourne.

***Mark Edward Monckton Elborne, Non-Executive Director and SIMEC nominee (aged 60)***

Mark Elborne was President and Chief Executive Officer at GE UK and Ireland, General Electric Company, from 2009 until his recent retirement in 2018. GE is one of the largest industrial manufacturers globally and in the UK has over 18,000 employees in over 50 industrial sites. Mark's key focus was leading GE's UK and Ireland based businesses in the energy, aviation, oil and gas and healthcare sectors, working closely with customers and governments. Mark joined GE in 2004 as Executive Vice President and General Counsel of GE Insurance Solutions. From 2006 to 2009 he was General Counsel and Head of Regulatory in EMEA. Prior to GE, Mark was a partner at CMS Cameron McKenna (now CMS Cameron McKenna Nabarro Olswang LLP) from 1988 to 2004. He qualified as a solicitor in 1983 after gaining a degree in History and Politics from Exeter University, and was admitted to the Missouri Bar in 2004.

***Jay Hambro, Non-Executive Director and SIMEC nominee (aged 43)***

Jay Hambro is currently Chief Investment Officer of the GFG Alliance and Chief Executive Officer of Mining and Energy at SIMEC. Jay leads the GFG Alliance's global investment and development programme and sits on the Strategy Board. Jay's day-to-day role at SIMEC is focused on its worldwide development in clean power generation and a global portfolio of mining operations. After graduating in business management, Jay began his career in resource finance with NM Rothschild & Sons, before moving to the investment bank of HSBC, advising multinational mining groups. He then joined what is now the Petropavlovsk plc group in a business development role and later as Chief Investment Officer before spearheading the development of their industrial commodity divisions as Aricom plc and more recently at IRC Limited. He led IRC as Executive Chairman to the successful development, construction and operation of a number of greenfield mining operations in the Russian Far East delivering industrial commodity products across the border to China. In 2016 he relinquished his executive responsibilities to assume the position at the GFG Alliance. Jay has held a number of other Board positions and remains a Non-Executive Director of Cellmark AB, the Swedish headquartered pulp, paper, packaging and recycling business. He is a Fellow of the Institute of Material, Mining and Metallurgy and a Liveryman of the Worshipful Company of Goldsmiths.

## Senior Managers

### **Cameron Smith**, *Director of Public Affairs and Business Development*

Cameron Smith joined the Company in January 2016 following the successful conclusion of a five year business plan for Mainstream Renewable Power Limited's London based offshore business which culminated with the sale of the business to DONG Energy. Cameron was at Mainstream for eight years and was the Chief Operating Officer of the integrated offshore development, delivery and joint venture business for over three years. He was on the board of the SMartWind group of companies and managed the project development of over 6GW of offshore wind projects.

### **Drew Blaxland**, *Director of Turbine and Engineering Services*

Drew Blaxland joined the Company in 2007, bringing his experience in the fields of engineering management and design, asset management, business administration and financial modelling. Drew has spent a considerable portion of his professional career in the Balkans where he headed up the civilian United Nations engineering support to peace-keeping forces in Bosnia. Drew has an honours degree in Civil Engineering and an MBA from Bond University awarded with High Distinction.

### **David Taaffe**, *Director of Project Delivery*

David Taaffe joined the Company in 2011. David has since played a lead role in the Group's MeyGen Project from early concept design and development through to financial close, and construction works into operations and maintenance. David is a chartered electrical engineer and has over 15 years of international experience in engineering, project management, design and construction of large scale energy infrastructure and renewable energy projects.

## Employees

The Directors and Proposed Directors consider that the capacity to recruit, retain, develop and integrate staff into the Enlarged Group is fundamental to executing the Enlarged Group's strategy. As at the date of this document, excluding the Directors and the Proposed Directors, the Atlantis Group has 39 full time employees and SUP has approximately 50 employees. It is anticipated that the Enlarged Group will need to recruit further employees to assist in the Conversion phase of the project.

## 19. Singapore Takeover Code

As the Company is incorporated in Singapore it is not subject to the City Code and accordingly Shareholders are not afforded any protections under the City Code. However, Shareholders have the benefit of the protections afforded by the Singapore Code. The Singapore Code is broadly similar to the City Code. A summary of certain provisions of the Singapore Code is set out in section A of Part X of this document. The Singapore Code is relevant to the Proposals as described below.

The issue of the Consideration Shares and the SIMEC Loan Completion Shares to SIMEC gives rise to certain considerations under the Singapore Code. Brief details of the SIC and the Singapore Code and the protections they afford to Atlantis Shareholders are described below.

The Singapore Code is issued by the Monetary Authority of Singapore pursuant to the Singapore Securities and Futures Act (Cap. 289) and administered by the SIC. The Singapore Code applies to both takeovers and merger transactions of, amongst other things, public companies in Singapore with a primary listing overseas. Atlantis is such a company and therefore Atlantis Shareholders are entitled to the protection afforded by the Singapore Code.

Under Rule 14.1 of the Singapore Code, except with the SIC's consent, where (a) any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company; or (b) any person who, together with persons acting in concert with him, holds between 30 per cent. and 50 per cent. of the voting rights and such person, or any person acting in concert with him, acquires in any period of six months additional shares carrying more than 1 per cent. of the voting rights, such person must extend offers immediately to the holders of any class of share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold shares (a "general offer"). In addition to such person, each of the principal members of the group of persons

acting in concert with him may, according to the circumstances of the case, have the obligation to extend an offer. An offer made under Rule 14 must be in cash or accompanied by a cash alternative at not less than the highest price paid by the offeror, or any person acting in concert with it for voting rights of the offeree company during the offer period and within six months prior to its commencement.

For the purposes of the Singapore Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Immediately after Admission SIMEC will be interested in 183,099,472 Ordinary Shares representing approximately 49.99 per cent. of the Enlarged Share Capital as a consequence of the issue to it of the Consideration Shares and the SIMEC Loan Completion Shares. Following Admission, SIMEC will also own the SIMEC Loan. A summary of the SIMEC Loan Agreement is set out at paragraph 8 of Part XI of this document. If the SIMEC Loan were to be converted into Ordinary Shares immediately following Admission, SIMEC would receive a further 6,660,845 Ordinary Shares (in addition to the SIMEC Loan Completion Shares), which would increase SIMEC's shareholding in the Company to 50.89 per cent. of the Company's issued ordinary share capital. However, SIMEC may not increase its shareholding to 50 per cent. or more, without the approval of the Board (such approval not to be unreasonably withheld or delayed). There are no persons deemed to be acting in concert with SIMEC who hold any interest in the Ordinary Shares.

On 14 March 2018, the SIC agreed, subject to the Whitewash Waiver Conditions set out in section B of Part X of this document, to waive the obligation for SIMEC to make a general offer for the Company under Rule 14 of the Singapore Code that would otherwise arise on SIMEC as a result of the simultaneous issue to SIMEC of the Consideration Shares and the SIMEC Loan Completion Shares, subject to the approval on a poll by Independent Atlantis Shareholders. Accordingly, the Whitewash Resolution is being proposed at the General Meeting, and will be taken on a poll of Independent Atlantis Shareholders. SIMEC, parties acting in concert with them and parties not independent of them will abstain from voting on the Whitewash Resolution.

The Company is required to appoint an independent financial adviser to advise the Independent Directors on the Whitewash Resolution. Accordingly EY has provided formal advice to the Independent Directors, and a copy of the EY Whitewash Advice Letter is set out in section C of Part X of this document. EY has confirmed that it is independent of SIMEC.

If Shareholders vote in favour of the Whitewash Resolution, they will waive their rights to a general offer from SIMEC at the highest price paid by SIMEC (and any party deemed to be acting in concert with it) in the six months preceding the commencement of the offer.

**Shareholders should note that, if the Whitewash Resolution is passed at Admission, SIMEC (and its concert parties) will be interested in Ordinary Shares carrying more than 49 per cent. of the voting rights of the Company and would be able to acquire further Ordinary Shares without incurring an obligation to make a general offer to Shareholders of the Company under Rule 14 of the Singapore Code.** However, pursuant to the Relationship Agreement, SIMEC has agreed with the Company not to increase its shareholding in the Company to 50 per cent. or more (save in certain circumstances), without the prior approval of the Board, such approval not to be unreasonably withheld or delayed. Further details of the Relationship Agreement are set out in paragraph 7 of Part XI of this document. Further information on the Singapore Code is set out in section A of Part X of this document and further information on SIMEC is set out in paragraph 6 of this Part I above and in paragraph 3 of Part X of this document.

## 20. Summary of options and option schemes

The Company has adopted the following incentive plans for its management and employees:

- a long term incentive plan (the *Atlantis Resources 2013 Long Term Incentive Plan*), which permits the grant of share based awards; and
- a discretionary share option plan (the *Atlantis Resources 2016 Company Share Option Plan*).

As at the date of this document, the following share options/awards have been granted under the LTIP and the CSOP:

### **Atlantis Resources 2013 Long Term Incentive Plan**

<i>Director/Employees</i>	<i>Total number of Ordinary Shares under option</i>
Tim Cornelius	1,000,000
Duncan Black	851,064
John Neill	1,063,830
Michael Lloyd	106,383
Ian Macdonald	265,958
Employees below Board level	<u>2,700,681</u>
Total	<u><u>5,987,916</u></u>

In addition to these options, it is proposed that as soon as practicable following Admission:

- (i) a further 300,000 options will be granted to Tim Cornelius and a further 150,000 options will be granted to Andrew Dagley at the Placing Price; and
- (ii) a further 150,000 options will be granted to an employee at the Placing Price and a further 100,300 options will be granted to certain employees at an exercise price of 50p a share.

Further details of these options, including the exercise price and vesting period, are set out at paragraph 9 of Part XIII of this document.

### **Atlantis Resources 2016 Company Share Option Plan**

<i>Director/Employees</i>	<i>Total number of Ordinary Shares under option</i>
Directors	–
Employees below Board level	<u>371,410</u>
Total	<u><u>371,410</u></u>

In addition to these options, it is proposed that as soon as practicable following Admission CSOP options over £7,500 worth of shares of the Company will be granted to an employee at an exercise price determined in accordance with the CSOP rules.

In aggregate, the options/awards outstanding under the LTIP and the CSOP (including the options/awards that will be granted as soon as practicable following Admission under the LTIP), represent 5.5 per cent. of the Company's issued ordinary share capital as at the date of this document, and will represent 1.9 per cent. of the Enlarged Share Capital.

Further details of the LTIP and the CSOP are set out in paragraph 9 of Part XIII of this document.

## **21. Corporate governance and share dealing code**

The Directors and the Proposed Directors acknowledge the importance of high standards of corporate governance. The QCA Code, published by the Quoted Companies Alliance, sets out a minimum best practice standard for small and mid-size quoted companies, particularly AIM companies.

The Company currently complies with the QCA Code to the extent that the Directors consider it appropriate, and having regard to the Company's size, board structure, stage of development and resources, and the Directors and Proposed Directors propose that the Company should continue to do so following Admission.

Upon Admission, the Board will consist of seven directors, five of whom will be non-executive directors.

Of these five directors, two (Mark Elborne and Jay Hambro), will be appointees of SIMEC.

John Neill and Ian Macdonald are each regarded as independent directors by the Board notwithstanding that they hold options over Ordinary Shares as set out in paragraph 9 of Part XIII of this document. In the case of John Neill, he has an option holding over Ordinary Shares (granted in February 2014 and due to

lapse in February 2019) which carry an exercise price of 94 pence per Ordinary Share and therefore do not currently carry any value. Notwithstanding his option holding, the Board considers that John has demonstrated the utmost regard for his independence, appropriately challenging the Board during his tenure as Chairman of Atlantis and maintaining high standards of corporate governance on the Board. Furthermore, John has not served as a non-executive director for an undue length of time. In the case of Ian Macdonald, although he holds a small number of Ordinary Shares and options over Ordinary Shares, all of the options have an exercise price of 94 pence per share, and therefore do not currently hold any value. Ian does not represent any Shareholder on the Board. He has also not served on the Board for an undue length of time (approximately five years), and has a background in finance within regulated industries. Accordingly, the Board believes that Ian exercises independent judgment in all matters relating to the Company.

The Board also considers that John Woodley exercises independent judgement in relation to the Company's affairs, but he cannot be regarded as independent as a result of his having been an appointee of Morgan Stanley, who has historically been a substantial shareholder in the Company, and who will following Admission be interested in 9.00 per cent. of the Enlarged Share Capital.

The Company currently departs from the QCA Code in a number of respects, and in particular:

- (i) **Board evaluation:** the Board currently runs a self-evaluation process on Board effectiveness. Following Admission, it is intended that the Board will create a more formal process which will focus more closely on objectives and targets for improving performance;
- (ii) **Induction, training and succession planning:** the Company employs a third party to advise the Directors of their responsibilities in connection with becoming a director of an AIM company as well as receiving advice from its nominated adviser and external lawyers. Following Admission, the Board proposes to introduce a facility for directors to receive training on relevant new developments on a more regular basis. The Company has not adopted a policy on succession planning in particular with regard to the Company's chief executive, Tim Cornelius. The chief executive is however required to give six months' notice under his contract of employment if he wishes to leave the Company. The Board proposes, following Admission, to consider succession planning as part of its regular review of Board effectiveness;
- (iii) **Board diversity:** the Company is committed to a culture of equal opportunities for all employees regardless of gender. The Board will following Admission be diverse in terms of its range of culture, nationality and international experience. It has been agreed with SIMEC pursuant to the Relationship Agreement, that the number of directors should be restricted to no more than seven. Immediately following Admission all seven will be male. If it is agreed to expand the Board following Admission (or if when new replacement directors are sought in the future), the Board will, subject to identifying appropriate candidates look to fill at least one of the vacancies with a female director;
- (iv) **Senior Independent Director:** the Company does not have a director designated as a Senior Independent Director. In light of the size of the Board, and the Company's stage of development, the Board does not consider it necessary to appoint a Senior Independent Director at this stage, but will nevertheless keep this under review as part of the Board's evaluation on Board effectiveness;
- (v) **Company Secretary:** Whilst the Company as a Singapore registered company employs Boardroom Corporate Advisory Services Pte. Ltd as its company secretary, for the most part, Boardroom does not generally perform the role as a sounding board for the Board on legal and regulatory issues. The Company has historically relied on its external advisers (including Link Company Matters in the UK), to perform this role, as well as other individuals within the Company in relation to certain specific matters. It is intended that following Admission the Company will look to appoint a Group legal counsel to fulfil this role.
- (vi) **Results of Shareholder voting:** The Company has not historically announced the detailed results of Shareholder voting to the market. It intends to do so following Admission.

The Board meets and, following Admission, will continue to meet at least four times a year to review, formulate and approve the Company's strategy, budget, corporate actions and major items of capital expenditure. The Board has established an audit committee, a remuneration committee, a nomination committee, a disclosure committee and a technology committee, with formally delegated duties and responsibilities and each with written terms of reference. Each of these committees will meet as and when appropriate save in the case of the remuneration and audit committees which will meet at least twice each year.

(a) **Remuneration Committee**

The remuneration committee is currently comprised of John Neill, Michael Lloyd and John Woodley and is chaired by John Neill. Following Admission and the changes to the Board which will take place on Admission, the remuneration committee will be comprised of Mark Elborne, John Woodley and John Neill and will be chaired by Mark Elborne. The remuneration committee reviews the performance of the executive Directors and makes recommendations to the Board in respect of the Directors' remuneration and benefits packages, including share options and the terms of their appointment. The remuneration committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time. In exercising this role, the Directors have regard to the recommendations put forward in the QCA Code and, where appropriate, the QCA Remuneration Committee Guide and associated guidance.

(b) **Audit Committee**

The audit committee is currently comprised of John Woodley, Duncan Black and Ian Macdonald and is chaired by Ian Macdonald. Following Admission and the changes to the Board which will take place on Admission, the audit committee will be comprised of John Woodley, Mark Elborne and Ian Macdonald and will be chaired by Ian Macdonald. The audit committee has the primary responsibility for monitoring the quality of internal controls to ensure that the financial performance of the Company is properly measured and reported on. The audit committee, amongst other things, determines and examines matters relating to the financial affairs of the Company including the terms of engagement of the Company's auditors and, in consultation with the auditors, the scope of the audit. It receives and reviews reports from management and the Company's auditors relating to the half yearly and annual accounts and the accounting and the internal control systems in use throughout the Company. The audit committee has unrestricted access to the Company's external auditors.

(c) **Nomination Committee**

The nomination committee is currently comprised of John Neill, Michael Lloyd and John Woodley and is chaired by John Neill. Following Admission and the changes to the Board which will take place on Admission, the nomination committee will be comprised of John Neill, Jay Hambro and Tim Cornelius and will be chaired by John Neill. The nomination committee has responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and giving full consideration to succession planning. The nomination committee also has responsibility for recommending new appointments to the Board and to the other Board committees. It is responsible for identifying suitable candidates for board membership and monitors the performance and suitability of the current Board on an on-going basis.

(d) **Disclosure Committee**

The Disclosure Committee is currently comprised of Tim Cornelius and Andrew Dagley. Following Admission and the changes to the Board which will take place on Admission, the Disclosure Committee will be comprised of Tim Cornelius, Andrew Dagley and Jay Hambro and will be chaired by Tim Cornelius. The role of the committee is on an ad hoc basis to determine, in accordance with the Company's disclosure policy, whether specified information is inside or price sensitive information which should be disclosed to the market as well as to monitor the Group's procedures for communicating with the market, review the Company's arrangements for the control of inside information, assess training needs regarding the control of inside information, and various other specified matters.

(e) **Technology Committee**

The technology committee is currently comprised of John Woodley, Ian Cobban and Michael Lloyd and is chaired by Michael Lloyd. Following Admission and the changes to the Board which will take place on Admission, the technology committee will be comprised of John Woodley, Mark Elborne and Tim Cornelius and will be chaired by John Woodley. The technology committee monitors and reports on the status and development of technology within the Group, including reviewing the effectiveness of the Group's engineering, ensuring that the development of the Group's core technology is in accordance with the Company's business objectives and monitoring the Group's intellectual property. The committee reports to the Board on these aspects of the Group's business and makes such recommendations as it deems appropriate.

(f) **Share Dealing Code**

The Company has adopted a share dealing code for the Directors and certain employees, which is appropriate for a company whose shares are admitted to trading on AIM (including relating to the restrictions on dealings during close periods in accordance with MAR and with Rule 21 of the AIM Rules for Companies) and the Company takes all reasonable steps to ensure compliance with the share dealing code by the Directors and any relevant employees.

**22. Dividend policy**

It is the intention of the Board to achieve capital growth for Shareholders. In the short term, the Board therefore intends that any future profits in the Company be retained for reinvestment in the business and, accordingly, the Board is unlikely to declare dividends in the foreseeable future. However, the Board will consider the payment of dividends, subject to the availability of distributable reserves, when it considers it is appropriate to do so.

**23. Working capital**

In the opinion of the Directors and the Proposed Directors, having made due and careful enquiry and taking into account the proceeds of the Placing, the working capital available to the Enlarged Group will be sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

**24. Taxation**

Information regarding taxation is set out in Part XIII of this document. These details are, however, intended only as a general guide to the current tax position under UK taxation law.

**Shareholders who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent financial adviser immediately.**

**25. Risk factors**

Shareholders' attention is drawn to the risk factors set out in Part IV of this document and to the section entitled "Forward Looking Statements" on page 4 of this document. Shareholders and prospective investors should, in addition to all other information set out in this document, carefully consider the risks described in Part IV of this document before making a decision of whether to invest in the Company.

**26. Admission and dealings**

Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Share Capital will commence on 15 June 2018.

**27. Shareholder notification and disclosure requirements**

Shareholders are obliged to comply with the shareholding notification and disclosure requirements set out in the Articles. A summary of the notification requirements under the Articles is set out in paragraph 5 of Part XIII of this document.

**28. General Meeting**

Under Rule 14 of the AIM Rules for Companies, the Acquisition will constitute a reverse takeover of the Company and is conditional upon the passing of Resolution 1 by the Atlantis Shareholders and Resolution 2 by the Independent Atlantis Shareholders on a poll vote at the General Meeting, in each case, as described below.

The General Meeting, notice of which is set out at the end of this document, will convene at 10.00 a.m. on 13 June 2018 at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA for the

purpose of considering and, if thought fit, passing the following Resolutions, both of which need to be passed to permit the Proposals to proceed:

- (a) Special resolution to:
  - (i) approve the Acquisition for the purposes of Rule 14 of the AIM Rules;
  - (ii) authorise the Directors to allot the Consideration Shares, the Placing Shares and the Convertible Loan Shares;
  - (iii) disapply statutory pre-emption rights in relation to the allotment of the Consideration Shares, the Placing Shares and the Convertible Loan Shares; and
  - (iv) change the name of the Company to SIMEC Atlantis Energy Limited.
- (b) Ordinary resolution by the Independent Atlantis Shareholders to waive their rights to receive a general offer from SIMEC and its concert parties, arising from SIMEC obtaining, through the Acquisition, an interest in the Enlarged Share Capital of approximately 49.99 per cent. As explained at sections A and B of Part X of this document, this resolution is required pursuant to the Singapore Code.

A poll vote of Shareholders will be taken on both Resolutions at the General Meeting. To be passed, the first Resolution requires a majority of not less than 75 per cent. of voting rights of Shareholders voting in person or by proxy to vote in favour, and the second Resolution requires a majority of not less than 50 per cent. of voting rights of Independent Atlantis Shareholders voting in person or by proxy in favour of the Resolution.

The Company will also make available a telephone facility so that Shareholders may dial in and listen to proceedings at the General Meeting. Any person that dials in to the telephone facility will be deemed not to be attending the General Meeting and therefore will not be able to ask questions at or participate in the meeting via the facility. Shareholders will also not be able to vote at the General Meeting via the telephone facility and nor will they be counted towards a quorum for the purposes of the meeting. Details of the telephone facility are as follows: Telephone number: +44 (0)330 333 1003, Access code: 23886.

### **29. Action to be taken**

Shareholders who hold their shares in certificated form will find enclosed with this document a Form of Proxy. Whether or not they intend to be present at the General Meeting, such Shareholders are requested to complete the Form of Proxy in accordance with the instructions printed on it and return it as soon as possible and in any case so as to be received by PXS, Link Asset Services, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (by post or by hand) as soon as possible and, in any event, **no later than 10.00 a.m. on 11 June 2018**. The completion and return of a Form of Proxy will not prevent such Shareholders from attending the General Meeting and voting in person if they wish to do so.

Holders of Depositary Interests will find enclosed with this document a Form of Direction which may be used to instruct Link Market Services Trustees Limited, the Depositary, how to vote the number of Ordinary Shares in the Company represented by their Depositary Interests. Holders of Depositary Interests are requested to complete the Form of Direction in accordance with the instructions provided on it and return it as soon as possible and in any case so as to be received by PXS, Link Asset Services, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (by post or by hand) **no later than 10.00 a.m. on 8 June 2018**. Alternatively, Depositary Interest holders may instruct the Depositary how to vote by using the CREST electronic voting service as explained in the notes to the Notice.

### **30. Additional information**

The attention of investors is drawn to the information contained in Parts II to XIV of this document, which provides additional information on the Enlarged Group, and in particular Part IV which sets out certain risk factors relating to the Enlarged Group.

### **31. Recommendation**

The Board, which has received financial advice from Evercore, considers the Proposals to be in the best interests of Shareholders as a whole. In providing financial advice to the Board, Evercore has taken into account the commercial assessment of the Board.



The Independent Directors who have been so advised by EY, consider the waiver of the obligations on SIMEC and its concert parties to make a general offer under Rule 14 of the Singapore Code is fair and reasonable and is not prejudicial to the interests of the Company and the Independent Atlantis Shareholders.

Accordingly, the Board unanimously recommends Shareholders to vote in favour of the Resolutions, as the Directors intend to do in respect of their own beneficial holdings of 2,809,333 Ordinary Shares, representing approximately 2.23 per cent. of the Company's existing issued ordinary share capital.

Yours faithfully

**John Neill**

*Chairman*

## PART II

### FURTHER INFORMATION ON SUP AND THE POWER STATION

#### 1. Background information on SUP and the Power Station

SUP owns a 393MW power station in Newport, South Wales consisting of three equally rated units. The Power Station was originally built in 1959 by the Central Electricity Generating Board with a capacity of 363MW. Following privatisation in 1990, operations were transferred to National Power and subsequent owners have included AES (1998 – 2003), Welsh Power (2004 – 2009) and SSE (2009 – 2015). Under the ownership of AES, a substantial investment and modernisation programme was undertaken to meet contemporary environmental emission and legislative standards, which was completed in 2001. As part of the programme, the generating capacity of the Power Station was increased to 393MW.

The Power Station comprises three coal-fired units accredited under the Renewables Obligation to co-fire with biomass. In April 2013, one of the three units (known as Unit 15) ceased generation, reducing generation capacity to approximately 260MW. The remaining two units (known as Units 13 and 14) have not generated any output since April 2017.

The Power Station is located at the confluence of the rivers Usk and Severn to the south of Newport, Gwent. The entire site consists of approximately 180 acres of land, of which approximately 95 acres has been leased by SUP to SIMEC Power pursuant to the SIMEC Lease. To the north of the site are steelworks which are situated on land owned by Liberty Steel Property Newport Limited, a GFG Alliance company.

SUP's site has an access point to the south east of the site. It is proposed that further access is obtained through lands adjacent or near to SUP's site. Specifically, it is intended that further access arrangements to the north east of SUP's site are entered into with certain members of the GFG Alliance for the purpose of providing alternative access to the site. As such, under the Road Access Agreement to be entered into on or prior to Completion it is intended that SIMEC Power will commit to procure works in respect of an access road, subject to obtaining all requisite consents, over land adjacent or near to the site, some of which is owned by GFG Alliance companies. It is intended that certain members of the GFG Alliance will be under obligations (subject to certain conditions) to grant rights over this access road. The Road Access Agreement will also include a mechanism for identifying the route of a potential further accessway to the site over land adjacent or near to the site and for the acquisition of necessary land to facilitate that further accessway together with conditional obligations in relation to the construction of the additional accessway and the grant of additional rights of access over such accessway.

SUP's site is also served by a heavy rail link from the network rail system for operational bulk coal fuel deliveries which historically were imported to the Power Station by rail freight. In addition, the site has reserved a right to use a jetty pursuant to the SIMEC Lease that affords it access for shipping traffic through its location on the banks of the river Usk. A plan of the Power Station site identifying the land that has been retained by SUP and that which is the subject of the SIMEC Lease is set out at Figure 1 below.

Figure 1: Power Station site



## 2. Background to and rationale for the Conversion

It is not currently economically viable to operate the Power Station using coal as the primary fuel, and SUP has been exploring other fuel types. As a result of these studies, SUP has concluded that, of the fuel types reviewed, the most economically attractive option for future operation of the Power Station is to carry out a conversion to use a fuel pellet derived from a mixture of waste biomass (such as the by-products of paper production) and other waste types such as plastics. Recycling of these wastes is either technically or economically unfeasible, but they can be used to produce a fuel pellet which, subject to FEED, is expected to be suitable for combustion in the Power Station's existing boilers once they have been refurbished as part of the Conversion. This is a different approach for waste derived fuels, which have traditionally been combusted in dedicated new build energy from waste facilities or co-fired with non-waste fuels in low concentrations. Traditional energy from waste facilities typically use input waste with a lower calorific value and operate at lower efficiencies. According to data from the Confederation of European Waste-to-Energy Plants for the period from 2007 to 2010, the input fuel for European energy from waste facilities averages 10.3MJ/kg in comparison to the design value of 20MJ/kg for the energy pellets to be used at the Power Station. For the same period, the average electrical output as a proportion of energy input for European waste to energy plants generating electricity only is 21.6 per cent., as compared to the predicted efficiency of 33 per cent. for the Power Station following Conversion.

The high calorific value and homogenous nature of the fuel pellet (which ensure it is suitable for combustion in the Power Station) are achieved using sorting and processing technology developed and demonstrated by N+P. N+P (through N&P UK Holding 2 Ltd) has formed the Fuel Joint Venture with SIMEC Fuels (a GFG Alliance company) pursuant to which Fuel SPV (the joint venture company), will produce and supply fuel pellets to the Power Station under the Fuel Supply Agreement. Fuel SPV will be responsible for sourcing and processing the raw waste to produce the pellets, and will be liable to SUP for the put or pay compensation should it fail to meet its delivery obligations. As Fuel SPV will receive gate fees from waste suppliers for the input feedstock, it is able to provide the output fuel pellets to the Power Station at a low cost (four per cent. of traditional pure biomass alternatives) in comparison to alternatives such as coal or various types of biomass. The energy pellet will be made up of approximately 50 per cent. waste biomass giving net zero CO<sub>2</sub> emissions from that part of the pellet.

The Directors and Proposed Directors believe, subject to FEED, that the Conversion offers the opportunity to operate the Power Station in an economically viable and sustainable way for a further twenty years, and that the contemplated works will allow for compliance with the latest applicable emissions requirements whilst permitting useful and efficient energy recovery from materials which could otherwise have been directed to landfill.

### 3. Proposals in connection with the Conversion

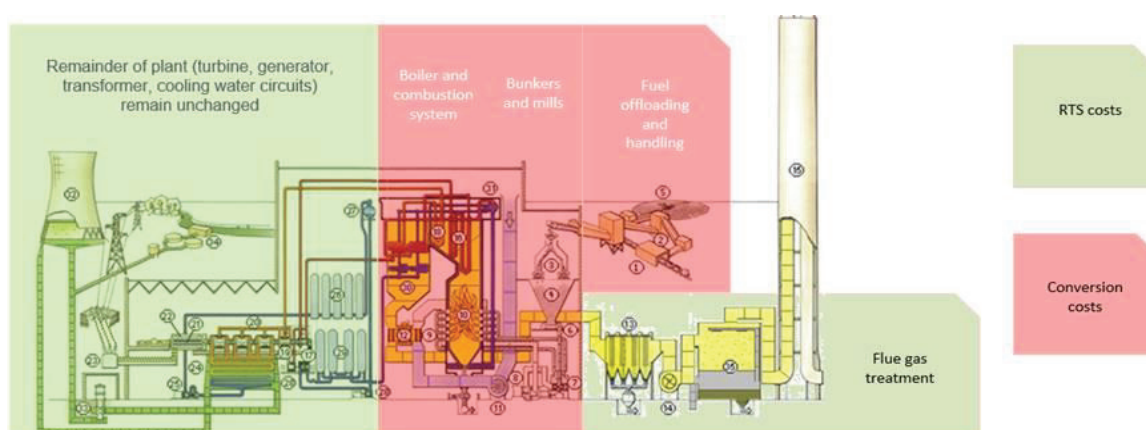
#### 3.1 Design and engineering

SUP proposes to convert Units 13 and 14 to operate using a waste derived energy pellet instead of pulverised coal. As part of the Conversion, the two units will be de-rated such that their maximum gross power generation per unit is 121MW (242MW in total), resulting in target maximum net power export per unit of 110MW (220MW in total).

The Conversion includes a programme of works to return the existing plant to service and to extend its operating life for a further 20 years. As part of the works, the major systems will be overhauled, existing combustion system deficiencies will be rectified, new low NO<sub>x</sub> burners will be installed, and the flue gas cleaning system will be renovated and supplemented to address new emission limits under the Industrial Emissions Directive. Other measures will be implemented to mitigate the corrosive and ash slugging potential of the new fuel.

No significant re-engineering is planned under the return to service proposals and neither the boilers nor the turbines will be replaced as part of the Conversion.

Figure 2 below illustrates the anticipated works split between the fuel conversion (coloured red) and return to service components (coloured green).



In 2017, SUP engaged combustion specialists RJM to assess the technical feasibility and cost of the conversion works necessary to accommodate the new waste derived fuel. SUP undertook a review of the necessary return to service and life extension costs based on the Power Station's operation and maintenance history. Global engineering and infrastructure specialist AECOM has been engaged by Atlantis to critically review the work undertaken by RJM and SUP in relation to the Conversion. AECOM's review included:

- technical assessment of prior studies and engineering concepts for the Conversion;
- critical review of capital cost estimates (within -10 per cent./+30 per cent. range) for the Conversion;
- critical review of programme/scheduling of the Conversion;
- development of schedule of FEED stage activities necessary to progress technical/engineering development for the Conversion; and
- development of a comprehensive project risk register for the Conversion, including a high level review of risk mitigation costs.

Part VI of this document contains the SUP Technical Report on the Conversion prepared by AECOM. In conclusion, AECOM's view, subject to the successful conclusion of FEED, is that the Power Station can be converted to generate electricity using the proposed waste derived energy pellets. AECOM has also developed a capital cost plan for the necessary works to an accuracy of -10 per cent./+30 per cent., and prepared a programme which demonstrates that commercial operations could be achieved within approximately 18 months of FID. AECOM has confirmed in its report the key technical and commercial parameters as set out in Table 5 below. The SUP Technical Report should be read in its entirety for a full understanding of the assumptions, risks and methodologies used in arriving at the estimates set out in Table 5 below.

Table 5: Summary of key technical and commercial parameters for the Conversion

Parameter	Value
Capital cost for Conversion (including FEED)	On market prevailing EPC contract basis approximately £185 million subject to a -10%/+30% estimate accuracy range
Construction period (including commissioning)	Approximately 18 months from FID
Maximum net power export	220MW (net output), consisting of 2 units of 110MW each
Power Station efficiency (LHV)	33%
Operating life of Power Station following Conversion	20 years
Assumed load factor	76%

Source: SUP Technical Report

Subject to procurement, SUP intends to contract the Conversion works on an EPC basis. Such EPC contract would be expected to be on a fixed price, date certain, turnkey basis reflecting the market standard for power plant conversions funded through project finance, and including liquidated damages and an appropriate security package. SUP expects to tender the EPC contract to appropriate contractors following completion of FEED.

The Directors and Proposed Directors anticipate that the proposed Conversion would have a significant positive impact on the local economy. It is intended that Conversion will create long-term and stable employment opportunities at the Power Station as well as generating business for local companies involved in the supply chain. Since the Conversion will also result in a shift from the previous use of coal to a waste derived energy pellet, waste streams which might otherwise have been directed to landfill will be used to generate power.

### 3.2 Power offtake

All electricity generated by SUP following Conversion will be sold under two long term PPAs which together provide downside protection and minimum contracted cash flows whilst providing upside linked to intra-day electricity prices in pounds sterling. The two PPAs are structured as follows:

- (a) Fixed Price PPA for supply of up to 15MW of power via a direct wire to the SUP Fuel Processing Facility to be constructed adjacent to the Power Station and owned by Fuel SPV. The annual energy offtake is expected to be between 35,000MWh and 118,260MWh, with the figure to be fixed between the parties during FEED according to the energy requirements of the SUP Fuel Processing Facility. The energy use is equivalent to a load factor of between 27 and 90 per cent. for the 15MW capacity. The price is fixed at £130 per MWh (escalated annually based on CPI); and
- (b) Route-to-market PPA for sale of any other generation (not sold via a direct wire) to Marble Power, a GFG Alliance company. SUP will sell output at a four per cent. discount to the intra-day price, subject always to a floor price of £30.90 per MWh (escalated at 50 per cent. annual CPI indexation) which is predicated on sales of 118,260MWh per year under the Fixed Price PPA and which is subject to downwards adjustment in certain scenarios, including where the generation from the Conversion is eligible for ROCs. The capacity relating to the Marble PPA is assumed to be operated at a load factor of 75 per cent.

The Fixed Price PPA benefits from a parent company guarantee from SIMEC Group Limited and N&P Beheer B.V. This guarantee is provided on a joint and several basis (with N&P Beheer B.V.'s liability limited to the lesser of £20 million and 50 per cent. of the losses), and guarantees the performance of Fuel SPV's obligations and Fuel SPV's liabilities under both the Fixed Price PPA and the Fuel Supply Agreement, with such liabilities subject to certain limitations. SIMEC Group Limited had gross revenue and net assets of US\$2,520,602,042 and US\$341,787,712 respectively in its latest audited financial statements and N&P Beheer B.V. had gross revenue and net assets of €8,485,398 and €12,537,603, in its latest audited financial statements.

SIMEC Group Limited will be party to the Marble PPA to guarantee the due and proper performance of Marble Power's obligations and Marble Power's liabilities under such agreement.

In addition, SUP has agreed a term sheet with Liberty Steel Newport providing it with the opportunity to enter into a power purchase agreement for LSN's future electricity needs following the proposed installation of a new electric arc furnace at the Liberty Facility adjacent to the Power Station. The LSN PPA would be for a term of approximately 20 years with the price payable for electricity being 120 per cent. of the prevailing wholesale electricity price. Were the LSN PPA to be entered into, the power to be sold to Marble pursuant to the Marble PPA would be reduced accordingly.

A summary of the terms of the Fixed Price PPA, Marble PPA and LSN Heads of Terms are set out at paragraphs 2, 3, 4 and 14 respectively of Part XI of this document.

### 3.3 **Fuel supply**

The primary fuel following Conversion is planned to be a waste derived energy pellet produced using a technology developed by N+P. SIMEC Fuels, a GFG Alliance company, has formed a joint venture company with N+P (through N&P UK Holding 2 Ltd) to produce the energy pellets for the Power Station after Conversion. The Fuel SPV will construct three Fuel Processing Facilities in the UK. One facility will be constructed adjacent to the Power Station on land outside the Power Station boundary, with the others expected to be located in the north west of England and London, subject to finalisation of the Fuel Joint Venture's waste and logistics assessments. N+P has an existing facility for a similar pelletised fuel product, known as Subcoal®, in the Netherlands and is constructing and commissioning a second plant in Teesside in the UK. These existing facilities will have a combined maximum annual output of 250,000 tonnes of pellets.

Following Conversion, Fuel SPV, the joint venture company, will provide a dedicated supply of energy pellets to the Power Station pursuant to the Fuel Supply Agreement. The Fuel Supply Agreement will become effective on Completion, although the parties' obligations under such agreement will be conditional on certain conditions precedent being satisfied, including SUP achieving financial close on the Conversion.

Under the Fuel Supply Agreement, Fuel SPV will supply energy pellets to SUP based on SUP's forecast demand for fuel, which is 875,000 tonnes per annum. SUP will pay £4 per tonne for the energy pellets, such price being subject to adjustment where the calorific value or ash content of the energy pellets is above/below certain thresholds and indexed in accordance with CPI. The energy pellets will be required to meet the fuel specification under the agreement and a failure to do so will entitle SUP to either reject such energy pellets or accept them with an entitlement to claim compensation for the energy pellets being out of specification. The obligations and liabilities of Fuel SPV under the FSA are guaranteed by SIMEC Group Limited and N&P Beheer B.V., in the form of a joint and several parent company guarantee as described in paragraph 3.2 above. SUP and Fuel SPV will seek to agree the terms of a loan provided by SUP (or an SUP group undertaking) to Fuel SPV for the purposes of funding part of the construction costs of the Fuel Processing Facilities. It is proposed that such loan will be to the value of £20 million, subordinated to Fuel SPV's senior lenders but ranking senior to any equity distributions, shareholder loans or other subordinated loans. If SUP and Fuel SPV are unable to agree the terms of such loan, SUP shall be required to provide a letter of credit to the value of £25 million at financial close of the Conversion as security for the performance of its obligations under the Fuel Supply Agreement.

The pellets to be provided by Fuel SPV are a product derived from waste streams consisting of a mixture of biogenic material and fossil fuel based waste such as plastics. The wastes are those which cannot be economically or technically recycled and so would typically be sent to landfill unless used to generate energy. At the Fuel Processing Facilities, these input waste streams will be sorted, dried, ground and then pelletised to create a homogenous consistent fuel with a closely controlled specification. As the main source of revenue for Fuel SPV is intended to be the gate fees for receiving the input waste, it is able to provide the energy pellets to the Power Station at an equivalent cost of £0.20 per GJ of net calorific value. The fuel cost per MJ is approximately four per cent. of traditional biomass alternatives.

The intention is that the waste derived energy pellets will be the sole fuel burned in the Power Station but a secondary fuel stream (such as a torrefied wood pellet) could be co-fired with the energy pellets

to provide an option to mitigate any fuel supply risk. This is not currently considered to be an economically viable option owing to the higher price per MWh of traditional biomass pellets relative to the waste derived energy pellet.

AECOM notes in the SUP Technical Report that no specific combustion testing or modelling of the final specification waste derived energy pellet has been undertaken, but that this will be carried out as part of the FEED process. In addition, AECOM notes that the waste derived energy pellets have not been used as the sole fuel in a power station previously, but that they consider that the technical solutions being proposed for the Conversion are translatable in full or in part from other similar but not identical conversion or new build projects.

Based on an assumed load factor of 76 per cent., the average throughput of energy pellets is estimated to be approximately 800,000 to 900,000 tonnes per year. N+P has advised that each tonne of input waste produces approximately 0.75 tonnes of pellets, giving a waste feedstock requirement of approximately 1.2 million tonnes annually. It will be necessary for Fuel SPV to ensure that it contracts sufficient waste streams which allow production of the energy pellet according to the agreed fuel specification and supply volumes.

A November 2017 study by Tolvik Consulting for the Environmental Services Association regarding the availability of municipal solid waste and similar types of waste from commercial and industrial sources in the UK concluded that the total volume of such waste in 2016 was 27.1 million tonnes, of which 12.2 million tonnes was sent to landfill and 3.6 million tonnes was exported as refuse derived fuel. By 2030, the production of such waste is forecast to range from 17.3 million tonnes per year in the most optimistic scenario (assuming a 30 per cent. reduction in growth rates for waste generation and a 37 per cent. improvement in recycling rates) and up to 29.5 million tonnes per year if there is no change in current trends. The non-landfill capacity for treating this waste is projected to be 16.6 million tonnes per year by 2030, with an additional 2.0 million tonnes of near term energy from waste capacity expected and a further 2.5 million tonnes expected to be exported to the European waste market. These projections conclude that in all but one of the five scenarios assessed there is expected to be a capacity gap for treatment of this residual waste. Further location specific waste studies are underway to allow Fuel SPV to optimise its waste contracting strategy to fulfil its fuel supply obligations under the FSA.

### 3.4 **Operation and maintenance**

Consistent with a robust contractual structure suitable for raising limited recourse project financing, it is intended that the operation and maintenance of the Power Station following Conversion will be undertaken by a separate company wholly-owned by Atlantis.

The operation and maintenance will be undertaken on an arm's length basis consistent with standard industry practice and is expected to include, amongst other things, performance guarantees and associated liquidated damage remedies.

### 3.5 **Financing**

#### *Senior debt financing*

The Conversion is intended to benefit from a robust contractual suite and structure, including the Fixed Price PPA, Marble PPA and FSA as well as an EPC contract that will be put in place with a reputable contractor.

It is anticipated that approximately half of the Conversion cost will be met through debt funding. Initial discussions have been held with two lending banks in relation to senior debt financing for the Conversion. Both banks have provided confirmation that based on certain assumptions and terms representative of equivalent industry sectors, it should be possible to raise senior debt for the Conversion. The Board believes that the feedback received from the banks was positive and was also consistent with financing assumptions used by Atlantis in analysing the Acquisition, including:

- average debt service coverage ratio of at least 1.35x;
- debt leverage of approximately 50-60 per cent. of construction cost plus interest during construction; and
- margin of between 350 and 450 basis points.

Third party debt financing for the Conversion will not be sought until after successful completion of the FEED studies and procurement of the necessary consents and permits. The Company anticipates that it will seek funding for the Conversion in Q2 of 2019 following completion of FEED and procurement of the necessary permits. FEED is expected to be completed by the end of Q1 2019, with the consents and permits expected to be in place by mid 2019.

#### *Equity financing*

It is anticipated that the substantial balance of the financing required for the Conversion will be provided from equity, which may be both private and public and will not be raised until completion of the FEED studies and grant of the necessary consents and permits.

#### *Grant funding*

The Company will also seek grant funding from the Welsh government in light of opportunities for jobs and regeneration in the area or from European sources.

### **3.6 Regulatory**

#### *Permitting*

SUP holds a number of environmental permits for the Power Station, including an environmental permit and a greenhouse gas emissions permit.

#### *Environmental permitting*

Following Conversion, it is expected that the Power Station will be classed as a co-incineration plant under the Industrial Emissions Directive. The change in fuel type will require a variation to the existing environmental permit, and it is anticipated that the variation will include revised conditions to ensure compliance with the most recent Best Available Technique conclusions, such that the converted Power Station is fully compliant on the planned entry into commercial operations at the end of 2020. It is expected that the variation to the environmental permit will be a substantial variation and will take a number of months to obtain. This time frame may be subject to a number of rounds of public consultation and/or challenge, which could lead to additional costs and delays.

In parallel, Fuel SPV intends to apply to have the energy pellets classified as an end-of-waste fuel, rather than a waste material meaning that the Power Station would not be classified as a co-incineration plant. There is no guarantee that the energy pellets will be classified as an end-of-waste fuel, as there is currently no prescribed procedure for classification in Wales, and Natural Resources Wales may not provide any formal approval. However it is anticipated that the variation sought for the environmental permit would allow the Power Station to use the fuel whether or not end-of-waste classification is recognised.

The SUP Technical Report summarises the emission limits specified in the BAT conclusions for large combustion plants using solid fuels and for the co-incineration of waste and biomass.

Further details about the IED, its aims and compliance under the IED, further details about the BAT conclusions and related matters and further details about environment permitting are set out in paragraph 3.2 of Part V of this document. Shareholders should also refer to the risk factors set out in Part IV of this document, including those relating to environmental permitting matters.

#### *Greenhouse Gas Emissions Permit*

The EU Emissions Trading Scheme is aimed at reducing greenhouse gas emissions from certain energy intensive sectors by setting caps on emissions, and requiring installation operators to surrender emission allowances in line with the amount of greenhouse gas emissions that have been emitted from their installations. For each compliance year, an equivalent number of emissions allowances to the emissions from qualifying installations will need to be purchased and surrendered before the relevant deadline. The EU ETS is currently in its third phase, which will continue until 2020. An emissions allowance authorises the emission of one tonne of carbon dioxide or an equivalent amount for other greenhouse gases. Installation operators are also required to hold a permit, and monitor and report on emissions, Rules on UK allowances have recently been introduced with effect



from January 2018 to protect the EU ETS from the impact of Brexit. The EU ETS Directive is primarily implemented in the UK through the Greenhouse Gas Emissions Trading Scheme Regulations.

The permit currently held by SUP authorises a combustion activity emitting carbon dioxide. It is anticipated that the current greenhouse gas permit will need to be varied, or a new permit will need to be obtained, and financial provision for the purchase of allowances will need to be made for the operational phase of the Conversion.

Further information on environmental permitting in relation to the Power Station is set out in Part V of this document.

During the construction, operation, and decommissioning of the Conversion, additional environmental permits are likely to be required. The consent strategy is subject to further development of the construction and engineering works as part of FEED.

#### *Planning*

Subject to further development of all the engineering and construction works during FEED, the Conversion may include works which require express planning permission. There are a number of sensitive environmental receptors within the vicinity of the Power Station and it is possible that the relevant planning authority may require any likely significant environmental and amenity impacts arising from the Conversion to be assessed and, if necessary, mitigated, which may require an Environmental Impact Assessment.

Further information on planning matters in relation to the Power Station is set out in Part V of this document.

#### *ROCs and government funding support*

The Power Station is accredited for the co-firing of biomass with fossil fuels, and SUP is exploring the eligibility of the new energy pellet to be treated as a biomass component (attracting ROCs) and a fossil derived solid recovered fuel component, made up of plastics from waste sources (not earning ROCs). This approach would recognise that, notwithstanding the combination of the biomass and fossil derived wastes into a single substance, the Power Station will still be co-firing biomass, albeit with fossil fuel based waste materials rather than virgin fossil fuels.

Assuming biomass makes up approximately 50 per cent. of the energy content of the pellet, this would result in 0.5 ROCs per MWh of output from the biomass part, or 0.25 ROCs per MWh of total output for a 50 per cent. biomass pellet. Following a consultation response issued by BEIS in January 2018, the number of ROCs which can be generated by co-firing with biomass is to be capped at 125,000 ROCs for each ROC accredited unit. This allowance should be sufficient for ROCs to be earned on the full planned output of the Power Station, subject to the eligibility of the new fuel type.

### **3.7 Grid connection arrangements**

The Power Station is connected to the transmission network at the Uskmouth 132kV substation which is owned and operated by National Grid via various on-site connection assets. The Grid Assets are owned and operated by SUP. There is also a biofuel generating facility on the Power Station site, which is owned and operated by SIMEC Power 2 Limited, a GFG Alliance company. The land on which the biofuel generating facility stands is currently leased by SUP to SIMEC Power 2 Limited. The area currently leased to SIMEC Power 2 Limited forms part of the land granted under the SIMEC Lease and the SIMEC Lease is subject to the existing lease to SIMEC Power 2 Limited. The Biofuel Facility also connects to the transmission network via the Grid Assets. The Power Station has been granted transmission entry capacity of 230MW (of which 18MW is attributed to the Biofuel Facility. SIMEC Power 2 Limited will following Completion continue to need access to and use of the Grid Assets in order to export power from the Biofuel Facility to the transmission network.

To ensure that both the Power Station and the Biofuel Facility have access to the Transmission Network which is not wholly dependent on the performance or solvency of the other party, it is proposed that following Completion:

- (a) a 50/50, insolvency remote joint venture company will be established by SUP and SIMEC Power to own the Grid Assets;
- (b) GridCo will become a party to the Bilateral Connection Agreement with National Grid through the novation of the existing Bilateral Connection Agreement (which will be subject to National Grid's consent);
- (c) the Grid Assets and the land on which such assets are located will be transferred to GridCo via a long lease from SUP;
- (d) GridCo will grant to SUP and SIMEC Power the necessary rights to connect to the transmission network to import and export power. Such rights will be subject to pre-agreed import and export caps which will reflect the import and export requirements of both parties whilst complying with the import and export capacity limitations under the Bilateral Connection Agreement; and
- (e) pursuant to an operation and maintenance agreement, each party will be obliged to carry out specific operational and maintenance obligations in respect of the Grid Assets and the Grid Land and will have rights to carry out certain works should the other party fail to do so. The costs in respect of the grid connection arrangements will be shared between SUP and SIMEC Power in accordance with the ratio of energy exported to the transmission network over the period during which such cost is incurred.

Keeping GridCo insolvency remote from SUP and SIMEC Power is a fundamental principle of the proposed grid connection arrangements. This is to be achieved through the passing down of GridCo's obligations, both under the Bilateral Connection Agreement and at law (to the extent possible), to SUP and SIMEC Power and a series of indemnities from SUP and SIMEC Power to protect GridCo from and against any losses and liabilities which may otherwise arise under the grid connection arrangements.

SUP and SIMEC Power have entered into the GridCo Shareholders' Agreement Heads of Terms (which sets out in principle what the parties rights and obligations will be under the GridCo Shareholders' Agreement, when entered into), a summary of which is set out at paragraph 5 of Part XI of this document. The full form documentation reflecting the GridCo Shareholders' Agreement Heads of Terms and other required documentation in relation to the Grid Land and operation and maintenance of the Grid Assets and Grid Land will be negotiated and finalised after Completion during the FEED phase.

## PART III

### FURTHER INFORMATION ON ATLANTIS'S EXISTING BUSINESS

#### 1. Group structure and history

Atlantis, the parent company of the Group, was incorporated in Singapore in 2005 having acquired the intellectual property of an early stage tidal turbine technology developer based in Australia. From 2006, the Company attracted the support of Morgan Stanley Renewables, which held almost 50 per cent. of the business until Atlantis was launched on AIM in 2014. Investment from Morgan Stanley Renewables and the Company's other shareholders prior to its admission to AIM enabled the Company to develop and test multiple tidal turbine models, culminating in the full scale testing of a 1MW prototype in 2010, and to acquire the seabed option and environmental consents for the 398MW MeyGen Project in northern Scotland.

The Company's admission to AIM in February 2014 allowed Atlantis to raise the funds to maintain a majority shareholding in the MeyGen Project when the first phase of the project achieved financial close in 2014. The first four turbines, with a combined capacity of 6MW, are now installed and operational and have exported over 6GWh to the grid for distribution to consumers.

As the world's largest operational tidal stream project, the MeyGen Project is the flagship for the Company's projects division, but also serves as the showcase for the equipment supply and the services businesses. Together, these comprise the three key pillars of the Group's business activities, and are described in more detail below.

Whilst tidal stream projects and opportunities continue to make up the majority of the Group's portfolio, more recently it has extended into related energy sectors. Most notably, the Group has entered into heads of terms to secure exclusive rights for a tidal barrage project in the Wyre estuary, and realisation of this opportunity will draw upon its project development and delivery capabilities. The Directors and the Proposed Directors believe that the current structure of the Group's activities will enable it to successfully accommodate ownership and management of new energy assets, whether in development, construction or operation. Such new assets are expected to derive from continued origination and acquisition by the Group, including pursuant to the Relationship Agreement with SIMEC following Admission.

Since the Company's admission to AIM in 2014, the Group's activities have been funded by a combination of debt, grants, revenues from consulting, turbine and project sales, and from new equity issued by Atlantis. The first phase of the MeyGen Project was funded through equity, grants and limited recourse debt, and Atlantis intends to replicate a project finance approach for future projects. To this end, the group structure includes special purpose project vehicles and holding companies which are predominantly held by Atlantis Projects Pte. Ltd, a direct and wholly owned subsidiary of Atlantis. Three of the Group's Scottish project vehicles (including MeyGen) are held by Tidal Power Scotland Limited, in which Atlantis Projects Pte. Ltd holds a 92 per cent. stake. 6 per cent. of Tidal Power Scotland Limited is owned by ScottishPower Renewables, which contributed rights to the Islay and Duncansby projects in exchange for shares, and 2 per cent. is owned by DEME Concessions NV, which purchased its shareholding from Atlantis in cash as part of a transaction in which the DEME group was also awarded preferred supplier rights for certain offshore installation works.

The Group's turbine and equipment sales are chiefly directed through two English subsidiaries – Atlantis Operations (UK) Limited, which is the seller of a 1.5MW turbine to MeyGen, and Marine Current Turbines Limited, which was acquired from Siemens in 2015 in an all share deal which resulted in Siemens acquiring a 9.99 per cent. shareholding in Atlantis. In 2008, MCT installed its 1.2MW SeaGen system in Strangford Lough in Northern Ireland. Although the site is now being decommissioned, the project achieved approximately 10GWh of generation during its operating life and was the first marine renewable energy project to be accredited by Ofgem as a commercial power station. Atlantis has now formed an integrated turbine development and delivery team building on almost 30 years of combined research, development and demonstration by Atlantis and MCT. This team is predominantly based in Bristol, whilst the project development and delivery team is chiefly located in Edinburgh with the majority of the corporate services division. The Group has a lease for a turbine assembly and maintenance facility at the Nigg Energy Park on the Cromarty Firth in Scotland, and MeyGen has a lease for both the onshore land and seabed needed for its operations in northern Scotland. The Group also has a Singapore office which provides some corporate services and support for activities in Asia.

## 2. Tidal Power

### Overview

There are various approaches to harnessing the energy stored in the oceans and seas to enable the production of electricity, namely from tides, waves, ocean currents, and from differences in salinity and temperature. Of these various approaches, the most developed is arguably tidal power, which has been in use in traditional tidal mills for centuries. More recently it has been used for the generation of electricity, notably through large barrage projects such as La Rance in France, a 240MW power plant which was commissioned in the 1960s and is still operating today.

More recently still, turbines have been developed which can extract energy from tidal flows without the need for a barrage – known as tidal stream or tidal current generation. This is the technology which applies to the majority of the Group’s present tidal portfolio, but Atlantis is also developing opportunities for barrage projects where site conditions are suitable. In either form, the great advantage of tidal energy as a resource is its absolute predictability.

### Tidal stream energy

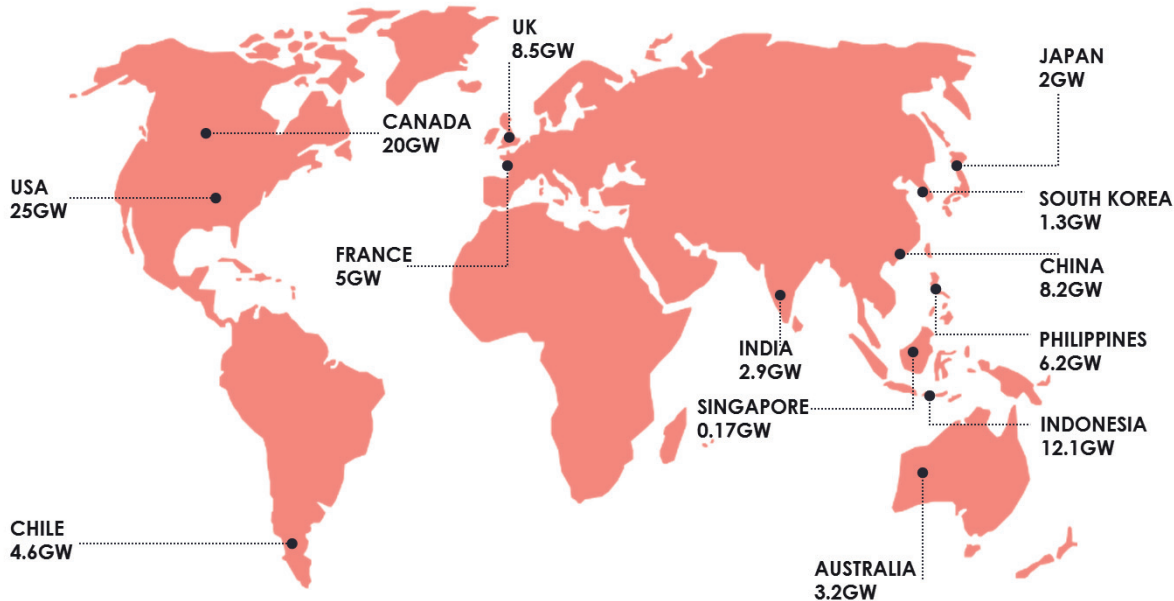
Tidal stream energy does not require any sort of dam or barrage because it makes use of naturally occurring fast flows, typically found where the coastal layout means that water is locally accelerated – for example, around a headland or between two islands. Turbines are installed in these naturally occurring flows, much in the same way as wind turbines are erected in windy areas. The turbines can either be fitted onto fixed foundations on the seabed, or they can be attached to floating platforms which are tethered in position.

The technology has many similarities to wind turbines, but because the density of water is around 800 times that of air the same amount of power can be produced from smaller turbines and slower flows. Another advantage is that the tides are governed by the relative motion of the moon, the Earth and the sun, so one can always predict how the tides will behave and therefore how much electricity can be generated at any given time from a given site. This can be useful to operators of the electricity transmission network as they can plan in advance to make sure that the network is properly balanced, rather than experiencing the sudden highs and lows in generation which happen with weather driven renewable energy.

### Available resource

Atlantis estimate there is potential for approximately 99GW of tidal stream power projects around the world, using around 50,000 turbines over 60 sites. These findings are illustrated at Figure 3 below, and are based on recent, independent resource assessments conducted by the wider commercial and academic community.

Figure 3: Global installed capacity potential



In the UK, the Crown Estate has designated lease plots for the build out of multiple tidal stream energy projects, including almost 600MW of potential capacity awarded to the Group. Strong support for tidal energy in the UK led Atlantis to focus on development off the north coast of Scotland, in the Pentland Firth. The result is that Scotland is now home to the first multi-turbine, multi-megawatt array, the first phase of the MeyGen Project (Phase 1A). Since the installation of the Phase 1A turbines, over 6GWh has been exported to the grid, equivalent to the annual average consumption of 2,000 homes. The Directors believe that further expansion of the site to its full potential of 398MW installed capacity should aid further cost reductions. The Directors believe that the proportion of tidal resources which can be economically extracted should rise as the industry matures and expands. This growth is already being seen, with a doubling in the global installed ocean energy capacity from 12MW to 25MW between 2016 and 2017.

### ***Site considerations***

There are several important factors to consider when assessing whether a site can be economically developed:

- the speed of the flow, which determines how much power can be extracted for a given rotor size;
- the depth of the water, which dictates the maximum rotor size and the accessibility of the turbines for maintenance;
- the exposure to rough seas, which can affect the turbines even when they are fully submerged;
- the existence of any environmentally sensitive or protected areas, which can make getting the right consents and licences more difficult;
- the proximity to a source of electricity demand or means of transmitting the energy further afield; and
- the price receivable for each unit of electricity generated – this can be either the price of the displaced form of generation (for example in off grid applications with high cost diesel generation) or it can be the price payable under a renewable energy subsidy mechanism applicable in that region.

### ***Benefits of tidal power***

Tidal power has a number of significant advantages, including:

- its energy source is free, enduring and produces no carbon emissions on conversion to electricity;
- the resource is not weather dependent (unlike wind and solar) but is based on the relative position of the sun, moon and Earth, which makes power generation very predictable and can aid integration with tools to balance supply and demand of electricity, such as energy storage and demand management;
- water has a greater density than air so it can deliver more energy per unit of flow volume, meaning less space is required for the same output. An underwater turbine with an 18 metre diameter rotor would typically have the same maximum power rating as an onshore wind turbine with an 80+ metre diameter rotor; and
- tidal stream arrays have a very low impact on marine life and the visual landscape. Tidal barrage projects have traditionally been more disruptive, but advances in turbine technology are helping to reduce this disruption by, for example, mimicking the natural tidal cycles to ensure similar environmental conditions for wading birds in estuaries.

### ***Costs of tidal stream energy***

The World Energy Council's 2016 report on marine energy gives a levelised cost of energy for tidal stream projects of US\$210 to US\$470 (approximately £160 to £365) per MWh for pre-commercial arrays, dropping to between US\$130 and US\$280 (approximately £100 to £220) per MWh for the first commercial project. The Group's assessment of the next 80MW phase of its MeyGen Project indicates a levelised cost of energy of £104 per MWh in 2012 terms. Assuming that tidal stream follows the path of other renewable energy technologies, further significant falls in the cost of energy would be expected as more and more turbines are installed. An Arup study on behalf of BEIS in June 2016 examined cost reduction pathways for various renewable generation technologies. Arup concluded that a learning rate of 13 per cent. should be applied to construction and infrastructure costs, meaning that costs could be expected to fall by 13 per cent. for each doubling of capacity installed. The report also concluded that there should be a reduction in operating costs of 19 per cent. from 2020 to 2025.

A third party study in 2018 concluded that there is a clear pathway to reducing tidal stream energy to a levelised cost of energy of £90 per MWh for only 1GW of installed capacity. In contrast, the levelised cost of offshore wind reached this level once there were over 5GW of installed capacity in the UK.

Offshore wind, however, provides an example of the extent of the cost reductions which can be achieved. In the UK Renewable Energy Roadmap of July 2011, the estimated levelised cost range for offshore wind in 2010 was given as £149 to £191 per MWh, and the projected range for 2020 was £102 to £176 per MWh. However, in the Contract for Difference auctions of 2017 offshore wind projects for commissioning in 2021 to 2022 were awarded strike prices of just £74.75 per MWh, dropping further to £57.50 per MWh for the following commissioning year. These dramatic cost reductions have been achieved through a supportive subsidy framework which enabled huge increases in installed capacity in the UK – from 951MW in early 2010 to 6,127MW by the third quarter of 2017.

As in the offshore wind sector, cost reductions for tidal energy can be achieved through a combination of measures, including:

- technical improvements to ensure energy is harvested, conditioned and transmitted as cost effectively as possible – for example, by combining the output from individual turbines so it can all be brought to shore in one cable, rather than having dedicated cables for every turbine;
- working with the supply chain to realise the benefits of volume production, and making sure all components and systems are designed for efficient production, assembly, installation and maintenance; and
- building up operating hours at the MeyGen Project to reduce the perceived risk in future projects and thus gain access to less expensive sources of funding, which the Company expects will have a significant impact on project economics.

In the UK, the only revenue support currently available for new tidal energy projects is the Contract for Difference scheme introduced as part of the Electricity Market Reform through the Energy Act 2013. CfDs are intended to support investment in new generation by providing a guaranteed revenue per unit of generation (the strike price). CfDs are awarded in auctions, with contracts allocated to the projects which require the lowest strike price to proceed. When CfDs were introduced to replace the previous support schemes, the Renewables Obligation and Renewables Obligation (Scotland), a ringfenced allowance was established for marine energy technologies in recognition of their earlier stage of development. This ringfence was withdrawn in 2016 meaning that, currently, tidal stream power is grouped with more mature, and therefore cheaper, technologies such as offshore wind. Atlantis is working with the industry to propose mechanisms which provide appropriate support for the marine energy sector so that it can replicate the success of offshore wind.

Several countries and regions other than the UK have implemented and retained subsidy frameworks which are intended to support deployment of tidal stream projects, thus allowing demonstration of these cost reductions as well as creating jobs and improving the diversity, security and sustainability of their electricity supply mix. The Group's goal is to be able to build projects and generate electricity from the tides without any additional subsidy support, following in the path of other renewable technologies.

### **3. Atlantis business**

As described in paragraph 1 of this Part III above, the Company's business is divided into three key areas: projects; equipment supply; and services. With the exception of equipment supply, which relates primarily to the tidal stream sector, the business spans related sectors in marine energy and other sustainable technologies.

#### ***Projects***

The Group's portfolio of project opportunities is described in paragraph 4 of this Part III below. The current portfolio is in the development stage, with the exception of the MeyGen Project where the first phase (Phase 1A) is now operational. The Group has built up its portfolio through a combination of origination and acquisitions from Siemens (through the acquisition of Marine Current Turbines) and ScottishPower Renewables (through the transfer of project rights for the Sound of Islay and the Ness of Duncansby projects in Scotland). The portfolio currently includes the 398MW MeyGen Project site (of which 6MW is operational), a further 190MW of agreements for lease with The Crown Estate ("**TCE**") and Crown Estate

Scotland for tidal stream sites in the UK and the Wyre estuary tidal barrage opportunity of up to 160MW. The Group continues to pursue opportunities in France, where commercial tidal leasing rounds are planned. Atlantis is pursuing an opportunity to acquire a site in Normandy for an initial array of 4 turbines, and has submitted a strategic plan to the French government setting out plans to deliver 1GW of tidal power by the mid-2020s. The Group is also developing feasibility proposals for large scale arrays at sites in Australia.

The Company's objective with respect to its development assets is to create value by maturing each opportunity to address development risk and prepare the project for construction. The Company proposes then to either crystallise that value through the sale of some or all of the equity or from receipt of a development premium at financial close, or it will retain a majority ownership stake throughout construction and operations to provide operational revenues to support the Group's growth. Atlantis intends to achieve balance and diversity in its asset portfolio taking into account technology, location and the stage of the project lifecycle. Development of the Group's portfolio of opportunities will remain subject to the availability of adequate funding, which the Board anticipates may be derived from debt, equity, asset disposals or refinancings, or a combination thereof.

Alongside the Group's own projects are some third party projects to which Atlantis aims to provide its project development and delivery services. These include the opportunities in South Korea and Indonesia as described in paragraph 4 of this Part III below.

### **Equipment supply**

The Group's genesis was in tidal stream turbine supply, and Atlantis continues to pioneer progress in this field as well as in development of ancillary products such as turbine installation and connection systems.

The Atlantis turbines are the culmination of the Group's original turbine heritage and that of Marine Current Turbines, which it acquired from Siemens in 2015. MCT is the developer of the 1.2MW demonstration turbine at Strangford Lough in Northern Ireland, which during operations between 2008 and 2013 generated approximately 10GWh, and was the UK's first grid connected tidal stream turbine.

The Atlantis AR1500 turbine is a 1.5MW system designed with Lockheed Martin Corporation and delivered through the combined experience of the Atlantis and MCT engineering teams, with Lockheed as the systems integration partner. It was installed at the MeyGen Project site in 2017. Since deployment the turbine has demonstrated that it can exceed the contracted performance levels, but it is currently operating in a curtailed output mode due to constraints imposed by the Lockheed owned blade pitching system. This system is needed to adjust the angle of the blades relative to the water flow in order to reduce energy extraction and turbine loading during operation at higher flow speeds. The pitch system will be upgraded during 2018 to replace the present hydraulic actuation circuit with an electrically driven alternative, allowing the turbine to return to its optimised operating regime.

The upgrade to the electric pitch system will be included in all subsequent production models, together with improvements intended to lead to reductions in the cost of energy from larger tidal arrays. The production model of the AR1500 will be available with a maximum power rating of up to 1.9MW and with a rotor diameter of up to 21 metres. It is being designed to generate electricity at fixed frequency, which means the output from multiple turbines can be combined offshore and exported to shore through a single cable, thus reducing installation and balance of plant costs. Atlantis is evaluating options for volume production of the turbine, including licensing of the turbine design to manufacturers. Atlantis may also consider disposing of its turbine division, if it believes that it is in the best interests of the Enlarged Group to do so.

As well as the core turbine system, Atlantis has developed other proprietary products for use in installation and connection of turbines. These could also be used for turbines produced by other suppliers. The nacelle intervention tool is an instrumented lifting frame which facilitates installation and removal of the turbine nacelle to or from its subsea foundation. This tool allows for subsea operations without the need for a separate remotely operated vehicle, or ROV, which reduces the equipment to be mobilised for each operation and, because ROVs can only be used in relatively low flows, expands the available window for subsea works. The connection management system is also designed to facilitate more efficient and lower cost installation and retrieval by improving the means of connecting a turbine to its pre-installed subsea power and data cable. The system uses wet mate connectors, which mean there is no need to retrieve the

two halves of the connector to the deck of a vessel to carry out the connection in dry conditions. Instead, the turbine can be plugged in or disconnected electrically in the same single operation as it is installed or retrieved. Not only does this shorten the operation time, but it reduces the requirement for expensive cable handling equipment to be added to the vessel deck. In operations at the MeyGen Project in 2017 the vessel and equipment costs for installation or retrieval of the AR1500 with the Atlantis connection management system were less than 40 per cent. of the costs for the equivalent operation for a system using dry mate connection.

#### **Services provider – for project development and delivery and engineering services**

The Group's experienced engineering and project development teams can provide a full suite of development services to third party project owners, even where Atlantis itself does not have any equity interest in the project. These consulting services can include resource analysis, technical and economic feasibility assessment, project financing support, engineering design and offshore management services, as well as overall management of the development at any stage of the project lifecycle.

Atlantis originally carried out the concept design for the MeyGen Project site under a consultancy contract for Statkraft AS, and provided project delivery services for the construction and now operation of the first phase of the MeyGen Project. Atlantis has also provided offshore construction services to MeyGen, managing the retrieval and reinstallation of the AR1500 and the installation at the MeyGen Project site of an Andritz Hydro Hammerfest system in 2017. Elsewhere, Atlantis was awarded a contract of over £3 million by the Energy Technologies Institute to investigate pathways to cost reductions in tidal energy, and has also undertaken system optimisation work for a wave energy developer. Most recently, Atlantis has been awarded a contract for front end engineering scope for a demonstration tidal stream project in China.

## **4. Atlantis projects and turbine supply opportunities**

### **(a) The MeyGen Project**

#### *Overview*

The MeyGen Project, of which Atlantis owns approximately 77 per cent., is the largest consented tidal stream energy project in the world and the most advanced in the Company's portfolio. Approximately 17 per cent. of the project is owned directly by Scottish Enterprise, and the remaining percentage is owned indirectly by each of ScottishPower Renewables (approximately 5 per cent) and DEME (approximately 1.7 per cent). Each of ScottishPower Renewables and DEME hold their indirect ownership in the MeyGen project through Tidal Power Scotland Limited in which their shareholdings are approximately 6 per cent. and 2 per cent. respectively. Tidal Power Scotland Limited owns approximately 83 per cent. of MeyGen. The first stage, MeyGen Phase 1A, involved the deployment of 4 turbines (each 1.5MW) installed on gravity foundations to hold them in place on the seabed without any drilling or fixing. Each turbine has its own foundation weighing between 250 and 350 tonnes, coupled with 6 ballast blocks weighing 200 tonnes each.

There are 2 different turbine designs currently being used on site (the Group's own AR1500 and the Andritz Hydro Hammerfest HS1500), plus monitoring equipment to track turbine performance and environmental interaction. Each turbine has a dedicated cable laid directly on the seabed and brought ashore via a drilled borehole through the foreshore bedrock. Each cable then joins up with the onshore control centre which stands on Scotland's northernmost coast, just a few miles from John o' Groats.

#### *Financing*

The total £52.4 million funding package which Atlantis assembled for MeyGen Phase 1A consisted of:

- £7.5 million loan and £12.1 million in equity from Scottish Enterprise, through its Renewable Energy Investment Fund;
- £3.3 million in grants from Highlands and Islands Enterprise;
- £10 million grant from the former Department of Energy and Climate Change under its Marine Energy Array Demonstration programme;
- £9.8 million debt like investment from TCE; and
- £9.7 million in equity from Atlantis.



### *Operation and revenue generation*

The fourth and final turbine of the MeyGen Phase 1A array was initially installed in February 2017 and following initial safety checks quickly commenced generation. All the turbines were subsequently retrieved from the water for checks and improvements before reinstallation later in 2017. Final reliability and power performance tests were then completed, enabling the project to transition to full operations and initiate debt servicing at the end of March 2018. As described in paragraph 3 of this Part III above, the Atlantis AR1500 turbine is temporarily operating in a curtailed generation mode which reduces the output from the array by approximately 12 per cent. The pitch system issue which is causing the restriction will be rectified in 2018.

The electricity generated is sold into the local distribution network under a 10 year power purchase agreement with Smartest Energy, providing enough electricity on average for the equivalent of 2,600 homes.

The electricity generated from MeyGen Phase 1A receives 5 Renewables Obligation Certificates per megawatt hour under the Renewables Obligation (Scotland) scheme, which combined with the wholesale power price provides the project with income of approximately £300 for each MWh generated until 2036. For the remainder of the project's 25 year operating life the revenue would be derived solely from wholesale power sales.

### *Realising further value from MeyGen Phase 1A*

As the operational hours increase, the perceived technology risk reduces. This should create access to cheaper funding than the current project debt and therefore an increase in the value of the MeyGen equity if the existing debt can be refinanced at a lower rate. For the time being, therefore, Atlantis expects to retain its majority holding in the MeyGen Project to benefit from the anticipated increase in value.

The Company also expects that a proven operating record for MeyGen Phase 1A is likely to reduce the perceived post-construction risk for the tidal stream sector as a whole, meaning that future projects benefit from a more immediate uplift in value at the start of operations.

### *Completion of MeyGen Phase 1*

MeyGen Phase 1A of the project uses only 6MW of the 86MW capacity for which consents have already been awarded, and MeyGen's immediate priority is to develop the remainder of this capacity. MeyGen therefore applied for an 80MW CfD in the second round auctions held by BEIS in 2017, but was unsuccessful in direct competition against the more mature offshore wind sector where strike prices were set at just £74.75 per MWh for projects being commissioned in 2021 and £57.50 per MWh for the following commissioning year. Atlantis continues to engage directly with BEIS regarding the opportunities for a bilateral CfD of the type awarded to Hinkley Point C nuclear power project, or a near term auction with a category dedicated to innovative renewables at a similar stage of maturity and excluding offshore wind.

In parallel, Atlantis is working with its consortium partners to identify options for a smaller second phase of 5.1MW (MeyGen Phase 1B) using the capital grant of €20.3 million awarded to the project under Europe's Horizon 2020 programme and revenue support for its first 5 years of operation under the NER300 scheme, a European Commission scheme which supports innovative energy projects. Given the deadlines for the NER300 support and the UK government's decision to prevent the combination of any grant funding with a CfD, it is unlikely that this smaller project will proceed on a standalone basis unless alternative revenue support is made available. One option for this which has been put forward by the ocean energy industry is a type of production tax credit which would incentivise large energy consumers to purchase power directly from generators at a premium to the wholesale price.

Atlantis estimates that the total construction cost for a combined 80MW project would be approximately £190 million.

### *MeyGen Phase 2 (166MW) and MeyGen Phase 3 (146MW)*

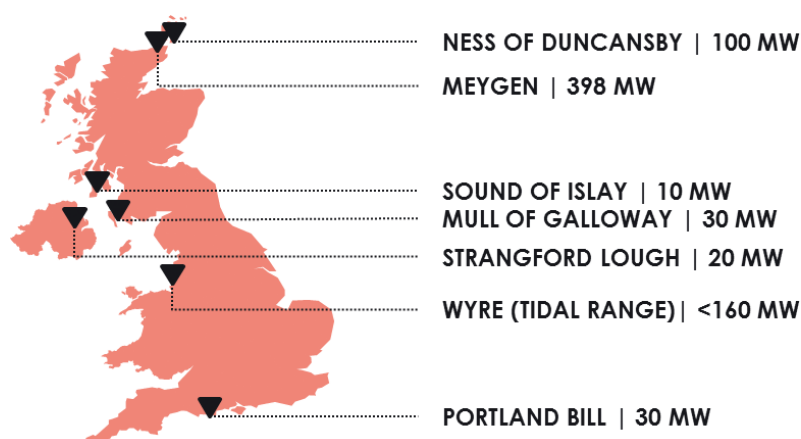
Development of both MeyGen Phase 2 and MeyGen Phase 3 fall within the existing lease area but will require new consents and permits. MeyGen Phase 3 will also require further grid connection capacity. Atlantis intends to complete development of the site's full potential over the next decade. Based on cost reduction rates derived from a 2016 Arup study for BEIS, Atlantis estimates that the combined construction cost for the MeyGen Phase 2 and MeyGen Phase 3 build out would be approximately £330 million.

#### (b) **Other UK tidal stream**

Atlantis has agreements for lease for a further 190MW of tidal stream sites in England (30MW), Scotland (140MW) and Northern Ireland (20MW). Of these, the 10MW Sound of Islay site on the west coast of Scotland has been awarded consents and grid connection, and the remainder are at an earlier stage of development. However, there is significant resource and environmental data available relevant to two of the sites in particular: the 100MW site at Duncansby, which adjoins the MeyGen site where studies have been underway since 2008; and the 20MW site at Strangford Lough, near to the 1.2MW SeaGen system for which scoping assessments began in 2004. Atlantis continues to assess all its UK sites to identify the optimum sequence and timing for construction, which is driven by considerations including improvements in the availability of funding support and the ability to reduce generation costs through technical advances and higher volume deployment.

Set out at Figure 4 below is a map showing the Company's pipeline of tidal projects in the UK.

*Figure 4: Atlantis pipeline of tidal projects in the UK*



#### (c) **France**

Whilst the UK, and Scotland in particular, has historically formed the vanguard of Europe's marine energy industry, France has more recently declared its ambition to take a leading role. In 2014 alone, the Agence de l'Environnement et de la Maîtrise de l'Energie (ADEME) announced the award of over €110 million in public funding for tidal stream energy projects, of which the vast majority related to 2 pilot arrays in Normandy's Raz Blanchard. One of these pilot sites, comprising 4 x 1.4MW turbines, was awarded to Engie, the French multinational utility company, and was known as the NEPTHYD project. Following a decision by Engie's turbine supplier to withdraw, it suspended its pursuit of the project before any procurement or construction had commenced but after key permits had been awarded. Atlantis has been working with Engie and the French government to reach agreement for the project company to be sold to Atlantis so that the development can be progressed.

The French government is establishing one of the most supportive regimes for tidal energy in the world. According to the French government's programmation pluriannuelle de l'énergie adopted in October 2016, the objective for mainland France is to deploy at least 100MW of marine energy (including tidal stream and floating offshore wind) by 2023 and to have up to another 2,000MW in planning by that date. Commercial leasing rounds are planned to achieve this, and the pilot sites already awarded benefit from a feed in tariff of €176 per MWh (indexed) as well as public support for upfront capital costs.

(d) **Australia**

The Australian Renewable Energy Agency (ARENA) has recently shown an appetite for unlocking the potential of Australia's tidal energy resource, through A\$2.49 million in funding support for a three year project which will explore the future potential of tidal energy in Australia to attract future investment. Atlantis is a project partner for this study, along with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and others.

A recent preliminary resource assessment conducted by Atlantis estimates that the total tidal stream and tidal range capacity potential in Australia is 7.5GW, enough to generate 8 per cent. of Australia's electricity demand. Of the 7.5GW, 3.1GW is tidal stream and 4.4GW is tidal range. This estimate is based upon limited, low resolution data sources such as tidal diamonds and coastguard data at specific sites. Atlantis is currently working with ZEN Energy in Victoria to assess the potential for a large scale tidal project in Port Philip Bay to update this estimate.

(e) **South Korea**

South Korea now boasts the largest tidal barrage project in the world, the 254MW Sihwa project, and since 2008 has been home to several small scale tidal stream demonstration turbines. Incheon, a consortium which includes Incheon City, Inha University, power provider KOEN and construction giant POSCO E&C, is planning a 200MW tidal stream project to be built out in phases between 2021 and 2027. The consortium's estimated budget is US\$800 million, and Atlantis is offering its project development services and tidal stream turbine technology to drive forward engineering and design.

The Company has also recently signed a strategic partnership agreement with Hyundai Engineering & Construction through which the parties have expressed their mutual intent to work together on the development of ocean energy projects worldwide, including a 100MW tidal stream project in South Korea.

(f) **Indonesia**

In March 2017, Atlantis entered into a preferred supplier agreement with developer SBS Intl Ltd, an international project developer, for the supply of turbines, engineering services and equipment for a planned 150MW tidal stream array in Lombok, Indonesia. In October 2017, SBS Energi Kelautan announced that it had made its final investment decision for the 12MW pilot phase, and had awarded a full delivery contract to SBS Intl Ltd. SBS Intl Ltd. and Atlantis are working together to agree terms for the FEED contract, with a view to installation in 2020. SBS Energi Kelautan intends to subsequently expand the installed capacity to 70MW in a second phase, and to the full 150MW in a third phase.

(g) **Tidal barrage**

Atlantis considers that one of the most promising tidal barrage sites in the UK is in the Wyre estuary, where the topography would allow a large volume of water to be impounded by a relatively short barrage across the throat of the river. Improved turbine designs and operating cycles can mitigate the environmental impacts which have previously hampered barrage projects, and the scheme could have a valuable role in flood prevention.

Natural Energy Wyre, with whom Atlantis has entered into a heads of terms, has carried out concept studies to develop a scheme which can deliver up to 160GWh of energy a year for an estimated construction cost of £360 million. In November 2017 Atlantis entered into heads of terms with the main landowner, the Duchy of Lancaster, for an exclusive option agreement covering development of a barrage project at the site, and has commissioned a technical due diligence study from Mott Macdonald. Subject to entry into the option and agreement and completion of the due diligence, Atlantis now intends to seek to attract development funding into a dedicated project vehicle to progress the opportunity to financial close.

Whilst the Wyre site is arguably the most advanced, it is by no means the only tidal barrage opportunity in the UK. In particular, in 2017 the Mayor of Liverpool announced an intention to develop a barrage across the Mersey, drawing on the £900 million 30 year investment fund available to metro mayors under devolved powers. Atlantis also intends to identify and assess other opportunities for medium scale projects which can offer secure, clean and cost effective energy supply, local regeneration and flood protection without unacceptable environmental impacts.

## PART IV

### RISK FACTORS

*The Placing and any investment in the Company are subject to a number of risks. Accordingly, investors and prospective investors should carefully consider all of the information set out in this document including, in particular, the risks described below. The Group's and, following completion, the Enlarged Group's business, financial condition or results of operations could be materially and adversely affected by any of the risks described below. In such cases, the market price of the Ordinary Shares may decline and investors may lose all or part of their investment.*

*These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties nor are they listed in order of magnitude or probability. Additional risks and uncertainties that are not presently known to the Directors and the Proposed Directors, or which they currently deem immaterial, may also have an adverse effect on the Enlarged Group's operating results, financial condition and prospects. The risk factors described below are as of the date of this document and, except as required by the AIM Rules or any other law or regulation, will not be updated.*

**Investors and prospective investors should consider carefully whether an investment in the Company is suitable for them in light of the information set out in this document and the financial resources available to them.**

**Investors' attention is drawn in particular to the SUP Technical Report set out in Part VI of this document and the risks highlighted in relation to Conversion, set out in chapter 5 of that document and the risk register in Appendix 1 of that document.**

#### **1. Risks relating to the Acquisition and SUP**

##### **1.1 *The Acquisition may not complete as the Acquisition Agreement is subject to various conditions precedent***

Completion of the Acquisition Agreement is subject to various conditions precedent, including the approval of Atlantis Shareholders and the Placing Agreement becoming unconditional and not being terminated in accordance with its terms. If any of such conditions are not satisfied (or, where possible, waived), Atlantis will not be able to complete the Acquisition.

If any of the conditions are not satisfied (or waived, if applicable), then the Acquisition will not be completed, which would mean that substantial costs would (subject to the provisions of the Costs Sharing Agreement) have been incurred by the Company with none of the potential benefits of the Acquisition having been achieved. It would also mean that management time spent in connection with the Acquisition, which could have otherwise been spent in connection with other aspects of the Company's business, will not have been spent productively.

##### **1.2 *The Company may not have been able to assess properly the risks associated with, and the value of, SUP***

Although the Company has carried out legal, accounting and commercial due diligence on SUP, in the event that SIMEC has failed to provide the Company with all relevant information in response to its due diligence enquiries, or such enquiries were insufficient, the Company may not have been able to assess properly the risks associated with, and the value of, SUP.

The Company has negotiated what it considers to be appropriate warranty protection under the Acquisition Agreement, but provisions in the Acquisition Agreement may be unenforceable or may be insufficient to cover potential liabilities relating to SUP.

##### **1.3 *The Enlarged Group's future prospects will, in part, be dependent on effective integration of SUP into the Group, including with respect to employees and operational systems***

The Enlarged Group's future prospects will, in part, be dependent upon the ability to integrate SUP into the Group successfully without material disruption to the existing business including as a result of the integration of operational and management systems. The performance of the Enlarged Group

in the future will, amongst other things, also depend on the successful integration and motivation of SUP's employees into the Enlarged Group. It is possible that failure to retain certain individuals will affect the ability to integrate SUP and to implement the Conversion in a timely manner.

**1.4 *Unforeseen technical or other issues could arise with the Conversion, making Conversion more costly than anticipated***

The Enlarged Group proposes to convert the Power Station to use a waste derived energy pellet as its fuel source. Conversion is a substantial and costly undertaking, involving a return to service and life extension for parts of the plant and adaptation of other parts of the plant, including the conversion of the two existing boilers at the Power Station to run on the new waste derived pelletised fuel. Substantial modifications will be required for many aspects of the Power Station, particularly for the fuel handling and combustion process. The Company has commissioned a report from the Technical Consultant, a copy of which is reproduced in Part VI of this document, which amongst other things examines the technical feasibility of Conversion and outlines the steps to be taken and certain of the risks in relation to Conversion. Before Conversion can commence, the project will go through a FEED and permitting phase of approximately twelve months. The engineering definition required for the Conversion is currently at a feasibility study stage, and will be subject to further subsequent design development through FEED and detailed engineering design to fully define the required scope and capital costs. The FEED stage is likely to involve further studies on specific areas of Conversion, particularly in light of the untested use of the final specification energy pellet at the scale that is proposed by the Conversion. The FEED phase could lead to design and engineering modifications which may translate into increased costs of Conversion thereby making Conversion and the operation of the Power Station less economically attractive.

The Company has, based on the SUP Technical Report, estimated that the approximate cost of Conversion will be £185 million, subject to a -10 per cent./+30 per cent. accuracy range. The limitations of this estimate and an explanation of how it has been developed are referred to in the SUP Technical Report. A further cost estimate during the FEED phase could conclude that the costs of Conversion are materially more expensive than anticipated. A substantial increase in the Conversion costs could make Conversion less economically attractive or potentially unviable, which would have a material adverse effect on the Enlarged Group's financial condition, results of operations and prospects.

**1.5 *The preferred EPC contracting model to develop the Power Station may not be supported by the market at an economically viable cost, meaning that the Enlarged Group may need to take on more contracting risk***

An EPC delivery model is the Board's favoured approach in relation to the engineering, procurement and construction activities required to effect the Conversion. Under an EPC delivery model, the majority of the construction risk in relation to Conversion will rest with the appointed EPC contractor, so that the project company has limited construction-related liability and full price and time certainty with downside protection in the form of liquidated damages for delay and underperformance of the plant following Conversion. This delivery model is expected to be a requirement of the relevant lenders to enable project debt to be raised for the purposes of Conversion. However, no formal contractual discussions to implement Conversion have yet taken place with third party EPC contractors. Conversion represents a large scale, high value and complex process involving a wide range of risks that need to be identified to facilitate management and mitigation. These risks need to be allocated to the appropriate contracted counterparties who are best placed to manage and mitigate the risk. It is possible that the market may not support an EPC model at an economically viable cost because of the risk premium that prospective EPC contractors may attach to a full "EPC wrap", meaning that a proportion of the EPC risk may need to remain with the Enlarged Group. This may mean that the Enlarged Group will need to provide increased levels of security to satisfy project lenders. If a "hybrid" contracting model is adopted with some construction and other risks remaining with the Enlarged Group (rather than a full "EPC wrap" model), and if some or all of such risks are realised, then the escalated cost of Conversion in relation to those risk elements would fall on the Enlarged Group, which could make Conversion and the operation of the Power Station less economic. Adopting such a model may also make it more difficult for the Enlarged Group to raise project debt for the Conversion.

1.6 ***Material agreements in relation to, amongst other things, the design, engineering, procurement, construction, financing and operation of the Power Station have not yet been entered into***

Whilst the Company has, through the Acquisition Agreement, agreed the terms upon which SUP will be acquired, Conversion will require the Enlarged Group to enter into a series of material agreements in relation to, amongst other things, the design, engineering, procurement, construction, financing and operation of the Power Station. Save in respect of the Fuel Supply Agreement, the Fixed Price PPA and the Marble PPA, none of these agreements have yet been negotiated or entered into.

Accordingly, the terms upon which these agreements may be entered into are not yet known nor has the willingness of prospective contractual counterparties to enter into such agreements been fully assessed. There is a risk that the Company is unable to agree terms with third parties in relation to such agreements which make the economics of Conversion and the operation of the Power Station following Conversion viable or which represent a risk profile which is acceptable to SUP and/or prospective project debt providers, in which case Conversion may not proceed. This would have a material adverse effect on the Enlarged Group's financial condition, results of operations and prospects.

1.7 ***Key to the economics of Conversion and the on-going operation of the Power Station following Conversion will be the availability of the waste derived fuel. While the Company has entered into the Fuel Supply Agreement, should there be interruptions in supply, this could have a material adverse effect on the Enlarged Group's financial condition***

Key to the economics of Conversion and the operation of the Power Station will be the availability of the required volume of fuel (which complies with the relevant fuel specification) for the Power Station. The fuel that the Power Station is anticipated to use following Conversion is a waste derived energy pellet. SUP has entered into the Fuel Supply Agreement with Fuel SPV, which sets out the terms upon which the energy pellets will be supplied to the Power Station following Conversion. The Fuel Supply Agreement assumes that fuel processing facilities which will fabricate and supply the energy pellets required by the Power Station following the Conversion will be constructed by Fuel SPV adjacent to the site and elsewhere in the UK. Based on a 76 per cent. load factor, the two boilers are estimated to require 800,000 to 900,000 tonnes of fuel per year. The Fuel Processing Facilities are expected to supply all of the fuel required by the Power Station on the terms of the Fuel Supply Agreement, details of which are summarised at paragraph 4 of Part XI of this document although a secondary fuel stream (likely to be a torrefied wood pellet), could be co-fired with the energy pellets to provide an option to mitigate any fuel supply risk.

If the construction of the Fuel Processing Facilities does not occur or is materially delayed, the Power Station would not be able to commence operations, as there are limited alternative supplies of the energy pellet which could be sourced for the Power Station. However, provided that the conditions precedent in the Fuel Supply Agreement have been satisfied (including SUP achieving financial close on the Conversion) and the parties' obligations have become effective, SUP would have some protection under the Fuel Supply Agreement by reason of Fuel SPV's liability to pay SUP a liquidated sum to compensate SUP for its direct losses to the extent that the commissioning of the Power Station is delayed by reason of delays to the commissioning of the Fuel Processing Facilities (subject to certain caps and limitations).

Furthermore, if once constructed the Fuel Processing Facilities are unable to deliver the required volume of fuel at the required specification to the Power Station as a result of technical or operational issues at the Fuel Processing Facilities, then the interruptions in supply could have a material adverse effect on the Enlarged Group's financial condition, results of operations and prospects, to the extent that contractual protections for SUP in the Fuel Supply Agreement do not fully compensate SUP in such circumstances, or to the extent that the Power Station has been unable to build up a holding supply of pellets on site.

1.8 ***If the calorific value of the waste derived pellet does not meet the minimum guaranteed level set out in the Fuel Supply Agreement, the operational performance of the Power Station will suffer***

The waste derived pellet has not been specifically tested or modelled for its combustion characteristics at the scale proposed for the Conversion. In addition, there are no specific operational plants converted to use the energy pellet at this scale against which the Power Station can be benchmarked. The Enlarged Group's Conversion plan assumes a minimum calorific value for the waste derived energy pellet for the Power Station, as reflected in the Fuel Supply Agreement. Until combustion tests are carried out as part of the FEED study, the performance of the waste derived energy pellet will not be known. If the calorific value of the fuel falls below the minimum guaranteed level then the operational performance of the Power Station would be less economically attractive than anticipated which would have an adverse effect on the financial condition, results of operations and prospects of the Enlarged Group.

However, in these circumstances SUP would have some protection under the Fuel Supply Agreement by reason of SUP's right to either:

- (a) reject out-of-specification energy pellets and recover "put or pay" liquidated damages from Fuel SPV to compensate SUP for its direct losses (primarily SUP's forecast lost electricity revenue) if Fuel SPV consequently fails to deliver the volumes of energy pellets required to be delivered under the Fuel Supply Agreement; and
- (b) accept such out-of-specification energy pellets with an entitlement to claim compensation for any associated direct losses (primarily SUP's reduced electricity revenue).

1.9 ***The Fuel Processing Facilities will be required to source a significant volume of municipal, commercial and industrial waste pursuant to long-term contracts with third party waste suppliers in order to supply a sufficient volume of energy pellets to the Power Station***

The Fuel Processing Facilities will be required to source a significant volume of municipal, commercial and industrial waste (or "raw waste") pursuant to long-term contracts with third party waste suppliers, in order to fabricate and supply a sufficient volume of energy pellets to the Power Station. There is no guarantee that Fuel SPV will be able to enter into waste supply contracts for such raw waste on terms which are acceptable to it from a commercial or a risk perspective. There is also a risk that long-term waste contracts which Fuel SPV enters into are terminated due to Fuel SPV's or the relevant waste supplier's breach or default. If the Fuel Processing Facilities are unable to source an adequate supply of raw waste, then interruptions in the supply of energy pellets to the Power Station could have a material adverse effect on the Enlarged Group's financial condition, results of operations and prospects, particularly in light of the fact that there are limited alternative supplies of the energy pellets which could be sourced for the Power Station. This, however, could be mitigated by combusting a secondary fuel stream (likely to be a torrefied wood pellet), with the energy pellets and by the contractual protections afforded by the Fuel Supply Agreement.

1.10 ***Until milling and combustion trials of the final specification energy pellet have taken place, the fuel handling and combustion solution for the Power Station cannot be finalised***

Milling and combustion trials have been commissioned by SUP to understand how the energy pellets behave in different types of mill and to assess the combustion characteristics of the milled product, but these trials are incomplete. The behaviour of the pellets in the mill and the handling and combustion characteristics of the mill product may require changes to the milling, fuel handling and combustion systems assumed for the purposes of Conversion cost estimate.

1.11 ***The waste derived energy pellet has a higher chlorine content than coal which will require mitigating measures to be taken during the FEED phase***

The waste derived energy pellet has a higher chlorine content than coal which is likely to cause issues with corrosion in the Power Station's boilers unless mitigating measures are implemented, such as including additives such as kaolin in the pellets or chemical injections of reagents. The Technical Consultant believes that there are mitigating solutions for chlorine content which will be defined during the FEED stage, and SUP's capital expenditure costings in connection with Conversion have taken into account that mitigating measures will be required.

**1.12 *The flue gas treatment system at the Power Station is a known source of operational difficulty for which appropriate engineering solutions will need to be developed during FEED***

The Technical Consultant has identified the flue gas treatment system at the Power Station as a known source of operational difficulty in the past resulting in reduced plant performance. Further assessment during the FEED stage will be required to determine the root causes of historical poor performance and how this could be mitigated to reduce any impact on the Power Station's reliability and output in the future. The Power Station's reduced performance will also need to be rectified in order for it to comply with the new emissions limits of the IED. The Technical Consultant has confidence that appropriate engineering solutions to manage the risk can be developed during FEED.

**1.13 *The Fuel Supply Agreement does not allow for a reduction in the price paid by SUP for the energy pellet to offset lower than modelled power prices***

The Fuel Supply Agreement is for a twenty year fixed period from commercial operation of the Power Station following Conversion and the energy pellet will be supplied to SUP at a fixed price of £4 per tonne subject to adjustment where the calorific value or the ash content of the energy pellets is above/below certain thresholds, and indexed in accordance with the CPI. There are no provisions in the Fuel Supply Agreement to reduce the cost of the pellet in the event that the cost of power generation from other sources of generating capacity reduces, thus potentially lowering the wholesale price for electricity generation which is the basis on which SUP is paid under the Marble PPA albeit subject to a floor price (details of which are set out at paragraph 2 of Part XI of this document). The Enlarged Group's inability to reduce the cost of the energy pellet to SUP where SUP's power revenues are impacted by significantly lower than modelled wholesale power prices could, in the absence of the ability to take other steps to reduce costs, make the Power Station uneconomic, thereby having a material adverse effect on the Enlarged Group's financial condition, results of operations and prospects.

**1.14 *Regulatory approval is required to be obtained from Natural Resources Wales to vary the Power Station's combustion permit to use the energy pellet as a fuel source***

The Power Station requires regulatory approval for a variation to its existing environmental permit in order to combust the waste derived energy pellet. It is expected that this variation would cover both the co-incineration of waste and biomass (being the constituent components of the pellets) and the incineration of the pellet as a non-waste fuel in the event that the Fuel Joint Venture applies for and receives confirmation of end-of-waste status for the fuel pellets. Further details in relation to environmental considerations relating to Conversion are set out at paragraph 3.2 of Part V of this document. It is anticipated that such regulatory approval will not be obtained until mid-2019. This time frame could lead to additional costs and delays due to a number of rounds of public consultation and/or challenge, or issues raised during the approval process which may require changes to the Conversion. Based on due diligence conducted to date, the Directors and Proposed Directors are confident that such approval will be obtained. However, were such approval not to be granted (and if an appeal was not pursued or an appeal was unsuccessful), then either the Power Station would not be able to operate using the energy pellet as a fuel source and/or changes to the Conversion, for example technology and engineering, may be necessary to meet emission limits or otherwise address issues raised during the approval process. In such circumstances, there is no guarantee that such changes could be implemented in a way which would allow the Power Station to generate power economically.

**1.15 *SUP may not be able to obtain or maintain all necessary licences and permits for Conversion, or for the operation of the Power Station***

In order for Conversion to take place, and to operate the Power Station, the Enlarged Group will need to obtain, vary and/or maintain numerous licences, consents, permits or exemptions from various governmental authorities and agencies including the following:

- planning permissions;
- environmental permits and health and safety approvals and assessments (e.g. hazard analysis and assessments);
- land rights, including easements;



- a connection agreement, for connection to the grid; and
- a generation licence.

SUP already holds a number of permits including a greenhouse gas emissions permit and a large combustion plant environmental permit. As part of the Conversion, the existing permits will require variation and/or new permits will need to be obtained. During the FEED stage, a comprehensive permitting strategy will be formulated.

There can be no assurance that the Enlarged Group will be able to obtain, vary or maintain all necessary licences, consents, permits and exemptions that may be required to effect Conversion or once Conversion has taken place, to maintain operations. Any failure by the Enlarged Group to obtain, vary or maintain such licences, consents, permits and exemptions could result in Conversion not taking place or could result in a breach of applicable regulatory requirements or may prevent the operation of the Power Station once Conversion has taken place, any of which would adversely affect the Enlarged Group's financial condition results of operation and prospects. The Enlarged Group will also need to surrender operational permits upon the closure of the Power Station, which is likely to result in expenditure in connection with decommissioning the Power Station and returning the site to a satisfactory state.

**1.16 *If the measures taken to ensure compliance with European environmental regulations are insufficient, the Power Station could incur further costs to bring the plant into compliance***

Under its environmental permit, the Power Station will be required to comply with the necessary European environmental emission limits for various pollutants including mercury, hydrogen chloride, hydrogen fluoride, sulphur dioxide and nitrogen oxides, although some of the measures that will need to be taken to ensure compliance will require confirmation during FEED. Further details are set out in the SUP Technical Report in Part VI of this document. All the measures proposed for emissions abatement are well established and proven in other applications; however, if the proposed measures prove insufficient in operation, this could lead to a breach of the environmental permit by SUP which, in turn, could lead to a range of enforcement actions being taken, including the permit being suspended or (in a worst case scenario) revoked. In such circumstances, SUP could also or alternatively be liable for criminal or civil penalties and, in any case, the Power Station may not be able to operate until any further mitigating measures were taken, both of which could increase the costs of Conversion and operation of the Power Station which could affect the Enlarged Group's financial condition, results of operation and prospects.

**1.17 *A strategy for securing any necessary planning permissions for the Conversion needs to be formulated and implemented. Notwithstanding the historic coal powered electricity generation use, further planning permission may be required to permit Conversion to proceed***

Although the Power Station is not currently operating, it was previously in operation for over fifty years having been originally consented in 1957. More recently, the adjoining Uskmouth A Power Station was granted consent for an 800MW combined gas turbine power station by the Department for Trade and Industry in 2007. The principle of large-scale electricity generation on the land occupied by the Power Station and adjoining land is therefore well-established. SUP is in the process of working up a detailed strategy for planning permission which may rely on the use of permitted development rights. If permitted development rights are available, the intention is for a lawful development certificate to be secured from the local planning authority certifying that the proposed works and use are lawful.

If works are required which fall outside the parameters of permitted development rights and/or the local planning authority considers the operation of the Conversion to be a material change in use, express planning permission for the works and/or change in use would be needed.

There are a number of sensitive environmental receptors within the vicinity of the Power Station and it is possible that the relevant planning authority may require any likely significant environmental effects arising from the construction and operation to be assessed and, if necessary, mitigated. It may also be necessary to consider potential impacts on protected habitats and species within the vicinity of the Power Station. If an environmental impact assessment is required, then permitted development rights will not be available and express planning permission would be required. The Company intends to secure a screening opinion from the local planning authority regarding the need for an environmental impact assessment.

If the express grant of planning permission for the Conversion (or any element thereof) is required it could give rise to additional project costs and programme delays. Delays and costs could also arise if the Conversion attracts strong local and/or political interest or third party opposition. It should also be noted that all decisions by public authorities are potentially challengeable by application for judicial review. If planning permission is required but an application is refused (at first hearing or on appeal) or quashed then the Conversion would not be able to proceed lawfully which would have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects. If planning permission is required and granted then it may, subject to planning policy, be granted subject to conditions that would need to be complied with during construction and operational phases. A legal planning agreement could also be required which may impose a combination of financial and non-financial obligations to mitigate any planning harm attributable to the Conversion.

**1.18 *The presence of contamination on the Power Station site may give rise to liability which could include increasing planned expenditure and causing unexpected delays to the Conversion***

The Power Station site has been contaminated from historic uses, and there are likely to have been pollution incidents at the Power Station site since it was built in 1959. There are a number of liability risks associated with historic contamination, which are likely to rest with SUP, and environmental liabilities associated with the site could also arise if contamination is mobilised as a result of the Conversion works. Overall, the site is considered to have a high environmental sensitivity, in particular due to geological features and the proximity of the site to environmentally sensitive features, including a number of sites of special scientific interest. In addition, due to its proximity to the River Usk, the site is at risk of flooding despite the presence of some flood defences. The presence of contamination on the site may have the result of increasing expenditure and causing unexpected delays to the Conversion and could also give rise to clean up costs, regulatory action and/or third party claims against SUP if contamination causes harm or damage.

In respect of the land held by SIMEC Power under the SIMEC Lease, SIMEC Power will have with effect from Completion assumed certain contamination liabilities and indemnify SUP for such liabilities under the SIMEC Lease. These obligations are to be guaranteed by another SIMEC group company. The guarantee will fall away if the SIMEC Lease is assigned or a cap of £10,000,000 (subject to a CPI linked increase capped at four per cent.) is exceeded. The SIMEC Lease allows SUP to withhold its consent to assign the SIMEC Lease if the proposed assignee does not have a net worth of at least £20,000,000 (determined by reference to the assignee's latest audited financial statements and subject to a CPI linked increase capped at four per cent.) or the assignee has failed to procure a third party guarantee on similar terms (but without the four per cent. cap on CPI linked increases) to the SIMEC guarantee. As such, in circumstances where SIMEC Power (or an assignee of the SIMEC Lease) does not or cannot meet its obligations in connection with the aforementioned contamination liabilities and, if applicable, the relevant SIMEC group company (or a guarantor of the assignee of the SIMEC Lease) guaranteeing those obligations does not or cannot meet such obligations (or the guarantee falls away because such contamination liabilities exceed the £10,000,000 cap (subject to a CPI linked increase capped at four per cent.)), SUP could be held responsible for those contamination liabilities. This could also have the result of increasing expenditure and causing unexpected delays to the Conversion and could also give rise to clean up costs, regulatory action and/or third party claims against SUP if contamination causes harm or damage.

In any of the above scenarios, any or all of them could have a material adverse effect on the Enlarged Group's financial condition, results of operations and prospects.

**1.19 *The Power Station site contains asbestos which it is proposed will be removed during the Conversion construction phase***

The Power Station site contains asbestos, both in the buildings and in a number of buried areas on the site. Asbestos materials were widely used for fire prevention and insulation purposes until their use was prohibited in 2000. The Control of Asbestos Regulations require asbestos materials to be managed by a suitable and sufficient maintenance regime, and removed or encapsulated when they are in poor condition or liable to be disturbed. It is intended that the asbestos in the buildings will be removed during the Conversion construction phase and a provisional figure for removal costs has been included in the SUP Technical Report. A monitored environmental management system is in

place at the site, but the presence of asbestos on site and its removal will need to be carefully managed as part of the Conversion process. Actual asbestos demolition surveys and asbestos removal works may have the result of increasing planned expenditure and cause unexpected delays to Conversion. Removal of the asbestos will need to include its safe disposal as a hazardous waste. Any asbestos materials that remain at the plant / in the ground following the Conversion will need to be maintained by on-going asbestos surveys to ensure compliance with the Control of Asbestos Regulations. It is possible that previously unknown asbestos could be identified at the site during or following Conversion, which could cause delays and increase costs. There will remain the potential for third party claims from current or former employees or contractors in relation to exposure to asbestos fibres.

**1.20 *There are a number of third party rights to which the Power Station site is subject, which will need to be considered in light of the development proposals associated with Conversion***

The Power Station site comprises a substantial area of approximately 180 acres, a large proportion of which is excess to the Power Station's anticipated needs. As such, pursuant to the SIMEC Lease approximately 95 acres of the site has been leased by SUP to SIMEC Power, a GFG Alliance company with the remainder of the site remaining with SUP ("**SUP Retained Land**").

The SUP Retained Land is held under freehold ownership, although there are a number of restrictive covenants, title constraints, third party rights and leasehold interests, to which the SUP Retained Land is subject, which will need to be considered in light of the development proposals associated with Conversion.

In particular, the access road to the south east of the site is unadopted and the land is unregistered, with the ownership unknown. SUP claims a right of way over this land but the right claimed has not been included as a right benefiting the site on the title register for the site. It is possible that were SUP's rights of access to be challenged, SUP could be found not to have a right of access from the public highway at this entrance point.

It is proposed that further access is obtained through lands adjacent or near to the site. Specifically, it is intended that further access arrangements in respect of lands to the north east of the site are entered into with certain members of the GFG Alliance for the purpose of providing alternative access rights to the site. Under the Road Access Agreement to be entered into between SUP and certain members of the GFG Alliance on or prior to Completion, it is intended that SIMEC Power will commit to procure works in respect of an access road, subject to obtaining all requisite consents, over land adjacent or near to the site, some of which is owned by GFG Alliance companies. It is intended that certain GFG Alliance companies will be under obligations (subject to certain conditions) to grant rights over this access road (the "**New Access Road**"). The agreement will also include a mechanism for identifying the route of a potential further accessway to the site over land adjacent or near to the site and for the acquisition of necessary land to facilitate that further accessway together with conditional obligations in relation to the construction of the additional accessway and the grant of additional rights of access over such accessway (the "**Alternative Access Road**").

However, notwithstanding such alternative proposed access arrangements, parts of the land over which the New Access Road is proposed are not owned by GFG Alliance Companies and are unregistered. The same may be the case for the Alternative Access Road. Accordingly, access for SUP along the entire route of the proposed New Access Road and the Alternative Access Road cannot be guaranteed. If access to the site over the New Access Road or the Alternative Access Road were to be denied or restricted, then this could have a material adverse effect on the ability of SUP to manage the Conversion and Power Station operations following the Conversion. It is intended that in order to mitigate this risk SUP will seek to obtain insurance against not being able to access the site as a consequence of not having the requisite access rights. Any such insurance would be sought with the intention of it inter alia indemnifying SUP against the cost of obtaining alternative access up to a specified limit of coverage. Access to the site may be further complicated by the fact that the new M4 relief road is proposed to be constructed across the New Access Road and possibly the Alternative Access Road where it meets the public highway.

In addition, it is intended that construction works on the New Access Road and the Alternative Access Road will be conditional on requisite consents being obtained including planning permission (if applicable) and the grant of access rights over the same and, in the case of the Alternative Access Road, the possibility of needing to acquire further land from a third party in order to construct that road. As such, there is no guarantee that such alternative proposed access arrangements will be able to be provided.

**1.21 *SUP will be dependent on the Road Access Agreement to be entered into on or prior to Completion for main road access to the Power Station site***

SUP will require access to the Power Station site to the north east, through which most of the traffic will pass. There are anticipated to be considerable traffic movements during Conversion and during Power Station operations, as a result of the waste being delivered to the SUP Fuel Processing Facility, and the ash being transported from the Power Station site. It is intended that SUP will enter into the Road Access Agreement on or prior to Completion with certain members of the GFG Alliance (a summary of which is contained in paragraph 16 of Part XI of this document) for these purposes. Were those GFG Alliance members not to comply with their obligations under the terms of the Road Access Agreement to be entered into on or prior to Completion, the Conversion and/or Power Station operations following Conversion could be materially prejudiced which could have a material adverse effect on the Enlarged Group's financial condition, results of operations and prospects. Further, if for the reasons stated in paragraph 1.20 of this Part IV above, access to the site to the north east via either the New Access Road or the Alternative Access Road is denied or restricted or the roads are not constructed or are insufficient for SUP's purposes, then this could have a material adverse effect on the ability of SUP to manage the Conversion and Power Station operations following the Conversion.

**1.22 *Conversion is expected to require significant debt to be raised. That debt may not be available to the Enlarged Group on terms which are within the parameters anticipated by the Enlarged Group's business model***

The Enlarged Group's business model assumes that to effect Conversion, a significant amount of debt will need to be raised by the Enlarged Group. Initial discussions have been held with two lending banks in relation to senior debt financing for the Conversion. Both banks confirmed that, based on certain assumptions and terms representative of equivalent industry sectors, it should be possible to raise senior debt for the Conversion. However, no definitive terms have been agreed with any bank and it is not likely that terms will be agreed until after successful completion of FEED and procurement of the necessary consents and permits. If debt financing terms for the Conversion cannot be agreed, then Conversion may not proceed (unless the Enlarged Group can obtain funding from another source) which would have a material adverse effect on the Enlarged Group's financial condition, results of operations and prospects.

**1.23 *SUP will be dependent in part on SIMEC Power complying with the terms of the SIMEC Lease for the purposes of Conversion and Power Station operations***

A summary of the SIMEC Lease is contained in paragraph 15 of Part XI of this document. Pursuant to the SIMEC Lease, certain rights have been granted to SIMEC Power over the SUP Retained Land, and certain rights ("**SUP Retained Rights**") have been reserved for SUP in respect of the land the subject of the SIMEC Lease. The SUP Retained Rights include access to roads, access to the jetty, rights to run services through the land the subject of the SIMEC Lease and rights to use the railway on the land subject of the SIMEC Lease. Were SIMEC Power not to comply with its obligations under the SIMEC Lease, then Conversion and/or Power Station operations following Conversion could be materially prejudiced, which could have a material adverse effect on the Enlarged Group's financial condition, results of operations and prospects.

**1.24 *The Power Station may not be eligible to receive support under the Renewables Obligation, a Contract for Difference or the Capacity Market***

The Power Station is currently accredited under the Renewables Obligation scheme in the <50 per cent. co-firing band and SUP is assessing the scope for the biomass element of the energy pellet to attract ROCs following the Conversion, further details of which are set out in paragraph 3.6 of Part V of this document.

The Power Station is not expected to be eligible to bid for a Contract for Difference in the next allocation round proposed for spring 2019, unless there are changes to the categories of technologies that will be eligible to bid which is unlikely at this stage.

Based on the current version of the Capacity Market Rules, the Power Station would be expected to be eligible to bid for a Capacity Market Agreement if it were not claiming support under the Renewables Obligation. However, there is no certainty as to i) when the next Capacity Market auction will take place; ii) whether any changes will be made to the Capacity Market Rules which could adversely affect the Power Station's eligibility; iii) whether the Power Station would be successful in being awarded a Capacity Market Agreement in the auction; and iv) the price or term that would be awarded to the Power Station if it was successful in being awarded a Capacity Market Agreement.

There is therefore no guaranteed revenue support from the Renewables Obligation, the Contract for Difference scheme or the Capacity Market. If no support is forthcoming, the power revenues generated by the Power Station will be more sensitive to fluctuations in the wholesale market for power. As stated in paragraph 1.25 of this Part IV below, if the price of power achieved by the Power Station is significantly lower than the assumptions made in the Enlarged Group's business model, then Power Station revenue will be lower than anticipated which may have a material adverse effect on the Enlarged Group's financial condition, results of operations and prospects.

Further details on the Renewables Obligation, CfDs and the Capacity Market are set out in Part V of this document.

**1.25 *Future power prices are uncertain. If power prices are significantly lower than the assumptions made in the Enlarged Group's business model for Conversion, Power Station revenue will be lower than anticipated***

The price that will be received by the Enlarged Group for the generation of power under the Marble PPA is variable based upon the wholesale price of power, although there is downside protection in the form of a floor price of £30.90 per MWh (escalated at 50 per cent. annual CPI indexation) that the Power Station will receive under the Marble PPA for the power it generates following Conversion. In addition, up to 15MW of power will be sold at a fixed price of £130 per MWh (indexed by the Consumer Price Index) to the SUP Fuel Processing Facility for a period of 20 years. Whilst the LSN PPA would, on the basis of the LSN Heads of Terms, provide a premium on the price that the Power Station will receive for a proportion of its capacity, there is no guarantee that the LSN PPA will be entered into, as this will be dependent on the arc furnace at the Liberty Steel Newport steelworks being constructed. Whilst the Power Station is reliant on the Marble PPA for a majority of its power sales, the Power Station economics would be negatively impacted by a low wholesale power price. If the price of power achieved by the Power Station is significantly lower than the assumptions made in the Enlarged Group's business model, then Power Station revenue will be lower than anticipated which may have a material adverse effect on the Enlarged Group's financial condition, results of operations and prospects.

**1.26 *The Enlarged Group's business model assumes that a certain level of availability and generating capacity will be achieved by the Power Station following the Conversion. If this level of availability or capacity is not achieved, the economics of the Power Station may be less attractive***

Following Conversion, it is anticipated that the net generating capacity of the Power Station will be 220MW, with an annual Load Factor of approximately 76 per cent. If the Power Station achieves a lower generating capacity or Load Factor in practice, the generating output assumed in the Enlarged Group's business model will not be realised, with a consequential impact on the Enlarged Group's revenues and financial condition. While the contractual terms to be agreed pursuant to the construction and operation of the Power Station will seek to mitigate this risk through performance penalties for failing to achieve the required generating capacity and Load Factor (respectively), it may not be possible to include these provisions in the final form binding contracts or such provisions may not fully compensate SUP where the guaranteed capacity or availability levels are not achieved.

**1.27 *The Power Station will rely on access to, and operation of, the transmission network, which it does not own or operate, in order to sell electricity***

The Power Station will depend on access to the transmission network which it does not own or operate and, following Conversion, will rely on such network in order to sell electricity under the Marble PPA. Whilst the Power Station will have access to the transmission network, if there is any interruption to this continued access, this could have an adverse effect on the Power Station's ability to sell electricity which it has contracted to sell.

**1.28 *It is proposed that the Power Station will rely on certain grid connection sharing arrangements described at paragraph 3.7 of Part II of this document to access the transmission network. If there are material disputes in relation to the grid sharing arrangements or material breaches of the underlying grid documents, then this could have an adverse financial effect on the Enlarged Group or in the worst case result in the Power Station being unable to export electricity to the grid for a period of time***

It is proposed that SUP will access the transmission network through shared connection infrastructure and arrangements owned by GridCo, a joint venture between SUP and SIMEC Power, as further described at paragraph 3.7 of Part II of this document. Whilst it is in the mutual best interests of the parties to safeguard access to the transmission network and the documentation relating to the operation of GridCo will be designed with this as a paramount objective, it is possible that there could be disputes between SUP and SIMEC Power with respect to their respective rights and obligations under such arrangements or material breaches or defaults by SIMEC Power of the underlying grid documents (including the Bilateral Connection Agreement). Such a dispute, breach or default could temporarily prevent SUP's access to such infrastructure and, in the worst case, result in the Power Station being unable to export electricity to the grid which could, in turn, have a material adverse effect on the Enlarged Group's financial condition, results of operations and prospects.

**1.29 *To finance Conversion, it is likely that Atlantis will need to raise further public and/or private equity which may not be available to it on acceptable terms***

As well as raising debt finance for the Conversion, as explained at paragraph 3.5 of Part II of this document, it is likely that the Company will need to raise additional public and/or private equity finance beyond that raised in the Placing. There is no guarantee that the Company will be able to raise further equity finance, or if it does, that such finance will be available to it on terms which are not dilutive to existing shareholders. If the Company is unable to raise such equity finance, Conversion may not proceed.

**1.30 *New energy technologies could make the Power Station following Conversion obsolete or less competitive***

The development of alternative sources of power generation in the UK which use technologies that may be able to produce electricity more cost effectively than the Power Station following Conversion could result in the Power Station becoming obsolete or less competitive in the UK's wholesale electricity market. This would in turn negatively impact on the Enlarged Group's financial position, results of operations and prospects.

**1.31 *The Power Station's results from operations, following Conversion, will be dependent on the market for electricity in the UK and other factors outside the Enlarged Group's control***

The Power Station, following Conversion, is likely to be exposed to market price risks and to other market related risks. These include power price volatility, general economic conditions, changes in the regulatory environment, electricity demand, weather and other circumstances beyond the control of the Enlarged Group.

The market for wholesale electricity in the UK is largely deregulated. Owners of electricity generation facilities are not guaranteed any specified rate of return on their capital investments or recovery of their costs. Among the factors that may affect the profit made by the Enlarged Group, is the difference between electricity prices and the cost of generating electricity. Among the factors that may influence the Enlarged Group's results from operations, following Conversion, are:

- (a) the impact of extended periods of low electricity prices due to significant over-capacity of generation or increased competition or relative changes in fuel costs;
- (b) the possibility of more stringent environmental regulations in the UK which could restrict the Power Station's ability to generate or affect its competitiveness relative to other sources of power generation;
- (c) a decrease in the cost of electricity generation from other sources of power generation which may result in lower electricity prices and may make other sources of electricity generation more competitive than the Power Station;
- (d) the extent of additional supplies of electric energy and installed capacity from competitors of the Power Station or new market entrants;
- (e) the effect of regulatory changes on customers and competitors in the electricity supply market and how competitors deal with excess supply or low market prices;
- (f) the possible extension of the operations of nuclear and other generating plants beyond their presently expected dates of decommissioning;
- (g) weather conditions in the UK from time to time;
- (h) the possibility of a reduction in the projected rate of growth in electricity usage as a result of such factors as regional economic conditions and the implementation of conservation programmes; and
- (i) the direct and indirect level of subsidy provided to the Power Station's competitors, including renewable generators.

The Power Station may obtain a degree of contractual protection in the contractual arrangements for Conversion to the extent that such market factors are driven by changes in law. However, such protection may not fully compensate the Power Station for the adverse impacts of such changes in law, and numerous market factors will change independently of changes in law.

**1.32 *Unfavourable changes in the applicable regulatory regimes in the UK could adversely affect the Power Station's revenues***

The UK government and the relevant regulatory authorities could further change the applicable regulatory regimes in the UK in an attempt to improve transparency, enhance competition and liquidity or tighten existing environmental, health and safety protections. The Power Station may be adversely affected if, in future, any such changes are implemented or new regulatory requirements favour other fuel types or sources of power. Furthermore, there could be further changes in the regulatory regime to which the Power Station will be subject. Such changes could affect the Enlarged Group's financial condition, results of operations and prospects. The Power Station may obtain a degree of protection in the contractual arrangements for the Conversion in respect of such changes but such protection may not fully compensate the Power Station for the adverse impacts of such changes.

**1.33 *Forced outages, following Conversion, could negatively affect the Enlarged Group's results of operations***

Forced outages will decrease the amount of electricity that the Power Station is able to generate over a given period and thus reduce the revenue that the Power Station is able to realise over the period. Prolonged forced outages, or additional planned outages, could have a material adverse effect on the financial condition, results of operations and prospects of the Enlarged Group. Furthermore, additional costs may be incurred in recovering from a forced outage, depending on the nature of the outage.

Forced outages caused by the underperformance or outright failure of power generation or other equipment and components may give rise to the need to carry out repairs. The duration of a forced outage is influenced by, among other things, the lead time required to manufacture and procure replacement components and to carry out repairs. Certain of the equipment and components that may be needed to end such an outage are complex and may take a considerable time to manufacture.

Furthermore, if the Power Station has committed to sell electricity under a specific contract, for example, the Marble PPA, the Fixed Price PPA or the LSN PPA and the Power Station cannot generate that electricity due to mechanical failure or forced outages, the Power Station may suffer a loss, either through loss of revenue or due to penalties under the relevant contract.

Given the complexity of operating the Power Station, following Conversion, no assurance can be given that equipment failures or forced outages in the future will not have a significant adverse effect on the Enlarged Group's financial condition, results of operations and prospects. Similarly, no assurance can be given that performance penalties levied against SUP's construction and operating sub-contractors can fully mitigate this risk.

**1.34 *The condition of the plant, equipment and components at the Power Station will be subject to gradual deterioration over time***

The condition of the plant, equipment and components at the Power Station will be affected as a result of operations following Conversion. While the Conversion scope includes life extension works and the Power Station will implement inspection and maintenance practices with the aim of ensuring that such plant, equipment and components are repaired or replaced before they fail, there is no guarantee that these will be successful and consequently unplanned losses may occur which may adversely impact the Enlarged Group's financial condition, results of operations and prospects.

**1.35 *A significant proportion of the cash flow generated from the Power Station, following Conversion, is likely to be dedicated to servicing debt***

In order for Conversion to be effected, the Enlarged Group is likely to need to raise significant debt and the Enlarged Group's business model contemplates the Enlarged Group borrowing significant debt for the purposes of Conversion. Accordingly:

- (a) a significant portion of the Power Station's cash flow from operations, following Conversion, will be dedicated to the payment of the Enlarged Group's debt service obligations;
- (b) the terms of the Enlarged Group's indebtedness may limit its ability to respond to market conditions; and
- (c) the Enlarged Group's leverage may be higher than its competitors, placing it at a competitive disadvantage.

Interest, scheduled principal and other amounts due under the Enlarged Group's borrowing facilities will need to be paid by the Enlarged Group with such payments expected to be serviced from revenues arising from the Marble PPA and the Fixed Price PPA. In addition, the Enlarged Group is likely to be subject to a number of covenants in the borrowing facilities, including representations as to the business of the Enlarged Group and payment undertakings, which may, with the lapse of certain remedy periods in respect of certain breaches, constitute an event of default. This would give the lenders the right to accelerate their debt and enforce the security over certain assets of the Enlarged Group. In these circumstances, the Board would have to consider whether the Enlarged Group could continue to trade.

**1.36 *The costs of decommissioning will fall to SUP as operator, and closure requirements under the environmental permit may require clean up of contamination***

The UK government has confirmed that unabated coal-fired power plants must close by 2025. In January 2018 BEIS published its response to the consultation 'Implementing the end of unabated coal by 2025'. Rather than mandating Carbon Capture and Storage technology for the remaining coal plants, the government will apply a concentration-based limit on carbon dioxide emissions to coal units at 450gCO<sub>2</sub>/kWh. Most coal-fired plants are expected to cease operations by 2022 and the new pollution standard will force the remaining plants to close by October 2025.

There are now no coal-fired power stations in Scotland. Most coal-fired power plants in the rest of the UK are either being mothballed and decommissioned, or converted to biomass in order to extend the life of the plants post 2025. The Conversion intends to use a waste derived pellet as a fuel source and may potentially involve a combination of non-waste fuel such as coal provided that compliance with the IED (and if applicable the government's proposed carbon dioxide concentration limits referred



to above) can be achieved. It is therefore expected that the Conversion will not require decommissioning, as the existing Power Station will be refurbished rather than mothballed for closure. However, at the end of the operational life of the Conversion (or sooner, in the event that the Conversion is not completed), the costs of decommissioning will fall to SUP as operator, and closure requirements under the environmental permit and/or applicable environmental and planning regimes may also require the clean-up of contamination.

**1.37 *The insurance that SUP procures for the Conversion may be inadequate to cover all of its risks or the insurers may deny coverage of material losses incurred by SUP***

SUP will be required to procure insurance to cover certain of its risks and liabilities associated with the Conversion (including, among others, natural disasters, property damage and business interruption). Not every risk or liability can be protected against by insurance, and, for insurable risks, the limits of coverage reasonably obtainable in the market may not be sufficient to cover all losses or liabilities incurred by SUP. In addition, future accidents, risks of war, terrorist activity or other events could increase SUP's insurance premiums. Due to the limitations on the availability of coverage, SUP may have to bear substantial costs for uninsured losses that could have an adverse effect upon its business, results of operations and the financial condition of the Enlarged Group. Additionally, disputes with insurers over coverage may affect the timing of cash flows and, in the event of litigation with the insurer, an outcome unfavourable for SUP may have an adverse effect on it and/or the Enlarged Group's business, results of operations and/or overall financial condition.

**1.38 *The contracting model to operate and maintain the Power Station which is expected to be a requirement of the relevant project lenders may require the Enlarged Group to take on more contracting risk***

It is anticipated that, to enable project debt to be raised for the purposes of the Conversion, the relevant lenders will require the majority of the risk associated with operating and maintaining the Conversion to rest with the O&M contractor, who it is anticipated will be an Enlarged Group company. This will ensure that the project company has limited O&M-related liabilities (other than, for example, in relation to insurance) and full O&M price certainty (including in relation to major maintenance and lifecycle replacement), with downside protection in the form of liquidated damages for underperformance of the plant following Conversion. However, no formal contractual discussions to implement the Conversion have yet taken place with prospective lenders and, due to the fact that Conversion represents a large scale, high value and complex process involving a wide range of risks that need to be identified to facilitate management and mitigation, it is possible that prospective lenders will require the O&M contractor to accept more contracting risk and provide more robust security than is customarily required in the power sector. This means that greater risk may need to remain with the Enlarged Group. Any risk premium that the Enlarged Group requires for the O&M contractor to accept such risk and/or provide such security may have an impact on the overall project economics and/or make it more difficult for the Enlarged Group to raise project debt for the Conversion.

**1.39 *The Enlarged Group may not be able to agree terms for the acquisition of other assets from the GFG Alliance***

Part of the rationale for the Acquisition is based on the other renewable assets owned or be owned by the GFG Alliance and the possibility of some of these assets being acquired by the Enlarged Group following Completion. However, whether further renewable assets can be acquired will be dependent upon whether the GFG Alliance decides to sell such assets and, if it does so, whether terms can be agreed with the GFG Alliance. If terms cannot be agreed, then the relevant assets will not be acquired by the Enlarged Group, and part of the rationale for the Acquisition will accordingly not be realised.

**2. Risks relating to the existing Atlantis Business**

**2.1 *The Group has a limited history of operations upon which prospective investors may assess its future performance***

The Group was established in 2005 and has one project, MeyGen Phase 1A, which is operating and generating power. The Group, therefore, has a limited operating history upon which prospective investors may assess its future performance. Prospective investors do not have the same level of

historical operating information on which to base an investment decision as would be available with respect to a more established company. The Group's prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of operations in markets that are quickly evolving, and in a regulatory environment which is subject to change. If the Group is unable to successfully address or manage such risks, expenses or difficulties, this could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

**2.2 *There can be no certainty that the Group will achieve or sustain significant revenue***

Although the Board has confidence in the Group's future revenue earning potential and the potential value of its greenfield project pipeline, as the Group's tidal portfolio is at an early stage of development and only one project, MeyGen Phase 1A, is currently operational and generating power and revenue, there can be no certainty that the Group will achieve or sustain significant revenue, profitability or positive cash flow from its operating activities from this division, which is why the Company has diversified its portfolio to incorporate non-tidal projects.

**2.3 *The Group's turbine technology may be subject to failures or may not operate to the performance standards anticipated***

Whilst the Company's AR1500 turbine has been deployed at MeyGen Phase 1A, it has not been operating for a significant length of time in the context of a 25 year design life. The long term reliability of the turbine cannot be conclusively demonstrated without many years of operating data. There can, therefore, be no assurance that it will achieve its design life targets. The AR1500 turbine and other turbines that may be developed by the Group may be subject to failures and/or they may not achieve or operate to the performance standards that are anticipated. A failure of the Group's turbine technology could have a material adverse effect on the Group's financial condition, results of operations and prospects however substitute turbines could be purchased from other suppliers for installation at its project sites.

**2.4 *Market acceptance of the Group's turbines and business proposition might take some time***

Whilst MeyGen Phase 1A has produced more than 6GWh, the market acceptance of tidal turbine viability and the Group's business proposition may take some time. There can be no assurance that market acceptance on a full commercial scale will be forthcoming. A failure to obtain market acceptance of the Group's technology would have an adverse effect upon its financial condition, results of operations and prospects which is why the Group has diversified its project portfolio.

**2.5 *The Group is subject to the risk that the current regulatory climate in which its tidal business operates may change***

The success of the global tidal stream renewable sector will be, in part, dependent upon a favourable regulatory climate to provide financial support/incentives to the industry for the early stage arrays which are required to be built as a precursor to the build out of larger scale arrays.

The EU Renewables Directive (the "Directive") established Europe as a leading region for renewable energy investment. Pursuant to the Directive, the UK government passed regulations to promote the generation of electricity from renewable sources which require licensed electricity suppliers to source specified percentages of electricity from renewable sources. MeyGen Phase 1A enjoys financial support from the Renewables Obligation (Scotland), but ROC support will not be available to other phases of the project or other tidal stream projects that the Group may develop in the UK. The Renewables Obligation regime has been replaced by a CfD support mechanism where tidal stream is competing with offshore wind (a more mature renewable technology which currently is available at lower costs), and other less established technologies such as anaerobic generation. The 2019 CfD budget in the UK has been increased to £557 million per annum; however as it is a competitive process Atlantis's projects are not guaranteed to be successful.

In other countries within which the Group operates, or may operate, there are similar laws, regulations or incentive programmes in place which promote the generation of electricity from renewable sources, some of which (for example, France and Canada), are now more favourable to tidal stream energy than the UK. Should such laws, regulations or incentive programmes be modified, the ability of the

Group to develop tidal stream projects in these jurisdictions will be adversely affected. Further information on the Renewables Obligation and the CfD in the UK is set out in Part V of this document.

**2.6 *Increased competition with established technologies in the energy sector may affect the Group's ability to secure Contracts for Difference for its tidal projects***

In the 2017 allocation round for CfDs for renewable energy projects, the Company's majority owned subsidiary, MeyGen, was not awarded a CfD in respect of MeyGen Phase 1C of the project. The Company had forecast a two-thirds reduction in the level of revenue support required for MeyGen Phase 1C versus that enjoyed by MeyGen Phase 1A and submitted a competitive bid into the auction process. However, this significant cost reduction was not sufficient to allow MeyGen Phase 1C to secure a Contract for Difference in this auction.

MeyGen Phase 1C is competing directly with more established renewable technologies such as offshore wind. The large-scale deployment of more mature technologies has driven down the costs of generation so that they are now approaching levels which mean projects require minimal subsidy support to be viable. Like the path followed by solar and onshore wind, this cost trajectory supports the rationale for early stage subsidy support for marine technologies.

Given the significant subsidy reduction that is forecast to be required by MeyGen Phase 1C and the opportunity to preserve an important domestic and export tidal stream industry, the Company expects BEIS to recognise the benefits of either a bi-lateral CfD discussion or the reintroduction of a marine energy sub-category in the next allocation round. Either of these outcomes would be welcomed by the Company, as they would allow the Company to compete on a level playing field with established technologies such as offshore wind, which have been operating on a commercial scale in the UK for over a decade. The Company has commenced this dialogue with BEIS officials. However, should this dialogue with BEIS not result in an attractive outcome for the Company, the Company will have greater difficulty or may experience a delay in developing MeyGen Phase 1C which could have an adverse effect on the Company's financial position, results of operations and prospects. Management is seeking to mitigate this project concentration risk by seeking to develop projects in non UK jurisdictions such as France, Australia, South Korea and Japan.

**2.7 *Aside from MeyGen Phase 1A, the Group's tidal projects are all at an early stage of development and therefore may never be developed***

As described at paragraph 3 of Part III of this document, the Group's tidal projects are (save for MeyGen Phase 1A) all at an early stage of development and many of them are still in the planning stage. As a result, some or all of the projects may not meet their objectives or may otherwise never be developed. A failure of the Group to bring its tidal projects into operation would reduce the sources of revenues available to the Group which could have a material adverse effect on the Company's business, operations, financial condition and prospects which is why the Company has diversified its portfolio to incorporate non-tidal projects.

**2.8 *The Group may, in the future, need to raise additional capital for its tidal business and the ability of the Group to pursue its strategy for its tidal business may be adversely impacted if it does not succeed in raising additional capital***

Whilst the Directors are satisfied that the working capital available to the Group will, from Admission, be sufficient for its present requirements, the Group may need to raise additional capital in the future to pursue its objectives for its tidal business. In particular, future phases of the MeyGen Project and the Wyre Project referred to at paragraphs 3 and 4 of Part III of this document will require significant further sources of funds if the development of these projects is to be progressed. There can be no guarantee that the Company will be able to raise the project finance required to support these projects or the future growth of its tidal business or that if it can raise such funds that they will be raised on commercially acceptable terms. The Group may need to raise additional capital from equity or debt sources. Any material change in market liquidity, the availability or the costs of wholesale funding could adversely impact the Group's ability to source the levels of funding required. If the Company is unable to obtain financing on terms acceptable to it then it may be forced to curtail its currently contemplated strategy in relation to its tidal business, which could have a material adverse effect on the Group's business, financial condition, operating results and prospects.

**2.9 Like all power projects in the United Kingdom MeyGen Phase 1A is dependent on various consents and licences**

The Group has obtained various consents and licences in relation to MeyGen Phase 1A. The loss of any such licences or the inability of the Group to comply with the terms of the licences may cause MeyGen Phase 1A to cease operations, which would have a material adverse effect on the Group's reputation, business, financial condition, results of operations and prospects.

**2.10 The Group depends on a number of third parties for the operation of its tidal business**

The Group is and will be reliant on relationships with a number of key third parties who provide or will provide products and services to the Group. The Group is and will be reliant on these third parties to perform their services in accordance with the terms of their contracts. The Group may not be successful in recovering any losses which result from the failure of third party suppliers to comply with their contractual obligations. In addition, the Group is vulnerable to the insolvency of its third party suppliers or contractors. Any significant disruption in the supply of products and services to the Group, or the inability to negotiate reasonable terms of renewal, or find suitable replacement suppliers if the relevant agreements expire or are terminated or if the Group's contractors are the subject of insolvency proceedings, could have a material adverse effect on the Group's reputation, business, financial condition, results of operations and prospects.

**2.11 Certain contracts to which the Group is a party are terminable on a change of control of Atlantis**

The Group is a party to a number of agreements which are terminable on a change of control. In respect of the TCE Development and Funding Agreement, the Department of Energy and Climate Change Grant and the SE Bridging Loan, each of which is summarised at paragraphs 1.12, 1.15 and 2.3 respectively of Part XI of this document, the relevant sums loaned or granted thereunder become payable on a change of control unless consent is obtained. SIMEC will not obtain control as a result of the Acquisition, but it may obtain control at some point in the future (subject to the consent of the Board), in which event the provision of those agreements may be triggered. In the event that consent is not obtained from the counter-parties to the relevant agreements, and the Group does not have the funds available to it to repay the loans and/or grant, then the Group's financial condition, results of operations and payments could be adversely affected.

**2.12 Members of the Group are subject to material contracts, the termination of which could have a material adverse effect on the Company**

The Group has entered into various agreements with partners, suppliers and other parties which could be important to the success of the Group's business, details of some of which are set out in Part XI of this document. These agreements and other agreements that the Group has entered into in the ordinary course of business are subject to termination in certain circumstances if milestones are not achieved in a timely manner and in other circumstances. The termination of any such contracts through the failure of conditions, non-performance on the part of members of the Group or the counterparties to such contracts could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**2.13 The Group requires the support of governments and trade organisations for the operation of its business**

The Group considers that a good working relationship with governments and trade organisations is important to its operational and financial performance. Many of the Group's projects are likely to require political and financial support from governments in the relevant jurisdictions. To date, MeyGen Phase 1A has benefitted from both grant and debt funding from government which is all secured and in place. However, for future projects in the UK, if government support is not forthcoming in relation to appropriate tariff mechanisms, or should the relevant governments change their policies towards the tidal power sector, then the relevant project may not get developed which is likely to have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, as with every sector, governments in the countries where the Group has prospective development projects may make decisions to support, politically or financially, competing energy generation businesses which may make the Group's business proposition less competitive or less

viable in such countries. This could have a substantial adverse effect on the Group's business, financial condition, results of operations and prospects.

**2.14 *The Group's intellectual property may be the subject of infringement by third parties or claims of infringement of third parties' intellectual property rights***

The Group's intellectual property ("IP") rights have contributed to its competitive position. Other participants in the tidal energy industry have IP rights and could pursue litigation based on allegations of IP infringement. Whilst, to date, the Company has not been involved in any material IP dispute, the Group could incur substantial costs in defending or bringing a claim in relation to IP infringement, whether or not successful. The Group could also spend significant sums in relation to any damages, re-branding or re-engineering services or acquisition of licences as a result of IP disputes. The Group's involvement in IP disputes may also distract the management's attention from the operation of the business. A successful claim for infringement against the Group, its failure to successfully bring an IP claim against a third party or its failure or inability to licence or develop infringed IP on acceptable terms and on a timely basis, could harm the Company's business, financial condition, operating results and prospects.

No assurance is given that the Group has developed or will be able to develop technology which is capable of being fully protected or that any protection gained will be sufficiently broad in its scope to protect the Group's IP rights and exclude competitors from similar technology. Further, there can be no assurance that patent applications made in the future will be granted or that patents granted to the Group will be sufficiently broad in scope to provide protection for the Group's IP rights against third parties. There can be no assurance that the validity or scope of any patents which may in the future be granted to the Group will not be questioned or asserted by other parties or that a third party will not claim prior rights in relation to IP used by the Group.

The Group has operations and prospective tidal projects in several countries. The judicial institutions making determinations on IP rights in these countries could reach decisions about the rights of the Group to use certain IP which are inconsistent or conflicting with decisions in other countries. Any such adverse decisions could materially harm the Group's business, financial condition, results of operations and prospects.

**2.15 *The Group may be subject to claims from third parties for the sale of defective turbines and for claims in relation to its consulting activities***

The Group may, in the future, realise revenue from the sale of its turbines or turbine technology to third parties. The Group could be subject to claims relating to the sale of its turbines or turbine technology should its turbines be defective or not operate to the standards warranted. The Group will also be subject to claims arising from its consulting activities should the services provided not meet the standards expected by its clients. Should such claims materialise, they are likely to have a material adverse effect on the Group's reputation, its financial condition, results of operations and prospects.

**2.16 *The installation and long-term operation and maintenance of turbines and related systems in the ocean may be adversely affected by the Earth's natural forces***

The Group is undertaking the installation and long-term operation and maintenance of turbines and related systems in the ocean. The difficulties created for such projects by the ocean's natural forces and conditions represent a challenge which must be successfully overcome in order for the Group's systems to function consistently over their projected economic life. In addition, repair and maintenance programmes required to be undertaken in the ocean or offshore are vulnerable to adverse weather conditions, which could result in substantial delays and material costs. In the event the Group's turbines or the systems with which they are integrated are unable to sustain functionality during their projected economic life, the Group may be required to incur additional and unanticipated costs to replace, maintain or repair equipment and systems which may have an adverse effect on the Group's reputation, financial condition, results of operations and prospects.

**2.17 *The price of tidal turbine equipment required for the manufacture of the Group's turbines may be subject to market price volatility***

The market price of tidal turbine equipment required for the manufacture of the Group's turbines, can increase or decrease. The market price of tidal turbine equipment can be influenced by a number of factors, including the price and availability of raw materials, demand for tidal equipment and any import duties that may be imposed on such equipment. Changes in the cost of purchasing tidal turbine equipment could have a material adverse effect on the Group's financial position, results of operations and prospects.

**2.18 *Tidal power may never become financially attractive as an energy source***

The cost of tidal power may affect the demand for tidal power projects. Tidal stream power is currently more expensive than traditional sources of power generation derived from hydrocarbons such as natural gas and coal. The cost is expected to reduce rapidly, however, such cost reductions may take longer than anticipated or not occur at all. These factors may result in other forms of renewable energy, such as solar, geothermal and offshore wind remaining more cost competitive than tidal stream power. If the costs of producing tidal energy cannot be reduced, the industry may never become financially attractive as an energy source. If the tidal industry does not become financially attractive, this will have an adverse effect on the Group's financial condition, results of operations and prospects which is why the Company has diversified its portfolio to incorporate non-tidal projects.

**2.19 *The lack of grid infrastructure may restrict or otherwise affect the development of tidal power projects***

Tidal power sites are selected primarily with reference to tidal power resources. Many prospective sites, especially in developing markets, require grid infrastructure to be built in order to export power to areas of high demand. As such infrastructure is expensive and has a large geographical span, the development of tidal power sites will often require adequate investment in and centralised planning of supporting grid facilities. Like all power projects, the lack of grid infrastructure may restrict or otherwise affect the development of tidal power projects through preventing or delaying new construction or limiting the size of tidal power projects. This may have an adverse effect on the Group's ability to develop the Group's business and pursue its tidal strategy.

**2.20 *The Group's ability to pursue its tidal strategy will be impacted should there be delay in connection of new seabed development sites to the local electricity grid***

The ability for new development sites to connect to the local electricity grid in a timely manner is reliant on the investment strategy of the local electricity distribution companies and the relevant regulatory framework. If sufficient capacity is not available to connect a new site to the grid, then additional work with substantial lead times may be incurred. The resulting delays may have an adverse effect on the Group's ability to develop its projects and/or sell its turbines and therefore its financial condition, operating results and prospects may be adversely affected.

**2.21 *There are a limited number of offshore sites around the world where the Group's turbine technology is likely to be suitable to be installed***

There are a limited number of offshore sites around the world where tidal stream projects can currently be developed economically. Such sites are likely to be attractive to other operators in the tidal energy industry, and it therefore may prove difficult for the Group to secure access to such sites either itself or through joint ventures with current or future partners either for the purposes of developing such sites or selling equipment or services to other operators. If the Group fails to obtain access to such sites or to sell equipment or services to other operators of such sites, the Group's financial condition, results of operations and prospects may be materially adversely affected.

**2.22 *Like other power generation equipment, the Group's turbine systems are reliant on electrical transmission networks which may reduce the amount of energy that its turbines can deliver***

The condition of the electrical transmission network may reduce the amount of energy a turbine can deliver to the network. This may be caused by, amongst other factors, the failure of the transmission network operators' own equipment. Transmission network operators generally have low levels of

liability when compared to the potential loss to the Group of lost generation. The inability to deliver output from a particular project may result in the Group's future sales being significantly lower than forecast, thereby having a material adverse effect on the Group's financial condition, results of operations and prospects.

**2.23 *Changes in technologies may render current technologies obsolete or require substantial capital investments***

The renewable energy industry has experienced rapid improvements in technology and sophistication in production of equipment which is bringing down the cost of generating power from renewable sources. The use of modern technology and automation in manufacturing processes is essential to reduce costs and accelerate execution. Although the Group is developing its tidal technology to achieve the latest international technological standards, it will need to implement new technology and upgrade its turbines and other related equipment used for tidal energy production to lower its costs of generation. The associated costs of doing so could be significant and this could adversely affect the Group's financial condition, results of operations and prospects.

**2.24 *The Group's ability to pursue its tidal strategy will be impacted should there be any delay in the development of seabed sites due to planning consent***

The ability for a development site to receive timely planning consent will be dependent on local policy, the local political landscape and the owner of the relevant seabed. This will differ from country to country and from project to project, and also be affected by the number of other applications in the pipeline. Any such delays may have an adverse effect on the Group's financial condition, results of operations and prospects.

**2.25 *The Group's ability to pursue its strategy could be impacted by adverse global economic conditions***

Any economic downturn either globally or locally in any area in which the Group operates or where it proposes to develop tidal projects may have an adverse effect on the Group's ability to develop its prospective tidal projects or sell its consultancy services and/or the ability of the Group to deliver against its objectives.

In recent years, global uncertainty and disappointing growth has affected many countries and regions. Although economic recovery has been perceptible in many countries, the sustainability of a global economic upturn is not yet assured and the Group is affected by many national and international factors that are beyond its control. If global economic conditions remain uncertain, the Group itself may find it difficult to develop its tidal projects and/or sell its consultancy services which would have an adverse impact on the Group's financial condition, results of operations and prospects.

**2.26 *The Group's ability to pursue its strategy could be impacted by changes in social, regulatory and political factors***

The Group has interests in prospective projects in several countries including the UK, Indonesia, France and South Korea. The Company's ability to pursue its strategy and develop its tidal projects may be affected by changes in social, regulatory and political factors in these markets. If such changes were to materialise the Directors may decide to change certain aspects of the Company's strategy and/or pursue alternative projects, which could place additional strain on the Group's capital resources and may adversely impact on the financial condition, results of operations and prospects.

**3. Risks relating to the Enlarged Group's Business**

**3.1 *The Enlarged Group is subject to risk from competitors who may have greater capital and other resources than the Enlarged Group***

Currently, the Group has limited sources of revenue and has funded itself primarily from a combination of equity, debt and grant funding. Whilst the Group will receive some revenue from power sold at MeyGen Phase 1A and from the provision of consultancy services, it is likely that in the near future, the Enlarged Group will continue to have limited revenue. Given the continued growth in the renewable energy market, the Enlarged Group will face continued and increasing competition from businesses which may have greater capital and other resources than the Enlarged Group and

competition from other sources of renewable energy such as offshore wind. There is no assurance that the Enlarged Group will be able to compete successfully in such market conditions, particularly in circumstances where it has limited revenues. Whilst there are only a few companies at a commercial stage of development in the tidal industry, it is anticipated that competition will increase as the tidal market matures, and a more competitive market could lead to increase pressures on the economics of tidal projects. If the Enlarged Group is unable to successfully compete against such competitors or other sources of renewable energy or successfully diversify its portfolio, this could have a material adverse effect on the Enlarged Group's financial condition, operating results and prospects, although this will be mitigated if Conversion of the Power Station is achieved.

**3.2 *The Enlarged Group's business will be subject to regulations with which it may be difficult to comply and which may change***

The Enlarged Group will have a number of prospective projects in several different jurisdictions. This means that it is subject to the national laws and regulations of a number of jurisdictions, including laws and regulations relating to electricity pricing, health and safety and environment. In addition, the Enlarged Group will be subject to laws in the relevant jurisdictions affecting foreign ownership, government participation, taxation, royalties, duties, rates of exchange and exchange control. The Enlarged Group may incur substantial costs in order to maintain compliance with the existing laws and regulations, and failure to operate in strict compliance with applicable regulations may expose the Enlarged Group to claims, costs and possible enforcement actions. The Enlarged Group may incur additional compliance costs if any relevant laws and regulations are revised or if new laws and regulations affecting the Enlarged Group's operations are passed.

**3.3 *The Enlarged Group's operations will expose it to significant compliance costs and liabilities in respect of environmental and/or health and safety matters***

The Enlarged Group's operations will be affected by numerous international and national laws and regulations concerning HSE. These may include a wide variety of matters, such as prevention of waste and pollution, protection of the environment, labour regulations and worker safety. The technical requirements of these laws and regulations are becoming increasingly complex, stringently enforced and expensive to comply with and this trend is likely to continue. Furthermore, these laws and regulations may change in a manner which may require stricter or additional standards than those currently in effect and a heightened degree of responsibility for companies and their directors and employees. The failure to comply with current or future HSE laws and regulations may result in regulatory action, the imposition of fines or the payment of compensation to third parties, each of which could in turn have a material adverse effect on the Enlarged Group's reputation, business, financial condition, results of operations and prospects.

**3.4 *The Enlarged Group may become involved in legal proceedings based on environmental, health, public liability and safety issues and related matters***

As a result of the nature of the Enlarged Group's business, it may become involved in a variety of legal proceedings based on environmental, health, public liability and safety issues and other related matters.

There can be no guarantee that in the future the Group's operations will not be considered a source of nuisance or other environmental harm or that claims will not be made against the Enlarged Group in connection with its operations and their effect on the natural environment. This could lead to increased costs of compliance and/or abatement of power generation activities at the affected facilities. Any successful third-party claim could materially hinder the Enlarged Group's operations, damage its reputation and/or result in the imposition of penalties or substantial liabilities, which could have a material adverse effect on the Enlarged Group's business, financial condition, operating results and prospects.

**3.5 *The Enlarged Group is subject to the risk that it may fail to obtain or maintain key licences, consents, permits or exemptions***

In order to develop its tidal energy projects around the world, to effect Conversion of the Power Station and conduct its operations in compliance with applicable laws and regulations, the Enlarged Group will need to obtain and maintain numerous licences, consents, permits or exemptions from



various government authorities and agencies. There can be no assurance that the Enlarged Group will be able to obtain or maintain all necessary licences, consents, permits or exemptions that may be required to carry out its operations.

Any failure by the Enlarged Group to obtain or maintain necessary licences, consents, permits or exemptions could result in a breach of applicable regulatory requirements or may prevent or restrict the Enlarged Group's operations either of which could adversely affect the Enlarged Group's operating and financial performance.

**3.6 *The Enlarged Group is subject to the risk of claims, fines or other actions for breach of applicable laws and regulations***

Any breach by the Enlarged Group of any applicable law or regulation in any country within which it operates or intends to operate could result in regulatory action, the imposition of fines or the payment of compensation to third parties, each of which could in turn have a material adverse effect on the Enlarged Group's reputation, business, financial condition, results of operations and prospects.

**3.7 *The price of wholesale electricity is volatile and a decrease in wholesale electricity prices may adversely affect the Enlarged Group's financial performance***

The price of wholesale electricity is volatile and subject to fluctuation. The price of wholesale electricity may, to some extent, be determined by governmental organisations in the countries where the Enlarged Group operates or intends to operate and such determinations may be based on political preferences which may be adverse to the Enlarged Group's business interests.

In liberalised markets such as the UK the market price of electricity is volatile and is affected by a variety of factors, including market demand for electricity, the generation mix of power plants, government support for other forms of power generation, as well as fluctuations in the market prices of commodities and foreign exchange.

It is not possible to predict accurately wholesale electricity price movements. Accordingly, wholesale electricity prices may not remain at their current levels. Any material decline in wholesale electricity prices could result in a reduction of the Enlarged Group's financial performance, although this will be mitigated under the Marble PPA as a consequence of the floor price at which output will be purchased thereunder, and will be mitigated under the Fixed Price PPA as a consequence of the fixed price at which output will be purchased thereunder.

**3.8 *The Enlarged Group's business could be adversely affected if it is unable to maintain workable relationships with its contractors and suppliers***

The Enlarged Group will rely on relationships with a number of partners, manufacturers and suppliers for the development of its business and will continue to be reliant on third parties for the further development of its business.

The construction of the Enlarged Group's prospective projects is likely to result in reliance upon the services delivered by a number of contractors. There is no guarantee that the Enlarged Group will be able to replace any material contractor in a timely manner or at all in the event that any of these relationships is discontinued or terminated. If the Enlarged Group is unable to negotiate favourable contracts with manufacturers or suppliers or if any of them is unable to fulfil its obligations, or discontinues business with the Enlarged Group, and if the Enlarged Group is unable to find suitable replacements, the Enlarged Group's business, financial condition, operating results and prospects may be adversely affected.

**3.9 *The Enlarged Group's ability to pursue its strategy may be impacted should there be any disruption to its business continuity***

The Enlarged Group's business operations, information systems and processes will be vulnerable to damage or interruption from fires, power loss, telecommunication failures, terrorist activity and other natural and man-made disasters. These systems may also be subject to sabotage, vandalism, theft or similar misconduct. Any failure of the Enlarged Group's systems could result in a loss of business

continuity which could have an adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

**3.10 *The Enlarged Group's insurance policies may be inadequate to cover the cost of claims made against the Enlarged Group***

Whilst the Enlarged Group will maintain commercial insurance at a level it believes is appropriate against certain risks commonly insured in the industry, there is no guarantee that it will be able to obtain the desired levels of cover on acceptable terms in the future. Furthermore, the nature of these risks is such that liabilities could exceed policy limits or that certain risks could be excluded from the Enlarged Group's insurance coverage. There are also risks against which the Enlarged Group cannot insure or against which it may elect not to insure. The Enlarged Group's operations could suffer losses which may not be fully compensated by insurance. In addition, certain types of risks may be, or may become, either uninsurable or not economically insurable, or may not be currently or in the future covered by the Enlarged Group's insurance policies. Any of the foregoing could have a material adverse effect on the Enlarged Group's financial condition, results of operations and prospects.

**3.11 *The Enlarged Group's business is dependent upon the experience and talent of key personnel and on its ability to recruit and retain key personnel***

The Enlarged Group's business will depend on the experience and talent of key personnel, in particular on the continued services and performance of its senior management and also on its ability to recruit and retain suitably qualified and experienced employees. It cannot be guaranteed that members of the senior management team or other key employees will continue to remain with the Enlarged Group. The loss of the services of any of the members of senior management or other key employees or an inability of the Enlarged Group to attract new personnel could have a material adverse effect upon the Enlarged Group's business and results of operations. Finding and hiring any such replacements could be costly and might require the Company to grant equity awards or other incentive compensation which would be dilutive to Shareholders' interests.

**3.12 *The Enlarged Group may fail to manage the expansion of its business as currently contemplated***

The ability of the Enlarged Group to implement its strategy depends on effective planning and management control systems. The implementation of the Enlarged Group's strategy may place significant demands on its management, support functions, accounting, operational, financial, sales and marketing, personnel and other resources. If the Enlarged Group is unable to manage the expansion of its business, its financial condition, results of operations and prospects would be adversely affected.

**3.13 *The Enlarged Group will be subject to risks resulting from its involvement in joint ventures and may become a minority shareholder in certain companies, partnerships and ventures***

The Group is, and the Enlarged Group will be, a party to and may enter into further joint ventures with third parties. There is a risk that a joint venture partner may not meet its obligations and as a result the Enlarged Group may suffer additional costs or other losses. It is also possible that the interests of the Enlarged Group and those of the Enlarged Group's joint venture partners may not be aligned, resulting in project delays or additional costs and losses.

Further, the Enlarged Group may have minority interests in the companies, partnerships and joint ventures in which it invests and may therefore be unable to exercise control over the operations of such companies, partnerships and joint ventures. If the Enlarged Group is unable to manage these risks and challenges, its financial condition, results of operations and prospects may be adversely affected.

**3.14 *The international nature of the Enlarged Group's operations will make it susceptible to challenges relating to distance, language, culture and other difficulties***

The Enlarged Group will have operations and prospective projects in a number of jurisdictions including the UK, France, Indonesia and South Korea. The Enlarged Group may be subject to a number of risks and challenges which arise as a result of the international nature of the Enlarged

Group's business operations. These include, but are not limited to, challenges related to distance, language and cultural differences, the general economic conditions in each country or region, regulatory changes in relevant legal systems, political unrest, terrorism and the potential for other hostilities, public health risks, differences in payment cycles and difficulties in collecting accounts receivable. They also include, overlapping tax regimes, difficulties in repatriating funds held by international subsidiaries at favourable tax rates or at all, difficulties in transferring funds internationally and reduced protection for IP rights in certain jurisdictions.

If the Directors and Proposed Directors are unable to manage these risks and challenges to the Enlarged Group's operations, its financial condition, results of operations and prospects may be adversely affected.

**3.15 *The Enlarged Group may operate in jurisdictions such as China and Indonesia where the legal or arbitration systems are less certain than in Western democracies***

The Group has, and the Enlarged Group may have, operations or prospective projects in countries such as China and Indonesia or contractual relationships with counterparties in countries whose legal or arbitration systems are uncertain, unclear, susceptible to political influence or subject to corruption. Certain of the Enlarged Group's contractual obligations for such operations may be necessarily subject to the laws of such countries and the settlement of any disputes within such countries. Therefore the outcome of any dispute resolution which the Enlarged Group may face is, in certain countries, particularly uncertain and an adverse ruling or decision in such countries could have a material adverse effect on the Enlarged Group's financial position, results of operations and prospects.

**3.16 *The Enlarged Group could be exposed to adverse movements in currency exchange rates***

The Enlarged Group is likely to generate its revenue in a variety of currencies, including Singapore Dollars, US Dollars, UK sterling and Euros. As a result, some of the Enlarged Group's financial assets will be denominated in these currencies and fluctuations in these currencies could adversely affect its financial results. The Enlarged Group may engage in currency hedging transactions intended to reduce the effect of fluctuations in foreign currency exchange rates on its results of operations. If the Enlarged Group were to determine that it was in its best interests to enter into any currency hedging transactions in the future, there can be no assurance that it will be able to do so or that such transactions, if entered into, will materially reduce the effect of fluctuations in foreign currency exchange rates on its results of operations. In addition if, for any reason, exchange or price controls or other restrictions on the conversion of one currency into another currency were imposed, the Enlarged Group's business could be adversely affected. There can be no assurance that such fluctuations in the future will not have a material adverse effect on the Enlarged Group's financial condition, results of operations and prospects.

**3.17 *The Enlarged Group may become the subject of or involved with significant disputes or litigation***

Whilst the Enlarged Group will take such precautions as it regards appropriate to avoid or minimise the likelihood of any legal proceedings or claims, or any resulting financial loss to the Enlarged Group, the possibility of litigation or disputes being brought against the Enlarged Group cannot be precluded. Any litigation or disputes brought in the future involving the Enlarged Group's projects, products or services could have a material adverse effect on the Enlarged Group's financial condition, results of operations and prospects.

There can be no assurance that claimants in any litigation or dispute proceedings will not be able to devote substantially greater financial resources to any such proceedings or that the Enlarged Group will prevail in any such litigation or dispute. Any litigation or dispute, whether or not determined in the Enlarged Group's favour or settled by the Enlarged Group, may be costly and may divert the efforts and attention of the Enlarged Group's management and other personnel from normal business operations.

The Enlarged Group's insurance may not necessarily cover any of the claims brought against the Enlarged Group or may not be adequate to protect it against all liability that may be imposed. Any litigation, dispute or regulatory investigation or actions brought in the future could have a material adverse effect on the Enlarged Group's reputation, financial condition, results of operations and prospects.

**3.18 *The Enlarged Group's operations could be subject to events of force majeure***

The Enlarged Group's operations may be adversely affected by risks outside the control of the Group including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, which could have the effect of making the performance of relevant contracts by members of the Enlarged Group, or by their contract counterparties, impossible or substantially difficult to perform.

**3.19 *If the Enlarged Group fails to maintain proper and effective internal controls, its ability to produce accurate and timely financial statements could be impaired and investors' views of the Enlarged Group could be harmed as a result***

The Group has, and the Enlarged Group will have, systems and controls in place to allow it to produce accurate and timely financial statements and to report its trading and financial performance to the market. If any of these systems or controls were to fail, the Enlarged Group may be unable to produce interim and annual financial statements accurately or on a timely basis or to monitor its financial performance in a timely manner. Any failure of the Enlarged Group's systems and controls could have an adverse effect on its reputation, financial condition and prospects.

**3.20 *The Enlarged Group will be subject to risks associated with tax laws and practice which may increase the amount of tax payable by the Enlarged Group***

The UK taxation implications of investing in the Company are described at paragraph 19 of Part XIII of this document. The tax rules and their interpretation relating to an investment in the Company may change during the life of the Company. The levels of, and relief from, taxation may change. Any tax reliefs referred to in this document are those currently available and their application depends on the individual circumstances of investors.

Any change in the Company's tax status or its subsidiaries' tax status or the tax applicable to holding Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the assets held by the Company or the Enlarged Group or affect the Company's ability to provide returns to Shareholders and/or alter the post-tax returns of Shareholders. Statements in this document in relation to tax and concerning the taxation of the Company and the Enlarged Group, are based upon current tax law and practice which is subject to change.

The nature and amount of tax which members of the Enlarged Group may pay and the reliefs that may be available to any member of the Enlarged Group are each dependent upon a number of assumptions, any one of which may change and which would, if so changed, affect the nature and amount of tax payable and reliefs available. In particular, the nature and amount of tax payable may be dependent on the availability of reliefs under tax treaties in a number of jurisdictions and is subject to changes to the tax laws or practice in any of the jurisdictions affecting the Enlarged Group. Any limitation in the availability of reliefs under these treaties, any change in the terms of any such treaty or any changes in tax law, interpretation or practice could increase the amount of tax payable by the Enlarged Group. There is a risk that amounts paid or received under intra-group arrangements in the past and/or the future could be deemed for tax purposes to be lower or higher, as the case may be, or be disregarded for the purposes of calculating tax which may increase the Enlarged Group's taxable income or decrease the amount of relief available to the Enlarged Group with a consequential adverse effect on its financial condition, results of operations and prospects.

**3.21 *SUP has valuable tax losses which could be disallowed by HMRC, although the Directors believe having taken advice, that the risk is low***

SUP has approximately £34 million of tax losses which were generated prior to 1 April 2017, which are a valuable asset for SUP, as such losses are available to be carried forward and utilised against future taxable profits arising from the same trade. There is some risk that HMRC could argue that SUP's trade ceased on 1 April 2017 following the termination of electricity generation by the Power Station. If HMRC were to successfully argue that the Power Station's trade had ceased the losses would be extinguished and would not be available for carry forward. In addition HMRC could potentially disallow the losses if it took the view that following the change in ownership of SUP as a consequence of the Acquisition, there is a major change in the nature or conduct of the trade carried on by SUP or following the cessation of operations on 1 April 2017 SUP's trade has become small or

negligible. The Directors consider, having taken advice, that the risk of HMRC disallowing the tax losses in any of these circumstances is low. However, were HMRC to do so, then this could potentially have an adverse effect on the financial condition, results of operations and prospects of the Enlarged Group.

**3.22 *The costs of compliance with the AIM Rules, AIM corporate governance and accounting requirements are significant***

The Enlarged Group may incur significant costs associated with its public company reporting requirements, including costs associated with the AIM Rules and applicable AIM corporate governance requirements. The Enlarged Group expects to incur significant legal and financial compliance costs as a result of these rules and regulations.

**3.23 *The Enlarged Group faces risks relating to the UK's continued membership of the European Union***

A referendum was held in the UK on 23 June 2016 on whether the UK will remain a member of the European Union, the result of which was a vote to leave. The Enlarged Group faces risks associated with both the potential uncertainty during the period following the referendum and also the consequences that may flow from exiting the European Union. Credit rating agencies have downgraded the UK sovereign credit rating, with S&P downgrading the UK in September 2017 to AA from AAA with negative outlook, given the increase in probability of an economic slowdown as a result of the decision to leave. For example, because a significant proportion of UK law and regulation is based on European Union legislation and directives, leaving the European Union could materially change the legal and regulatory framework that would be applicable to the Enlarged Group's operations in the future. This could increase operating costs as well as restrict the movement of capital and mobility of personnel for the Enlarged Group and have a material effect on the Enlarged Group's business, financial condition, results of operations and prospects.

**3.24 *The Enlarged Group's business, results of operations and financial condition could be adversely affected by the future independence of Scotland***

The Enlarged Group's operations, particularly those relating to the MeyGen Project, will involve third party contractors and providers of capital equipment based in Scotland. In addition, a significant part of the Enlarged Group's revenue in the near term is likely to be generated from Scotland. The uncertainty created by any future vote on independence in Scotland, for example resulting from the decision in the UK referendum on 23 June 2016 to leave the European Union, may have a negative impact on the Enlarged Group's ability to obtain services from Scottish companies. There can be no assurances that, even if Scotland were to apply for European Union membership following an affirmative vote in favour of Scottish independence, that it would be able to join as an independent member. The UK government has stated that there is unwillingness to maintain a currency union with an independent Scotland, so that Scotland would no longer be entitled to use pounds sterling as its official currency and there is uncertainty as to whether Scotland would be able to or willing to adopt the Euro.

In the event of Scottish independence, there is a risk that the Scottish fiscal regime would accrue some of the Enlarged Group's tax losses as Scottish and restrict the Enlarged Group from offsetting any future profits generated from operations elsewhere. In the absence of such tax losses, any profits generated from operations outside Scotland could be materially adversely affected, and it could make utilisation of past tax losses more difficult which may reduce the Enlarged Group's competitiveness.

In the event of Scottish independence, the above factors could have a material adverse effect on the Enlarged Group's business, results of operations and financial condition.

**4. Risks Relating to the ownership of the Ordinary Shares**

**4.1 *General risks related to investing in shares***

The share price of publicly traded companies can be volatile. An investment in shares in a publicly traded company, such as the Ordinary Shares, is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment or other investors who have

been professionally advised with regard to the investment and who have sufficient resources to be able to bear any losses that may arise (which may be equal to the whole amount invested). Such an investment should be seen as being complementary to existing investments in a wide spread of other financial assets and should not form a major part of an investment portfolio. Investors should not consider investing in the Ordinary Shares unless they already have a diversified investment portfolio.

In addition, the price at which Ordinary Shares will be traded and the price at which investors may dispose of their investment in the Company may be influenced by a number of factors, some of which may pertain to the Company and others of which are external. These factors could include but are not limited to the performance of the Company's investments, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory or taxation changes, general economic and political conditions and interest and inflation rate variations. The value of the Ordinary Shares may fluctuate and may not reflect their underlying asset value. Prospective investors should therefore be aware that the value of an investment in the Company may go down as well as up and investors may therefore not recover their original investment.

#### **4.2 *General risks of investing in shares traded on AIM***

The Ordinary Shares are traded on AIM, a market designated primarily for emerging or smaller companies. The AIM Rules are less onerous than those of the UK's Official List and an investment in shares that are traded on AIM is likely to carry a higher risk than an investment in shares listed on the Official List. Further, neither the London Stock Exchange nor the FCA has examined or approved the contents of this document. It may be more difficult for investors to realise their investment on AIM than to realise an investment in a company whose shares are quoted on the Official List. The share price of publicly traded early stage companies can be highly volatile. The price at which the Ordinary Shares will be traded and the price at which investors may realise these investments will be influenced by a large number of factors, some not specific to the Enlarged Group and its operations. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

#### **4.3 *An active trading market for the Ordinary Shares may not develop or be sustained***

There can be no assurance that an active or liquid market in the Ordinary Shares will develop or, if developed, that an active trading market will be sustained. The Company cannot predict the extent to which investor interest in the Ordinary Shares will lead to the development of a trading market or how liquid such a market might become. Investors may experience greater price volatility and less efficient execution of buy and sell orders than expected. The Placing Price may not be indicative of the trading price of the Ordinary Shares after Admission and may vary from the trading price of the Ordinary Shares after Admission. The Company cannot guarantee that it will always retain a quotation on AIM. If the Company fails to do so certain investors may decide to sell their Ordinary Shares, which could have an adverse impact on the share price. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition to AIM or as an alternative, this may affect the liquidity of the Ordinary Shares traded on AIM. As a result of these and other factors, investors may be unable to resell their Ordinary Shares at or above the Placing Price.

#### **4.4 *The trading price of the Ordinary Shares may be subject to market price volatility and the market price of the Ordinary Shares may decline in response to developments that are unrelated to the Enlarged Group's operating performance***

In addition to the other risks described in this document, the trading price of the Ordinary Shares may be subject to significant fluctuations in response to a number of events and factors including, but not limited to, actual or anticipated variations in operating results or recommendations by securities analysts, the share price performance of other companies that investors may deem comparable to the Company and the performance of the industry generally, news reports relating to trends in the Enlarged Group's markets and macro-economic conditions in such markets and market conditions in the industry and the industries of customers and the economy as a whole. Actual or expected changes in the Enlarged Group's or its competitors' growth rates, changes in the market valuation of similar companies, large purchases or sales of Ordinary Shares, sales of Ordinary Shares by Directors or Shareholders, the liquidity (or the absence of liquidity) in the Ordinary Shares, currency fluctuations and the denominations in which the Enlarged Group conducts business and holds cash reserves,

policy, legislative or regulatory changes and general economic conditions may also be factors in trading price fluctuations. These, and other, events and factors may adversely affect the trading price of the Ordinary Shares, regardless of the Enlarged Group's performance.

In addition, if the market for renewable energy stocks or the stock market in general experiences loss of investor confidence, the trading price of the Ordinary Shares could decline for reasons unrelated to the Enlarged Group's business, financial condition or operating results. The trading price of the Ordinary Shares might also decline in reaction to events that affect other companies in the industry, even if these events do not directly affect the Enlarged Group. Each of these factors, among others, could harm the value of an investor's investment in the Ordinary Shares. In the past, following periods of volatility in the market, securities litigation has often been instituted against companies. Such litigation, if instituted against the Enlarged Group, could result in substantial costs and diversion of management's attention and resources, which could materially and adversely affect the business, operating results and financial condition of the Enlarged Group.

#### **4.5 *Future issues of Ordinary Shares may result in immediate dilution of existing shareholders***

The Company may decide to issue additional Ordinary Shares in the future in subsequent public offerings or private placements to meet the future working capital and funding requirements of the Enlarged Group. If additional funds are raised through the issuance of new Ordinary Shares or equity linked securities of the Company, other than on a pro-rata basis to existing Shareholders, or if existing Shareholders do not subscribe for additional Ordinary Shares or equity linked securities on a *pro rata* basis in accordance with their existing shareholdings, this will dilute their existing ownership interests in the Company. Shareholders may experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares. Furthermore, the issue of additional Ordinary Shares or equity linked securities may be on more favourable terms than the Placing Shares. In addition, the issue of additional shares by the Company, or the possibility of such issue, may cause the trading price of the Ordinary Shares to decline and may make it more difficult for Shareholders to sell Ordinary Shares at a desirable time or price.

#### **4.6 *Shareholders in certain jurisdictions may not be able to subscribe for future issues of Ordinary Shares***

In order to undertake future equity fundraisings, the Company would be required to increase its issued share capital. In the case of certain increases in the Company's issued share capital, the Company's existing Shareholders would be entitled to pre-emption rights pursuant to the Articles unless such rights have been waived by a special resolution of the Shareholders at a general meeting pursuant to the Articles. Shareholders in certain jurisdictions may not be able to exercise their pre-emption rights over Ordinary Shares unless the Company decides to comply with applicable local laws and regulations.

In addition, US Shareholders may not be entitled to exercise their pre-emption rights unless the Ordinary Shares or any other equity securities issued by the Company are registered under the US Securities Act or an exemption from the registration requirements of the US Securities Act is available. The Company has no current intention of seeking such registration and would evaluate, at the time of any future equity offering, whether the offer would qualify for an exemption as well as the indirect benefits to the Company of enabling US Shareholders to exercise rights and any other factors that the Company considered appropriate at the time, prior to making a decision on whether to utilise an available exemption from the registration requirements of the US Securities Act. Similar issues may arise in relation to other overseas jurisdictions.

#### **4.7 *Securities or industry analysts may not publish research or reports about the Group's business or may publish unfavourable or inaccurate research about the Group's business***

The market for the Ordinary Shares will depend in part on the research and reports that securities or industry analysts publish about the Enlarged Group or its business. The Company may be unable to sustain coverage by well-regarded securities and industry analysts. If either none or only a limited number of securities or industry analysts maintain coverage of the Company, or if these securities or industry analysts are not well-regarded within the general investment community, the trading price for the Ordinary Shares could be negatively impacted. In the event the Enlarged Group obtains securities or industry analyst coverage, if one or more of the analysts who cover the Company downgrade the Ordinary Shares or publish inaccurate or unfavourable research about the Enlarged Group's business

the share price could decline. If one or more analysts ceases coverage of the Company or fails to publish reports regularly, demand for the Ordinary Shares could decrease and this may cause share prices and trading volumes to decline.

**4.8 *SIMEC as a significant shareholder will continue to exert significant influence over the Enlarged Group***

Immediately following Admission, SIMEC will own approximately 49.99 per cent. of the issued ordinary share capital of the Company. While SIMEC remains a significant shareholder of the Company, it will continue to have the ability, through the votes attaching to its Ordinary Shares, to significantly influence the Enlarged Group's legal and capital structure, as well as to influence through its voting power the election of the Company's directors and management and to approve other changes to its operations. Furthermore, the interests of SIMEC may differ from the interests of the Enlarged Group or the Company's other shareholders. The Company has entered into a Relationship Agreement with SIMEC which will regulate (in part) the degree of control the SIMEC Group and the GFG Alliance may exercise over the management of the Enlarged Group. In addition, under the terms of the Relationship Agreement, SIMEC is entitled, whilst it continues to control 20 per cent. of the Ordinary Shares, to appoint two members to the Board and whilst it controls 12.5 per cent. of the Ordinary Shares to appoint one member to the Board. Under the provisions of the Singapore Takeover Code, SIMEC will be free to purchase further Ordinary Shares in the Company without the need to make an offer to acquire all the other Ordinary Shares in the Company not owned by it. Accordingly, SIMEC is free to further consolidate its control over the Company following Completion. However, SIMEC has agreed, pursuant to the Relationship Agreement, not to acquire further Ordinary Shares in the Company that would result in it holding 50 per cent. or more without the prior written consent of the Board, such consent not to be unreasonably withheld or delayed. Further details of the Relationship Agreement are set out in paragraph 7 of Part XI of this document.

**4.9 *The Company may not make dividend payments in the future***

The ability of the Company to pay dividends in the future will depend on, among other things, the Enlarged Group's future profit, financial position, distributable reserves, working capital requirements, general economic conditions and other factors. The Company's ability to pay dividends is also subject to the requirements of the laws of Singapore, which permit the distribution of dividends only out of profits.

Additionally the payment of dividends by the Company may, in certain instances, be subject to statutory restrictions, and regulatory restraints or other political and economic factors. There can therefore be no assurance as to the level of future dividends (if any) that may be paid by the Company.

**4.10 *The market price of the Ordinary Shares could be negatively affected by sales of substantial amounts of Ordinary Shares in the public markets or the perception that these sales could occur***

If the Company's existing Shareholders were to sell, or the Company were to issue a substantial number of Ordinary Shares in the public market, the market price of the Ordinary Shares could be materially adversely affected.

Sales of a substantial number of Ordinary Shares in the public market or the perception that such sales may occur, could materially adversely affect the market price of the Ordinary Shares.

**4.11 *Exchange rate fluctuations may impact the price of the Ordinary Shares or the value of any dividends paid***

The Ordinary Shares, and any dividends to be paid in respect of such Ordinary Shares, will be quoted in sterling. An investment in the Ordinary Shares by an investor in a jurisdiction whose principal currency is not sterling exposes the investor to foreign currency rate risk. Any depreciation of sterling in relation to such foreign currency will reduce the value of the investment in the Ordinary Shares in foreign currency terms and may adversely impact the value of any dividends.



#### 4.12 **Forward-looking statements**

Certain statements contained in this document may constitute forward-looking statements. Forward-looking statements include statements concerning the plans, objectives, goals, strategies and future operations and performance of the Enlarged Group and the assumptions underlying these forward-looking statements. The Enlarged Group uses the words “anticipates”, “estimates”, “expects”, “believes”, “intends”, “plans”, “may”, “will”, “could” or “should”, and any similar expressions to identify forward-looking statements.

Any such forward-looking statement involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Enlarged Group or industry results to be materially different from any future results, performance or achievements expressed or implied by any such forward looking statements. Such forward-looking statements are based on numerous assumptions regarding present and future business strategies and the environment in which the Enlarged Group will operate in the future. These forward-looking statements speak only as of the date of this document. The Enlarged Group expressly disclaims any obligation or undertakings to release publicly any updates or revisions to any forward looking statement contained herein, save as required to comply with any legal or regulatory obligations, to reflect any change in the Enlarged Group’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. All subsequent written or oral forward-looking statements attributable to the Enlarged Group, or persons acting on behalf of the Enlarged Group, are expressly qualified in their entirety by the cautionary statements contained throughout this document. As a result of these risks, uncertainties and assumptions, a prospective investor should not place undue reliance on these forward looking statements.

## PART V

### REGULATORY REGIME IN THE UK RELATING TO THE POWER GENERATION INDUSTRY

#### 1. Overview of Electricity Regulatory Regime

##### 1.1 Regulatory structure

The electricity industry in Great Britain (“GB”) is highly regulated.

The Electricity Act 1989 (“**Electricity Act**”), as amended and supplemented by various legislation, including the Utilities Act 2000 and the Electricity and Gas (Internal Markets) Regulations 2011, among others, sets out the regulatory framework for the electricity market in GB.

The key industry players are electricity generators, electricity suppliers (who supply end consumers), owners of the electricity transmission and distribution systems, and National Grid Electricity Transmission plc (“**NGET**”) which is the System Operator.

In GB, the transmission system is made up of three separate sets of transmission assets onshore, plus various offshore transmission assets, but NGET is the only System Operator across the whole national electricity transmission system of GB. NGET also owns and operates the high voltage electricity transmission system in England and Wales.

There are 14 licensed distribution network operators (“**DNOs**”), each responsible for a separate distribution services area in GB. The 14 DNOs are owned by six different companies.

##### *Licences*

At the heart of the electricity regulatory framework is a licensing regime, which provides that certain activities cannot be carried out without a licence, or an exemption from the requirement to hold a licence. These activities are as follows:

- electricity generation, which requires an electricity generation licence;
- electricity transmission, which requires an electricity transmission licence;
- electricity distribution, which requires an electricity distribution licence;
- the operation of an electricity interconnector, which requires an interconnector licence;
- electricity supply, which requires an electricity supply licence; and
- the provision of a smart meter communication service, which requires a smart meter communication licence.

Each licence has numerous licence conditions, which set out in detail the things that the licence holder must do or must not do, in carrying out the relevant licensed activity.

SUP is the holder of a generation licence issued on 13 August 2004.

##### *Industry codes*

In addition to the Electricity Act (as supplemented by other legislation) and licence conditions, industry codes form the final layer of the regulatory structure. Licence conditions require various industry participants to maintain and/or comply with a number of industry codes, which are set out below.

**Connection and Use of System Code (“CUSC”):** the CUSC sets out the arrangements for connection to and use of the transmission system, other than the technical issues dealt with by the Grid Code (referred to below). Under the terms of its licence, NGET is required to establish and comply with the CUSC. The CUSC Framework Agreement is entered into by all persons connected to or using the transmission system and it gives contractual effect to the CUSC. SIMEC Uskmouth Power Limited is a party to the CUSC Framework Agreement.

**Grid Code:** the Grid Code covers all material technical aspects relating to, and the operations and use of, the transmission system. Under the terms of its licence, NGET must establish and comply with the Code. In addition, all users of the transmission system must comply with the Code.

**System Operator-Transmission Owner Code (“STC”):** the STC governs the relationship between the System Operator (NGET) and the transmission asset owners (onshore and offshore). NGET and the other transmission licensees must establish and comply with the STC as a condition of their licence.

**Balancing and Settlement Code (“BSC”):** the BSC sets out the governance arrangements for electricity balancing and settlement in GB, and lies at the heart of the GB electricity market. NGET is required to have the BSC in force as a condition of its licence. The BSC also defines the obligations of ELEXON, the BSC Company, which administers the BSC. All generation and supply licensees are required to become parties to the BSC by signing the BSC Framework Agreement, which gives contractual force to the BSC. SUP is a party to the BSC.

**Distribution Code:** this Code covers the technical aspects relating to the connection to and use of each DNO’s distribution network. Each DNO is required to have a distribution code as a condition of its licence. All DNOs currently operate the same version of the Code, and the Code is maintained by the Distribution Code Review Panel.

**Distribution Connection and Use of System Agreement (“DCUSA”):** the DCUSA is a multi-party contract between all licensed electricity distributors and suppliers in GB. It deals with the use of the electricity distribution systems to transport electricity to or from connections. It focuses on arrangements after connection to the distribution network.

**Master Registration Agreement (“MRA”):** the MRA is a multi-party agreement between all licensed distributors and suppliers, which sets out, amongst other things, the procedures relating to customers switching their supplier.

**Smart Energy Code (“SEC”):** the SEC is a new industry code which sets out the terms for the provision of the smart meter communications service and specifies other provisions to govern the end-to-end management of smart metering. The holder of the smart meter communication licence, energy suppliers and network operators are required by conditions of their licences to become a party to the SEC and comply with its provisions.

#### *The regulators*

The Department for Business, Energy and Industrial Strategy (“BEIS”) is responsible for formulating and making policy decisions in relation to the GB electricity industry. The Gas and Electricity Markets Authority (“GEMA”), represented by the Office of Gas and Electricity Markets (“Ofgem”), is the regulator. Ofgem administers the regulatory regime by, amongst other things, issuing licences, enforcing provisions of the Electricity Act and licence conditions, and enforcing the price control regime applicable to monopoly activities (distribution and transmission of electricity).

In addition, the Health and Safety Executive is responsible for enforcing the health and safety regime applicable to power generation, while Natural Resources Wales is responsible for enforcing the environmental regime in Wales, as well as issuing relevant environmental permits.

### 1.2 **The wholesale electricity market**

The so-called New Electricity Trading Arrangements replaced the England and Wales electricity pool in 2001, becoming the British Electricity Trading and Transmission Arrangements (“BETTA”) in 2005, when Scotland’s electricity market joined England and Wales. BETTA involves bilateral trading between generators, suppliers, traders and customers, operating on a rolling half-hourly basis. Generators self-dispatch their plant rather than being centrally dispatched by the System Operator. Under a self-dispatch system, buyers and sellers of electricity contract ahead of time for their anticipated demand at prices that are bilaterally negotiated or under long-term power purchase agreements) or determined through demand and supply matching on public exchanges.

These trading arrangements are governed by the BSC. The BSC is administered by ELEXON, the BSC Company. Under the BSC, NGET, in its role as System Operator, uses the Balancing Mechanism to balance the system. The Balancing Mechanism allows the System Operator to buy or sell additional energy close to real-time to maintain energy balance, and also to deal with other operational constraints of the transmission system. Because electricity cannot be easily stored and so all trades in electricity are “real time” trades, generators may generate more or less energy than they have sold; while customers of suppliers may consume more or less energy than their supplier has contracted to buy. In such circumstances, these BSC parties are regarded as being “in imbalance”.

The Imbalance Settlement process allows NGET to settle those discrepancies between the amount of electricity that a company has contracted to generate or consume and that which they actually generated or consumed. The “energy imbalances” (i.e., the amounts of energy generated or consumed and not covered by contracts) are deemed to have been bought or sold from or to the transmission system (as the case may be) at prices calculated for each half hour of the day, being the “System Sell Price” or the “System Buy Price”. NGET pays those amounts to (or recovers them from) the relevant parties through the Imbalance Settlement process.

### 1.3 **Connection to the grid**

Generators can be connected to either the distribution network or the transmission network, depending on their location. The Power Station is connected to the transmission network at the Uskmouth 132kV substation.

The Electricity Act 1989 imposes a duty on transmission licensees to develop and maintain an efficient and economical system of electricity transmission and to facilitate competition in the supply and generation of electricity. In its role as System Operator, NGET has an obligation, pursuant to its licence, to provide offers to parties seeking connection to, and use of, the transmission system. NGET can only refuse to offer a connection to an applicant in very limited circumstances, the main being if to do so would result in NGET breaching its duties under the Electricity Act 1989, relevant safety standards, the Grid Code or its licence conditions.

Any prospective generator wishing to connect to the transmission system needs to apply to the SO. The SO must then make a connection offer to the applicant within 3 months. If an offer is accepted by a generator, the generator is then required to enter into a Construction Agreement and a Bilateral Connection Agreement (“**BCA**”) with NGET, which together will form the contractual basis for the connection to the system. The Construction Agreement deals with issues such as the connection date, the works that must be carried out, allocation of responsibility for the works and obtaining third party consents and financial security. The BCA deals with, amongst other things, enduring rights relating to the use of the system and charges, as well as compliance by the generator with the relevant industry codes: the CUSC, the Grid Code and the BSC.

There is in place a BCA for connection of the Power Station to the transmission network at the Uskmouth 132kV substation, originally entered into between AES Fifoots Point Limited and the National Grid Company plc, with reference A/AES/98/775-1EN. The BCA was amended by an agreement to vary, dated 13 January 2015, which granted limited duration transmission entry capacity (“**TEC**”) of 115MW to the Power Station. This limited duration TEC expired on 31 March 2016. Subsequently, the BCA was further amended by an agreement to vary, dated 11 July 2017, granting TEC of 230MW to the Power Station (TEC of 212MW to the main plant, plus TEC of 18MW to a diesel-fired generating unit). SUP will need to obtain a further variation to the BCA to accommodate a TEC of 220MW for the Power Station (following the Conversion), if a TEC of 18MW is still required for the diesel-fired generating unit.

### 1.4 **Ofgem’s charging review**

In August 2017, Ofgem launched a Targeted Charging Review Significant Code Review, which may have a future impact on the charges paid by generators for using the transmission and distribution network.

### 1.5 **Closure of all unabated coal-fired plant by 2025**

The government has pledged that all unabated coal-fired power stations will be required to close by 2025. At the end of 2016, following an earlier pledge to do this, the government consulted on its

proposals. In October 2017, BEIS reiterated that the government “will proceed with action to regulate the closure of unabated coal power generation units in Great Britain by 2025”. BEIS also said that the government will continue to carry out an assessment of options for implementation of this decision. The Conversion is intended to allow the Power Station to use a new fuel source in the form of a waste derived energy pellet, meaning that it will not be considered an unabated coal-fired plant.

## 2. Incentive Regimes

There are a number of incentive regimes that are in place that certain generating power stations can benefit from as a source of revenue in addition to the wholesale electricity price. The key incentive regimes and their relevance to the Power Station are referred to below.

### 2.1 *The Renewables Obligation*

The Renewables Obligation (“**RO**”) has been the main form of support for renewable energy since 2002. The RO imposes an obligation on electricity suppliers to source a specified proportion of their electricity from renewable energy sources. The existing RO regime for England and Wales is set out under the Renewables Obligation Order 2015 and it is administered by Ofgem.

Under the RO, generators are issued Renewables Obligation Certificates (“**ROCs**”) based on the net renewable electricity that is generated each month by their accredited renewable generating station.

The number of ROCs issued per megawatt hour (“**MWh**”) is determined by the technology/fuel used by the station, its size, and when it was accredited under the RO. The system of banding (i.e. different levels of support for different technologies) recognises that different technologies have different costs associated with them, and that those costs vary depending on the time of construction, often decreasing with time. However, the “**grandfathering**” of support means that in most cases (but subject to some important exceptions – see below), the level of support, determined at the time of accreditation of the plant, will not change during the life of the project. For the majority of plant, support is granted for a period of 20 years, subject to an end date of 31 March 2037.

Accreditation by Ofgem is a critical step, because a plant is not eligible to receive ROCs unless it is accredited. Accreditation can only happen once the plant has been commissioned.

The government creates an artificial market for ROCs by setting the Renewables Obligation at a level at which the demand for ROCs will exceed supply. It does this by estimating the amount of renewable electricity it expects to be generated for that obligation period, and based on this the number of ROCs that it expects will be issued, uplifted by 10 per cent. (the so-called “headroom”). This is then expressed as a proportion of the total electricity generation estimated for the obligation period.

To fulfil their obligation, licensed electricity suppliers have to produce to Ofgem a specified number of ROCs, equivalent to the required proportion of sales of electricity produced from renewable sources in each obligation period. Suppliers who do not meet their obligations for a particular obligation period must pay a “buy-out price” for the shortfall in ROCs, which effectively acts as a fixed penalty for each MWh shortfall but allows electricity suppliers to discharge in whole or in part their obligations under the RO. All buy-out payments are recycled back to those suppliers who were able to meet their obligations under the RO in proportion to the number of ROCs they surrendered in a particular obligation period. This payback to suppliers is known as the ROC recycle value and it depends on the number of ROCs that were submitted in that compliance period.

The buy-out price was originally set by the government and has increased or decreased for each obligation period (as the case may be) by the percentage increase or decrease in the retail prices index over the 12-month period ending on 31 December in the previous obligation period. The buy-out price for recent years is set out below:

<i>Obligation period (1 April–31 March)</i>	<i>Buy-out price (per ROC)</i>
2014–2015	£43.30
2015–2016	£44.33
2016–2017	£44.77
2017/2018	£45.58

The sale of ROCs generates an income stream for renewables generators, to supplement income from the sale of electricity. ROCs are completely separable from the electrical output to which they relate. This means that a generator can sell them directly to the supplier together with the electricity to which they relate, or they can be sold separately, usually to another supplier or trader.

## 2.2 **Closure of the RO for new accreditation**

The RO is being replaced by the new Contracts for Difference regime, discussed below. Subject to certain “grace periods” set out in the Renewables Obligation Closure Order 2014 (which are not relevant to the Power Station), the RO closed to all new accreditation on 31 March 2017.

## 2.3 **RO status of the Power Station**

The Power Station is currently accredited to receive support under the RO as a biomass co-firing plant. Its accreditation by Ofgem became effective on 1 July 2005 and were it to continue operating as a biomass co-firing plant, it would continue to receive support under the RO until March 2027 (however, see below at paragraph 2.5 in respect of the impact of future RO support for the Power Station following the Conversion). The current rates of support for plant co-firing biomass are as follows (ROCs/MWh):

<i>Band</i>	<i>Pre-2013 capacity</i>	<i>2013/14 capacity</i>	<i>2014/15 capacity</i>	<i>2015/16 capacity</i>	<i>Post-2016 capacity</i>
Co-firing (low range)	0.5	0.5	0.5	0.5	0.5
Co-firing (mid range)	0.6	0.6	0.6	0.6	0.6
Co-firing (high range)	0.9	0.9	0.9	0.9	0.9

## 2.4 **Reduction in support for co-firing and biomass conversion under the RO**

Notwithstanding the closure of the RO from 31 March 2017 to new accreditations, the regime still allows plant already accredited to move from one co-firing band to another (e.g. from low range co-firing to mid range co-firing) or to full biomass conversion.

However, the government stated in July 2015, following consultation, that the support rate under the RO for new biomass conversion and co-firing stations and combustion units should no longer be covered by government’s grandfathering policy. As explained above, the grandfathering policy guaranteed that once accreditation was achieved, the level of support under the RO would not be reduced from the level it was at the time accreditation took place.

The removal of grandfathering also applies to generating stations or combustion units that are already receiving support under the RO and move for the first time into the midrange co-firing, high-range co-firing or biomass conversion bands after 12 December 2014.

Two main exceptions from the decision to remove grandfathered support for new mid and high-range co-firing and biomass conversion were provided:

- any station or combustion unit that moved into the mid- or high-range co-firing bands and generated electricity eligible for ROCs under these bands before 12 December 2014, and then moved to full conversion before 12 December 2015; and
- any station or combustion unit that was required to terminate an investment contract awarded through the final investment decision enabling for renewables process for State aid reasons (up to the point of RO closure on 31 March 2017).

In September 2017, BEIS published a consultation proposing to cut the rates of support under the RO that are being received by plants that co-fire biomass or have converted to biomass, which are not covered by its grandfathering policy. As a result of this consultation, BEIS has decided to introduce an annual cap on the total number of ROCs that can be issued to each biomass conversion or co-firing station in respect of generation at its non-grandfathered units. This cap is to be set at 125,000 ROCs for each of a station’s non-grandfathering units. This decision is intended to come into effect during 2018/19.

## 2.5 **Impact on future RO support for the Power Station**

The Power Station is accredited for the co-firing of biomass with fossil fuels, and SUP is exploring the eligibility of the new energy pellet to be treated as a biomass component (attracting ROCs) and a fossil derived solid recovered fuel component, made up of plastics from waste sources (not earning ROCs). This approach would recognise that, notwithstanding the combination of the biomass and fossil derived wastes into a single substance, the Power Station will still be co-firing biomass, albeit with fossil fuel based waste materials rather than virgin fossil fuels.

Assuming biomass makes up approximately 50 per cent. of the energy content of the pellet, this would result in 0.5 ROCs per MWh of output from the biomass part, or 0.25 ROCs per MWh of total output for a 50 per cent. biomass pellet. Following the consultation response issued by BEIS in January 2018 referred to above, the number of ROCs which can be generated by co-firing with biomass is to be capped at 125,000 ROCs for each ROC accredited unit. This allowance should be sufficient for ROCs to be earned on the full planned output of the Power Station, subject to the eligibility of the waste derived energy pellet.

## 2.6 **The future of the Renewables Obligation**

In the future there will be some changes to how the RO regime applies to projects already accredited under the RO. Currently ROCs are tradable commodities that have no fixed price. The amount a generator can sell its ROCs for is a matter for negotiation between the generator and the supplier/trader it sells its ROCs to. However, because the RO closed to new accreditation on 31 March 2017, and will completely end in 2037, there is a concern that in the latter years of the scheme the price of ROCs could be volatile and the administrative burden of applying the RO scheme will be too great when compared to the number of ROCs in circulation. Therefore, from 2027 to 2037, Fixed Price Certificates (**FPCs**) will replace ROCs, and it is intended that these FPCs will be bought from generators by Ofgem, the Secretary of State for Business, Energy and Industrial Strategy or the Contracts for Difference counterparty. The price of the FPCs will be set by reference to the 2027 buy-out price, plus 10 per cent. The FPC price will then remain inflation-linked from 2027, in the same way that the buy-out price is currently inflation linked.

## 2.7 **Contracts for Difference**

CfDs are replacing the RO as the main support mechanism for renewables in the UK. Significantly, the CfD regime is intended to provide support not just for renewables, but also for other low-carbon technologies such as nuclear and carbon capture and storage equipped fossil fuel projects.

A CfD is a private law bilateral contract between a generator and the CfD counterparty (the Low Carbon Contracts Company or "**LCCC**"). The LCCC is a government-owned limited liability company established for the purposes of the CfD regime. Under a CfD, the generator will receive a payment of a top-up above the wholesale electricity price (the "**reference price**"), up to a set "strike price". It is a two way payment mechanism, so that if wholesale electricity prices increase in the future, beyond the strike price set under a CfD, then that generator could be required to make payments back to the LCCC. Generally, for renewables, support under CfDs is to be granted for a period of 15 years.

The government has published standard CfD terms and conditions, which deal with matters such as payment provisions, collateral, change in law, force majeure, and default. An important aspect of the CfD regime is that a CfD is awarded to a project at quite an early stage of development once planning consent has been obtained and a grid connection offer has been accepted – this is in contrast to the RO regime, where accreditation takes place once the project is commissioned. For this reason, the CfD terms set out a strict framework to ensure that the generator commissions the project according to the contemplated timetable. In particular, the CfD obliges the generator to deliver the relevant capacity within a target commissioning window ("**TCW**"). If there is a delay in the commissioning of the project beyond the TCW, then the overall term of the CfD will be reduced accordingly. The LCCC may also terminate the CfD if commissioning is not achieved by a long stop date.

## 2.8 **CfD strike prices and funding for the scheme**

The government uses an administrative process to establish the strike prices for different technologies. These administratively determined strike prices represent the maximum strike price that may be

awarded to projects, but a project may be in fact be awarded a lower price. The reason for this is that because if more projects apply for a CfD than the budget allows, the allocation process will involve a “reverse” auction. A pay-as-clear approach has been adopted for the auction process, whereby each project is paid the clearing price for its delivery year within the auction, capped at its administrative strike price. The way the auction process works is that projects are assessed starting with the lowest strike price bid project, regardless of delivery year, technology type or capacity. Projects are then assessed to see if they are affordable within the budget. If they are (subject to any maxima or minima that may be set for individual technologies), they are accepted and the next lowest strike price bid project is considered. The clearing price for each delivery year is set by the highest strike price bid accepted in that delivery year (subject to certain rules that apply to “maxima” technologies).

Funding for the payments made under the CfD regime comes from a compulsory levy (referred to as a supplier obligation) imposed on all licensed electricity suppliers. The costs of this levy are then passed down to end consumers. A key issue under the CfD regime is the payment mechanism. Payments made by the CfD counterparty are made on a ‘pay when paid’ basis, giving rise to a risk that a generator may not be paid if a supplier fails to fulfil its payment obligation. To address this risk, and enhance the bankability of the CfD regime, the government put in place various measures such as a requirement for suppliers to provide collateral, the establishment of a reserve fund, and a mutualisation process in the event of a default by a supplier.

## 2.9 ***CfD award and future allocation rounds***

For most renewable energy technologies, CfDs are awarded through competitive allocation rounds. The first allocation round commenced in October 2014 and finished in February 2015, resulting in 27 projects being offered a CfD. The allocation rounds were originally intended to take place annually, but the allocation rounds originally intended to commence in October 2015 and October 2016 were postponed. However, in the 2016 budget, the government announced that it would make available up to £730m of CfD funding this Parliament for up to 4GW of offshore wind and other “less established” renewables technologies, across three separate allocation rounds. A second allocation round commenced in April 2017 and finished in September 2017, resulting in £176 million pounds of support (out of a total budget of £290 million) being awarded to 11 renewable energy generators from the offshore wind, Advanced Conversion Technologies and dedicated biomass with CHP sectors.

The government has said that the third CfD allocation round will take place in spring 2019, with up to £557 million of funding being made available for renewable energy projects. The government has not yet confirmed which technologies will be eligible for the auction but if its approach is consistent with the second allocation round, offshore wind and other “less established” technologies (including tidal stream) are likely to benefit.

## 2.10 ***Eligibility of the Power Station to bid in future CfD auctions***

Six biomass conversion projects totalling approximately 4GW have been supported through the Final Investment Decision process – an early form of CfD, which was made available prior to the full implementation of the CfD regime. No funding for support of biomass conversion projects was made available in the first and second CfD allocation rounds.

The terms of the European Commission state aid approval given to the CfD regime require the government to review the support given to biomass conversion projects. In November 2016, the government published a call for evidence seeks industry views on the inclusion of biomass conversion technology in the CfD scheme. The government has not yet provided any indication of how it is minded to approach this issue.

On the assumption that the Power Station will proceed with the Conversion, then it will not be eligible to bid for a CfD, unless there are changes to the categories of technologies that will be eligible to bid in the third allocation round (which is highly unlikely at this stage).

## 2.11 ***Capacity market***

A capacity market (“**CM**”) was implemented in the UK in 2014, to address concerns about there being sufficient flexibility to deal with fluctuations in electricity demand and available supply. Under the CM regime, capacity payments are made to the providers of capacity, including both generation and



non-generation forms of capacity such as demand side response, energy storage and interconnectors. A decision is made by the government on an annual basis (based on advice from the System Operator, National Grid) about how much capacity is required to meet a certain supply reliability standard. Auctions are then held four years ahead of delivery ("**T-4 auctions**"), with a subsequent auction held one year ahead ("**T-1 auctions**"), to procure the required level of capacity. National Grid, in its role as "Delivery Body", administers the auction process.

A prequalification stage takes place around four months ahead of the auction, to confirm the eligibility and bidding status of all potential capacity intending to bid. Participation in the prequalification process is mandatory for all licensed generation that is eligible, even if those generators do not intend to bid. The latest auctions took place in January and February 2018. The government has not yet confirmed when the next auctions (i.e. beyond 2018) will be held or what the auction parameters will be.

Successful providers of capacity will enter into capacity agreements (which follow a regulatory model, as opposed to being a bilateral agreement), committing to provide electricity or reduce demand, as the case may be, in return for capacity payments.

The term of the capacity agreement may be 15 years, three years or one year. The default term for all plants is one year, unless they can meet the special criteria which allows plants requiring major refurbishment to apply for a three year term, and new build plant to apply for a 15 year term (discussed further in paragraph 2.12 below).

For generators, the principal obligation under the capacity agreement is to deliver a specified quantity of electricity in "system stress periods". The System Operator will issue a capacity market warning (a CM Notice) in advance of any anticipated stress event. A CM Notice is a signal to the market that the risk of a system stress event in the GB electricity network is higher than under normal circumstances. Generators are paid capacity payments (at the level set through the CM auction) to be available during such stress periods, but are penalised where they failure to deliver the specified quantity of electricity during any stress period.

Generators that deliver more than their capacity obligation at times of system stress will be paid for their over-delivery. The rate of over-delivery payments will be calculated by dividing the total penalty payments received by the Capacity Market Settlement Body in a stress event by the total amount of over-delivered electricity. This rate will be capped at the prevailing capacity market penalty rate. If no penalties are paid, then no over-delivery payments will be made.

## 2.12 **Eligibility of the Power Station to bid in upcoming CM auctions**

Currently, all generation technologies, including existing plant, are eligible to participate in the CM auctions, unless they already receive support through other means (e.g. the RO or a CfD). In addition, plant with long-term contracts to provide Short-Term Operating Reserve ("**STOR**") are not eligible unless an irrevocable declaration is made to terminate the STOR contract if awarded a capacity agreement.

Whilst there is nothing in the Capacity Market Rules that discriminates against different technologies based on fuel type, because the Power Station received RO support in the past, SUP would need to provide a declaration that it no longer receives RO support (see regulation 16 of the Electricity Capacity Regulations) to be eligible to participate in future CM auctions.

The characteristics of the Power Station, and the intended Conversion, are relevant in considering the term of the capacity agreement that SUP may be eligible for. For a 15 year capacity agreement, in addition to the requirement that the Conversion of the Power Station meets a specified capex threshold (for the 2018 CM auction this threshold was £260/kW), it must meet the "**Extended Years Criteria**", evidenced by a certificate from an Independent Technical Expert (which must be provided by the start of the first delivery year).

The Extended Years Criteria, as defined in rule 8.3.6B of the Capacity Market Rules, can be summarised as follows:

- the relevant Capacity Market Unit ("**CMU**") consists of generating plant that is new, or is both new and rebuilt where at least one complete generator or turbine is new;

- the CMU will be capable of operation for at least another 15 years; and
- the Environment Agency (or Natural Resources Wales or the Scottish Environment Agency, as the case may be) in the environmental permit issued for the CMU states that the CMU will comply with best available technique levels with regard to emissions and energy efficiency, applicable to a new combustion installation of the same type, size and energy source, and defined by the version of the BREF that has effect at the time of issue of the permit (BREF is the document of the European Commission “Integrated Pollution Prevention and Control, Reference Document on Best Available Techniques for Large Combustion Plants” dated July 2006, or as revised or reissued from time to time).

Based on the current version of the Capacity Market Rules, the Power Station would be expected to be eligible to bid for a Capacity Market Agreement. However, there is no certainty as to i) when the next Capacity Market auction following the February 2018 auction will take place; ii) whether any changes will be made to the Capacity Market Rules which could adversely affect the Power Station’s eligibility; iii) whether the Power Station would be successful in being awarded a Capacity Market Agreement in the auction; and iv) the price or term that would be awarded to the Power Station if it was successful in being awarded a Capacity Market Agreement.

### **3. Key approvals for Power Plant Projects**

The construction, conversion or expansion of a power plant, as well as its continuing operation, requires a large number of different approvals and arrangements with third parties, including the following key items:

- planning approval;
- environmental permits and health and safety approvals and assessments (e.g. hazard analysis and assessments);
- land rights, including easements;
- a connection agreement, for connection to the grid; and
- a generation licence.

#### **3.1 Planning**

All development in England and Wales (which is not permitted development) needs planning permission, authorised by either the local planning authority, the Secretary of State or (in Wales) the Welsh Ministers.

By virtue of section 55 of the Town and Country Planning Act 1990 (the “**1990 Act**”), “development” means the carrying out of building, engineering, mining or other operations in, on, over or under land or the making of any material change in the use of the land. “Building operations” includes demolition of buildings, rebuilding, structural alterations of or additions to buildings and other operations normally undertaken by a person carrying on business as a builder.

Conversely, certain works are taken not to involve development under the 1990 Act, such as the carrying out of maintenance, improvement or other alteration of any building works which affect only the interior of a building or do not materially affect its external appearance.

Section 57 of the 1990 Act provides that planning permission is required for development. Section 70 of the 1990 Act states that planning permissions may be granted unconditionally or subject to such conditions as the local planning authority thinks fit. The determination of planning applications must be in accordance with the policies of the local development plan unless material considerations indicate otherwise. Typically, planning permissions are not personal and instead benefit the land to which they relate.

To the extent that Conversion includes building, engineering, or other operations or a material change in use then such works will most likely qualify as “development” and will require planning permission.

There are three options for authorising any proposed works at a planning level:

- (a) securing the express grant of a new planning permission (or development consent order) for the Conversion;
- (b) varying any existing planning permissions which may benefit the Property; and
- (c) utilising permitted development rights (for which planning permission is deemed by statute).

If the Company is able to proceed under option (c) it will be able to carry out any physical works required for the Conversion and to then operate the Power Station following Conversion using permitted development rights. In this scenario, the intention would be to apply for a Certificate of Lawfulness of Proposed Use or Development from the local planning authority the effect of which would be to conclusively presume that the proposed operations and use of the Power Station following Conversion are lawful (unless there is a material change in circumstances before the operations or use are begun).

Once all of the engineering and construction works are finally determined during the FEED phase, the Company will be able to ascertain whether any works exceeding the parameters of permitted development rights are required. If so, express planning permission for these works would be needed under option (a). The Company is of the view that the change in fuel proposed by the Conversion does not constitute a material change in use and that any proposed use of land to store energy pellets would be an ancillary use. If the local planning authority considers otherwise then express planning permission for a change in use might be required.

There are a number of sensitive environmental receptors within the vicinity of the Power Station and it is possible that the relevant planning authority may require any likely significant environmental effects arising from the construction and operation of the Power Station following Conversion to be assessed and, if necessary, mitigated. It may also be necessary to consider potential impacts on protected habitats and species within the vicinity of the Power Station. If an environmental impact assessment is required then permitted development rights will not be available and express planning permission would be required. It should be noted that the Welsh Ministers have the power to issue environmental impact screening directions notwithstanding the position of the local planning authority.

If the express grant of planning permission for the Conversion (or any element thereof) is required it could give rise to additional project costs and programme delays. Delays and costs could also arise if the Conversion attracts strong local and/or political interest or third party opposition. It should also be noted that all decisions by public authorities are potentially challengeable by application for judicial review. If planning permission is required but an application is refused (at first hearing or on appeal) or quashed then the Conversion would not be able to proceed lawfully. If planning permission is required and granted then it may, subject to planning policy, be granted subject to conditions that would need to be complied with during construction and operational phases. A legal planning agreement could also be required which may impose a combination of financial and non-financial obligations to mitigate any planning harm attributable to the Conversion.

In the event that planning permission is required for the construction and/or the operation of the Conversion but the works and/or use are considered to fall outside the jurisdiction of the local planning authority then planning permission may need to be sought from the Welsh Ministers or the Secretary of State. The Company is of the view that the Conversion is a change to an existing power station and not a new project. However, if the Conversion was to be considered as a new project or a significant change then, at net capacity of 220MW, it may qualify as a "Nationally Significant Infrastructure Project" for which a development consent order is required. Such projects follow a specialised consenting regime under the Planning Act 2008 and are determined by the Secretary of State in accordance with National Policy Statements. From 1 April 2018 in Wales, non-wind electricity generating stations of this scale would instead qualify as "Developments of National Significance", permission for which is granted by the Welsh Ministers under the 1990 Act.

### 3.2 **Environmental Permitting**

The Industrial Emissions Directive, which entered into force on 6 January 2011, aims to prevent or reduce industrial emissions, by measures which include the application of Best Available Technique conclusions as drawn up and periodically refreshed by working groups. BAT conclusions are included in BAT Reference documents (known as "**BREFs**") for each type of industrial activity. The IED requires

the use of BAT conclusions as the reference for setting permit conditions for each industrial activity governed by the IED. Additionally, the IED itself sets EU wide emission limits for certain pollutants for each activity. The most recent BREF for large combustion plants (as the Power Station is currently categorised) was published in December 2017 and includes BAT conclusions which were adopted by the European Commission on 31 July 2017. The IED was transposed into legislation in England and Wales by amendments to the environmental permitting regime. Environmental impacts from the operation and closure of the Power Station are regulated under the environmental permitting regime and conditions of the environmental permit by Natural Resources Wales. The UK's regulatory position in respect of the application of the BREF for large combustion plants has not yet been finalised and could be subject to further changes.

As an existing plant, the Power Station is currently permitted a temporary derogation from compliance with certain IED emission limits under the Transitional National Plan. This sets an annual emission ceiling for all plants covered by the TNP, and covers operations until June 2020. Meanwhile, all existing permits granted for large combustion plants must be amended to take account of the latest BAT conclusions within four years of publication (July 2021). Natural Resources Wales intends to serve regulatory notices on all Welsh plants covered by the TNP and it is anticipated that operators will need to respond within 6 months to confirm that compliance will be achieved, a derogation applies, or that the plant will be closed. The Conversion scope has been developed with the objective of ensuring that the Power Station can comply with the more stringent emission limits.

Following Conversion, there are two options for the Power Station: (a) it is classed as a co-incineration plant under the IED; or (b) the fuel is approved as a non-waste solid fuel and it remains classed as a large combustion plant. The Company intends to seek a variation to the existing environmental permit to allow both options to be accommodated. It is anticipated that the variation will include revised conditions to ensure compliance with the most recent BAT conclusions, such that the converted Power Station is fully compliant on the planned entry into commercial operations in 2020. It is expected that the variation to the environmental permit will be a substantial variation and will take a number of months to obtain. This time frame may be subject to a number of rounds of public consultation and/or challenge, which could lead to additional costs and delays.

The BAT conclusions for large combustion plants cover two applicable types of solid fuel, coal/lignite and peat/biomass, as well as co-incineration of those fuels with waste. As a co-incineration plant, it is anticipated that the Power Station will have to satisfy the BAT conclusions for co-incineration of waste and biomass, and meet the requirements for co-incineration plants under the IED itself.

In parallel, Fuel SPV intends to apply to have the energy pellets classified as an end-of-waste fuel, rather than a waste material. This reflects the status of the energy pellets as a marketable product rather than a substance intended to be discarded. There is no guarantee that the energy pellets will be classified as an end-of-waste fuel as there is currently no prescribed procedure for classification in Wales, and Natural Resources Wales may not provide any formal approval. It is not yet certain how the emissions limits would be transposed for the energy pellet should it be granted end-of-waste status as a fuel. However, it is assumed that it will be necessary to meet the same criteria applied if the combustion of the energy pellets is treated as co-incineration of waste and biomass (reflecting the constituent components of the pellets). It is anticipated that the variation sought for the environmental permit would allow the Power Station to use the fuel whether or not end-of-waste classification is recognised.

The SUP Technical Report summarises the emission limits specified in the BAT conclusions for coal/lignite and peat/biomass fuel types for large combustion plants and for the co-incineration of waste and biomass.

#### *Greenhouse Gas Emissions Permit*

The EU Emissions Trading Scheme is aimed at reducing greenhouse gas emissions from certain energy intensive sectors by setting caps on emissions, and requiring installation operators to surrender emission allowances in line with the amount of greenhouse gas emissions that have been emitted from their installations. For each compliance year, an equivalent number of emissions allowances to the emissions from qualifying installations will need to be purchased and surrendered before the relevant deadline. The EU ETS is currently in its third phase, which will continue until 2020. An emissions

allowance authorises the emission of one tonne of carbon dioxide or an equivalent amount for other greenhouse gases. Installation operators are also required to hold a permit, and monitor and report on emissions, Rules on UK allowances have recently been introduced with effect from January 2018 to protect the EU ETS from the impact of Brexit. The EU ETS Directive is primarily implemented in the UK through the Greenhouse Gas Emissions Trading Scheme Regulations.

The permit currently held by SUP authorises a combustion activity emitting carbon dioxide. It is anticipated that the current greenhouse gas permit will need to be varied, or a new permit will need to be obtained, and financial provision for the purchase of allowances will need to be made for the operational phase of the Conversion.

Further information on environmental permitting in relation to the Power Station is set out in Part V of this document.

During the construction, operation, and decommissioning of the Conversion, additional environmental permits are likely to be required. The consent strategy is subject to further development of the construction and engineering works as part of FEED.

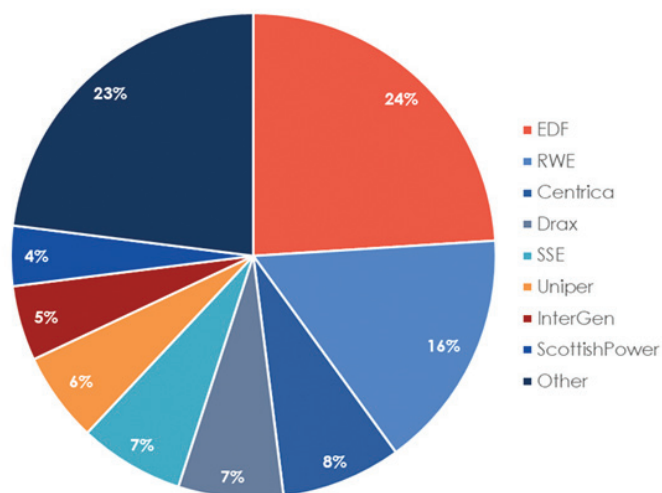
#### 4. Electricity market trends and outlook

##### 4.1 Wholesale market participants

In GB, there are 149 companies with a licence to generate electricity (as at October 2017), and at least 137 plants provided electricity during 2016.

The wholesale electricity market is moderately concentrated, with eight generators providing three-quarters of metered volumes. See Figure 5 below.

Figure 5: Market shares of wholesale electricity supply (2016) (Ofgem, State of the energy market 2017, October 2017.)



Total installed capacity increased to 103GW in 2016, from 97GW in 2015, while demand was stable.

##### 4.2 Current generation mix

The UK currently has a varied generation mix. As discussed in more detail below, one of the most notable developments in 2016 was the significant shift from coal generation to gas generation: generation from coal fell from 22 per cent. in 2015 to 9 per cent. in 2016. The current government's energy policy continues to favour investment in new power plants that are a mix of gas, nuclear and renewables.

While the most recent reduction in the use of coal as a fuel has been the most dramatic, there has been a steady decline in its use in recent years, as a direct result of government policies aimed at eradicating the use of coal without carbon abatement technologies.

The first wave of closures came as a result of the EU's Large Combustion Plant Directive, which entered into force in November 2001, and was introduced to limit the emission of pollutants other than carbon dioxide: in particular nitrogen oxides, sulphur dioxide and particulate matter. The Directive meant that large coal-fired and oil-fired generation plants had to close by 1 January 2008 if they could not comply with the standards set by the Directive, or, if they opted out of the Directive, they could continue to operate until the end of 2015 or until they used up their allowance of 20,000 hours of operation. The Industrial Emissions Directive, which came into force in 2011 and has superseded the Large Combustion Plant Directive, imposes even stricter pollution standards on large coal-fired plant, subject to some limited exceptions and transitional arrangements, resulting in a second wave of closures. However, in addition to implementing these Directives, the UK government has also independently taken direct action to phase out coal-fired generation.

A new Emissions Performance Standard, introduced in 2014 as part of the government's Electricity Market Reform package of policies, means that no new unabated coal-fired power stations are permitted to be built in the UK, although the Emissions Performance Standard has been set at a level which will allow unabated gas-fired power stations to operate until the end of 2044. The UK's Carbon Price Floor has also played a role in reducing the level of coal-fired generation, by increasing the cost of emitting carbon.

Most significantly, as mentioned above, in November 2015 the government announced that all coal-fired power stations would be closed by 2025, thereby confirming that unabated coal-fired power will no longer be part of the UK's energy mix post 2025. This announcement was followed, 12 months later, with the publication in November 2016 of a consultation on the transition away from unabated coal-fired generation. The consultation proposes two possible options for dealing with existing coal-fired plant:

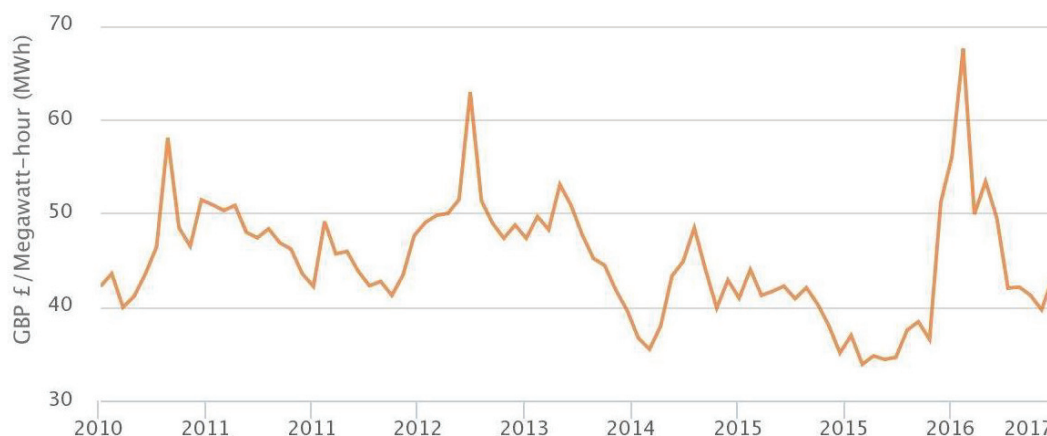
- option 1 would involve applying the existing regime for new coal-fired plant to existing plant from 2025. This would require existing stations to do three things:
  - demonstrate carbon capture and storage (CCS) technology;
  - undertake any necessary modification or action to ensure that the remainder of the plant could be retrofitted with CCS in the future; and
  - comply with the existing Emissions Performance Standard;
- option 2 would involve modifying the existing Emissions Performance Standard to apply a concentration based limit on emissions per unit of generated electricity at any point in time, rather than setting an annual limit on emissions, taking effect from 2025. The consultation notes that this would prevent coal generating units from operating without investment to reduce carbon emissions, but would not specifically mandate CCS technology to be retro-fitted if generating units were able to find other ways to reduce their carbon intensity.

As at November 2017, the government has not announced which option it would be pursuing to phase out coal generation by 2025.

#### 4.3 **Wholesale electricity prices**

In line with gas prices, wholesale electricity prices had been generally increasing until around 2014. Gas influences electricity prices due to the prominence of gas in the generation mix. The monthly average day ahead price is shown at Figure 6 below.

Figure 6: Monthly average day ahead baseload electricity price 2010-2017, £/MWh (Ofgem)



Day-ahead prices are a good indicator of the short-term price of electricity in GB. However, day-ahead prices are just one measure of the price of electricity. Suppliers will often buy most of their electricity months or even years in advance of when it will be delivered, so day-ahead prices may not necessarily reflect the price that suppliers will have paid for their electricity.

The “baseload” rate refers to a contract for electricity that is produced continually throughout the day and is distinct from “peak rates” when electricity is bought/sold for consumption at peak times (7.00 a.m. to 7.00 p.m.).

As with gas, prices have since declined, although, as illustrated at Figure 6 above they are subject to some peaks. This has been driven largely by falls in oil and gas prices, with downward pressure on prices also coming from increased renewables penetration. In December 2015, the day-ahead electricity contract reached a level of below £30/MWh. Overall, however, the decline was less pronounced than in gas, with electricity fundamentals and an increase in carbon costs supporting prices.

Hourly and half-hourly prices also turned negative with increasing frequency, particularly at periods of low demand and high inflexible and renewable generation.

Electricity prices are also affected by the price attached to carbon. Fossil fuel power stations in the EU must hold allowances in order to emit CO<sub>2</sub>. These allowances are traded through the EU Emissions Trading System (“ETS”) which was established in 2005 and provides a traded price for carbon. On 1 April 2013, GB introduced a Carbon Price Floor (“CPF”). This effectively sets a minimum price for carbon in GB for certain fossil fuel power stations by “topping up” the EU ETS carbon price.

**PART VI**

**SUP TECHNICAL REPORT ON POWER STATION CONVERSION**



**SIMEC USKMOUTH POWER  
FUEL CONVERSION**

Prepared for Atlantis Resources Limited

28<sup>th</sup> March 2018



<u>Date</u>	<u>Revision</u>	<u>Prepared by</u>	<u>Checked by</u>	<u>Approved by</u>
22 Dec 2017	Rev 1.0 1 <sup>st</sup> draft for client comment	Paul Gregory	Niels Christiansen / Paul Kenyon	Mike Theobald
12 Jan 2018	Rev 1.3 2 <sup>nd</sup> draft incorporating Initial comments.	Paul Gregory	Niels Christiansen / Paul Kenyon	Mike Theobald
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15 Mar 2018	Rev 2.0 Admission document review	Paul Gregory	Niels Christiansen / Piyush Desai	Mike Theobald
23 Mar 2018	Rev 2.3 Modification to schedule, risk and pellet specification	Paul Gregory	Niels Christiansen / Piyush Desai	Mike Theobald
17 Apr 2018	Rev 2.5.5 Approved for inclusion in admission document	Paul Gregory	Niels Christiansen / Piyush Desai	Mike Theobald

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# 1. EXECUTIVE SUMMARY

AECOM UK Limited (AECOM) has been engaged by Atlantis Resources Limited ("Atlantis") to undertake a technical due diligence review of SIMEC Uskmouth Power Limited ("SUP"). This report considers the potential conversion of Units 13 and 14 of SUP from pulverised coal to combustion of an alternative fuel (known as an energy pellet) for an extended operating life of up to 20 years after conversion. These units ceased generation in April 2017 after approximately 180,000 operational hours since original commissioning in 1961. The repowering proposal of SUP draws on a combination of experience from other UK fuel conversion projects and from the long term operational experience of senior personnel at Uskmouth power station. It incorporates an 'end of waste' energy pellet that tests indicate being a good candidate for the basis of economic power generation. SUP's intention is to secure a variation to its existing combustion permit to allow use of the fuel under the Industrial Emissions Directive (IED). Should SUP wish to pursue a dual permitting strategy to also include operations under the co-incineration directive, the FEED stage will include sufficient investigation and CFD analysis to confirm or otherwise the suitability of the proposed firing system and boiler design to accommodate this and/or define the full extent of modifications required.

Our due diligence has critically reviewed work conducted to November 2017 by RJM Corporation (EC) Limited ("RJM") on behalf of SUP to assess the proposed repowering, including studies of energy pellet characteristics and comparison with white wood pellets and torrefied wood, baseline combustion testing of the Unit 13/14 boilers using pulverised coal, and concept design for new fuel storage, mechanical handling, and fuel preparation for combustion. A fundamental part of the proposed repowering is the rectification of existing combustion system deficiencies, installation of new low NOx burners, renovation of the flue gas cleaning system to address new emission limits under the IED, and mitigation of the corrosive and ash slagging potential of the new fuel.

This report also reviews the 'return to service' (RTS) proposals developed by SUP regarding the existing plant and including major systems such as the boilers and pressure parts, steam turbo generators and their auxiliary systems, cooling water and steam condensing systems, control and instrumentation, electrical distribution, power export, civil structures, and stack. The RTS proposals are based on extensive station knowledge of planning statutory shutdowns and expected maintenance cycles on critical equipment. No significant re-engineering is planned within the RTS proposals. There is no intention to replace the boilers or turbines during the conversion.

An important consideration in the re-powering is the composition of the new energy pellet fuel which exhibits similar combustion energy release characteristics to white wood, but has much higher ash content (similar to coal) and much higher chlorine content (similar to Solid Recovered Fuel as used in waste to energy combustion). RJM has presented a range of viable options for addressing these.

Repowering projects are not new to the market and considerable expertise and experience exists in executing these projects. However as each power station is generally unique in design and plant aging characteristics, and is intended to perform with its original fuel, life-extension requirements and repowering projects are inherently bespoke and care needs to be undertaken at each development gateway to mitigate the risks and create sufficient confidence that the proposed conversion meets the minimum acceptable requirements for progression. It is AECOM's view, subject to the successful conclusion of front end engineering design (FEED), that the SUP power station can be converted to operate using the proposed energy pellets. We have developed a robust capital cost plan for the works to an accuracy of -10%/+30%, and have prepared a programme which demonstrates that commercial operations could be achieved within 18 months of financial close.

The studies to date and findings from the due diligence period indicate:

- No red flags identified.
- Significant governmental and regional support for use of the energy pellet as a fuel.
- The ability to meet legislative emissions standards is considered technically feasible subject to agreement with the regulatory authorities on the definition of emission limit values for the new fuel and further detailed combustion assessments identified for completion during the FEED stage.
- The Unit 13 and 14 boiler and power trains have been preliminarily assessed and we have not identified significant barriers to prevent return to service with the new fuel feedstock. The potential for spares from Unit 15 to be used is seen as a potential mitigation to future issues.
- The concept of repowering Unit 13 and Unit 14 with the new energy pellet fuel is considered technically feasible subject to successful outcome of essential fuel milling and combustion trials which should be undertaken early in the next FEED stage in parallel with specific computational fluid dynamics (CFD) modelling.

- The current energy pellet studies by RJM are appropriate and the next phase of technical development will need to confirm that the combustion of new fuels can be achieved to meet the intended plant performance.
- The schedule for development and engineering can be advanced to allow unit operation in 2021 and 2022 subject to an investment decision being confirmed in late 2018.
- The Pre-FEED stage capital cost for the conversion project based on a market standard engineering, procurement and construction (EPC) contract basis is forecast to be £184.9m subject to a -10/+30% estimate accuracy range.

The key risks identified during this phase of due diligence will need to be resolved during FEED. These risks are summarised as follows:

- Further physical studies are required to confirm how the fuel can be milled to a particle size suitable for combustion. The conversion budget includes installation of new hammer mills, but there may be opportunities to make use of the existing coal mills and/or to use other mill types (such as vertical spindle mills) which typically have lower operating and maintenance costs. There is also the opportunity to work with the energy pellet producer to reduce the size of the constituent particles of each pellet, such that they can be deagglomerated to the desired size during milling. The budget includes an allowance for an under-fire grate in each boiler, which provides a means of ensuring more complete combustion even if the milling results in some larger particles which drop to the bottom of the furnace.
- On confirmation of the achievable particle size after milling combustion testing will be required, in conjunction with modelling of the firing system, in order to optimise the design for efficiency and ensure compliance with the emissions standards. The budget contains an allowance for replacement of the current selective non-catalytic conversion (SNCR) system with a new system using ammonium sulphate as the reagent to reduce levels of nitrogen oxides (NO<sub>x</sub>), and for full refurbishment of the existing flue gas desulphurisation (FGD) and bag filter system.

This report has therefore concluded that subject to the satisfactory conclusion of the FEED stage and the limitations noted in the appendices, there is good confidence to proceed with the project and that the programme for advancing technical studies and embarking on supply chain engagement through a FEED study is appropriate.

## 2. INTRODUCTION

### 2.1 Scope

AECOM has been engaged by Atlantis to undertake a technical due diligence review of repowering and return to service studies undertaken by SUP with information made available up to 22<sup>nd</sup> December 2017. The terms of reference for this report are set out in AECOM's proposal to Atlantis 'Pre-FEED Technical Due Diligence Study, Technical and Commercial Proposal', prepared for Atlantis Resource Limited and dated 23 November 2017.

Our examination of the commercial and technical feasibility of repowering SUP Units 13 and 14 involves a number of concurrent critical tasks, the results of which are summarised in this report. These are:

- i. Technical assessment of studies and engineering concepts for repowering using a new fuel (energy pellets)
- ii. Critical review of capital cost estimates (within -10%/+30% range) for repowering and life extension
- iii. Critical review of programme/scheduling of the proposed changes and enhancements to the repowered power station
- iv. Development of schedule of next stage FEED activities necessary to progress technical/engineering development
- v. Development of a comprehensive project risk register (based on analysis of findings under items i to iv above) including high level review of risk mitigation costs

The repowering of Units 13 and 14 is based on using a new feedstock and operating for up to 20 years after conversion. The power station has had an intermittent running regime over the last decade and various refurbishment activities have been undertaken to support continued operation, but the power station last generated using coal in April 2017.

The full extent of scope for the repowering project would include elements of:

- Enabling / remediation scope
- Return to service activities
- Life extension scope
- Fuel conversion scope

The next stages of definition and FEED will be essential to identifying the full scope of works and the relative schedule between the elements of scope and the specific schedule for Unit 13 and 14 to achieve efficient and effective delivery.

Schematically the work split between repowering (shown coloured red) and RTS components (shown coloured green) is illustrated in Figure 2-1 below (extracted from RJM Feasibility Report, November 2017):

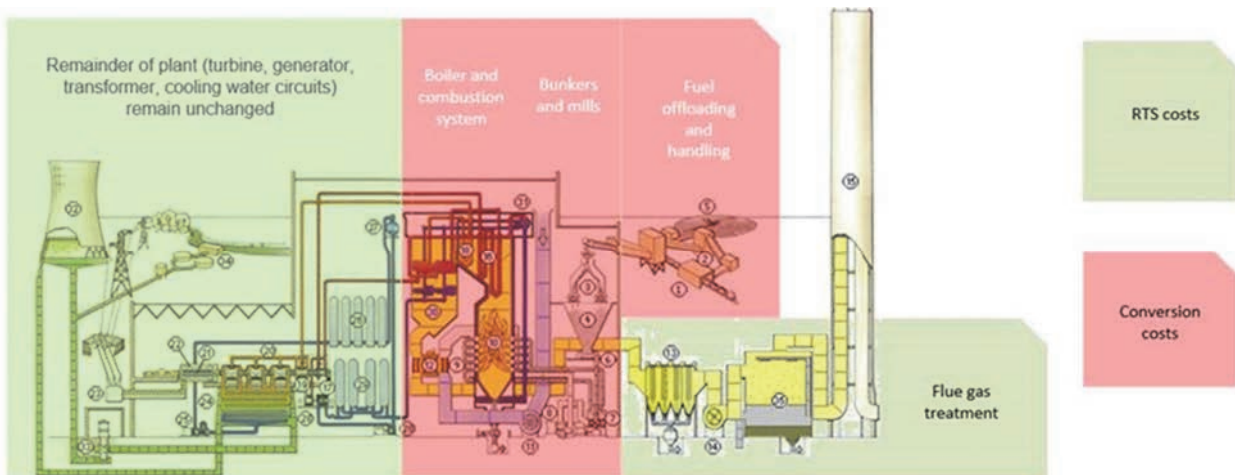


Figure 2-1 Schematic showing conversion and RTS works

## 2.2 Structure of Report

Chapter 3 of this report reviews the technical scope of the proposed works and section 3.1 provides a view on the expected operational parameters to be achieved by the power station after conversion. This is followed by a review of the fuel characteristics, combustion plant and emissions control in sections 3.2 to 3.4, which is supported by more detail on the emissions standards in chapter 4. Handling of the ash out and the fuel in are described in sections 3.5 and 3.6 respectively, and section 3.7 describes the milling of the fuel prior to combustion. Sections 3.8 to 3.10 deal with the mechanical, electrical and structural elements of the RTS scope, and the chapter concludes with section 3.11 which summarises the studies undertaken to date and key elements of the work required during FEED.

Chapter 5 describes our approach to assessing the risk, programme and cost for the proposed works, and chapter 6 covers our review of the constructability of the project and the envisaged delivery mechanism. A full risk register and project programme are included in the appendices, together with the limitations of this report.

## 2.3 History

Uskmouth B coal fired power station was built in 1959 by the Central Electricity Generating Board. The site was originally built with a generating capacity of 363 MW using three identical, independent generating sets (known as Units 13, 14 and 15). Following privatisation in 1990, operations were handed over to National Power. The station was then closed in 1995 and reopened in 1998 after transfer of ownership to AES. A substantial investment and modernisation programme (believed to total approximately £120 million) was undertaken to meet contemporary environmental emission and legislative standards. This comprised new environmental emissions control equipment and general refurbishment intended to extend the station's life by 25 years. The station's generating capacity was also increased to 393 MW. In 2001 the work was completed and the station was reopened.

A year later the plant passed into receivership, but had a brief period of operation in the winter between 2003 and 2004. In June 2004 the station was put back into full operation when it was bought by Welsh Power, which was then known as Carron Energy. Welsh Power sold it to SSE (Scottish and Southern Energy plc) in 2009. In April 2013 one of the three remaining independent blocks was closed (Unit 15), reducing the generation capacity to around 260 MW.

The current owners, SIMEC, purchased the station in 2015. The station's two remaining operational units (Unit 13 and Unit 14) ceased generation with imported coal fuel in April 2017. Since purchase in 2015, SUP have commissioned repowering studies by specialist consultants RJM using coal alternatives including white wood pellets and, most recently, the energy pellets which are the primary subject of this technical due diligence report.

The major refurbishment work undertaken in circa 2000 to 2001 is believed to have included the installation of cooling towers to replace the original once-through tidal water cooling and steam condensing system. The boiler feed water supply uses town's water treated under contract by Veolia through a reverse osmosis plant. Treated waste water from the adjacent Nash waste water treatment plant is also provided under Veolia contract and dosed for the evaporative cooling towers.

The SUP power station is located at the confluence of the rivers Usk and Severn to the south of Newport, Gwent. There are two power plants located on the site: the Uskmouth B station and a combined cycle gas turbine station owned by Severn Power Ltd. On the opposite (western) bank of the river Usk are Newport Docks and to the north of the SUP station is a steel works. The site has road access south of Newport, Gwent and from Junction 24 of the M4 motorway between Cardiff and Bristol. Access to the site entrance is from the West Nash Road. The site is served by a heavy rail link from the network rail system for operational bulk coal fuel deliveries which were imported to the station by rail freight. The site also has access for shipping traffic through its location on the banks of the Usk. The condition and status of the rail connection to the site and any potential maritime connections are not covered by this study.

## 3. TECHNICAL

### 3.1 Operational Parameters

#### 3.1.1 Availability and Load Factor

Availability of the power station is a key contributor to the achievable load factor, as it is a measure of the proportion of time for which the station is ready and able to generate, given available fuel and suitable market conditions. In combination, these factors determine the overall load factor, which is the energy generated in a period as a percentage of the energy which would have been generated by the plant operating at full output for the entire period. High availability gives the plant's operators greater flexibility to optimise the station's output according to the constraints of the electricity market.

For the purposes of this report it is assumed that the ability of the plant to generate and export power at full load (100% Maximum Continuous Rating (MCR)) will not be constrained by electricity market and grid connection conditions. Therefore with this base case assumption the maximum load factor is numerically the same as the availability.

Availability is affected by shutdowns for planned and unplanned maintenance, and the RTS programme has been designed to reduce both types of downtime. Major scope items included in the RTS with the aim of improving availability and extending the life of the plant are:

- Steam turbo generator and auxiliary systems inspection and overhauls to extend operating life
- Boiler and pressure systems inspection and overhauls to extend operating life and guard against any adverse effects on boiler pressure parts which might arise as a consequence of burning the new fuel
- Full refurbishment of the FGD system to improve its performance and availability and extend its operating life. As well as physical renovation, process and control changes to the entire flue gas treatment system are expected to control the different exhaust gas components to new IED limits. It is likely that the Alstom NID system at the downstream end can be suitably adapted, but it is clear that additional measures such as replacement SNCR supplemented by a 'ChlorOut' type system will be needed.
- Cooling water system inspection and overhaul

During the conversion, several systems will be added or improved. These aspects include:

- Modification to the combustion system, improving efficiency and to control emissions
- Changes to increase the fuel milling capability and capacity where required for the new fuel
- Proposal to remove all asbestos from Units 13, 14 and 15, which is expected to shorten both planned and unplanned outages as faster access will be achievable if the special measures needed for asbestos management can be avoided

The RTS scope also includes replacing auxiliary equipment such as the feed water pumps, removing air ingress in the ducts and refurbishing the condenser and cooling water system, all of which will contribute to achieving the target availability.

A revised programme of regular maintenance and replacement of damaged or worn equipment will be developed and implemented by the site operators to maintain plant availability. It has been evident from the workshop meetings and site visits involving key station personnel and the AECOM/RJM team that there is substantial and long standing experience within the SUP team regarding power station operation, statutory inspections, maintenance schedules, and detailed knowledge of the station infrastructure, and that extensive archive and inspection records are available. SUP has provided a matrix of planned outages and inspections on all essential power plant systems for a 20 year life extension period. This is based on planned outage cycles as follows:

- Interim outage – duration 15 days, occurring 2 years following a major outage
- Major and /or statutory outage – duration 90 days, 4 year rolling cycle (to align with 50 month statutory inspection period under the Pressure Systems Safety Regulations 2000 (PSSR 2000))

Outage cycles are scheduled to keep one boiler line generating for business continuity. Behind the main outage scheduling is a more detailed inspection matrix for the steam turbo generator systems.



It is noted from the station records of operating hours and hot and cold starts that the more recent operational data suggests an increase in frequency of stop/start cycles. It is clear that thermal power plants of this nature will be subject to increased fatigue loading with each shutdown and restart and it would be operationally beneficial to maintain steady state running conditions for longer periods to reduce further fatigue loading, and potentially improve reliability and availability. It is our understanding that the new energy pellet fuel cost differential compared with the more expensive imported coal fuel may change the previous operational practices of frequent stop/start cycles to match electricity market tariffs towards more constant load operation. Should this be the case then fatigue loading cycles would reduce leading to a potential reduction of unplanned outages, with associated availability improvement. The RTS scope has been based on needing to achieve an operating cycle consistent with a load factor in excess of 76% and an operating life of 20 years; increasing the load factor and reducing the loading cycles may further extend the operating life.

Taking into consideration the RTS scope and pending FEED studies, the SUP expectations of achieving a minimum of 76% availability seem obtainable. This availability can be achieved by having industry standard operational procedures such as maintaining correct tube wall temperatures and ensuring periodic cleaning of furnace and pressure parts to reduce slagging and fouling. The addition of redundancy in major equipment (as budgeted in the RTS scope) and the availability of spare parts will also contribute to achieving the required availability. Subject to FEED, it is expected that the EPC contract and the operations and maintenance contracts will include appropriate guarantees for a conversion project as to the availability of the plant.

### 3.1.2 Efficiency

In conjunction with the load factor, the efficiency is the key parameter which determines the share of the fuel's energy that is converted into electricity output from the plant. RJM has reported that during baseline tests (using coal fuel) carried out in 2016 at a boiler load of approximately 90MWe, the cycle efficiency was measured between 30.7% and 32.0 % (LHV basis) on Units 13 and 14. An analysis of these tests by RJM showed that the losses included a significant unburnt carbon loss and dry stack loss. AECOM considers that the proposed changes and upgrade to the firing system and corrective work to the FGD system will improve combustion efficiency and reduce air ingress and hence dry stack loss. The combination of these measures is expected to yield a significant improvement in the plant's cycle efficiency. A base case assumption of 33% on an LHV basis (which matches the efficiency claimed by previous operators at Uskmouth in 2008) following plant upgrade is judged to be an achievable target for further exploration during FEED.

Further life extension work should yield additional efficiency improvements. The replacement of the main boiler feed pump and the refurbishment of the condenser to improve the back pressure is also expected to yield significant efficiency gains. An estimate of 3 - 4% improvement (giving a cycle efficiency of 36 – 37%) has been suggested during workshop discussions with RJM and SUP but these predictions need to be substantiated during FEED.

The historic parasitic load on each unit is reported at 11MW. There are opportunities for reduction in parasitic load with replacement of old equipment as part of the costed RTS works, but some of the new engineering for conversion and emissions control improvement may negate such savings. Our understanding based on general research that parasitic (or auxiliary or house) loads on coal fired thermal power stations can range from 7% to 15% of the gross generation capacity. The current load as measured (which is around 10% gross generation capacity) should remain subject to examination during FEED, but is considered to represent a conservative assessment of the parasitic load following the conversion and RTS works.

### 3.1.3 Target Operational Parameters

AECOM summarises the target operational parameters in Table 3-1 below.

**Table 3-1 Assessment of target operational parameters after conversion and RTS**

PROPOSED OPERATING PARAMETERS	TARGET	AECOM Comments
Load factor	76%	Defined for this report as actual annual output divided by total output had the plant operated at full capacity for all of the year, expressed as a percentage. The new fuel type and costs relative to other conversions make it difficult to compare the target load factor with that achieved by other stations. AECOM has reasonable confidence that availability greater than 76% could be achieved.
Target maximum gross power generation, per unit	121MW	Units will be de-rated from their original design capacity of 131MW. No change to steam temperature/pressure conditions, but steam flow rate will be reduced as part of RTS works. This reflects the reduction in fuel energy release (energy pellet versus coal). AECOM's view is that there is no reason why this should not be achievable, subject to successful milling and combustion trials and boiler performance modelling during FEED.
Parasitic (or auxiliary) load, per unit	11MW	Based on historical operating regime (coal fuel) at Uskmouth as advised by SUP. There are opportunities for reduction in parasitic load with replacement of old equipment as part of the return to service works, but some of the new engineering for conversion and emissions control improvement may negate such savings. AECOM's view is that the target parasitic load should be conservative, given that it has already been demonstrated by the existing plant.
Target maximum net power export, per unit	110MW	Given the achievability of the gross output and the conservative assumption for parasitic load, AECOM considers the net power output target to be achievable.
Target minimum net power export, per unit	70MW	Based on RJM November 2017 report, as specified by SUP. AECOM understands that the minimum plant turndown at around 60% (which is high in comparison with more modern coal plants) is based on historic operating conditions and likely stability limits for combustion.

PROPOSED OPERATING PARAMETERS	TARGET	AECOM Comments
Target plant cycle efficiency (LHV basis)	33%	<p>RJM has reported plant cycle efficiency of c. 31% - 32% in their baseline test report (coal fuel), and has evidence that plant cycle efficiencies of up to 33% have been recorded at Uskmouth during 2008.</p> <p>There are opportunities with the repowering and return to service works to increase the plant cycle efficiency at least to levels achieved/reported in 2008. To be reviewed during FEED. AECOM's view is that 33% efficiency is a realistic target.</p>

### 3.2 Fuel Characteristics

The primary fuel after plant conversion is planned to be energy pellets, produced using a technology developed by the N+P Group. The pellets are a product derived from waste streams consisting primarily of a mixture of biogenic material and fossil fuel based waste such as plastics. These input waste streams are sorted, ground and then pelletised to create a fuel with a closely controlled specification. N+P produce a similar product, known as Subcoal<sup>®</sup>, which has chiefly been used for combustion in the cement industry.

The intention is that the energy pellets comprise the sole fuel burned in the power station after oil firing which will be retained both for start-up, and for supplemental firing when required to stabilise furnace conditions. The budgeted works currently include an allowance for a secondary fuel stream which could be co-fired with the energy pellets and thus provide an option to mitigate any fuel supply risk. The secondary fuel assumed is a torrefied wood pellet, and the additional costs included in the budget for the secondary fuel handling and storage has not been specifically identified. It is AECOM's view that the cost differential for processing the secondary fuel plus primary fuel compared with costs for increasing the primary fuel proportion to 100% with no secondary fuel are not likely to be significant within the bounds of the cost estimating set out.

Table 3-2 shows the comparison of fuel specification between the energy pellet, secondary fuel (torrefied wood) and typical coal.

**Table 3-2 Comparison of fuel specifications**

Parameter	Units	Typical Uskmouth coal	Energy pellet	Torrefied pellets
<b>Total moisture</b>	%	8-16	4.76	5.6
<b>Ash content</b>	%	10-16	11.9	10.6
<b>Volatile matter</b>	%	20-35	76.4	57.9
<b>Total Sulphur</b>	%	<1.5	0.10	0.03
<b>Chlorine</b>	%	0.2 max	0.85	0.07
<b>Nitrogen</b>	%	1.1-2.2	0.32	0.63
<b>Net calorific value</b>	MJ/kg	22-25	23.5	18.22
<b>Mercury</b>	%	<0.2	0.19	Not determined

Energy Pellet Project Summary Update, 000397-Tech-017-0 RJM International.

It can be seen that the energy pellet has lower moisture, sulphur and nitrogen content than the coal previously used, and has comparable levels of ash and mercury. The calorific value of the pellets is higher than the torrefied wood alternative and falls within the range measured for the typical coal feedstock.

The chlorine content is higher than coal, but RJM has reported that discussions with N+P Group on reducing this (through control of the pellet inputs) suggest that it can be decreased to 0.5%. However, even at 0.5% chlorine content this is likely to cause issues with corrosion in the boiler unless mitigating measures are implemented. RJM has proposed a number of mitigation measures including additives such as kaolin in the pellets themselves, or chemical injection of reagents (such as ChlorOut by Vattenfall) upstream of superheaters. A further alternative adopted in energy from waste plants (where slightly higher chlorine content in fuel is experienced) is the use of specialist surface coatings (e.g. Inconel which is a high-strength, corrosion- and oxidation-resistant material that forms a thick, stable, oxide layer for protection of surfaces). Costings and evaluations of such or other coatings will be investigated during FEED.

The ChlorOut injection has been successfully used in energy from waste plants as corrosion protection to boiler tubes and exposed furnace surfaces. A further comparator is the biomass conversion of pulverised coal power plants where kaolin has been used as a biomass fuel additive primarily to reduce slagging potential, but with the secondary effect of chlorine removal. The white wood pellets used in such conversions have much lower chlorine content (i.e. 0.02% to 0.04%, compared with energy pellets at 0.5% to 0.85%), and the effectiveness of kaolin fuel additive alone to reduce chlorine corrosion is unproven.

AECOM considers that the options presented by RJM are reasonable and align with expected practice. As this is a new fuel, there are residual risks to be examined and mitigated during FEED. The ash/chlorine mitigation may need to be a combination of measures suggested in the RJM study, with a preferred solution to be defined during FEED. The budget figures for operational costs assume the use of both kaolin additives in the fuel and injection of chemical reagents in the boiler.

Given the calorific value of the pellets and the plant efficiency, the mass flow of energy pellet required to generate a net output of 110MWe is 34.3kg/s (17.15kg/s for each unit), and it is possible that the existing fuel handling equipment could be reused for the energy pellets to achieve the required mass flow. The FEED study will identify the fuel handling equipment that needs to be modified and/or replaced to handle the new energy pellets including in compliance with the Dangerous Substances and Explosive Atmospheres Regulations 2002 (DSEAR). The fuel handling assumptions, including the short term storage facilities, are described in more detail in section 3.6, and the budget figures are based on achieving the required throughput.

Since the feasibility studies were carried out up to December 2017, preliminary changes to the waste derived energy pellet specification have been proposed with a reduction in net calorific value to around 20MJ/kg and an increase in ash content. These are consequences of adjustment to local UK feedstock market conditions. Final details of the fuel specification will be reviewed during FEED.

The mass flow rate of the new fuel (at lower net CV) would need to increase to maintain the plant power generation performance. It is AECOM's view that the changes to the mechanical handling, storage and fuel milling, and ash management arising from the increased flow rate can be accommodated (subject to the planned fuel milling and combustion trials).

The risk register contains mitigating actions for combustion and milling which will incorporate the final energy pellet specification requirements during FEED and inform the final level of any modifications required. The FEED study will also identify any material handling equipment that needs to be modified and/or replaced to handle the final specification energy pellets, including in compliance with the Dangerous Substances and Explosive Atmospheres Regulations 2002 (DSEAR). The fuel handling assumptions, including the short term storage facilities, are described in more detail in section 3.6, and the budget figures are based on achieving the required throughput.

### 3.3 Combustion Plant

The SUP power station was designed and built to fire coal as the primary fuel, and a comparison of the fuel properties is shown in Table 3-2.

Attempting to benchmark the proposed fuel change against similar scenarios is not possible as there is no direct generation precedent for this new fuel in the planned quantity. The closest comparator would be UK biomass conversions, for which there are a number of examples of full conversion of old power stations from pulverised coal to white wood pellets (a form of biomass). A comparison of white wood pellets against the SUP energy pellet is shown in Table 3-3.

The most recent and currently operational station is Drax. Older stations at Ironbridge and Tilbury have been closed following conversion primarily as a result of adverse generation market conditions and removal of subsidies. The successful Drax conversion included the modification / replacing of fuel handling systems, milling system, burners and the addition of supplementary emission control systems. Lynemouth power plant is currently in the process of completing the conversion of coal boilers to run on white wood pellets, but is not yet operational.

**Table 3-3 Comparison of energy pellet with white wood pellets**

Parameter	Units	Energy pellet	White wood pellet
<b>Total moisture</b>	%	4.76	4.7
<b>Ash content</b>	%	11.9	0.6
<b>Volatile matter</b>	%	76.4	80.2
<b>Total Sulphur</b>	%	0.10	0
<b>Chlorine</b>	%	0.85	<0.04
<b>Nitrogen</b>	%	0.32	0.1
<b>Net calorific value</b>	MJ/kg	23.5	17
<b>Mercury</b>	%	0.19	<0.1

Project Definition Executive Summary, 000370-Tech-017-0, RJM International.

RJM has reported on thermal gravimetric analysis (TGA) trials (at Nottingham University) on samples of the new energy pellets, biomass white wood pellets and bituminous coal. The results indicate similarities between white wood and the new energy pellets in combustion properties. This therefore improves confidence that the new energy pellets will perform in a similar manner (in terms of combustion and energy release) to established white

wood pellets. There are however significant composition differences between white wood pellet fuel and the new energy pellet, which are primarily:

- Much higher chlorine content as described above (similar to solid recovered fuel (SRF) used in energy from waste thermal plants)
- Much higher ash content (comparable to previously used coal and SRF)
- The multi-component nature and high and diverse plastic content of the new fuel

The first two of these characteristics combine to present operational challenges for boiler and steam superheater corrosion and ash slagging. It is AECOM's view that mitigating solutions for both phenomena are available, which are outlined in RJM's November 2017 report and are discussed in section 3.2 above and included in the budget figures.

Milling trials, combustion trials, CFD modelling and boiler performance modelling will be used during FEED to assess the performance of the new fuel (including the plastic content) as part of the FEED work.

The main modifications required for the conversion to burn energy pellets (all of which have been highlighted in RJM's repowering study, assessed in this report and included in the budget costs) are as follows:

- New low NO<sub>x</sub> burners engineered for the new fuel to replace the existing pulverised coal burners.
- To comply with the IED regulations, modification to combustion process such as staged combustion, over and/or under fire air system will be required. When using staged combustion the burner zone will be at sub-stoichiometric condition and additional air will be added at different locations which help to control NO<sub>x</sub> and CO emissions. It should be noted that these modifications are required regardless of fuel changes.
- Additional soot blowers may be required at furnace water walls, radiative and convective sections. The number and location of the soot blowers are to be confirmed during FEED study and appropriate budgetary figures have been included.
- The high chlorine (corrosion) and ash (slagging) properties of the energy pellet fuel require mitigation measures to protect the vulnerable elements of the furnace and boiler tubes. A combination of soot blowers (slagging), fuel additives (primarily slagging), specialist coatings (corrosion and slagging), potential reduction at source of chlorine content in fuel and chemical injection (corrosion) into the combustion gases (e.g. ChlorOut additive) will be examined further during FEED. AECOM is confident that there are established solutions for these problem areas and that appropriate budget allowance has been made at this stage.
- An under-fire grate has been assumed at the bottom of each boiler, which allows completion of combustion for larger particles which may drop out of the burner flame. Costs for this grate system have been included, but it is noted that it may be possible to reduce this cost during FEED if the energy pellets perform well in milling and combustion trials.

A detailed boiler modelling exercise considering all aspects of combustion, thermodynamics, corrosion, slagging, flue gas treatment and emissions control for the system is required during FEED. The boiler with the new fuel must be modelled to predict the maximum steam flow at design conditions that can be generated after conversion, and to predict combustion and boiler performance.

### 3.4 Flue Gas Treatment

The station has a modular Alstom NID (Novel Integrated Desulphurisation) semi-dry FGD system serving each boiler line incorporating bag filters, which was installed by ABB in circa 2001 as part of a major station upgrade programme.

AECOM has been advised that a recent SNCR system has been added as a late plant modification in circa Q3/2016 by Doosan Babcock to reduce NO<sub>x</sub> emission levels. It is likely that this system will be superseded entirely during the repowering and FEED phase, pending further systems detail investigation. With respect to NID we could add that enhancements to the system to improve performance further will be explored during FEED. We understand from RJM that the plant was one of the first NID systems and it is possible that low-cost improvements may be available to improve performance (to be investigated during FEED).

The entire FGD system (including NID, balance of plant, feeders, hoppers, instruments) at the power station has been identified as a known source of operational difficulty and resulting reduced plant performance. The station's RTS schedule and risk register identifies the FGD system as one of the largest causes of lost or restricted generation in the last few years, and further detailed assessment during FEED is required to determine the root causes of poor performance and how this might affect plant reliability and output in the future. Its reduced performance (versus its as designed condition) must also be rectified in order to allow compliance with the new emissions limits imposed by the IED in accordance with the Best Available Techniques (BAT) Reference document, known as BREF, for large combustion plants. These new limits include mercury and CO limits, as well as NO<sub>x</sub>, SO<sub>x</sub>, HF and HCl.

From a high level perspective the known existing FGD problem areas relate to:

- The physical condition of the mild steel ductwork which is corroded and leads to substantial air leakage. Mechanically, the system if restored to its original 'as-designed' condition is considered capable of future satisfactory performance. More detailed numerical studies during FEED are needed to model the system performance to confirm.
- Process systems and process control. The station recognises that control of the flue gas prior to release to atmosphere, management of solid by-product deposition in the FGD system, and increased pressure losses following extended periods of operation as material builds up on the bag filters, have been a continuing area of difficulty directly affecting the station's ability to generate revenue. As above, modelling of the system is required during FEED to simulate restoration of the FGD and its application to ensuring compliance with the new IED emission limits when using the energy pellets, subject to final process tuning during later commissioning.

As this is a critical plant item for this project a detailed audit was carried out by RJM (reported November 2017) following an earlier combustion audit by RJM on Unit 13 when operational in 2016. The November 2017 audit concluded that if the plant is refurbished to as new condition (with new resilient materials), with any process changes required for the new flue gases there is a high level of confidence that it will be sufficient to satisfy BREF emission limits.

Based on a review of RJM's reporting and technical discussions with RJM engineers during pre-FEED, AECOM has no reason to question the modelling and engineering approach identified in RJM's November 2017 feasibility study for repowering. However, further work is essential to confirm the NID system credentials on similar operational reference plants, and to determine the ability to reduce emissions to new BREF limits. AECOM has identified that the flue gas management and emissions control systems represent high risk areas, but AECOM has confidence that appropriate engineering solutions to manage the risk can be developed during FEED.

It is AECOM's view that whilst the design and engineering aspects of the changes proposed by RJM are feasible, sufficient time in the programme must be allowed for commissioning and operational optimisation of the NID system. This has been factored into the high level programme developed and presented in this report, which represents a reasonable best estimate for delivery and achieving the commercial operations date (COD) based on current information.

### 3.5 Ash Handling

The existing ash handling systems consist of a bottom ash system and a fly ash system.

The bottom ash system is a wet ash system. The ash from the bottom hopper is quenched using town water and transported through conveyor pipes to furnace ash settling pits. From a review of station records and the RJM November 2017 feasibility study, the existing system has known deficiencies which include:

- The existing ash handling crane is redundant and requires replacement (SUP have identified this and allocated replacement costs in the RTS budget).
- High quantities of unburnt coal fuel have been historically present in the ash, making commercial offtake arrangements difficult, and this will be mitigated by the repowering proposals.

It is noted from RJM's feasibility study (Nov 2017) that a dry replacement bottom ash handling system is proposed with an under-fired grate system as described in section 3.3. The new system will interface with the existing ash sluice system. A more thorough review and design development will take place as part of the FEED. Benefits expected would also include improved thermal efficiency and improved bottom ash quality for offtake revenue generation.

In respect of the fly ash system, AECOM note that following RJM's review (Nov 2017) engineering changes to the fly ash system are not proposed beyond a detailed inspection and refurbishment and installation of modern telescopic loading spouts and dust collection for road tanker removal. The FGD system is an integral part of the fly ash management system and is described in section 3.4 above.

### 3.6 Fuel Bunkers and Fuel Handling

With regard to the design of mechanical, gravity flow and pneumatic handling systems, the most important properties of bulk materials are:

- Bulk density
- Explosion severity
- Combustibility
- Flammability
- Thermal properties
- Particle size distribution
- Moisture content
- Toxicity (e.g. Carbon monoxide gas evolution potential during bulk storage)
- Abrasiveness
- Angle of repose

With specific reference to the new energy pellet operations, where new plant is installed, this will need to be designed in full compliance with the Dangerous Substances and Explosive Atmospheres Regulations (DSEAR) requirements. This includes the completion of hazardous area assessments and, where appropriate, zoning the plant and installing the appropriate category of equipment (as defined by DSEAR).

#### **Proposed Storage and Handling Systems (Storage to New Pencil Silos)**

RJM's feasibility study outlines an energy pellet transfer system which includes a substantial new enclosed store (sized for 3 days' fuel capacity) located on SUP's existing open coal storage yard to the south of the main power station building. Storage in enclosed units is the recommended best practice for similar fuel types, but N+P state that their proprietary pellet, Subcoal<sup>®</sup>, shows hydrophobic behaviour and has been stored outside at several installations. The proposal is to refurbish and reuse much of the existing coal handling equipment up to the existing screen house, incorporating additional fire and explosion mitigation measures required by the DSEAR regulations. Reuse of the structure for the main fuel feed conveyor (known as Conveyor 17) is proposed, but with a new inclined tubular belt conveyor at an approximate feed rate of 400 tonnes per hour.

The normal feed rate required for combustion at 100% MCR using the energy pellet fuel is estimated at circa 123 tonne/hour. The design maximum mass flow rate to the new pencil silos will be determined during FEED, and optimised for the new pencil silo 'day' storage buffer capacity immediately upstream of the new mills. It is important to understand that the main fuel feed conveyor (Conveyor 17) is a single point of failure component and sufficient reserve capacity for routine maintenance outage must be considered.

New handling equipment (enclosed chain conveyors) within the existing coal bunker area inside the main power station building is proposed (subject to confirmation of need during FEED) leading to new, enclosed, pencil silos within the existing coal 'day' bunkers. It is possible that much of the existing equipment can be refurbished subject to FEED and DSEAR assessment, but replacement equipment has been assumed for budgetary purposes in the areas noted above. The fuel handling proposals are considered to be at the concept stage and further work is required during FEED to evaluate the potential to reuse existing equipment.

It is recognised that the new energy pellet fuel characteristics differ from coal in a number of respects, most significantly in higher reactivity of the fuel which, without appropriate controls, has the potential to increase the risk of fires and explosions on the plant. The generally lower volumetric energy density of the energy pellets means that the volumetric flow through the transport systems increases for the same load compared with coal.

In respect of fuel handling equipment, bunkers and silos, the power station records reviewed to date are limited to:



- Asset condition report on the coal reclaim hopper, July 2010, (SSE Bunkers & Silos – Asset Life Assessment – Reclaim Hopper (Coal Plant)). It is noted that this report states that the next inspection of the internal and hopper lining was due in 2 years (2012). Further examination of station records is required to understand the current asset condition.
- SSE Report, June 2010, Conveyors Asset Life Assessment – this reports on the main mechanical handling artery from coal plant to boiler house. The main arterial route to the boiler house is the single belt Conveyor 17, running from the crusher transfer house to the boiler house. Capacity is noted at 500 – 600 tonnes per hour (based on coal transport). It is noted that the corroded belly plates in Conveyor 17 were identified for priority repair. AECOM further understands from verbal discussion with SUP management that these essential structural repairs have been implemented. Suitable upgrades and subsequent maintenance for Conveyor 17 are particularly important as under the proposed scheme it is the sole means of transporting the fuel from storage to the pencil silos.

### 3.7 Fuel Mills

As noted above, the generally lower volumetric energy density of the energy pellets means that the volumetric flow, including through the mills, will increase for the same load compared with coal.

AECOM understands from data provided publicly by N+P for Subcoal® properties that the pellet density is around 450 kg/m<sup>3</sup> compared with coal at circa 800 kg/m<sup>3</sup>. For further comparison, white wood pellet density is circa 600 kg/m<sup>3</sup>.

In the existing Babcock Type E ball mills, coal was ground down by the action of large steel balls running between upper and lower grinding rings, where the lower ring is driven and the upper ring is held down under spring tension. This is a type of vertical spindle mill (VSM). Each boiler has five dedicated mills (designated A, B, C, D, and E).

In their November 2017 repowering study RJM are proposing replacement of the existing VSM ball mills with new hammer mills. AECOM considers that this type of fuel mill is appropriate for the new energy pellet fuel (subject to physical milling trials on the energy pellets). If secondary fuel (currently torrefied wood pellets) is being considered RJM propose refurbishing the existing ball mills for the secondary fuel only. Whereas separate costs for processing the secondary fuel have not been specifically identified, It is AECOM's view that the cost differential for processing the secondary fuel plus primary fuel compared with costs for increasing the primary fuel proportion to 100% with no secondary fuel are not likely to be significant subject to FEED.

The current feasibility studies by RJM are based on a total of 5 x new hammer mills each with a throughput capacity of 25 tonnes per hour, giving a total capacity for both boilers of 125 tonnes per hour. At an efficiency of 33% this would give excess capacity (possibly up to 10%) when the boilers are both running at full capacity and using only energy pellets. Further studies during FEED will evaluate whether this is sufficient and whether it is more appropriate to increase this capacity rather than retaining full flexibility for milling of a secondary fuel. Milling trials of the energy pellets will also identify any opportunities to avoid the use of hammer mills, as these typically have higher maintenance costs than alternatives. The ability of the selected mills to achieve the required particle size is critical for the combustion system design, as described in sections 3.3 and 5.1. Mitigation measures require physical milling trials to address the uncertainty regarding the behaviour of the pellets under different milling conditions, including the throughput capability of different mill types, and to allow for the mills to be fully specified. Costs for the trials as part of the FEED are included in the budget amounts. Normal mitigation for DSEAR and fire risk (as per white wood pellets) is part of the engineering modifications and included in the budget.

### 3.8 Return to Service Plant

Engineering considerations for returning the power station to service have centred on studies for firing new fuels (i.e. the RJM Feasibility Study, November 2017) in combination with extensive work carried out by SUP on the RTS elements and systems. The RTS systems comprise all:

- Mechanical systems
- Electrical, control and instrumentation (EC&I) systems
- Civil works, buildings and other structures
- Cranes and lifting equipment

- Safety systems (e.g. DSEAR, fire safety)
- Pressure systems (PSSR2000 regulations)
- Environmental management essential for safe operation in accordance with statutory requirements and existing consents.

Also included within the RTS schedule are elements of the front end coal firing, milling and combustion system which have been reviewed more recently as part of RJM repowering feasibility study (Nov 2017).

The primary components of focus for the RTS are the steam turbo generator systems (STG), including the steam condensing and cooling towers, the Unit 13 and Unit 14 boilers, and the FGD system (essential for final emissions control). Due diligence technical comments related to the FGD system are addressed in section 3.4.

It is AECOM's view that whilst the design and engineering aspects of the conversion are feasible, sufficient time in the programme must be allowed for commissioning and operational optimisation on older equipment and systems, and this is reflected in the programme presented in this report.

### 3.8.1 Steam Turbo Generator System

The STG system is made up of 3 x English Electric 131MW (gross power output) single shaft machines running at 3,000 RPM, each with a hydrogen cooled generator. Each of the existing steam turbine sets consists of a reheat condensing system that has three pressure stages – high pressure (HP), intermediate pressure (IP) and low pressure (LP) – which operate at the following conditions:

- HP turbine – 538°C, 103 bar
- IP turbine – 538°C, 25 bar
- LP turbine – 280°C, 2.8 bar

The steam turbines have operated for around 184,000 hours for Unit 13 and 176,000 hours for Unit 14. SUP's RTS schedule identifies a full inspection and maintenance programme to achieve an extended 20 year operating life. Key parameters which affect the turbine life are rotor creep and fatigue cycles, which have been taken into account in the RTS programme.

Known issues requiring attention and identified from SUP's "Turbine Matrix Schedule" dated 2017 are (excluding turbine pumps and ancillary plant) as set out below, and are included in the RTS budget:

#### UNIT 13 STG:

- Differential expansion issues to be addressed
- Bearing issue on bearing number 5 to be rectified
- Nozzle and diaphragm plates (fasteners) recommended to be changed during the proposed 2013 outage
- Water ingress in gland steam to be rectified
- Seal oil system overhaul required
- Examination of the HP rotor bore required

#### UNIT 14 STG

- Expansion system valve cover studs require changing
- Differential expansion issues to be addressed
- Double flow LP blades require assessment
- Leaking hydrogen due to worn generator rotor to be addressed
- Bearings numbers 7 and 8 require re-metalling
- New hydrogen seals required

AECOM also recognises that the HP main steam pipes connecting the boilers and turbines for both units must be evaluated thoroughly before return to service.

For Unit 13 STG, the above list of issues and the planned STG maintenance matrix have been compiled from a study undertaken in October 2015 on behalf of the station owner by turbine specialists Turbine Engineering Consultants Ltd.

Prior to this a detailed study of turbine asset life extension for Unit 14 was reported in February 2010 (under owners SSE in accordance with SSE engineering standards). This report identified that the next scheduled inspection on Unit 14 STG system should be in 2014. Since 2015, Unit 14 has operated for 2,700 hours (cumulative total hours 176,000).

A similar detailed study of turbine asset life extension for Unit 13 was reported in March 2011 (under owners SSE in accordance with SSE engineering standards). Since 2015, Unit 13 has operated for 1,800 hours (cumulative total hours 184,000).

The major task for RTS of the STGs includes removal, inspection and refurbishment of the turbine governor, bearings, HP, IP and LP inner and outer casings, HP, IP and LP rotors and the generators. Other RTS scope includes replacing the main and booster feed pumps and oils pumps. The scope also includes speed balance check for all rotors and will replicate the maintenance activities typically carried out during a major outage, ensuring that the power plant and associated systems are brought back to full operating condition. The RTS identifies £65k for inspection of steam glands but not specifically for rectification of leaks identified in the list of issues. Therefore the RTS scope requires further examination during FEED to establish whether costs for renovation of the steam glands need to be included, and to understand any consequences for the planned maintenance schedule.

The existing STG equipment has already run for around 180,000 hours since 1961, and has been subject to normal degradation from creep and thermo-mechanical fatigue processes inherent in rotating machinery subject to stress cycles.

At a 76% load factor, a further operating period of 20 years equates to over 130,000 hours for each unit. The SSE turbine reports (Feb 2010, titled 'Steam Turbine Asset Life Assessments.... for U13 and U14'), provide tabulated analysis data from various sources (not supplied) which indicate that turbine rotor creep life was assessed at between 200,000 hours and 400,000 hours. Allowing for running hours of between 12,000 hours (Unit 13) to 15,000 hours (Unit 14) since year 2010, there remains substantial residual rotor creep life in excess of the 130,000 hours of future operation. This data needs further examination during FEED.

Confidence levels for STG life assessment cannot be quantified with certainty. It is normal practice to assess life expectancy based on a thorough inspection (during shutdown) combined with an in-service monitoring programme. It is essential to carry out a thorough and comprehensive inspection of the STG equipment as part of the FEED programme, and this has been included in the budget.

It is expected (to be investigated during FEED) that the historical periodic inspection regimes combined with in service (e.g. vibration) monitoring will have identified any significant areas of damage requiring replacement or rectification. Statistical analysis of the monitoring records for each STG will be required (if available) during FEED to understand normal baseline operating conditions for each of the STG sets, and to examine how to set appropriate alarm levels for deviations outside the baseline envelope parameters. Monitoring vibration levels is critical to ensure both safety and continued operation. The detection of changes in vibration above normal /baseline values provides warning of potential failure, and preventative action can be taken before a major failure takes place.

AECOM considers that the RTS programme has been appropriately designed for a further 20 years of operations, and that the continuing maintenance costs to support this life extension are suitably provided for in the operating budget.

We note from discussions with SUP and RJM that the STG system under the planned new energy pellet fuel regime will be down rated from the design gross capacity of 131MW to 121MW. This will be beneficial in reducing loading on the STG system.

### 3.8.2 Boilers and Pressure Parts

Each boiler is a Babcock and Wilcox Radiant type with natural water circulation, designed to produce 860,000lbs of steam per hour at a pressure of 1900lb/in<sup>2</sup> and a temperature of 543°C. This steam is used to drive each 131MW English Electric turbine, as described in section 3.8.1 above. The boiler has been designed to accept

785,000lb per hour for further reheating after it has expanded through the HP cylinder of the turbine. In the reheater the steam temperature is raised from 369°C to 540°C at a pressure of 391lb/in<sup>2</sup>.

Each boiler incorporates 20 wall firing burners. The boilers have radiative and convective pressure parts and air preheaters to heat combustion air.

A detailed technical review of Unit 13 pressure parts (including the boiler) was reported in SSE's 'Unit 13 – 2013 Technical Review', dated December 2012. This was prepared to align with statutory requirements under PSSR 2000. The complete pressure parts system from boiler to steam turbine was covered by this report. Doosan Babcock reported on a remote visual inspection of the Unit 13 boiler in November 2015.

A later report by consulting engineers Atkins on Unit 14 was undertaken and reported in February 2016. This was in support of compliance with PSSR 2000.

The scope of the RTS includes inspection of all the pressure parts and their welding by non-destructive testing such as ultrasound. The scope will include the replacing of any damaged welds. The boiler inspections will be carried out according to established station procedures, and in accordance with statutory requirements set out in PSSR 2000 in respect of pressure systems.

The scope includes:

- Replacing banks of platen super heater tubes.
- Replacing any damaged tubes in the reheater section if the thickness is less than designed condition. The scope does not include replacing entire banks of reheaters.
- Replacing wall tubes around boiler nose section.
- Replacing furnace wall tubes.
- Windbox repair. Major changes to windboxes will be carried out during the conversion stage and the cost is added to the conversion scope.
- Replacement of valves.
- Inspections of draught air systems.

The above work is anticipated to bring the units to the condition that can achieve an extended operational life of up to 20 years. It does not include the conversion works necessary for the change in fuel type, which are included instead in the conversion scope.

The extension of the operating life by 20 years would impose over 130,000 additional operating hours (based on a 76% load factor). The existing boilers and pressure parts equipment have already been operational for around 180,000 hours since 1961, and have been subject to normal degradation from creep and thermo-mechanical fatigue processes inherent in pressure systems subject to stress cycles. It is noted in the Unit 14 Atkins report (dated 2016) that the Unit 14 boiler and pressure parts' residual creep life has been assessed in detail and typically reported in excess of a further 300,000 hours.

AECOM has confidence that the boiler and pressure systems are well understood by SUP and that the required maintenance and inspection activities have been captured in the RTS schedule and budget. However, during FEED a more thorough confirmatory exercise is needed to verify the RTS scope against findings in the 2012 and 2016 PSSR 2000 reports for Unit 13 and Unit 14 respectively.

### 3.9 Electrical, Control and Instrumentation

A high level desk based review of the EC&I systems for the RTS elements of the station and the repowering proposals set out in RJM's feasibility study was undertaken. It is recognised that more substantial details of the existing C&I systems will need to be examined during FEED.

RJM has confirmed that EC&I costs and scope are covered for the material handling and combustion conversion scopes. However these elements have not been specifically identified. In the documents there is no specific mention of integration of the new and refurbished plant into the existing distributed control system (DCS). It is understood that this will be addressed during FEED, and that an allowance has been made for budgetary purposes. The FEED scope will assess the new plant and conversion against current EU directives that may be

relevant as well as against required safety systems. Internet security and potential 'cyber-attacks' are not a concern for the site as the DCS is a standalone system and is not connected to any network (local or other).

In terms of integration of new and refurbished plant, the costs for upgrade to the existing control system have not been explicitly assessed and will need examination during FEED. For materials handling (storage / conveying), new programmable logic controllers (PLCs) would be used on a separate system (as on any coal fired power plant). This will be developed further during FEED.

It is confirmed that there are no existing layer of protection analysis (LOPA) or safety integrity level (SIL) calculations for the assessment of safety processes for the existing plant. There is a DSEAR report which RJM used as a basis for their initial assessment and this will be further reviewed during FEED stage when the fuel characteristics are better understood.

ABB have been approached for the boiler management system (BMS) and the costs for this are reflected in the budget presented. The existing BMS is still supported and can be upgraded to a higher SIL. RJM made an assumption on the number of input cards that would need to be upgraded and the cost of a processor upgrade. This will require further assessment during FEED to ensure that the FGD system changes can be integrated. IEC 61508 has been considered, but a full LOPA and hazard identification and operability study will be required and is costed as part of the FEED.

AECOM has also assumed that the following activities are undertaken during the FEED:

- Arc flash assessment of all existing and new switch boards.
- High and low voltage (HV and LV) revised system studies (including load flow, fault level, protection and coordination) taking into account the new and refurbished equipment.
- Harmonic assessment / study, which will be particular necessary if a number of the parasitic loads are to be changed out with variable frequency drives (VFDs).
- Switch board and protection design revised according to the results of the above.
- Partial discharge tests on HV cables should be considered as the plant has been in shutdown for some time.
- A revision of the existing LOPA, system safety documents, DCS hardware, I/O, software, mimics, data logging and alarm schedule should be considered, assuming the new plant will be integrated within the existing ABB BMS.

There is a large amount of data available on the power station EC&I systems and a full review has not taken place for this study. Additional and further investigation will be carried out during the FEED; however, at this time the information that AECOM has reviewed shows the EC&I systems have been considered and necessary modifications identified and priced to a level appropriate for the stage of design.

## 3.10 Civils and Building Engineering

### 3.10.1 Existing Building and Structures

The station comprises a conventional arrangement of a structural steel framed enclosed central boiler house (comprising Unit 13, Unit 14 and Unit 15) from ground level at 28' 0" above ordnance datum (AOD) to roof level at 180' 0" AOD (overall height 46m from ground level).

In the N-S longitudinal direction the main station building (all framed in structural steel with external masonry infill panels) is arranged in the following sequence starting from the fuel feed side on the south:

- Coal bunker bay – 49.5' (15.1m) in length, roof height 34.1m above ground.
- Boiler bay – 100' (30.5m) in length, roof height 46m above ground. Intermediate floors are galvanised open mesh panels supported on steelwork. Roof areas (apart from directly over the boilers) are precast reinforced concrete panels with waterproofing overlay.
- Tank bay – 38' (11.6m) in length, roof height 30.48m above ground.
- Turbine house – 124' (37.8m) clear span, roof height 28.0m above ground. Inside the turbine house is an electrical overhead travelling crane with a safe working load of 150 tons for maintaining the 3 x STG equipment sets.

Foundation details have not been provided but it is considered almost certain, based on the general geotechnical description for the site, that the station is supported on deep piled foundations to underlying mudstone rock.

### 3.10.2 Stack (130m height)

The description of the stack is predominantly based on an October 2012 report by Churchill Surveys.

The 130m high chimney is a freestanding self-supporting structure constructed from reinforced concrete and contains an independently built acid resistant brick lining. The structure comprises a single, common flue for exhaust gas emissions from all three original boiler lines. The concrete windshield is round in construction with vertical columns cast into the external profile; these run throughout the height of the exposed concrete windshield.

The upper 1.0m of chimney is constructed from an acid resistant brick built off a cast concrete ring at the terminating height of the concrete windshield. The square base section of the chimney is constructed from brick and concrete and houses the common flue entry from the boilers at 17.6m above ground level.

Access though the base section is via an internal access stairway which leads to the base of the main chimney barrel at the 28.6m level above ground. The chimney barrel has ¾" phosphor bronze laddering bosses installed throughout the full height of the main barrel of the chimney with the exception of the uppermost 1.0m where there are no fixings.

### 3.10.3 Geology and Ground Conditions

The geology of the area as indicated on geological survey maps and reported in ground investigations comprises 2 to 3m of made ground overlying 17 – 22m of alluvial silts and clays, with sands and gravels at depth. The bedrock consists of Mercia mudstones, siltstones and sandstones.

Assessment of ground contamination is not part of this report. However historical records have been provided with respect to location of areas containing buried asbestos.

### 3.10.4 Condition of Existing Buildings and Structures

Escorted by station staff and accompanied by RJM personnel the AECOM team attended the site on 30<sup>th</sup> November 2017 to view the existing buildings and structures, and major plant areas. The walkover included the main boiler house, the boiler support structures (where visible) the turbine hall, FGD area, and above the coal bunkers adjoining the boiler hall. External areas included the base of the 130m high chimney, under the FGD external ductwork, the coal fuel mills (under the boiler hall), and the cooling towers.

This was supplemented by a workshop discussion with SUP personnel at the station on the same date and a subsequent review of selected station records.

There were no obvious major structural defects noted with the exception of the 130m high chimney. This structure is known from internal and external inspections in 2007 and 2012 to require extensive remedial repair to the external concrete, which is cracking and spalling and exposing the rebar. Further internal repairs are needed to reinstate localised areas of the acid-resistant brick flue lining. These repairs are included in the RTS costs.

It was noted, although apparently not of major concern, that the flat concrete roof over the boiler hall perimeter requires water proofing remedial repairs. It was also noted that the roof over the STG for Unit 15 in the turbine hall is likely to require further inspection and potential repair – a warning notice at this location referred to a bulge in the roof. Budgets for roof repairs have been provided within SUP's RTS schedule and these numbers have been included in AECOM's cost plan. The roof repair costs were included in the RTS estimate by SUP in the sum of £391,719; the stack chimney had costs allocated at £459,596.

It is recommended that a full structural inspection is conducted of the main power station and turbine building during FEED, and this has been allowed for in the budget (£120k has been identified within the RTS for structural surveys).

### 3.11 Studies Carried Out to Date and Gap Analysis

Engineering considerations to return Uskmouth B to full operational condition have been centred on studies undertaken for firing coal fuel, biomass pellets, and the proposed new energy fuels (i.e. the RJM Feasibility Study, November 2017) in combination with extensive work carried out by SUP on the RTS elements and systems.

Engineering studies for repowering the power plant by RJM consist of (in chronological order):

Report Title	Comments
000414-TECH-013-0 RJM Combustion Audit Report.pdf, U13, 15/11/2016	Based on previous coal fuel, Unit 13 Boiler/Furnace
000414-TECH-014-0 Baseline Test Report Rev 0.pdf, Units 13 and 14, 30/03/2017	Based on previous coal fuel
000414-TECH-010-1 Project Definition Stage Executive Summary Rev 2.pdf, Biomass Conversion, 30/03/2017	Biomass fuel conversion – white pellet fuel, and advanced biofuels including steam exploded and torrefied materials, 10 year operational life
000414-TECH-011-0 Energy Pellet Project Summary Final.pdf, 10/11/2017	Unit 13, Unit 14 repowering study using energy pellets as the primary fuel and torrefied wood pellets as a secondary fuel. Target 20 year life extension

The most recent report by RJM considers various combinations of two new fuels: energy pellets as the primary fuel and torrefied wood pellets (up to 40% of total fuel input energy mix).

A complete record of planned and unplanned shutdowns (including causal mechanisms) has not been examined during this due diligence process, but this would be part of a more in-depth review to be undertaken during FEED to fully substantiate the scope of RTS works in particular. It is understood from discussions with station personnel that during the latter years of operation the plant has been frequently stopped and started as electricity market seasonal fluctuations have influenced commercial operations.

When last operational it has been established that the plant exhibited poor combustion control (air leakage, incomplete coal combustion, burner design etc.), and poor FGD system control. Both of these areas have been prioritised as part of the proposed repowering using the new energy pellet fuel. It is also expected that more consistent base load operation will be part of the repowering and it can be reasonably expected that fewer unplanned outages would result.

The engineering definition required for the proposed repowering is at a feasibility study stage which will be subject to further subsequent design development through FEED and detailed engineering design to fully define the required scope and further refine the associated capital and operating costs. As part of the current review it is evident that existing work undertaken by SUP on the RTS components/systems has been focussed on returning the station to operation using original or similar coal fuels. The change to new energy pellets with potentially other fuels will introduce modifications to this 57 year old thermal power station, but it is our view that most of these modifications and associated interface issues related to the fuel handling and combustion engineering are appropriately covered by the RJM studies and in our assessment of the budget and programme.

A significant feature of the studies undertaken to date is that they represent comparative studies to provide confidence that repowering of the units is feasible using new fuels proposed. It is noted that to date no specific combustion nor modelling of the proposed new fuels has been undertaken, but we understand this has now been commissioned by SUP as the first stage of the FEED process. We are also conscious that repowering on the scale proposed using the new energy pellet fuel has no specific reference examples or operational plants for benchmarking; however, we consider that the technical solutions proposed for the conversion (such as the burners, the emissions control, corrosion mitigation and the fuel handling) are all of a type which either have been demonstrated in other conversion or new-build projects, or which AECOM has confidence (subject to FEED) can be implemented successfully.

The recommended FEED studies noted in this chapter 3 are summarised as follows:

- Supply chain engagement for key RTS components including the STG system – RTS schedules based on 2011/2012 vendor/supplier information require updating.

- Supply chain and vendor engagement for conversion works – this is identified as a gap in the studies to date, though it is noted that RJM themselves are a supplier of burner systems such as those central to the conversion works and should be well placed to understand any supply chain constraints.
- DCS integration – studies to date do not specifically address how the re-powered engineering systems will be integrated with the existing DCS.
- Process safety – RJM has confirmed that there are no existing LOPA or SIL calculations for any part of the existing plant.
- Arc flash assessment of all existing and new switch boards.
- The costs for HV and LV revised system studies (including load flow, fault level, protection and coordination) taking into account the new and refurbished equipment.
- Harmonic assessment / study – this will be particular necessary if a number of the parasitic loads are to be changed out with VFDs.
- Switch board and protection design revised according to the results of the above.
- Partial discharge tests on HV cables should be considered as the plant has been in shutdown for some time.
- A revision of the existing LOPA, system safety documents, DCS hardware, I/O, software, mimics, data logging and alarm schedule should be considered, assuming the new plant will be integrated within the existing ABB BMS.
- Energy pellet milling trials – this is identified as a gap and has been included on the risk register, and identified as a key early FEED stage activity.
- Combustion studies on new energy pellet fuels – identified on risk register and to be addressed in FEED.
- CFD modelling of new fuels in existing furnace /boilers will be required. As above this is identified as a gap and has been included on the risk register, and identified as a key early FEED stage activity.
- More thorough assessment of the boiler pressure system and STG inspections and reporting to fully understand that all activities during RTS are captured.
- FGD system – further information is needed on the current control regime, basis of design and process system design parameters, as well as the balance of plant systems associated with the NID process to supplement the plant audit of the FGD system undertaken by RJM as part of their November 2017 report.
- Structural inspection and condition reports of major buildings and structures – particularly the boiler hall and boiler support structures, and turbine house.
- General – more details on the unplanned station outage history including causal mechanisms.
- Condition assessment of the 130m high chimney, which was last inspected visually in 2012.
- Oil burner system review (no details provided in RTS schedule).
- Ash disposal/offtake regimes to confirm that the ash output will not require specialist disposal.



## 4. ENVIRONMENTAL

This section provides commentary on the controls relating to atmospheric emissions under the Industrial Emissions Directive (IED). Controls relating to all other emissions from the plant are not discussed or assessed.

### 4.1 IED Requirements

The IED, which entered into force on 6 January 2011 and had to be transposed by EU member states by 7 January 2013, aims to reduce harmful industrial emissions by the application of BAT conclusions as drawn up and periodically refreshed by working groups. These BAT conclusions are included in BREFs for each type of industrial activity, and the IED required that the BAT conclusions are used as the reference for setting permit conditions for each plant. Additionally, the IED itself sets EU wide emission limits for certain pollutants from large combustion plants. The most recent BREF for large combustion plants was published in December 2017 and includes the BAT conclusions which were adopted by the European Commission on 31 July 2017.

The SUP plant (with other older power plants) is currently permitted a temporary derogation from compliance with the IED emissions limits under the Transitional National Plan (TNP). This sets an annual emissions ceiling for all plants covered by the TNP, and covers operations until June 2020. In parallel with this, all existing permits granted for large combustion plants must be amended to take account of the latest BAT conclusions within 4 years of publication (July 2021). As part of the permitting process for the conversion it is understood that SUP will apply for a variation to its existing combustion permit to allow for the use of the energy pellets as fuel. It is anticipated that the variation would include revised conditions to ensure compliance with the 2017 BAT conclusions, such that the converted plant is fully compliant on the planned entry into commercial operations in 2020.

The BAT conclusions cover two types of solid fuel: coal/lignite and biomass/peat. It is not yet known how the emission limits will be transposed into conditions for the energy pellet, and RJM has assumed it will be necessary to show compliance with the more stringent criteria for each pollutant. Further, RJM has assessed the criteria which apply to the co-incineration of waste under the same BAT which are expected to apply unless and until the energy pellet is classified as non-waste. This expectation is based on separate advice prepared for SUP and AECOM has not verified this position.

Table 4-1 summarises the emission limits specified in the 2017 BAT conclusions for biomass/peat and for coal/lignite, and for co-incineration of waste and biomass (which per advice referenced above is expected to be the relevant case for the energy pellets unless and until they are classified as end-of-waste).

Table 4-1 BREF 2017 emission limits

Emission	Unit	Biomass/ Peat	Coal / Lignite (>300MWth)	Co-incineration with biomass
<b>NO<sub>x</sub></b>	mg/Nm <sup>3</sup>	150	150	150
<b>CO</b>	mg/Nm <sup>3</sup>	80	100	80
<b>SO<sub>x</sub></b>	mg/Nm <sup>3</sup>	50	130	50
<b>HCl</b>	mg/Nm <sup>3</sup>	5	5	5
<b>HF</b>	mg/Nm <sup>3</sup>	1	3	1
<b>Dust</b>	mg/Nm <sup>3</sup>	10	11	10
<b>Hg</b>	µg/Nm <sup>3</sup>	5	7	5
<b>Volatile organic compounds</b>	mg/Nm <sup>3</sup>	-	-	5
<b>Sb + As + Pb + Cr+ Co + Cu + Mn + Ni + V</b>	mg/Nm <sup>3</sup>	-	-	0.3
<b>Furans and dioxins</b>	ng I-TEQ/Nm <sup>3</sup>	-	-	0.03

Establishing Best Available Technique (BAT) Conclusion, Under Directive 2010/75/EU of the European Parliament and of the Council, for Large Combustion Plant, Commission Implementing Decision (EU) 2017/1442, July 2017. Parameters provided by others and not verified by AECOM

The 2017 BATs for different pollutants can be summarised as follows:

- NO<sub>x</sub>: Combustion optimisation, staging (air, fuel), low NO<sub>x</sub> burners, SNCR and selective catalytic reduction (SCR).
- SO<sub>x</sub>, HCl and HF: Boiler sorbent injections, duct sorbent injection, spray dry absorber, wet scrubbing and flue gas desulphurisation.

- Dust and Hg: Electrostatic precipitator, bag filter, boiler sorbent injection and flue gas desulphurisation. Specific techniques for Hg are injection carbo sorbent and halogenated additives.

The existing plant include low NO<sub>x</sub> burners and air staging to control NO<sub>x</sub> emission but these do not and will not meet BREF emission levels. During conversion, a new low NO<sub>x</sub> firing system will be installed to burn energy pellets. Modification and extension of the air staging will be carried out to control NO<sub>x</sub> and CO generation. It is anticipated that in combination with a SNCR this will bring the emissions within the BREF limits. This needs confirmation during FEED. The station currently has an SNCR system which will be assessed as part of the FEED to determine if some or all of it can be utilised.

Reducing NO<sub>x</sub> by air staging will increase CO emission. The CO emission can be reduced by better mixing of air and flue gas before the flue gas temperature drops below 900°C. This is done by energising the over-fire air system to penetrate the furnace and mix efficiently with the flue gas. These measures will bring the plant CO emission within the limits. This needs confirmation during FEED.

The plant is equipped with the NID system (combined FGD and bag filters) to control SO<sub>x</sub>. The NID can be used to control HCl and HF. Quick limes injected in the FGD will control SO<sub>x</sub>, HCl and HF. The existing FGD is designed to control SO<sub>x</sub> within limits required by BREF while firing high sulphur coal. The new fuel has lower sulphur content than coal and with FGD operation it is predicted that the plant will comply with SO<sub>x</sub>, HCl and HF BREF limits. This needs confirmation during FEED.

The existing bag filter can control dust and Hg emission generated when firing energy pellets. Dust emission can be controlled within BREF limits by installing additional bag filters. Hg can be controlled by injecting activated carbon downstream of the boiler. AECOM will confirm during FEED confirm whether additional bag filters and activated carbon are required to comply with BREF limits.

The budgeted costs for the repowering and RTS works include the measures described above which are considered necessary for compliant emissions control.

## 5. RISK, SCHEDULE AND COST

### 5.1 Risk Process and Mitigation

A review of risks related to conversion and return to service of Uskmouth Power Station has been undertaken as part of the due diligence review.

The review commenced with an analysis of the previous risk register that formed part of RJM's feasibility study. The review team also re-evaluated the risk impact matrix to ensure consistency when analysing the risks for its pre and post-mitigation scores. Risks were then studied and analysed in workshops incorporating discussions with the SUP operations team. The current register holds a total of 50 active risks categorised as shown in Table 5-1. The assessment of risks has been undertaken using the matrix shown in Table 5-2 where the rating for each risk is evaluated according to its scores for probability (1-5) and impact (A-E), resulting in a numeric value between 1 and 25 with 1 representing the lowest classification and 25 the highest. Values between 1 and 8 are categorised as green risks, from 9 to 15 are amber and 16 or more are classed as red risks.

Table 5-3, shows the illustrative bands for the scoring of the impact of each risk from A to E.

Risks are evaluated in their initial state (pre-mitigation) and again following implementation of appropriate mitigating measures (post-mitigation). The mitigating measures which result in the reduction of the risks are included in the assessment of the budget and programme. Residual risks have then been assessed for their time impact to derive costs based on operational costs during current 'moth-balled operations', 'ramp-up' stage or full operations and loss of revenue.

Risks are categorised into four areas, "Techno/Commercial", "Life Extension", "Health & Safety" and "Programme", and have been identified against the key objective of energy conversion of the plant and a planned 20 year operational life.

**Table 5-1 Summary of risks by ranking**

Post Mitigation – Number of Risks	
<b>Red</b>	2
<b>Amber</b>	31
<b>Green</b>	17
<b>TOTAL</b>	<b>50</b>

**Table 5-2 Risk scoring matrix**

Impact	Catastrophic	E	11	16	20	23	25
	Critical	D	7	13	18	22	24
	Marginal	C	4	9	15	19	21
	Minor	B	2	5	10	14	17
	Negligible	A	1	3	6	8	12
Probability			1	2	3	4	5
			Remote	Unlikely	Possible	Probable	Near Certain
			<10%	10% - 25%	26% - 60%	61% - 75%	>75%

Impact score	Impact description
<b>E</b>	≥ £5 million cost impact ≥ 3 month delay
<b>D</b>	≤ £5 million cost impact ≤ 3 months delay
<b>C</b>	≤ £1 million cost impact ≤ 1 month delay
<b>B</b>	≤ £0.5 million cost impact ≤ 2 weeks delay
<b>A</b>	≤ £0.25 million cost impact ≤ 1 week delay

Table 5-3 Risk impact scoring

## 5.2 Techno / Commercial Risks

At the outset of the due diligence process it was identified that the majority of the high priority risks in the Techno/Commercial category were around the unknown characteristics of the new fuel and how it could be made viable for this project. A mitigation planning exercise has moved most of the high risks from the red zone to amber or green reflective of the mitigations proposed. Only two risks as shown below in Table 5-4 Table 5-4 Residual high risks in the Techno/Commercial category

, remain classed high as the mitigation is contingent on the outcome of further tests and studies during FEED.

Table 5-4 Residual high risks in the Techno/Commercial category

Description	Risk Response	Score
Lack of knowledge with respect to the grinding requirements of this new fuel leading to uncertainty over the combustion milling requirements. This could cause delays during the design phase to identify the correct solution.	Milling trials are required early in the FEED stage to confirm the mill requirements.	18
The new fuel has not been tested for its combustion characteristics and is not fully understood. There is a risk of poor combustion with this new fuel, leading to loss of generation and revenues.	Combustion trials are required early in the FEED stage to confirm the firing system design.	18

## 5.3 Return to Service / Life Extension Risks

For the 22 risks in the *Return to Service* category, the team undertook a secondary analysis and classification of risks. This is because the risks relate to the existing condition of plant and machinery that is critical to return the station to service. The classifications for these risks are shown below:

**Class 1 – Critical** – Failure leading to loss of generation on a regular basis. These risks should be addressed as part of RTS.

**Class 2 – Serious** – Plant is difficult to access or has unique components, where failure could lead to prolonged loss of generation. Consider mitigation during RTS.

**Class 3 – Routine** – Can be managed as part of operational plans, routine maintenance.

Of the 22 risks in the Life Extension category, 13 risks were identified as Class 1, six as Class 2 and three as Class 3. The analysis has successfully identified the priority areas to be addressed in the RTS scope such that the scope can mitigate or eliminate these risks, resulting in minimal residual risk.

## 5.4 Residual Risks Budget

Based on the recommendations of the AACEi Cost Estimate Classification System, an assessment of the “Maturity Level of Project Definition Deliverables” would indicate an expected cost accuracy of between -15% to +30% (this is given as a range: low, of between -10% to -20%; and high, of between +10% to +30%).

Separately, for an estimate representing this degree of project maturity, a risk allowance of +20% to +40% would be appropriate. The risk workshop also determined a similar range (+20% to +32%) for the unmitigated risk evaluation, following a Monte Carlo type empirical simulation, which makes allowance for the fact that not all risks are likely to be realised and that the range of risk outcomes follows a probabilistic distribution.

With the project risks identified and valued in terms of cost and time, it would be reasonable to conclude that FEED would be conducted with the aim of eliminating or reducing the risk impacts (by mitigation) to acceptable levels, through engineering choices and specifications. Whilst it is acknowledged that design and construction methodology will never eliminate all risks, the mitigated residual risks should be reduced in impact and severity to a safe and manageable level.

The risk workshop also considered the potential outcome of the FEED engineering and construction decision for the proposed mitigation measures for the identified risks. In applying revised factors for impact and/or likelihood of each risk the re-modelling of the mitigated risk impacts indicated that the equivalent risk allowance range for post-mitigated risks would be between +7% to +11%, which aligns well to ranges normally expected for the end of FEED. An allowance of +25% has been made in the capital costs budget, which also includes the costs of the identified mitigating measures.

## 5.5 Schedule

The overall schedule has been reviewed on the basis of achieving a COD at the earliest time.

We understand that the end of the due diligence review period would allow for the full appointment of FEED stage activities. The early stage critical path is therefore to formulate the contracting strategy and undertake commercial negotiations with the supply chain for FEED in order to ease pressure on the later stages of the programme.

The duration for FEED is likely to be approximately eight to ten months and it is therefore suggested to appoint the FEED team early. The duration for FEED will also include further site investigations, physical trials on fuel and combustion, combustion modelling, engineering design, process safety, buildability studies, permitting and town planning consents. Permitting activities will commence early in the FEED process and they will be programmed in tandem after completion of the physical trials. This will ensure that our proposed design complies with the latest environmental legislation and the converted facility emissions are within the permitted thresholds. We have also identified in the programme the issue of the section 61 notifications. Failure to meet this requirement would mean the plant could be assessed under the new plant regulations causing increase in cost and time to meet revised emission limits. During FEED a number of variations to the environmental permit will be applied for which will assist in mitigating this risk.

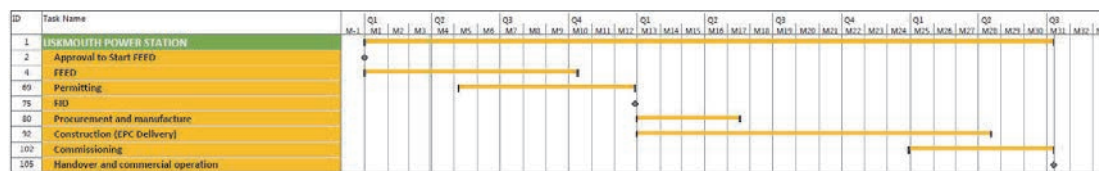


Figure 5-1 Indicative programme

Plans for procurement, asbestos removal and enabling works should be undertaken as soon as is practicable to allow purchase of long-lead items as well as provide clear access for construction activities. A number of work fronts will be scheduled in parallel to optimise the delivery of the programme. We anticipate that construction works on site will be in the order of 18 months. Commissioning activities will commence as soon as installation of the equipment has taken place and made safe with commissioning teams carrying out tests on mechanical and

electrical equipment. Cold and hot commissioning of equipment will follow as soon as all electrical equipment has been energised to provide a stable power supply. The duration for these works will be approximately seven months. A two-month training session of operators will take place as soon as the plant is ready to operate. A more detailed programme is included in Appendix 3.

We have challenged the delivery and time constraints of this programme through robust peer reviews of its logic, and uncertainty throughout the programme durations. This has been followed by undertaking uncertainty analysis of risks identified to derive a contingency allowance of one month to be included in the baseline programme. Further time impact of any risks will add to this overall timeline. Commercial operation is expected to start approximately 18 months after commencement of the EPC contract.

## 5.6 Cost

### 5.6.1 Base Cost Information at Due Diligence Initiation

On commencement of the due diligence process, AECOM was provided with SUP's breakdown of the RTS costs and RJM's feasibility study of November 2017 (including costings). Additional information was obtained through a visit to the power station and further engagement with RJM regarding the supporting information for the feasibility study.

### 5.6.2 Baseline Cost Estimate Process Applied

The estimate was reviewed against the parameters laid out in the ACEi Recommended Practice 18R-97: Cost Estimate Classification System - As Applied in Engineering, Procurement and Construction for the Process Industries. It is an internationally recommended practice guide and indicates a probable level of accuracy of an accompanying cost estimate based on qualitative non-cost project definitions.

The qualitative assessment of project definition was elementally observed as highlighted in yellow in Table 5-5.

**Table 5-5 Extract from Recommended Practice for estimate classification**

18R-97: Cost Estimate Classification System - As Applied in Engineering, Procurement, And Construction for the Process Industries					
ESTIMATE CLASSIFICATION					
November 29, 2011					
MATURITY LEVEL OF PROJECT DEFINITION DELIVERABLES	Class 5	Class 4	Class 3	Class 2	Class 1
	0% to 2%	1% to 15%	10% to 40%	30% to 75%	65% to 100%
<b>General Project Data:</b>					
Project General Scope Description	General	Preliminary	Defined	Defined	Defined
Plant Production / Facility Capacity	Assumed	Preliminary	Defined	Defined	Defined
Plant Location	General	Approximate	Specific	Specific	Specific
Soils & Hydrology	None	Preliminary	Defined	Defined	Defined
Integrated Project Plan	None	Preliminary	Defined	Defined	Defined
Master Project Schedule	None	Preliminary	Defined	Defined	Defined
Escalation Schedule	None	Preliminary	Defined	Defined	Defined
Work Breakdown Schedule	None	Preliminary	Defined	Defined	Defined
Project Code of Accounts	None	Preliminary	Defined	Defined	Defined
Contracting Strategy	Assumed	Assumed	Preliminary	Defined	Defined
<b>Engineering Deliverables:</b>					
Block Flow Diagrams	S/P	P/C	C	C	C
Plot Plans		S/P	C	C	C
Process Flow diagrams (PFDs)		P/C	C	C	C
Utility Flow Diagrams (UFDs)		S/P	C	C	C
Piping & Instrument Diagrams (P&IDs)		S/P	C	C	C
Heat & Material Balances		S/P	C	C	C
Process Equipment List		S/P	C	C	C
Utility Equipment List		S/P	C	C	C
Electrical One-Line Drawings		S/P	C	C	C
Specifications and Datasheets		S	P/C	C	C
General Equipment Arrangement Drawings		S	C	C	C
Spare Parts Listings			P	P	C
Mechanical Discipline Drawings			S/P	P/C	C
Electrical Discipline Drawings			S/P	P/C	C
Instrumentation/Control System Discipline Drawings			S/P	P/C	C
Civil / Structural / Site Discipline Drawings			S/P	P/C	C
<p><b>Table 3</b> maps the extent and maturity of estimate input information (deliverables) against the five estimate classification levels. This is a checklist of basic deliverables found in common practice in the building and general construction industries. The maturity level is an approximation of the completion status of the deliverable. The degree of completion is indicated by the following letters:</p> <p><b>None (blank):</b> Development of the deliverable has not begun.</p> <p><b>Started (S):</b> Work on the deliverable has begun. Development is typically limited to sketches, rough outlines, markup of existing drawings, assumed engineering/design data, or similar levels of early completion.</p> <p><b>Preliminary (P):</b> Work on the deliverable is advanced. Interim, cross-functional reviews have usually been conducted. Development may be near completion except for final reviews and approvals.</p> <p><b>Complete (C):</b> The deliverable has been reviewed and approved as appropriate.</p>					

It can be seen that the project exhibits a range of maturity levels which is helpful in defining the current project classification but also where focus needs to be applied in the next stage.

Using the output from the qualitative assessment the estimate classification is then used to determine the baseline estimate the accuracy range using the ACEi guidance accuracy predications shown in Table 5-6.

**Table 5-6 ACEi guidance for accuracy of estimates**

Class	Estimate Accuracy Range		Engineering Definition
1	-3% to -10%	+3% to +15%	65% to 100%
2	-5% to -15%	+5% to +20%	30% to 75%
3	-10% to -20%	+10% to +30%	10% to 40%
4	-15% to -30%	+20% to +50%	1% to 15%
5	-20% to -50%	+30% to +100%	0% to 2%

Reviewing the accuracy predictions against the current maturity of design definition it is considered that the project currently aligned to a Class 3/4 estimate, which in this instance AECOM consider to be equivalent to an accuracy range of -10% to +30% for the cost estimate.

### 5.6.3 Estimate Alignment to Due Diligence Evaluation

Having derived the baseline estimate accuracy using ACEi methodology the next step is to undertake a more elemental approach to estimate predictions using a range of sensitivity analysis, risk based analysis and benchmarking tools and information.

The base estimates and data were originally created using different methodologies which required breaking them down to the lowest level achievable with the available information. Assumptions were applied based upon industry benchmarks and norms to re-assemble a cost estimate based on an EPC packaging methodology with appropriate allowances for project delivery elements. This means that the EPC delivery premium is built into the cost estimate scope elements.



Figure 5-2 Cost summary with accuracy ranges

<b>Uskmouth Power Station: Cost Plan Summary</b>					
<b>FEED</b>					5,100,000
<b>Enabling Works</b>					
	Civils	Bunker Building			1,525,608
	Buildings	Screen House			2,372,298
	Process	Reclaim Conveyor			296,537
					-
	Asbestos Remove	Provisional Sum Allowance			6,000,000
					-
<b>Return to Service</b>					
	Common Areas				3,451,110
	Unit 13				14,839,627
	Unit 14				13,141,569
					-
<b>Conversion Works</b>					
	Common Areas				7,509,562
					-
		Process: Fuel Offloading and Handling			20,474,791
					-
	Unit U13	Process: Boiler and Combustion System			38,156,024
					-
		Process: Flue Gas Treatment			3,558,446
					-
	Unit U14	Process: Boiler and Combustion System			27,911,081
					-
		Process: Flue Gas Treatment			3,558,446
					-
				<b>Estimated Project Cost</b>	<b>£ 147,895,100</b>
	20%	General Project Risk	For Scope items not costed		29,579,020
					80% of Risk Contingency
	5%	@ c£6m Post-Mitigated Identified Risks are within this budget			7,394,755
					20% of Risk Contingency
				<b>Expected Outturn Cost</b>	<b>£ 184,868,875</b>
<b>Estimated Accuracy Ranges on Expected Outturn Cost</b>					
	-10%	Lower Bound	Approximates to P <sub>10</sub>		166,381,987
	30%	Upper Bound	Approximates to P <sub>90</sub>		240,329,537

As described above, the estimate was originally developed with differing methodologies and not to a recognised industry standard, but through AECOM's due diligence we have confirmed the estimate using the AACEi methodology to produce a robust estimate with a defined range of accuracy. The estimate will be developed and refined during FEED when a bottom up cost estimate will be derived using consistent methodology. The FEED estimating process will include:

- Application of a common methodology and work breakdown structure.
- Equipment level baseline to be developed to support an improved packaging strategy.
- Increase in market tested data.

# 6. CONSTRUCTABILITY

## 6.1 Constructability Review

AECOM carried out a constructability review of the proposed works on the Uskmouth power station. The review took the form of a site visit including inspection and discussion with both RJM and SUP. From the visit we have concluded that a number of credible scenarios are available and the overall constructability of the conversion (from a time and cost perspective) is not considered a significant risk. However, there are a number of areas which need further planning during the FEED stage of the project to establish the most efficient and suitable way of proceeding with the construction works.

The largest potential issue is the removal of the bunkering conveyors and the installation of pencil silos. The area is quite large and will easily take the equipment but access and egress to the area is limited. The general consensus of the site team is that a wall would have to be removed to facilitate the removal of the existing bunkering conveyors and subsequent installation of the pencil silos and new material handling equipment.

Laydown and storage areas are not an issue on the site as there is plenty of open space which can be used for the storage of materials during the construction. The areas are currently laid to lawn but hard standing could be laid if required and removed at the end of the project. Areas have been identified and are shown in Appendix 5. Prior to the use of these areas investigations will need to be undertaken to identify any services that may be buried. Track ways and temporary hardstanding can be created as and when required.

There are train lines that run through the site which historically provided fuel in the form of coal for the plant. These are no longer used but are still in a serviceable condition and could be used for the delivery of any large or heavy items via the rail network. Additionally there is a quay located to the northwest of the site that could again be used for the delivery of large or heavy items; however, further investigation would be required during the FEED stage to establish if any dredging or regulatory approvals would be required prior to use.

The site has a semi-permanent contractors' accommodation village set up on the west side of the station. This village is made up of 52 container type cabins, which contain all required services and furniture. The cabins are located close to the site stores and workshop complex.

There is a large parking area which is to the north of the site within walking distance of the contractors' cabins. If parking were to become an issue there is additional space that could be converted to temporary parking during peak working times.

A preliminary site and logistics layout has been included in the appendix to demonstrate the ability of the layout to support a number of construction sequences to be defined during FEED and later EPC delivery. We note that land not required for the power station operations is intended to be leased to a SIMEC group company and will be used for construction of one of the fuel processing facilities. This may have an impact on available laydown areas.

## 6.2 Construction (Design and Management) Regulations 2015

Feasibility level studies and due diligence work sit outside of the remit of the Construction (Design and Management) Regulations 2015; however, during the FEED period SUP are required to formally appoint a Principal Designer to comply with these regulations. Citing an abbreviated extract from the HSE guidance, a Principal Designer is a designer who is an organisation appointed by the client to take control of the pre-construction phase of any project involving more than one contractor. Principal Designers have an important role in influencing how risks to health and safety are managed throughout a project. Design decisions made during the pre-construction phase have a significant influence in ensuring the project is delivered in a way that secures the health and safety of everyone affected by the work.

Key duties of the Principal Designer include:

- Advising the client of their duties under the regulations.
- Planning, managing, monitoring and coordinating health and safety in the pre-construction phase. In doing so they must take account of relevant information (such as an existing health and safety file) that might affect design work carried out both before and after the construction phase has started.
- Helping and advising the client in bringing together pre-construction information, and providing the information designers and contractors need to carry out their duties under the regulations. This will

include the information required by the Principal Contractor in order for him to develop the construction phase plan before work commences on site.

- Working with designers under the regulations on the project, to eliminate foreseeable health and safety risks to anyone affected by the work and, where that is not possible, taking steps to reduce or control those risks.
- Ensuring that everyone involved in the pre-construction phase communicates and cooperates, coordinating their work wherever required.
- Liaising with the Principal Contractor when appointed, keeping them informed of any risks that need to be controlled during the construction phase.

The organisation leading the FEED studies would normally undertake the activities of Principal Designer for the client.

# 7. APPENDICES

## 7.1 Appendix 1 Reference Information

### Schedule of Reference Information

The following schedule is a complete list of information requested and made available by SUP for review as part of this DD report. It is recognised that not all information requested has been provided, however it is understood from conversations with station personnel that more complete station records exist in hard copy and soft copy format, for further in-depth study should this be required after this pre-FEED DD exercise is completed.

Description	Source	Required	Date Received	Format
Site plan indicating location of asbestos dumps	SIMEC		December 2018	PDF plan
Description of exposed fly ash storage area environmental monitoring and control (as issued to NRW)	SIMEC	Required		Required as background information for completeness
Cooling Water System - evidence of statutory compliance, chemical dosing for evaporative coolers	SIMEC	Required		Required as background information for completeness (discussed at SV 30.11.17)
Turbine Hall Crane (150 ton SWL)- evidence of statutory inspections and certification	SIMEC	Required		Required as background information for completeness. Discussed with SIMEC at SV, 30.11.7- BES reports available
Unit 15- asset list (available for spares to mitigate Unit 13/Unit 14 RTS works)	SIMEC		6.12.17	pdf. Full equipment list for Unit 13, 14 and 15
Auxiliary / Parasitic Load Schedule (Motor list provided)	SIMEC		5.12.17	xls
Station Risk Register (as discussed 30.11.17)	SIMEC		discussed 4.12.17	Understood that the station RR is a substantial hard copy document and that SIMEC have already assessed and captured main risks in the current risk register already provided through RJM.
Station GA Drawings- Long Section, Cross Sections (discussed 30.11.17)	SIMEC		5,12,17	PDF
Station - High Level Control philosophy (discussed 30.11.17)	SIMEC		5.12.17	DCS Schematic provided
Notes of Meeting- Unit 13 -2015 Turbine RTS Outage Work scope- SIMEC + R Martin (Consultants) - date 9/10/2015	SIMEC		30.11.17	hard copy

Description	Source	Required	Date Received	Format
SSE TR-GEN-AM-USKM-004-001, 8.3.2011, Unit 13 Steam Turbine Asset Life Assessment	SIMEC		30.11.17	hard copy
SSE TR-GEN-AM-USKM-004-002, 10.2.2010, Unit 14 Steam Turbine Asset Life Assessment	SIMEC		30.11.17	hard copy
STG Asset Condition reports (basis of RTS schedule and costs)- "Richard Martin" reports	SIMEC	SEE ABOVE	30.11.17	30.11.17 (Hard copy- TR-GEN-AM-USKM-004-001, Unit 13 ST Asset Life Assessment, dated 8.3.2011)
SSE Asset Condition/Inspection 'Matrix' (as discussed 30.11.17)	SIMEC		1.12.17	PDF
Comprehensive List of Inspection & survey reports which underpin the RTS schedules:	SIMEC	Required		Not complete. List of reference reports, PDF
building structures-				List only
e.g. main power building, FGD supports, etc.				List only
Stack (External)-2012			1.12.17	PDF
Stack (Internal) -2007			5.12.17	PDF (report without DVD or images)
conveyor supports			1.12.17	PDF
Major M&E equipment				List only
Electrical equipment- transformers				
Transformer Fault Gas analysis (27 off fault gas reports-see list below)			1.12.17	PDF
Ground Investigation reports			5.12.17	PDF-specification for GI fieldwork dated 2011
Unit 13, Unit 14, Unit 15 Schedule of Operational Hours, Hot starts, years 1961 to 2017	SIMEC		30.11.17 (Hard copy), 1.12.17 (soft copy)	xls
Station PFD set (16 sheets)				
STATION PFD SCHEMATIC – PROCESS OVERVIEW (Sheet 1 of 16)	SIMEC		29.11.17	PDF
STATION PFD SCHEMATIC – COMBUSTION & STEAM OVERVIEW (Sheet 2 of 16)	SIMEC		29.11.17	PDF
STATION PFD SCHEMATIC – Solid Fuel Process - Coal (Sheet 3 of 16)	SIMEC		29.11.17	PDF
STATION PFD SCHEMATIC – Fuel Oil Process -(Sheet 4 of 16)	SIMEC		29.11.17	PDF
STATION PFD SCHEMATIC –Domestic Towns Water (Sheet 5 of 16)	SIMEC		29.11.17	PDF
STATION PFD SCHEMATIC – Towns Water	SIMEC		29.11.17	PDF

Description	Source	Required	Date Received	Format
(Sheet 6 of 16)				
STATION PFD SCHEMATIC – Cooling Towers (Sheet 7 of 16)	SIMEC		29.11.17	PDF
STATION PFD SCHEMATIC – Lime Process (Sheet 8 of 16)	SIMEC		29.11.17	PDF
STATION PFD SCHEMATIC – Station Drainage System (Sheet 9 of 16)	SIMEC		29.11.17	PDF
STATION PFD SCHEMATIC – Steam Process (Sheet 10 of 16)	SIMEC		29.11.17	PDF
STATION PFD SCHEMATIC – Combustion Process (Sheet 11 of 16)	SIMEC		29.11.17	PDF
STATION PFD SCHEMATIC – Demineralised Water Production Process (Contract) (Sheet 12 of 16)	SIMEC		29.11.17	PDF
STATION PFD SCHEMATIC - Auxiliary Cooling Water (ACW) (Sheet 13 of 16)	SIMEC		29.11.17	PDF
STATION PFD SCHEMATIC –Turbine Lubrication and Hydraulic, configurations (Sheet 14 of 16)	SIMEC		29.11.17	PDF
STATION PFD SCHEMATIC – Electrical Generation and Distribution (Sheet 15 of 16)	SIMEC		29.11.17	PDF
STATION PFD SCHEMATIC – Alternator Cooling and Hydrogen sealing Systems (Sheet 16 of 16)	SIMEC		29.11.17	PDF
RTS Schedules	SIMEC		27.11.17	Native. Xlsx
Unit 14 Technical Review (Boiler and Steam Pipework- PSSR2000), Atkins 5146287-001-RPT-001, Feb2016	SIMEC		1.12.17	PDF
Motor list (Unit 13,14,15)	SIMEC		1.12.17	xls
Transformer List 2	SIMEC		1.12.17	xls
SSE Bunkers & Silos - Asset Life Assessment-Reclaim Hopper (Coal Plant)-TR-GEN-AM-USKM-006-020, July 2010	SIMEC		1.12.17	PDF
SSE- Unit 13 Generator Transformer Asset Life Assessment- TR-GEN-AM-USKM-007-004, April 2011	SIMEC		1.12.17	PDF
SSE- Unit 14 Generator Transformer Asset Life Assessment- TR-GEN-AM-USKM-007-005, April 2011	SIMEC		1.12.17	PDF
SSE Uskmouth Unit 13 Generator Asset Life Assessment- TR-GEN-AM-USKM-007-001, June 2010	SIMEC		1.12.17	PDF
SSE Uskmouth Unit 14 Generator Asset Life Assessment- TR-GEN-AM-USKM-007-002, June 2010	SIMEC		1.12.17	PDF
Churchill- 130m BRICK LINED REINFORCED CONCRETE CHIMNEY REPORT- Oct 2012	SIMEC		1.12.17	PDF
SSE- Conveyors Asset Life Assessment TR-GEN-AM-USKM-006-015, June2010	SIMEC		1.12.17	PDF
Turbine Matrix 2017	SIMEC		1.12.17	XLS
Copy of Turbine Matrix 2017	SIMEC		1.12.17	XLS

Description	Source	Required	Date Received	Format
Turbine Matrix	SIMEC		1.12.17	XLS
Unit 13 Revised Worksopce.doc, Unit 13 TURBINE OVERHAUL 2015, Works Information (ITT)	SIMEC		1.12.17	Word/Doc
Uskmouth Unit 13 Turbine 160216.pdf (ST detailed Maintenance/ RT Schedule-M12-2015)	SIMEC		1.12.17	PDF
Uskmouth Unit 14 Turbine 160216.pdf (ST detailed Maintenance/ RT Schedule-M12-2015)	SIMEC		1.12.17	PDF
Usk Station Aux Tx13- Transformer Fault Gas Analysis (Fundamentals), 2016/11	SIMEC		1.12.17	PDF
Usk Station Aux Tx14- Transformer Fault Gas Analysis (Fundamentals), 2016/11	SIMEC		1.12.17	PDF
Usk Coal Ash Tx 1- Transformer Fault Gas Analysis, 2016/11	SIMEC		1.12.17	PDF
Usk Coal Ash Tx 2- Transformer Fault Gas Analysis, 2016/11	SIMEC		1.12.17	PDF
Usk Common Aux Tx 1- Transformer Fault Gas Analysis, 2016/11	SIMEC		1.12.17	PDF
Usk Common Aux Tx 2- Transformer Fault Gas Analysis, 2016/11	SIMEC		1.12.17	PDF
Usk Gen Tx 13- Transformer Fault Gas Analysis, 2016/11	SIMEC		1.12.17	PDF
Usk Gen Tx 14- Transformer Fault Gas Analysis, 2016/11	SIMEC		1.12.17	PDF
Usk Lighting Tx 1 Transformer Fault Gas Analysis, 2016/11	SIMEC		1.12.17	PDF
Usk Lighting Tx 2 Transformer Fault Gas Analysis, 2016/11	SIMEC		1.12.17	PDF
Usk Reactor 14 Transformer Fault Gas Analysis, 2016/11	SIMEC		1.12.17	PDF
Usk 1B Station Tx Transformer Fault Gas Analysis, 2016/11	SIMEC		1.12.17	PDF
Transformer Fault Gas Analysis, 2016/11 x 15 no additional Tx	SIMEC		1.12.17	PDF
Annual Running hours CEGB-USKMOUTH POWER.xls	SIMEC		1.12.17	xls
Unit 13 - Level 1 Outage Plan 2015 (mpp programme)	SIMEC		1.12.17	PDF
Boiler 13 Component Remote Visual Inspection Review, Doosan Babcock Report- 27th November 2015 (Unit 13 2015 Uskmouth RVI Review FINAL.pdf)	SIMEC		6.12.17	PDF

Schedule of RJM International Reports

March 2018

AECOM | Atlantis Resources



The following reports and background reference studies have been used in this DD review:

Title	Source	Date Received	Format	Comments	CLIENT
000414-TECH-013-0 RJM Combustion Audit Report.pdf, Unit 13, 15/11/2016	RJM	7.12.17	PDF	Based on previous coal fuel, Unit 13	SIMEC
000414-TECH-014-0 Baseline Test Report Rev 0.pdf, Units 13 and 14, 30/03/2017	RJM	7.12.17	PDF	Based on previous coal fuel	SIMEC
000414-TECH-008-0 Project Risk Register.xls	RJM	29.11.17	XLS	AECOM understands that this Includes high level items identified in SIMEC's station Risk Register for RTS items, as well as re-powering with new fuels.	SIMEC
000414-DOC-009 Project Implementation Schedule.mpp	RJM	29.11.17	MPP	Delivery schedule for re-powering extracted from RJM Feasibility study report, November 2017	SIMEC
000414-PPT-006-0 Presentation to AECOM 27-9-17 as shared.pdf	RJM	28.11.17	PDF	PPT presentation of RJM credentials and summary of re-powering feasibility studies	SIMEC
000414-TECH-010-1 Project Definition Stage Executive Summary Rev 2.pdf, Biomass Conversion, 30/03/2017	RJM	28.11.17	PDF	Biomass fuel conversion- White pellet fuel, and Advanced biofuels including steam exploded and torrefied materials, 10 year operational life	SIMEC
000414-TECH-011-0 Energy Pellet Project Summary Final.pdf, 10/11/2017	RJM	28.11.17	PDF	Unit 13, Unit 14 re-powering study using Energy Pellets (Sub coal) primary fuel, Namibian torrefied wood pellets (secondary fuel). Target 20 year life extension.	SIMEC
<b>RJM Reference Projects</b>					
AES Maritza Case History_080115 Rev B US.PDF	RJM	8.12.17	PDF	Bulgaria - Low NOX Burners, lignite coal, January 2011 to January 2012	AES Maritza
RJM's Low NOx project at Ferry bridge - Paper.pdf	RJM	8.12.17	PDF	UK - Low NOX Burners, coal, 2012	SSE
Track Session John Goldring - RJM PowerGen Paper R1.pdf	RJM	8.12.17	PDF	UK Rugeley- Low Nox Burner Retrofit, coal fuel	Engie


## 7.2 Appendix 2 Risk Register

Uskmouth - Energy Pellet Conversion Project		AECOM							
Pre-FEED Technical Due Diligence Project Team Risk Register - Summarised version for admission document		Residual Rating							
REVISION 9 - 19/03/2018 Piyush Desai Risk descriptions updated following comments		Initial Rating							
SUMMARISED TEXT FOR ADMISSION DOCUMENT		RISK RESPONSE / PROPOSED MITIGATION							
RISK ID	RISK CATEGORY	PROJECT AREA	RISK DESCRIPTION (Cause and Effect)	Probability	Impact	Score	Probability	Impact	Score
<b>01.Commercial</b>									
01.COM.01	Commercial / Environmental	Boiler	As a result of changes to the fuel and Return to Service (RTS) modifications, there is a risk the station fails to comply with Environmental Legislation (IED / BREF). This could lead to loss of generation, loss of income and prosecution.	3	C	15	1	C	4
01.COM.02	Commercial	Boiler	The change of fuel could lead to corrosion of the boilers as a result of firing a high chlorine fuel. This could result in tube failures leading to unreliable operation	4	D	22	2	D	13
01.COM.03	Commercial	All	Several component parts of the plant are critical to the operation with minimal plant redundancy and risk of single point failure. This could lead to loss of generation on single point failure, e.g., main fuel conveyor.	3	C	15	2	C	9
01.COM.04	Commercial	Materials Handling	Poor quality of fuel production could result in tramp metal / foreign objects delivered in fuel. This could damage the plant, especially the hammer mills resulting in a fire risk.	3	B	10	1	B	2
01.COM.05	Commercial	Storage	Site conditions necessary for pellet store will mean that the height of the store may be taller than the permitted development planning limit of 15m. This may require an additional planning application causing programme delays.	3	B	10	2	B	5
01.COM.06	Commercial	All	A compressed project requires rapid decision making, which could result in delays to the programme and cost impacts.	3	C	15	2	C	9
01.COM.07	Commercial	Materials Handling	Ground conditions have not been assessed for loadings (new buildings / conveyors). We may find that ground conditions are not suitable for the structure leading to programme delays and additional costs.	3	C	15	1	C	4
01.COM.08	Commercial	Emissions Control	FGD/Bag Filter is unreliable and has been one of the largest causes of lost or restricted generation in the last few years. If this risk manifests, it could lead to loss of generation.	4	C	19	2	C	9
01.COM.09	Commercial	Milling	Lack of knowledge with respect to the grinding requirements of this new fuel leading to uncertainty over the combustion milling requirements. This could cause delays during the design phase to identify the correct solution.	4	D	22	3	D	18

**Uskmouth - Energy Pellet Conversion Project**  
**Pre-FEED Technical Due Diligence**  
**Project Team Risk Register - Summarised version for admission document**

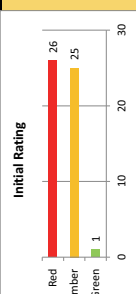
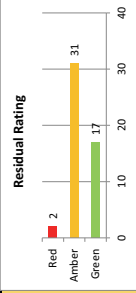
REVISION 9 - 19/02/2018 [View Details](#)

**RP Notes:** Risk descriptions updated following comments



RISK ID	RISK CATEGORY	PROJECT AREA	SUMMARISED TEXT FOR ADMISSION DOCUMENT				INITIAL RISK RATING				RESIDUAL RISK RATING			
			RISK DESCRIPTION (Cause and Effect)	Probability	Impact	Score	RISK RESPONSE / PROPOSED MITIGATION	Probability	Impact	Score				
01.COM.10	Commercial	Combustion	There is uncertainty around particle size reduction that can be achieved with this fuel resulting in a coarser particle than coal/biomass and the need for bottom particle collection grate.	4	D	22	A burnt-out grate has been costed as an optional solution. [Risk can be CLOSED]							
01.COM.11	Commercial	All	The plant when returned to service is unable to achieve maximum generation due to unforeseen technical problems or reliability issues, leading to loss of generation.	3	C	15	RTS costs include money to ensure units RTS in a condition to operate for another 20 years	2	C	9				
01.COM.12	Commercial	Boiler / turbine	Poor installation (including design) and maintenance work carried out during the outage will lead to the heat rate of plant deteriorating after modification and an increase in operating costs.	3	D	18	Detailed plant conversion design to ensure optimum heat rate	2	D	13				
01.COM.13	Commercial	Project	CAPEX budget risk resulting in the project being stopped.	3	C	15	Capital estimates are based on a conservative approach - historical data and industry knowledge.	1	C	4				
01.COM.14	Commercial	Project	Additional operational costs are identified, resulting in uncertainty on OPEX budget.	3	C	15	Additional OPEX costs associated with the conversion have been identified in RJM report (000397-TECH-017-0)	1	C	4				
01.COM.15	Commercial	Human Resources	The existing power station has long serving employees with acute knowledge of the site and equipment. Staff retention is a risk as loss of experienced staff means a reduction in productivity / performance as new staff would need to be retrained.	4	C	19	Communicate with staff on regular basis providing information on progress. Additional staff to be recruited to provide a degree of overlap with retiring staff members.	2	C	9				
01.COM.17	Commercial	Fuel	The new fuel has not been tested for its combustion characteristics and is not fully understood. There is a risk of poor combustion with this new fuel, leading to loss of generation and revenues.	4	D	22	Combustion trials are required early in the FEED stage to confirm the firing system design.	3	D	18				
01.COM.18	Commercial	Plant	If the residual ash is classified as special waste, there is an additional cost of disposal at £150/t (c.w. £80/t allowance in the budget)	4	D	22	Ash quality needs to be determined during feed to allow discussions with the ash market. Costs of disposable have been captured - downside risk can be CLOSED.	3	D	CLOSED				
01.COM.19	Commercial	Plant	Type of emissions generated by the new fuel and possible non-compliance with IED, could lead to the need for additional monitoring equipment and more costs.	4	C	19	IED and associated BREF review will be part of the FEED.	1	C	4				
01.COM.20	Commercial	Plant	Inability to make a timely Section 61 application could lead to a failure to maintain current approvals and possible need to re-licence the Station.	4	D	22	Data in support of the submission will be generated as part of the FEED. This is likely to include combustion data which has yet to be generated.	2	D	13				
01.COM.21	Commercial	Boiler	As the nature of the ash is different to coal, there is a risk of excessive slagging or fouling, leading to unplanned outages to deal with ash deposition problems	3	C	15	Ash characteristics are different to coal but many similarities to biomass. The ash fusion temperatures are above 1300oC which is good.	2	C	9				

**Uskmouth - Energy Pellet Conversion Project**  
**Pre-FEED Technical Due Diligence**  
**Project Team Risk Register - Summarised version for admission document**  
 REVISION 9 - 19/03/2018 Piyush Desai  
 e3 Notes: Risk descriptions updated following comments



RISK ID	RISK CATEGORY	PROJECT AREA	SUMMARISED TEXT FOR ADMISSION DOCUMENT			INITIAL RISK RATING			RISK RESPONSE / PROPOSED MITIGATION			RESIDUAL RISK RATING		
			RISK DESCRIPTION (Cause and Effect)	Probability	Impact	Score	Probability	Impact	Score	Probability	Impact	Score		
<b>02-Health &amp; Safety</b>														
02.HS.01	Health and Safety	Fuel Handling	Due to poor handling of the fuel pellets, there could be additional dust in fuel conveying / transfer system leading to an occupational health risk to employees and a possible risk of fires on the site.	3	C	15	3	C	15	Design system for containment as far as practicable. Use best practice from previous conversions. [Review characteristics]	2	C	9	
02.HS.02	Health and Safety	Fuel Storage	Fuel characteristics are not fully known. Asphyxiating gas (CO) build up in store and confined spaces could lead to an occupational health risk to employees.	3	E	20	3	E	20	Gas monitoring to be installed as required. Operator training and use of personal gas monitors. Interlock zones.	1	E	11	
02.HS.03	Health and Safety	All	Current operational practices may not be appropriate for operations with new fuel, leading to the plant becoming inoperable and a shutdown.	4	C	19	4	C	19	Operational practices to be reviewed for reused equipment and amended as required during later stages of project. To be supported by HAZOP.	1	C	4	
02.HS.04	Health and Safety	Boiler	There is a risk of increased hazards on site caused by a change of fuel type in boiler, which may change the risk profile, such as over-pressurisation of the furnace.	3	D	18	3	D	18	Review of furnace safety and protection system required. Redesign where necessary.	1	D	7	
02.HS.05	Health and Safety	All	Changes to the fuel and control systems for return to service operations are not appropriate to upgraded plant, leading to possible fires / explosions / increased personnel exposure to hazards	3	C	15	3	C	15	New and existing programmable systems will require IEC 61508 assessment and compliance	1	C	4	

<b>03-Life Extension</b>													
03.LE.01	Commercial - Life Extension	Balance of Plant	Recent inspection following failure shows ovality of pipes and integrity concerns related to the Cooling Water System which could result in a reduction in power generation.	3	C	15	3	C	15	Full independent inspection of CW system to be arranged	2	C	9
03.LE.02	Commercial - Life Extension	Turbine	Issues with thermal fatigue cracking and disc bore degradation of the turbines, which are approaching design life limit could result in potential loss of generation.	4	C	19	4	C	19	Complete strip down of turbines to determine remnant life; consultant Engineering Company to be appointed to determine programme for turbine	3	C	15
03.LE.03	Commercial - Life Extension	Generators and Auxiliary Systems	Issues identified with generators and auxiliary systems have been managed with condition monitoring. Failure of these could lead to potential loss of generation.	4	D	22	4	D	22	Complete strip down of generators to determine remnant life; consultant Engineering Company to be appointed to determine programme	2	D	13
03.LE.04	Commercial - Life Extension	Turbine	Failure of steam chests caused by thermal cracking of HP and IP chests may limit remnant life and lead to a reduction in power generation	3	D	18	3	D	18	Independent assessment required - during the refurbishment in 1999 / 2000 it was looked at renewing the Steam Chests.	2	D	13
03.LE.05	Commercial - Life Extension	Civils / Structures	Failure of the ageing wooden Cooling Tower Structure would lead to a reduction in power generation	2	C	9	2	C	9	Independent Survey to alleviate any deficiencies with the Structure	2	C	9
03.LE.06	Commercial - Life Extension	Balance of Plant	Loss of water through leaking valves would cause a failure of the ACW System leading to a reduction in power generation	3	B	10	3	B	10	Critical valves to be installed	1	B	2

**Uskmouth - Energy Pellet Conversion Project**

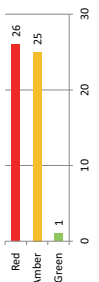
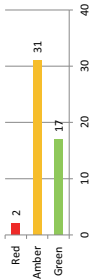
**Pre-FEED Technical Due Diligence**

**Project Team Risk Register - Summarised version for admission document**

REVISION 9 - 19/02/2018

Piyush Desai

HP Notes: Risk descriptions updated following comments



		SUMMARISED TEXT FOR ADMISSION DOCUMENT				INITIAL RISK RATING				RESIDUAL RISK RATING			
RISK ID	RISK CATEGORY	PROJECT AREA	RISK DESCRIPTION (Cause and Effect)	Probability	Impact	Score	RISK RESPONSE / PROPOSED MITIGATION	Probability	Impact	Score			
03.LE.07	Commercial - Life Extension	Balance of Plant	Age and general maintenance issues of the station Air System could cause constant tripping of the units leading to a reduction in power generation	4	C	19		2	C	9			
03.LE.08	Commercial - Life Extension	Materials Handling	The current crane that handles the ash waste is beyond economical repair and would affect ashing system operations leading to downtime and a resuction in power generation.	4	C	19		2	C	9			
03.LE.09	Commercial - Life Extension	Fuel Handling	Age-related asset issues and unknown fuel handling properties of the new fuel could affect the existing Coal Plant conveyors and ancillaries leading to downtime and a loss in power generation.	2	B	5		1	B	2			
03.LE.10	Commercial - Life Extension	Balance of Plant	High vibration due to worn out mounting and foundations could cause a failure of Cooling Water Pumps leading to downtime and a loss in power generation.	3	C	15		2	C	9			
03.LE.11	Commercial - Life Extension	Balance of Plant	Cooling Water Pumps are prone to leaking due to gland packing. This could cause downtime and a reduction in power generation.	3	B	10		2	B	5			
03.LE.12	Commercial - Life Extension	Turbine	Failure of Turbine caused by a failure of: <ul style="list-style-type: none"> <li>Seal Oil Units failing</li> <li>Failure of the steam ejector system</li> <li>Unclean / blocked drains</li> <li>Failure of LP Heaters</li> <li>Failure of HP Heaters</li> </ul> Any or all of these failures would result in downtime and a reduction in generation.	4	C	19	Costs included for inspection ONLY. Residual risk remains if Seal Oil Units and associated system needs to be redesigned and wholly replaced. Due to age a completely new system may be required if spares cannot be sourced or specially manufactured.	2	C	9			
03.LE.13	Commercial - Life Extension	Generators and Auxiliary Systems	Failure of Turbine	3	C	15	Generator Rotors are badly worn and require machining - new Seals to be acquired after this work is carried out.	2	C	9			
03.LE.14	Commercial - Life Extension	Turbine	The Condenser unit will fail due to contamination of the boiler water and unknown condition of the passing valves and pipework, which are currently lagged with asbestos. These may need replacing in full or if left in their current state would result in possible downtime and loss of power generation.	4	D	22	Condenser Tubes were last changed in 1995 / 2000. Inspections to be carried out during RTS	2	D	13			
03.LE.20	Commercial - Life Extension	Turbine	Failure of the jacking oil system due to failure of the ageing pump and motor assembly would lead to downtime and reduction in power generation.	4	D	22	Units 50+ years old - unable to acquire spares - reliability is paramount for this Unit - individual pumps for each Bearing is paramount to alleviate any issues.	2	D	13			

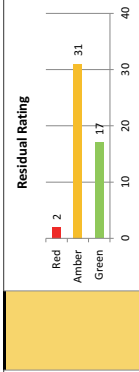
**Uskmouth - Energy Pellet Conversion Project**

**Pre-FEED Technical Due Diligence**

**Project Team Risk Register - Summarised version for admission document**

REVISION 9 - 19/03/2018 Push Deal

R3 Notes: Risk descriptions updated following comments.



		SUMMARISED TEXT FOR ADMISSION DOCUMENT				INITIAL RISK RATING			RESIDUAL RISK RATING		
RISK ID	RISK CATEGORY	PROJECT AREA	RISK DESCRIPTION (Cause and Effect)	Probability	Impact	Score	Probability	Impact	Score		
03.LE.21	Commercial - Life Extension	Boiler / turbine	Failure of the feed pump would cause a system failure and a reduction in power generation.	4	C	19	2	C	9		
03.LE.22	Commercial - Life Extension	Boiler / turbine	A possible failure of ageing valves and deterioration of pipework would cause the 'Bleed Steam System' to fail and lead to a reduction in power generation.	4	C	19	2	C	9		
03.LE.24	Commercial - Life Extension	Boiler / turbine	Failure of the Feed Water System due to poor condition of valves and inability to isolate systems	3	B	10	2	B	5		
03.LE.25	Commercial - Life Extension	Balance of Plant	Failure of the Station Multisafire System due to deterioration of system components	3	B	10	2	B	5		
03.LE.26	Commercial - Life Extension	Electrical System	Failure of the Station Transformers due to age-related asset deterioration, which will lead to downtime and loss of generation.	3	C	15	3	C	15		
03.LE.27	Commercial - Life Extension	Generators and Auxiliary Systems	Failure of the Generator Excitation System due to age-related asset deterioration and obsolescence, which will lead to downtime and loss of generation.	3	D	18	3	C	15		
03.LE.28	Commercial - Life Extension	Electrical System	Failure of the Unit Reactor/Transformers due to age-related asset deterioration and obsolescence, which will lead to downtime and loss of generation.	3	C	15	3	C	15		
<b>04: Programme</b>											
04.PRO.01	Programme	RTS	Discovery of further ground contamination could delay the delivery programme beyond the current RTS date.	4	C	19	2	C	9		
04.PRO.02	Programme	RTS	Discovery of further unknown quantities of asbestos could delay the delivery programme beyond the current RTS date.	4	C	19	2	C	9		
04.PRO.03	Programme	RTS	Failures during the commissioning period could delay the start of Return to Service operations resulting in additional costs to recover the programme	3	C	15	2	C	9		
04.PRO.04	Programme	RTS	The use of multiple site contractors and failure of logistics could delay planned activity during construction, leading to additional costs to recover the programme.	3	B	10	2	B	5		
04.PRO.05	Programme	RTS	Unavailability of specialist equipment and / or Contractors during the busy summer periods could result in programme delays.	3	C	15	1	C	4		

Uskmouth - Energy Pellet Conversion Project		AECOM	
Pre-FEED Technical Due Diligence		Residual Rating	
Project Team Risk Register - Summarised version for admission document		Initial Rating	
REVISION 9 - 14/02/2018 Piyush Desai		Residual Rating	
R9 Notes: Risk descriptions updated following comments		Initial Rating	
SUMMARISED TEXT FOR ADMISSION DOCUMENT		RESIDUAL RISK RATING	
RISK ID	RISK CATEGORY	RISK DESCRIPTION (Cause and Effect)	RISK RESPONSE /PROPOSED MITIGATION
PROJECT AREA	PROBABILITY	IMPACT	SCORE
RISK ID	RISK CATEGORY	PROBABILITY	IMPACT
RISK DESCRIPTION (Cause and Effect)	PROBABILITY	IMPACT	SCORE
RISK RESPONSE /PROPOSED MITIGATION	PROBABILITY	IMPACT	SCORE
RESIDUAL RISK RATING	PROBABILITY	IMPACT	SCORE

**Notes:**

**Sub-Categorisation Of Life Extension Risks**

**Class 1 – Critical** – Failure leading to Loss of Generation on a regular basis. These risks should be addressed as part of RTS.

**Class 2 – Serious** – Plant is difficult to access or has unique components, where failure could lead to prolonged loss of generation. Include mitigation as RTS.

**Class 3 – Routine** – Can be managed as part of operational plans, routine maintenance.

For the Class of Estimate, based on the AACEI assessment of Project Maturity an estimated cost accuracy of -15% to + 30% is an appropriate level

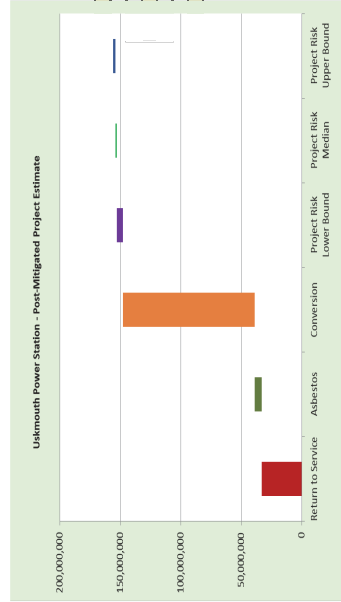
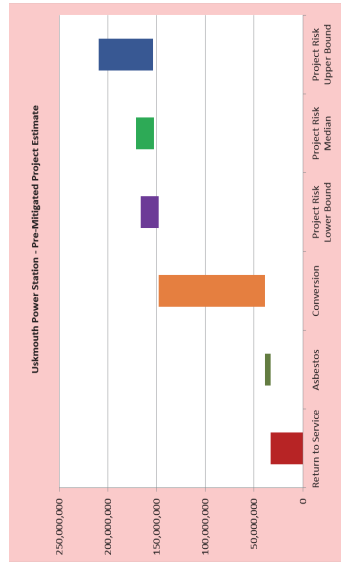
Separately for this Class of estimate a risk allowance of +20% to +40% would be appropriate and the Risk workshop has also determined this range

This Risk Register has been evaluated at an unmitigated value of +20% to +37% which aligns well with expected ranges.

The FEED period is expected to provide a mitigated design to minimise the risk impacts noted.

Applying the same maturity criteria, the mitigated values have been assessed at between +7% to +15% which align well to values expected at the end of FEED

We have applied a 25% risk allowance as shown below.

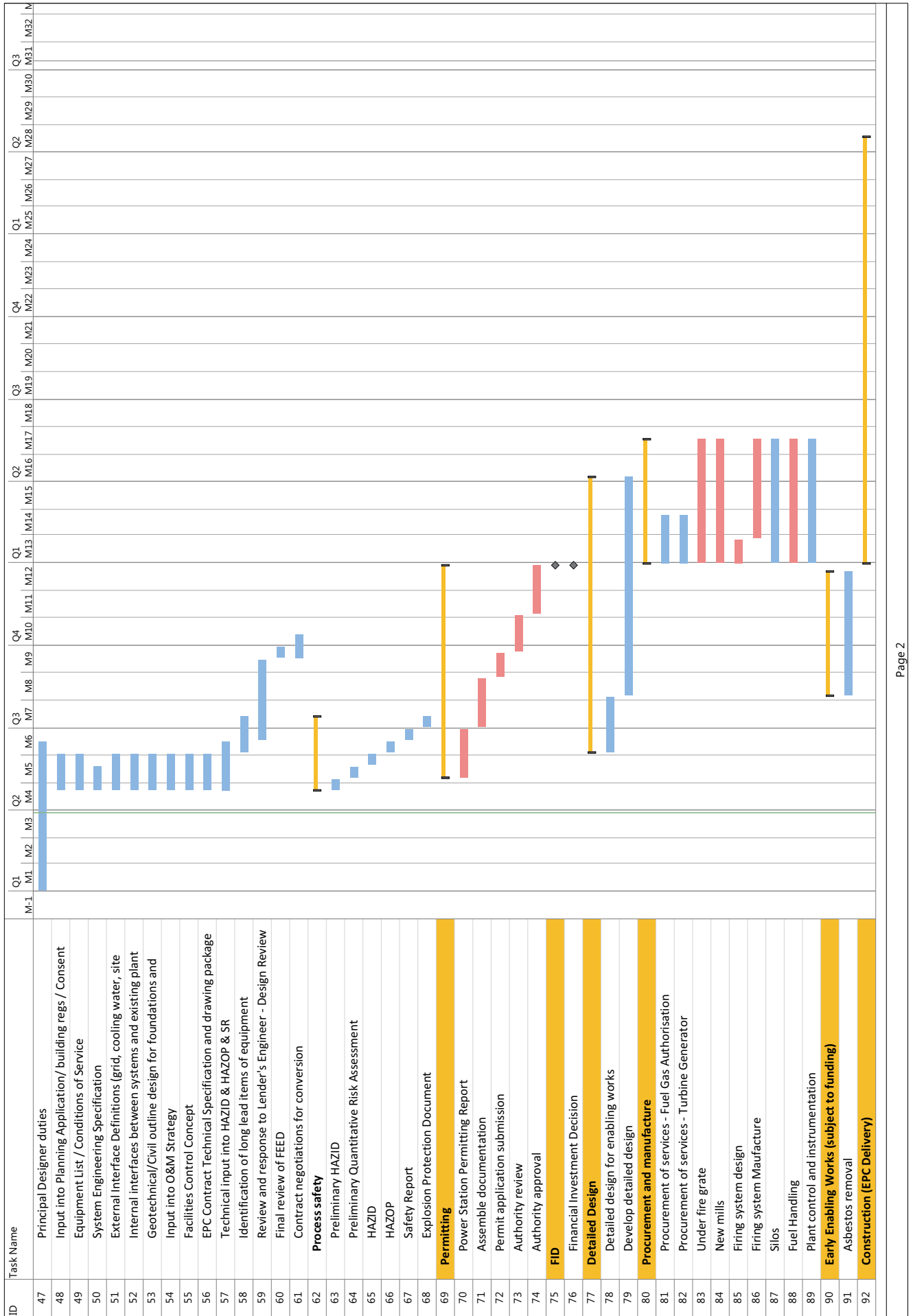


Project Base Cost (Excluding Risk)	£ 147,895,100
Risk Allowance 25%	36,973,775
Project Base Cost (Including Risk)	£ 184,868,875



## 7.3 Appendix 3 Schedule







## 7.4 Appendix 4 Limitations

This due diligence report (this "Report") has been produced for the client and Cantor Fitzgerald Europe ("Cantor") in accordance with the scope and terms and conditions set out in the "Engagement Letter"

No other warranty, expressed or implied, is made as to the professional advice included in this Report or any other services provided by AECOM. This Report may not be relied upon by any party other than the client and Cantor without the prior and express written agreement of AECOM.

The Report may be shared with your and Cantor's partners and advisors on a non-reliance basis.

Unless otherwise stated in this Report, the assessments made assume that the sites and facilities will continue in their current state and purpose without significant changes.

Where the conclusions and recommendations contained in this Report are based upon information provided by third parties, unless otherwise stated in this Report, the approach has been to undertake due diligence on a reasonable endeavours basis with no re-performance of those third parties' work product and upon the assumption that all relevant information has been provided by those third parties from whom it has been requested.

Information obtained from third parties has not been independently re-performed and verified by AECOM, unless otherwise stated in the Report. The methodology adopted and the sources of information used by AECOM in providing its services are outlined in this Report. The work described in this Report was undertaken on the date or range of dates stated in the Report and is based on the conditions encountered and the information available at the site of investigation during the said period of time. The conclusions and recommendations of this Report are only valid for 6 months following the date of the Report.

Where field investigations or inspections were carried out, these have been restricted to a level of detail required to achieve the stated objectives of the services. The results of any measurements or observations taken may vary with time.

Where assessments of works or costs identified in this Report are made, such assessments are based upon the information available at the time and where appropriate are subject to further investigations or information which may become available.

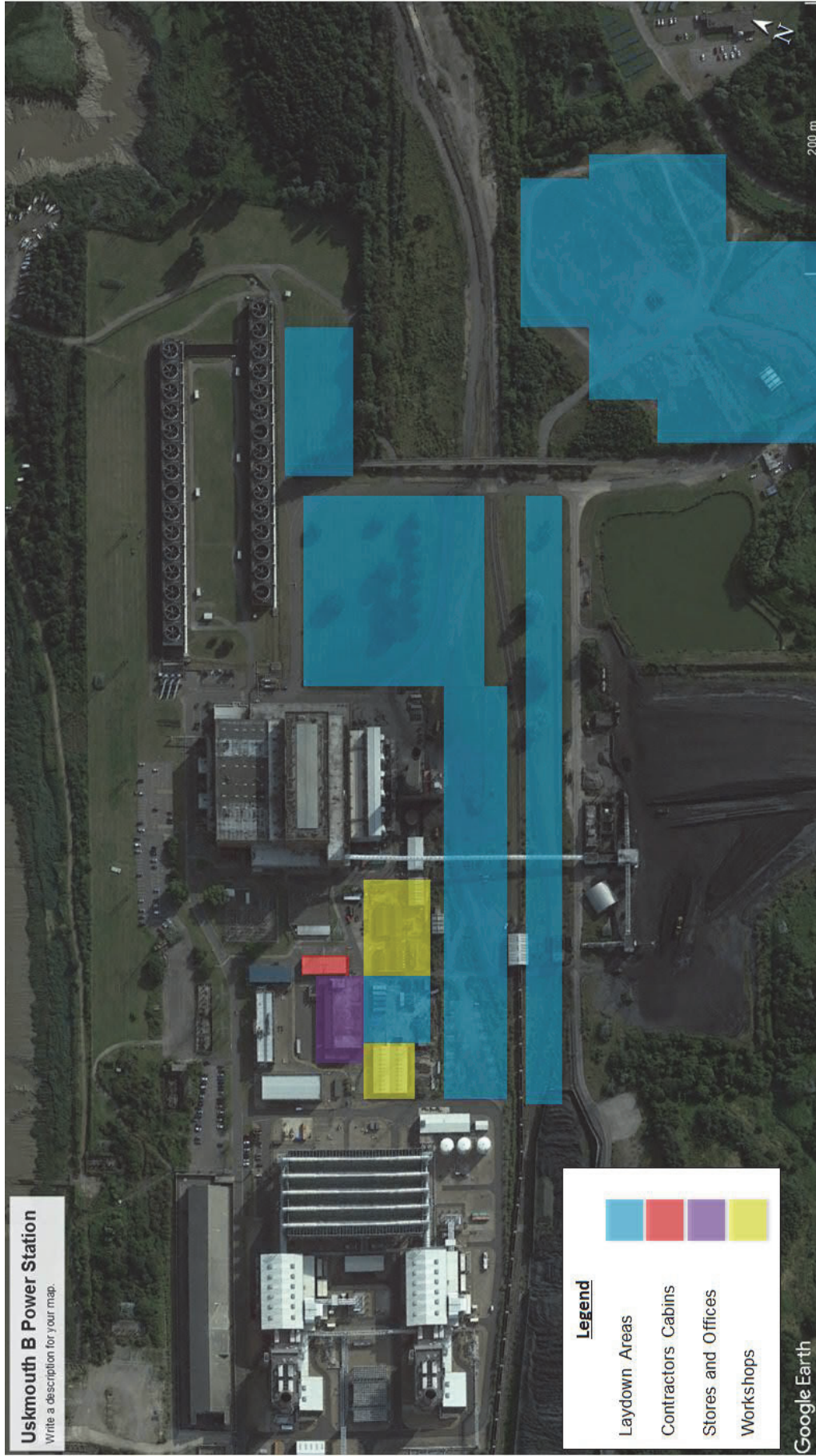
No allowance has been made for changes in prices or exchange rates or changes in any other conditions that may result in price fluctuations in the future. Where assessments of works or costs necessary to achieve compliance with legislation have been made, these are based upon measures which, in AECOM's experience, could normally be negotiated with the relevant authorities under present legislation and enforcement practice, assuming a pro-active and reasonable approach by site management.

Forecast cost estimates do not include such costs associated with any negotiations, appeals or other non-technical actions associated with the agreement on measures to meet the requirements of the authorities.

This Report is prepared and issued on the basis that all information, guidance, forward looking statements, data, costs and schedules contained therein are subject to confirmation of the same in further more detailed studies at a later time and should not be relied upon for a Final Investment Decision or Conclusion or Funding arrangements for the delivery phase of the project.

The scope of this report is confined to information made available up to 22nd December 2017, as fully listed in the reference section, and is based on the fundamental position that the new fuel will satisfy end of waste criteria, which is the subject of separate study by others.

## 7.5 Appendix 5 Site logistics and Laydown Areas



## PART VII

### HISTORICAL FINANCIAL INFORMATION ON SUP

#### Accountant's report on historical financial information of SIMEC Uskmouth Power Limited

The Directors  
Atlantis Resources Limited  
80 Raffles Place  
Level 36  
UOB Plaza 1  
Singapore 048624

21 May 2018

Dear Directors

#### **SIMEC Uskmouth Power Limited**

We report on the historical financial information in respect of SIMEC Uskmouth Power Limited (the 'Target') set out on pages 161 to 200 for the three years ended 31 March 2017. This historical financial information has been prepared for inclusion in the AIM Admission Document dated 21 May 2018 of Atlantis Resources Limited on the basis of the accounting policies set out in note 2. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

The Directors of Atlantis Resources Limited are responsible for preparing the historical financial information on the basis of preparation set out in note 2 to the historical financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the historical financial information and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

#### **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the historical financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the historical financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the historical financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### **Opinion on financial information**

In our opinion, the historical financial information gives, for the purposes of the AIM Admission Document dated 21 May 2018, a true and fair view of the state of affairs of Target as at 31 March 2015, 31 March 2016 and 31 March 2017 and of its losses, cash flows and recognised gains and losses and changes in equity for the three years ended 31 March 2017 in accordance with the basis of preparation set out in note 2 and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 2.

### **Emphasis of matter - going concern**

In forming our opinion on the historical financial information, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the Financial Information concerning Target's ability to continue as a going concern. The power station owned by Target is not currently in operation. Assuming the acquisition transaction goes ahead, Target's ability to continue as a going concern is dependent upon financial support from Atlantis Resources Limited to meet ongoing cash requirements and to finance any future activity to render the site operational. The anticipated conversion of the power station to an end-of-waste fuel generating facility would require additional external fundraising by Atlantis Resources Limited, which will be partly dependent on the successful completion of a FEED and permitting process to determine the viability of conversion. These conditions, along with the other matters explained in note 2, constitute a material uncertainty that may cast significant doubt on Target's ability to continue as a going concern. The historical financial statements do not include the adjustments that would result if Target was unable to continue as a going concern.

### **Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM Rules for Companies

Yours faithfully

KPMG LLP  
Saltire Court  
Edinburgh  
EH1 2EG



**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**STATEMENT OF COMPREHENSIVE INCOME**

	Notes	Year ended 31 March		
		2015 £'000	2016 £'000	2017 £'000
<b>Revenue</b>	<b>5</b>	-	48,639	72,376
Cost of sales		431	(44,487)	(68,847)
<b>Gross profit</b>		<b>431</b>	<b>4,152</b>	<b>3,529</b>
Administrative expenses	<b>6</b>	(7,592)	(5,341)	(10,007)
Other operating income	<b>7</b>	-	193	141
<b>Operating loss</b>		<b>(7,161)</b>	<b>(996)</b>	<b>(6,337)</b>
Finance costs	<b>10</b>	(222)	(291)	(231)
<b>Loss before taxation</b>		<b>(7,383)</b>	<b>(1,287)</b>	<b>(6,568)</b>
Income tax credit/(expense)	<b>11</b>	<b>60</b>	<b>(292)</b>	<b>293</b>
<b>Loss for the year attributable to equity holders</b>		<b>(7,323)</b>	<b>(1,579)</b>	<b>(6,275)</b>
<b>Other comprehensive income:</b>				
Gain/(loss) on revaluation of property, plant and equipment		2,447	(270)	(802)
Deferred tax on revaluation		(24)	573	325
<b>Total comprehensive loss for the year</b>		<b>(4,900)</b>	<b>(1,276)</b>	<b>(6,752)</b>
<b>Loss per share (pence), basic and diluted</b>	<b>12</b>	<b>(36.47)</b>	<b>(7.86)</b>	<b>(31.25)</b>

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**STATEMENT OF FINANCIAL POSITION**

	Notes	Year ended 31 March		
		2015 £'000	2016 £'000	2017 £'000
<b>Non-current assets</b>				
Property, plant and equipment	13	70,678	73,342	68,226
<b>Current assets</b>				
Inventories	14	11,426	13,163	4,695
Trade and other receivables	15	991	3,186	16,287
Cash and cash equivalents	16	61	141	80
		<b>12,478</b>	<b>16,490</b>	<b>21,062</b>
<b>Current liabilities</b>				
Trade and other payables	17	(14,815)	(22,703)	(28,036)
		<b>(2,337)</b>	<b>(6,213)</b>	<b>(6,974)</b>
<b>Net current liabilities</b>				
<b>Non - current liabilities</b>				
Financial liabilities - borrowings	18	-	(129)	(63)
Provisions	22	(12,111)	(12,328)	(12,549)
Deferred tax liabilities	11	(1,567)	(1,286)	(667)
		<b>54,663</b>	<b>53,386</b>	<b>47,973</b>
<b>Net Assets</b>				
<b>Shareholders' equity</b>				
Called up share capital	20	20,081	20,081	20,081
Revaluation reserve		2,423	2,726	2,249
Accumulated profits		32,159	30,579	25,643
		<b>54,663</b>	<b>53,386</b>	<b>47,973</b>
<b>Total equity</b>				

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**STATEMENT OF CHANGES IN EQUITY**

	Share capital £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 April 2014</b>	<b>20,081</b>	-	<b>39,482</b>	<b>59,563</b>
Loss for the year	-	-	(7,323)	<b>(7,323)</b>
<b>Items that will not be subsequently reclassified to profit and loss</b>				
Revaluation of property, plant and equipment	-	2,447	-	<b>2,447</b>
Deferred tax on revaluation		(24)		<b>(24)</b>
<b>As at 31 March 2015</b>	<b>20,081</b>	<b>2,423</b>	<b>32,159</b>	<b>54,663</b>
Loss for the year	-	-	(1,579)	<b>(1,579)</b>
<b>Items that will not be subsequently reclassified to profit and loss</b>				
Revaluation of property, plant and equipment	-	(270)	-	<b>(270)</b>
Deferred tax on revaluation		573		<b>573</b>
<b>As at 31 March 2016</b>	<b>20,081</b>	<b>2,726</b>	<b>30,579</b>	<b>53,386</b>
Loss for the year	-	-	(6,275)	<b>(6,275)</b>
<b>Items that will not be subsequently reclassified to profit and loss</b>				
Revaluation of property, plant and equipment	-	(802)	-	<b>(802)</b>
Deferred tax on revaluation		325		<b>325</b>
Contribution from Parent			1339	<b>1,339</b>
<b>As at 31 March 2017</b>	<b>20,081</b>	<b>2,249</b>	<b>25,643</b>	<b>47,973</b>

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**STATEMENT OF CASH FLOWS**

	Year ended 31 March		
	2015 £'000	2016 £'000	2017 £'000
<b>Cash flows from operating activities</b>			
Loss for the year	(7,323)	(1,579)	(6,275)
Add back:			
Depreciation	2,447	2,871	4,710
Profit on disposal of property, plant and equipment	-	(250)	-
(Increase)/decrease in inventories	(11,225)	(1,738)	8,468
Decrease/(increase) in receivables	16,109	(2,195)	(13,101)
Increase in payables	3,316	8,017	6,605
Interest payable	222	291	231
Taxation	(60)	292	(293)
Provision settled	(1,317)	-	-
<b>Net cash generated from operating activities</b>	<b>2,169</b>	<b>5,709</b>	<b>345</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(2,099)	(5,905)	(396)
Sale of property, plant and equipment	-	350	-
<b>Net cash used in investing activities</b>	<b>(2,099)</b>	<b>(5,555)</b>	<b>(396)</b>
<b>Cash flows from financing activities</b>			
Interest paid	(9)	(74)	(10)
<b>Net cash used in financing activities</b>	<b>(9)</b>	<b>(74)</b>	<b>(10)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>61</b>	<b>80</b>	<b>(61)</b>
Cash and cash equivalents at the beginning of the year	-	61	141
<b>Cash and cash equivalents at the end of the year</b>	<b>61</b>	<b>141</b>	<b>80</b>

## **SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**

### **NOTES TO THE FINANCIAL INFORMATION**

#### **1 Domicile and activities**

SIMEC Uskmouth Power Limited (the "Company" is a company limited by shares and incorporated in England and Wales. The address of the Company's registered office is Uskmouth Power Station, West Nash Road, Nash, Newport, NP18 2BZ, United Kingdom.

The principal activity of the Company is power generation and the trade of coal and oil. It is the objective of the Company to significantly expand power production by converting the existing coal plant to a waste derived generation plant.

The historical financial information presented herein does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the periods ended 31 March 2017, 31 March 2016 and 31 March 2015 have been delivered to the registrar of companies. An auditors report has been made on each of these statutory accounts which was unqualified.

#### **2 Summary of significant accounting policies**

##### **2.1 Statement of compliance**

The historical financial statements have been drawn up in accordance with International Financial Reporting Standards ("IFRS") and interpretations as adopted by the European Union, and the provisions of the UK Companies Act 2006 applicable to companies reporting under IFRS.

##### **2.2 Basis of preparation**

The historical financial statements have been prepared on a going concern basis in accordance with the historical cost basis, except for certain property, plant and equipment and financial instruments that are measured at fair value at the end of the reporting period, as explained in the accounting policies below. This is the first financial information of the company prepared in accordance with IFRS and the company has applied IFRS1 'First time adoption of IFRS' from 1 April 2014. The reconciliation between the previous GAAP financial statements at that date are shown in note 29. The historical financial information has been prepared in accordance with the requirements of AIM Rules for Companies for the purposes of the AIM admission document dated 21 May 2018 and represents historical financial information for the company for each of the three years ended 31 March 2017.

##### *Functional and presentation currency*

Items included in the historical financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Great British Pounds ("GBP"). The historical financial statements are presented in GBP (£), rounded to the nearest thousand.

## SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION) NOTES TO THE FINANCIAL INFORMATION

### 2 Summary of significant accounting policies (continued)

#### 2.2 Basis of preparation

##### *Going concern*

In preparing these historical financial statements, the directors of the Company have given careful consideration to the current and anticipated future solvency of the Company and its ability to continue as a going concern for the foreseeable future.

Following damage to the switch room of the power station on April 2017, the company suspended its power generating activity and at that time cash flow generation from those operations ceased. This, together with the company being in a net liability position means that it is currently reliant on its ultimate parent company, SIMEC Group Ltd, to provide ongoing financial support. As at the date of approval of this historical financial information there is a balance of £12.3 million due either to that company or other entities within the SIMEC Group Limited under the control of that company. This Company has obtained a letter from the ultimate parent company confirming that it will provide continued financial support to allow it to meet its liabilities as they fall due for the shorter of:

- successful completion of the acquisition of the Company by Atlantis Resources Limited; or
- a period not less than 12 months from the date of signing of this historical financial information.

As with any company placing reliance on other group companies for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these historical financial statements, they have no reason to believe that it will not do so.

Subject to various formalities, this company is in the process of being acquired by Atlantis Resources Ltd ('Atlantis'), as part of the wider plans of this company and Atlantis to convert the existing coal-fired power plant to an end-of-waste fuel generating facility. The conversion will allow this company to become cash generative.

Should this transaction complete the SIMEC Group Limited will convert £9.7 million of the amounts owed to it to equity leaving an outstanding amount of £2.7 million which will not be repayable until December 2019, and only then if the financing for the full conversion of the power station is in place.

Following completion of the transaction, this company will be dependent upon Atlantis for financial support. This company has obtained a letter from Atlantis confirming in the event of completion it will provide financial support to allow it to meet its liabilities as they fall due.

Atlantis funds its short and medium term funding requirements through a combination of equity and debt. It has recently completed a bond issuance which has raised a cash balance of £4.6 million. As part of the process to acquire this company Atlantis has undertaken an equity raise, which at the date of finalisation of these historical financial statements has resulted in legally binding commitments from current and future shareholders to acquire shares amounting to £20 million. These commitments are conditional only upon shareholder approval of the acquisition of this company, which is expected to take place on 13 June 2018. The directors of Atlantis have prepared financial forecasts, including sensitivity analysis for a period of 18 months from the date of approval of this historical financial information. These forecasts, which include the proceeds from the equity raise and take into account the ongoing committed costs of both the existing Atlantis group, and this company, including specifically the costs of the FEED and permitting process as noted above, demonstrate that Atlantis is able to operate within its available cash and funding balances for a period of at least 18 months from the date of approval of this financial information. The share placement, along with funds raised under the bond issuance, is anticipated to provide sufficient working capital for the Atlantis Group for the foreseeable future giving Atlantis the ability to provide the required support to the company to complete the FEED study and meet its liabilities as they fall due. Additional funding would be required by the Atlantis group to enable it to fund the conversion of the company's plant should that go ahead.

While the directors cannot envisage all possible circumstances that may impact the Atlantis Group in the future, the directors believe that, taking account of the forecasts, sensitised forecasts, future plans and available cash resources, the Atlantis Group will have sufficient resources to support the company to meet all ongoing working capital and committed capital expenditure requirements as they fall due.

## SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION) NOTES TO THE FINANCIAL INFORMATION

### 2 Summary of significant accounting policies (continued)

The conversion to an end-of-waste fuel generating facility, which is the anticipated method to return this company to a cash generative position, is dependent upon the successful completion of a FEED and permitting process to determine the viability of conversion and subsequently a successful raise of project financing by Atlantis. This directors however believe that should the results of that exercise mean the conversion as anticipated does not go ahead the cost base of the company will be reduced and it will continue to be supported by Atlantis until a viable alternative plan is developed. As a result of these circumstances the directors believe it is appropriate to prepare the historical financial statements on a going concern basis. However, should the transaction complete, directors acknowledge that the outcome of the FEED and permitting process and of Atlantis to obtain additional financing for the conversion process if it goes ahead is a material uncertainty which may cast significant doubt on this company's ability to continue as a going concern and that it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. The historical financial statements do not include any adjustments that would be necessary if this basis were inappropriate.

#### 2.3 Financial instruments

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the historical financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest rate basis for debt instruments other than those financial instruments classified as at fair value through profit or loss.

##### *Financial assets*

Financial assets are initially measured at fair value plus transaction costs except for those financial assets classified as at fair value through profit and loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL), held to maturity investments, available for sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular purchases or sales of financial assets are recognised and derecognised on a trade date basis.

The financial assets of the Company comprise loans and receivables.

##### *Loans and receivables*

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

## SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION) NOTES TO THE FINANCIAL INFORMATION

### 2 Summary of significant accounting policies (continued)

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank, short-term bank deposits with an original maturity of 3 months and cash on hand.

#### *Impairment of financial assets*

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

#### *Derecognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### *Financial liabilities and equity instruments*

##### *Classification as debt or equity*

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.



## SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION) NOTES TO THE FINANCIAL INFORMATION

### 2 Summary of significant accounting policies (continued)

#### *Other financial liabilities*

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

Loans and borrowings (except for financial guarantee contract liabilities) are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs (see Note 2.13).

#### *Derecognition of financial liabilities*

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

#### 2.4 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises all direct expenditure and those attributable costs overheads that have been incurred in bringing the inventories to their present location and condition.

#### 2.5 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)  
NOTES TO THE FINANCIAL INFORMATION**

**2 Summary of significant accounting policies (continued)**

**2.6 Property, plant and equipment**

Land and buildings, and plant and machinery held for use in the generation of power are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings, and plant and machinery is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued assets is recognised in profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Fixtures and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings	- Straight line over 10-50 years
Plant and machinery	- Straight line over 15-25 years
Fixtures, fittings and equipment	- Straight line over 10 years
Motor vehicles	- Straight line over 4 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, except when there is no reasonable certainty that ownership will be obtained by the end of the lease term, where the assets are depreciated over the shorter of the lease term and their useful lives.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

Fully depreciated assets still in use are retained in the historical financial statements.

## **SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**

### **NOTES TO THE FINANCIAL INFORMATION**

#### **2 Summary of significant accounting policies (continued)**

##### **2.7 Impairment of tangible assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

##### **2.8 Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## **SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**

### **NOTES TO THE FINANCIAL INFORMATION**

#### **2 Summary of significant accounting policies (continued)**

The estimated cost of decommissioning the assets used in the generation of power is reviewed periodically. Provision is made for the net present value of the estimated cost of decommissioning at the end of the producing life of these assets. This estimate is based on technology and prices at the balance sheet date. Changes in this provision are made prospectively and will be reflected through profit or loss. The unwinding of the discount on the provision is included in finance costs.

#### **2.9 Government grants**

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are presented as a deduction from the carrying amount of the related assets and recognised as income over the useful lives of the assets by way of a reduced depreciation or amortisation charge.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

#### **2.10 Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### **2.11 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of the consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue attributable to the activity of electricity generation is recognised as electricity is generated, at the price at which revenue is contracted to be sold.

Revenue from the sale of commodities is recognised when the risks and rewards of ownership have transferred to the customer in accordance with the International Commercial Terms 2010 (Incoterms 2010) and represents the invoiced value of the commodities sold net of VAT.

Other revenues from the sale of goods are recognised at the point when the risks and rewards of ownership pass to the customer, typically at the point of delivery to the customer's premises.

#### **2.12 Income tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

## SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION) NOTES TO THE FINANCIAL INFORMATION

### 2 Summary of significant accounting policies (continued)

#### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Company's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the reporting period.

#### *Deferred tax*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the historical financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination.

#### 2.13 Foreign currency transactions and translation

The historical financial statements are measured and presented in the functional currency.

Transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. All exchange differences are recognised in profit or loss.

## SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION) NOTES TO THE FINANCIAL INFORMATION

### 2 Summary of significant accounting policies (continued)

#### 2.14 Finance costs

Finance costs comprise interest expense on borrowings. All borrowing costs are recognised in the profit or loss using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

#### 2.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or property, plant and equipment. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 2.16 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2017, and have not been applied in preparing these historical financial statements.

Except as otherwise indicated below, those new standards, amendments to standards, and interpretations are not expected to have a significant effect on the historical financial statements of the Company. The Company does not plan to adopt these standards early.

##### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 Revenue from Contracts with Customers will replace IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

When effective, IFRS 15 replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and IFRIC 31 Revenue – Barter Transactions Involving Advertising Services.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. IFRS 15 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.

## SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION) NOTES TO THE FINANCIAL INFORMATION

### 2 Summary of significant accounting policies (continued)

The standard establishes the principle for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled to in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed (e.g. service revenue and contract modifications) and improved guidance for multi-element arrangements.

The Company has completed an initial assessment of the potential impact of the adoption of this standard on its financial statements. Based on its initial assessment, the Company does not expect the changes to have any material impact.

#### *IFRS 9 Financial Instruments*

IFRS 9 Financial Instruments replaces most of the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

The Company has completed an initial assessment of the potential impact of the adoption of this standard on its financial statements. Based on its initial assessment, the Company does not expect the changes to have any material impact.

#### *IFRS 16 Leases*

IFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

When effective, IFRS 16 replaces existing lease accounting guidance, including IAS 17, 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 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if IFRS 15 is also applied.

The Company has completed an initial assessment of the potential impact of the adoption of this standard on its financial statements. Based on its initial assessment, the Company does not expect the changes to have any material impact.

## SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION) NOTES TO THE FINANCIAL INFORMATION

### 3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Critical judgements*

In the process of applying the Company's accounting policies, which are described in Note 2, the critical accounting judgements that will have a significant effect on the amounts recognised in the historical financial statements are discussed below:

#### *Valuation of land and buildings, and plant and machinery*

The fair value of land and buildings and plant and machinery is based upon valuations provided by external valuation experts. The fair value is estimated based upon the highest and best use from a market participant's perspective and consider the potential uses that are physically possible, legally permissible and financially feasible. Ascertaining the fair values of the Company's land and buildings, and plant and machinery, is inherently subjective due to, among other factors, the individual nature and condition of the buildings and power plant and their location. As a result, the valuations are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility.

#### *Key sources of estimation uncertainty*

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

#### *Useful life of assets*

Management reviews the useful lives of depreciable assets at each reporting date, based on expected utility of the assets. Uncertainties in these estimates relate to the period that the Company intends to derive future economic benefits from the use of these assets.

#### *Decommissioning provision*

The estimate of the costs to decommission the property, plant and equipment of the Uskmouth Power Station at a future date is inherently judgemental. The estimated cost of decommissioning is reviewed periodically. Provision is made for the estimated discounted cost of decommissioning at the balance sheet date. The estimate is based on the forecast remediation or clean-up costs at the projected date of decommissioning, which itself is uncertain, and are discounted for the true value of money.



**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**NOTES TO THE FINANCIAL INFORMATION**

**4 Segmental reporting**

The directors consider that the Company is organised as two principal businesses:

- Power generation: the generation of electricity at Uskmouth power station;
- Commodities: the purchase and sale of bulk coal and oil commodities

Each business is an operating segment for the purpose of segment reporting. The measure of profit or loss for each reportable segment is earnings before interest, tax, depreciation and amortisation (EBITDA). Operating costs are allocated to segments to the extent they are directly attributable to the activities of that segment.

*Analysis of segment revenues and results*

2015	Power			Total £'000
	Generation £'000	Commodities £'000	Other £'000	
Revenue	-	-	-	-
Segment gross profit/(loss)	431	-	-	431
Segment EBITDA	(4,714)	-	-	(4,714)
Depreciation and amortisation	(2,447)	-	-	(2,447)
Finance costs	(222)	-	-	(222)
Taxation	60	-	-	60
Loss for the year	<u>(7,323)</u>	<u>-</u>	<u>-</u>	<u>(7,323)</u>
2016	Power			Total £'000
	Generation £'000	Commodities £'000	Other £'000	
Revenue	16,206	32,433	-	48,639
Segment gross (loss)/profit	(3,901)	8,053	-	4,152
Segment EBITDA	(6,733)	8,417	191	1,875
Depreciation and amortisation	(2,871)	-	-	(2,871)
Finance costs	(291)	-	-	(291)
Taxation	(292)	-	-	(292)
(Loss)/profit for the year	<u>(10,187)</u>	<u>8,417</u>	<u>191</u>	<u>(1,579)</u>
2017	Power			Total £'000
	Generation £'000	Commodities £'000	Other £'000	
Revenue	30,366	41,414	596	72,376
Segment gross (loss)/profit	(1,917)	4,850	596	3,529
Segment EBITDA	(7,142)	4,778	737	(1,627)
Depreciation and amortisation	(4,710)	-	-	(4,710)
Finance costs	(231)	-	-	(231)
Taxation	293	-	-	293
	<u>16,659</u>	<u>51,042</u>	<u>1,929</u>	<u>(6,275)</u>

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**NOTES TO THE FINANCIAL INFORMATION**

**4 Segmental reporting (continued)**

*Analysis of segment assets and liabilities*

<b>2015</b>	<b>Power</b>			<b>Total</b>
	<b>Generation</b>	<b>Commodities</b>	<b>Other</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Assets	83,156	-	-	<b>83,156</b>
Liabilities	(28,493)	-	-	<b>(28,493)</b>
Net assets	<u>54,663</u>	<u>-</u>	<u>-</u>	<u><b>54,663</b></u>

<b>2016</b>	<b>Power</b>			<b>Total</b>
	<b>Generation</b>	<b>Commodities</b>	<b>Other</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Assets	89,751	-	81	<b>89,832</b>
Liabilities	(36,271)	(174)	(1)	<b>(36,446)</b>
Net assets	<u>53,480</u>	<u>(174)</u>	<u>80</u>	<u><b>53,386</b></u>

<b>2017</b>	<b>Power</b>			<b>Total</b>
	<b>Generation</b>	<b>Commodities</b>	<b>Other</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Assets	82,313	1,980	4,995	<b>89,288</b>
Liabilities	(40,628)	(343)	(344)	<b>(41,315)</b>
Net assets	<u>41,685</u>	<u>1,637</u>	<u>4,651</u>	<u><b>47,973</b></u>

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)  
NOTES TO THE FINANCIAL INFORMATION**

**5 Revenue**

An analysis of the company's revenue is as follows:

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<i>Revenue</i>			
Sale of commodities	-	32,306	41,414
Energy sales	-	16,206	30,366
Sale of other goods	-	127	596
	<u>-</u>	<u>48,639</u>	<u>72,376</u>

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<i>Revenue analysed by geographical market</i>			
United Kingdom	-	29,237	42,386
United Arab Emirates	-	7,303	6,775
Singapore	-	10,072	14,342
Hong Kong	-	-	479
Malta	-	2,027	8,394
	<u>-</u>	<u>48,639</u>	<u>72,376</u>

*Information about major customers*

	<b>2015</b>	<b>2016</b>	<b>2017</b>
<i>Sale of commodities</i>			
- Number of customers	-	2	3
- Sales (£'000)	-	13,109	27,198
<i>Energy sales</i>			
- Number of customers	-	1	1
- Sales (£'000)	-	8,295	23,795

No other single customers contributed 10% or more to the company's revenue.

**6 Expenses**

An analysis of the company's expenses by nature is as follows:

	<b>Note</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Depreciation	<b>13</b>	2,447	2,871	4,710
Profit on disposal of property, plant and equipment		-	(250)	-
Auditor remuneration	<b>8</b>	10	42	48
Net foreign exchange (gains)/losses		2	(376)	16
Administrative expenses		649	3,054	5,233
Other administrative expenses		4,484	-	-
		<u>7,592</u>	<u>5,341</u>	<u>10,007</u>

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**NOTES TO THE FINANCIAL INFORMATION**

**6 Expenses (continued)**

The other administrative expenses of £4,484,000 in the year ended 31 March 2015 relates to costs incurred by the company in the period when the business was owned by SSE plc. The changes related to irrecoverable balances written off prior to the sale of the company to SIMEC UK Energy Holdings Limited (formerly Pentach Investment Limited).

**7 Other operating income**

	<b>2015</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
Service charge receivable	-	193	141

**8 Auditor remuneration**

During the year, the company obtained the following services provided by the auditor:

	<b>2015</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
Fees payable to the auditor for the audit of the financial statements	10	42	48
Fees payable to the auditor for other services:			
- Tax advisory services	-	25	7
- Other non audit services	-	6	6
	<u>10</u>	<u>73</u>	<u>61</u>

**9 Employee benefits expenses**

The average number of employees (including executive directors) was:

	<b>2015</b> <b>Number</b>	<b>2016</b> <b>Number</b>	<b>2017</b> <b>Number</b>
Average number of employees	37	78	82

Their aggregate remuneration comprised:

	<b>2015</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
Wages, salaries and other short term benefits	280	1,922	2,273
Social security costs	32	201	244
	<u>312</u>	<u>2,123</u>	<u>2,517</u>

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**NOTES TO THE FINANCIAL INFORMATION**

**10 Finance costs**

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Interest expense arising from:			
Bank interest on loans and overdrafts	9	53	5
Unwind of discount on decommissioning provision	213	217	221
Finance leases	-	21	5
	<u>222</u>	<u>291</u>	<u>231</u>

**11 Income tax expense**

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Income tax expense arising from:			
Current tax (credit)/expense	(60)	292	(293)
Deferred tax expense	-	-	-
	<u>(60)</u>	<u>292</u>	<u>(293)</u>

The income tax expense can be reconciled to the accounting loss as follows:

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Loss before tax	<u>(7,383)</u>	<u>(1,287)</u>	<u>(6,568)</u>
Tax using the UK tax rate	20% (1,477)	20% (257)	19% (1,248)
Permanent disallowable	1,417	(10)	559
Group relief surrendered for no payment	-	157	220
Deferred tax in reserves	-	(205)	(197)
Opening deferred tax rate change	-	-	(304)
Closing deferred tax rate change	-	607	677
	<u>(60)</u>	<u>292</u>	<u>(293)</u>

At the end of the reporting period, the Company has approximately £33,871,000 of unutilised tax losses.

*Deferred tax balances*

The following is an analysis of deferred tax assets/(liabilities) presented in the statement of financial position:

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Deferred tax assets	-	-	-
Deferred tax liabilities	1,567	1,286	667
	<u>1,567</u>	<u>1,286</u>	<u>667</u>

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**NOTES TO THE FINANCIAL INFORMATION**

**11 Income tax expense (continued)**

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Deferred tax assets/(liabilities) in relation to:			
Fixed asset timing differences	(7,324)	(6,751)	(6,425)
Tax losses (recognised)	5,757	5,465	5,758
	<u>(1,567)</u>	<u>(1,286)</u>	<u>(667)</u>
	<u>(1,567)</u>	<u>(1,286)</u>	<u>(667)</u>

**12 Loss per share**

The calculation of earnings per share is based on the loss after tax and on the weighted average number of ordinary shares in issue during each year.

	<b>2015</b>	<b>2016</b>	<b>2017</b>
Loss after tax (£'000)	(7,323)	(1,579)	(6,275)
Weighted average number of shares ('000)	20,081	20,081	20,081
<b>Loss per share (pence), basic and diluted</b>	<u>(36.47)</u>	<u>(7.86)</u>	<u>(31.25)</u>

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**NOTES TO THE FINANCIAL INFORMATION**

**13 Property, plant and equipment**

	Freehold land & buildings	Plant and machinery	Fixtures, motor vehicles	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At April 2014	10,540	58,040	-	<b>68,580</b>
Additions	-	2,092	7	<b>2,099</b>
Revaluation	-	-	-	-
At 31 March 2015	<b>10,540</b>	<b>60,132</b>	<b>7</b>	<b>70,679</b>
Additions	-	5,867	38	<b>5,905</b>
Disposals	-	(100)	-	<b>(100)</b>
Revaluation	(225)	(2,907)	-	<b>(3,132)</b>
At 31 March 2016	<b>10,315</b>	<b>62,992</b>	<b>45</b>	<b>73,352</b>
Additions	-	396	-	<b>396</b>
Revaluation	(203)	(5,300)	-	<b>(5,503)</b>
At 31 March 2017	<b>10,112</b>	<b>58,088</b>	<b>45</b>	<b>68,245</b>
<b>Accumulated depreciation</b>				
At April 2014	-	-	-	-
Depreciation for the year	126	2,321	1	<b>2,448</b>
On revaluation	(126)	(2,321)	-	<b>(2,447)</b>
At 31 March 2015	-	-	<b>1</b>	<b>1</b>
Depreciation for the year	125	2,737	9	<b>2,871</b>
On revaluation	(125)	(2,737)	-	<b>(2,862)</b>
At 31 March 2016	-	-	<b>10</b>	<b>10</b>
Depreciation for the year	612	4,089	9	<b>4,710</b>
On revaluation	(612)	(4,089)	-	<b>(4,701)</b>
At 31 March 2017	-	-	<b>19</b>	<b>19</b>
<b>Net book value</b>				
At 31 March 2015	10,540	60,132	6	<b>70,678</b>
At 31 March 2016	10,315	62,992	35	<b>73,342</b>
At 31 March 2017	10,112	58,088	26	<b>68,226</b>

The freehold land and buildings, and plant and machinery, were revalued at each year, based on valuation reports prepared by Duff & Phelps, an independent firm of valuers:

	2015	2016	2017
Revaluation date	31-Mar-15	31-Mar-16	31-Mar-17
Valuation report date	30-Apr-15	04-May-17	13-Dec-17

There were no changes in the valuation techniques in each year.

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**NOTES TO THE FINANCIAL INFORMATION**

**13 Property, plant and equipment (continued)**

The fair value of the freehold land was determined using the sales comparison (market) approach, based on a comparison of the asset to comparable freehold land of this size and nature, obtained from Co-Star real property research.

The fair value of the buildings, plant and machinery was determined using the cost approach, which reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for physical wear and tear, age and lack of utility. The key unobservable inputs include the estimated cost of construction for other recent coal fired power stations, details of capital expenditure incurred by the company since 2004, likely installation costs of the plant, and depreciation factors based on the estimated remaining useful lives of the assets, which are summarised as follows:

	<b>2015</b>	<b>2016</b>	<b>2017</b>
Buildings - average remaining useful lives	10-50	10-50	10-50
Plant and machinery - average remaining useful lives	16-25	15-25	14-24

An increase of one year in the estimated useful life would result in an increase in the fair value of the assets of approximately £2 million, and an increase in the estimated construction costs of 5% would result in an increase in the fair value of the assets of approximately £1 million, and vice-versa.

Details of the Company's assets and information about their fair value hierarchy as at the end of each reporting period are as follows:

<b>2015</b>	<b>Level 3 £'000</b>	<b>Fair value £'000</b>
Freehold land	4,200	4,200
Freehold buildings and plant and machinery	66,479	66,478
	70,679	70,678
<b>2016</b>	<b>Level 3 £'000</b>	<b>Fair value £'000</b>
Freehold land	4,200	4,200
Freehold buildings and plant and machinery	69,152	69,142
	73,352	73,342
<b>2017</b>	<b>Level 3 £'000</b>	<b>Fair value £'000</b>
Freehold land	4,200	4,200
Freehold buildings and plant and machinery	64,045	64,026
	68,245	68,226

There were no transfers any level in each of the reporting periods.



**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**NOTES TO THE FINANCIAL INFORMATION**

**13 Property, plant and equipment (continued)**

If the revalued assets were stated on a historical cost basis rather than a fair value basis, their carrying amounts would have been:

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cost	32,345	38,213	38,609
Accumulated depreciation	(16,513)	(16,513)	(16,513)
	<u>15,832</u>	<u>21,700</u>	<u>22,096</u>

The Company's obligations under finance lease are secured over the leased assets, which have a carrying amount of:

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Plant and machinery	-	209	225
	<u>-</u>	<u>209</u>	<u>225</u>

**14 Inventories**

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Stocks of coal and oil	10,951	11,544	3,156
Spare parts and consumables	475	1,619	1,678
Impairment	-	-	(139)
	<u>11,426</u>	<u>13,163</u>	<u>4,695</u>

The cost of inventories recognised as an expense was 2015: (£462,000); 2016: £19,417,000; 2017: £30,483,000, which includes 2015: £nil; 2016: £nil; 2017: £139,000 in respect of write-downs of inventories.

**15 Trade and other receivables**

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<i>Current:</i>			
Trade receivables	258	2,055	5,446
Amounts due from related entities	-	143	441
Amounts due from fellow group entities	-	32	5,203
Other receivables	609	610	4,572
Prepayments and accrued income	124	346	625
	<u>991</u>	<u>3,186</u>	<u>16,287</u>

The Company's exposure to credit and currency risks are set out in note 23. The amounts due from related parties and fellow group companies are unsecured and interest-free.

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**NOTES TO THE FINANCIAL INFORMATION**

**16 Cash and cash equivalents**

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank	61	141	80
	<u>61</u>	<u>141</u>	<u>80</u>

**17 Trade and other payables**

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<i>Current:</i>			
Trade payables	8,882	4,022	4,860
Other payables	4,582	10,742	10,701
Accruals and deferred income	10	83	83
Amounts due to related entities	562	174	686
Amounts due to fellow group entities	667	7,417	11,515
Taxes and social security costs	112	205	128
Obligations under finance lease	-	60	63
	<u>14,815</u>	<u>22,703</u>	<u>28,036</u>

The Company's exposure to liquidity and currency risks are set out in note 23. The amounts due to related parties and fellow group companies are unsecured and interest-free.

**18 Loans and borrowings**

The Company's total loans and borrowings are as follows:

	<b>Note</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Current loans and borrowings</b>				
Obligations under finance leases	19		60	63
<b>Non-current loans and borrowings</b>				
Obligations under finance leases	19	-	129	63
<b>Total loans and borrowings</b>		<u>-</u>	<u>189</u>	<u>126</u>

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
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**19 Finance lease obligations**

Future minimum lease payments due under finance leases:

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Minimum lease payments:			
Within one year	-	60	63
In two to five years	-	129	63
	<u>-</u>	<u>189</u>	<u>126</u>
less: future finance charges	-	(15)	(7)
	<u>-</u>	<u>174</u>	<u>119</u>
Included in the statement of financial position as:			
- Current borrowings	-	52	58
- Non-current borrowings	-	122	61
	<u>-</u>	<u>174</u>	<u>119</u>

Finance lease payments represent rentals payable by the Company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The lease term is 36 months. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent repayments.

**20 Share capital**

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Ordinary share capital</b>			
<b>Issued and fully paid</b>			
20,081,417 of £1 each	<u>20,081</u>	<u>20,081</u>	<u>20,081</u>

**21 Revaluation reserve**

The revaluation reserve arises on the revaluation of land and buildings, and plant and machinery, and is non-distributable.

**22 Provisions**

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Decommissioning provision</b>			
Balance at 1 April	11,898	12,111	12,328
Unwinding of discounted amount	213	217	221
	<u>12,111</u>	<u>12,328</u>	<u>12,549</u>

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**NOTES TO THE FINANCIAL INFORMATION**

**22 Provisions** (continued)

The decommissioning provision is to make allowance for the cost of restoring the site of the power station to a condition which complies with applicable legislation, which is anticipated to take place in approximately 2040. The provision is based upon an estimate of the timing and current cost of this exercise, adjusted for the effects of inflation and discounted to present value using an appropriate discount rate. A 5% increase in the estimate of current cost would increase the recorded provision by approximately £600,000 in each financial year, a 0.1% increase in estimated inflation would increase the recorded provision by approximately £300,000 in each financial year and a 0.1% increase in discount rate would decrease the recorded provision by approximately £300,000 in each financial year.

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
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**23 Financial instruments, financial risks and capital risks management**

The Company is exposed to various financial risks arising in the normal course of business. It has adopted financial risk management policies and utilised a variety of techniques to manage its exposure to these risks.

*(a) Categories of financial instruments*

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Financial assets			
- Loans and receivables	259	2,946	15,105
- Cash at bank	61	141	80
	<u>320</u>	<u>3,087</u>	<u>15,185</u>
Financial liabilities			
- Payables at amortised cost	14,704	22,438	27,844
	<u>14,704</u>	<u>22,438</u>	<u>27,844</u>

*(b) Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company.

The Company's concentration of credit risk is represented by the exposure to the carrying amounts of individual financial assets which account for 10% or more of the Company's receivables and is described as follows:

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade receivables	225	1,767	2,147
Amounts due from fellow group entities	-	-	3,960
	<u>225</u>	<u>1,767</u>	<u>6,107</u>

No other single customers contributed 10% or more to the company's receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset as at the end of the reporting period.

*Analysis of trade and other receivables:*

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts that are not past due:			
- Trade receivables	258	2,055	5,446
- Other receivables	609	610	4,572
Amounts that are past due but not impaired:			
- Amounts due from related companies	-	143	441
- Amounts due from fellow group undertakings	-	32	5,203
	<u>867</u>	<u>2,840</u>	<u>15,662</u>

Based on management's experience, there are no concerns that the above balances include any irrecoverable debts.

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**NOTES TO THE FINANCIAL INFORMATION**

**23 Financial instruments, financial risks and capital risks management (continued)**

*Cash and cash equivalents*

Cash at bank is held with creditworthy financial institutions which are licensed banks in the countries in which the Company operates.

*Guarantees*

The Company issued guarantees to a lender in respect of finance leases obtained by a fellow group company (See Note 24).

*(c) Liquidity risk*

The Company actively manages its operating cash flows and the availability of funding through maintaining sufficient cash and cash equivalents to finance its activities.

Current financial liabilities are repayable on demand or due within one year from the end of the reporting period. Other than certain loans, the remaining financial liabilities are non-interest bearing.

*Analysis of financial instruments by remaining contractual maturities*

The table below summarises the maturity profile of the company's financial liabilities at the end of the reporting period based on the contractual undiscounted repayment obligations.

	Note	Carrying amount £'000	Total £'000	Contractual cash flows		
				One year or less £'000	Two to five years £'000	Over five years £'000
<b>2015</b>						
<b>Financial liabilities</b>						
Trade and other payables	17	13,474	13,474	13,474	-	
Loans to related entities	22	562	562	562	-	
Loans to group entities	22	667	667	667	-	
		14,703	14,703	14,703	-	
<b>2016</b>						
<b>Financial liabilities</b>						
Trade and other payables	17	14,847	14,847	14,847	-	
Loans to related entities	22	174	174	174	-	
Loans to group entities	22	7,417	7,417	7,417	-	
		22,438	22,438	22,438	-	
<b>2017</b>						
<b>Financial liabilities</b>						
Trade and other payables	17	15,643	15,643	15,643	-	
Loans to related entities	22	686	686	686	-	
Loans to group entities	22	11,515	11,515	11,515	-	
		27,844	27,844	27,844	-	

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**NOTES TO THE FINANCIAL INFORMATION**

**23 Financial instruments, financial risks and capital risks management (continued)**

*(d) Market risk*

*Currency risk*

The Company transacts business in foreign currencies, being the United States dollar, and is hence exposed to foreign exchange risk.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the Company's functional currencies are as follows:

	<b>Assets</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
United States dollars	-	30	1,987

	<b>Liabilities</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
United States dollars	-	-	1,153

*Foreign currency sensitivity*

The sensitivity rate used when reporting foreign currency risk is 10%, which is the sensitivity rate which represents management's assessment of the likely potential change in foreign exchange rates.

If the relevant foreign currencies were to strengthen by 10% against the functional currency of the company, profit and loss (before tax) and equity will increase (decrease) by:

	<b>Equity</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
United States dollars	-	3	83

	<b>Profit and loss (before tax)</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
United States dollars	-	3	83

If the relevant foreign currency weakens by 10% against the functional currency of the Company, the effects on profit and loss and equity will be vice versa.

*Interest rate risk*

Interest rate risk arises from the potential change in interest rates that may have an adverse effect on the company in the current reporting year or in future years.

The Company's exposure to interest rate risk is limited to the effects of fluctuation in bank interest rate on cash and cash equivalents, which is not material.

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**NOTES TO THE FINANCIAL INFORMATION**

**23 Financial instruments, financial risks and capital risks management (continued)**

*Equity price risk*

The Company is not exposed to equity price risks as it does not hold any quoted equity investments.

*(d) Capital management policies and objectives*

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances.

The capital structure of the Company consists of equity and loans and borrowings amounting as follows:

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Equity	54,663	53,386	47,973
Loans and borrowings	-	(189)	(126)
	<u>54,663</u>	<u>53,197</u>	<u>47,847</u>

There are no changes in the Company's approach to capital management during the financial year. The company is not subject to externally imposed capital requirements.

*(e) Accounting classifications and fair values*

The directors consider that the carrying amounts of the financial assets and financial liabilities recognised in the financial statements approximate their fair values.

**24 Related party transactions**

Details of transactions between the Company and related parties are disclosed below:

<i>Trading transactions</i>	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Sales of goods			
- Related entities	-	4,310	-
Purchases of goods			
- Related entities	-	1	81
- Fellow group entities	-	6,449	4,847
Payment of rent			
- Related entities	-	60	60
Recharge of costs to			
- Related entities	-	2	2,316
- Fellow group entities	-	702	3,227
Sale of plant and machinery			
- Related entities	-	350	-
Assignments of debt			
- Fellow group entities	-	378	-
Loans from/(to)			
- Related entities	-	(1)	(53)
- Fellow group entities	-	667	(3,185)



**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)  
NOTES TO THE FINANCIAL INFORMATION**

**24 Related party transactions (continued)**

<i>Balances outstanding</i>	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts due from related entities	-	143	441
Amounts due from the parent entity	-	-	1,237
Amounts due from other group entities	-	32	3,966
Amounts due to related entities	562	174	686
Amounts due to the parent entity	-	6,750	8,321
Amounts due to other group entities	667	667	3,194

*Other transactions*

The Company is party to a group guarantee for the finance leases of SIMEC Power 1 Ltd. The balance outstanding on the lease as at 31st March 2017 was £9,790,000 (2016: £nil, 2015: £nil). The lease was subsequently repaid in the post year end period.

During the year, the Company recharged costs of £1,339,000 to the parent entity in relation to penalties incurred on late filing of climate change levy returns.

The related entities mentioned above are all part of the GFG Alliance, which encompass entities under the common control of Mr P K Gupta, and of his son Mr S K Gupta.

*Compensation of directors and key management personnel:*

The remuneration of directors and other members of key management during the year were as follows:

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Compensation	-	43	32
Short-term benefits	-	-	21
	<hr/>	<hr/>	<hr/>
	-	43	53

**25 Controlling party**

The immediate parent company of SIMEC Uskmouth Power Limited is SIMEC UK Energy Holdings Limited (formerly Pentach Invest Ltd), a company registered in British Virgin Islands and the ultimate parent company is SIMEC Group Limited, a company registered in Hong Kong.

The largest and smallest group in which the results of the Company are consolidated is headed by SIMEC Group Limited. The consolidated financial statements of this group are available to the public and can be obtained from the Company Secretary, Suite 2202 - 2204, Gloucester Tower, The Landmark, 11 Pedder Street, Central Hong Kong.

The ultimate controlling party is Mr P K Gupta.

**SIMEC USK MOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**NOTES TO THE FINANCIAL INFORMATION**

**26 Operating leases**

At the end of the reporting period, the company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2015 £'000	2016 £'000	2017 £'000
Within one year	-	16	16
	-	16	16

**27 Capital management policies and objectives**

The board defines capital as share capital and all components of equity. The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes to the Group's approach to capital management during the year.

**28 Events after the reporting period**

On 3 April 2017, the plant suffered fire damage to its switch room and as a result, power generation has been suspended until the conversion work from coal to waste generation is completed.

On 14 December 2017, a conditional share purchase agreement was signed whereby SIMEC UK Energy Holdings Limited, the parent company of SIMEC Uskmouth Power Limited, has agreed to sell the company to Atlantis Resources Limited, a company listed on AIM, in consideration for a 49.99% shareholding in Atlantis Resources Limited. It is expected that a general meeting will be convened in the second quarter of 2018, at which the approval of the shareholders of Atlantis Resources Limited will be sought. The proposed transaction is also subject to certain documentation being agreed between the vendor and the purchaser.

**29 Reconciliation on first-year adoption of IFRS**

In preparing the historical financial statements, the company's opening statement of financial position was prepared as at 1 April 2014, the Group's date of transition to IFRS. This note explains the principal adjustments made by the company in restating its UK GAAP financial statements.

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The company has applied the following exemptions:

*Deemed cost*

At the date of transition to IFRS, the fair value of the property, plant and equipment, which was £68,580,000 at 1 April 2014, was taken to be the deemed cost.

*Estimates*

The estimates at 1 April 2014 and at 31 March 2015 are consistent with those made for the same dates in accordance with UK GAAP.

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**NOTES TO THE FINANCIAL INFORMATION**

**29 Reconciliation on first-year adoption of IFRS (continued)**

Reconciliation of equity as at 1 April 2014 (date of transition to IFRS)

	Notes	UK GAAP at 1 April 2014 £'000	Transition adjustments £'000	Other adjustment £'000	IFRS as at 1 April 2014 £'000
<b>Non-current assets</b>					
Property, plant and equipment	1	-	68,580	-	68,580
<b>Current assets</b>					
Inventories		200	-	-	200
Trade and other receivables		17,100	-	-	17,100
Cash and cash equivalents		-	-	-	-
		<b>17,300</b>	<b>-</b>	<b>-</b>	<b>17,300</b>
<b>Current liabilities</b>					
Trade and other payables		(2,800)	-	-	(2,800)
<b>Net current liabilities</b>		<b>14,500</b>	<b>-</b>	<b>-</b>	<b>14,500</b>
<b>Non-current liabilities</b>					
Financial liabilities - borrowings		(8,700)	-	-	(8,700)
<b>Provisions for liabilities</b>					
Deferred tax liability	2	(1,317)	-	(11,898)	(13,215)
			(1,602)		(1,602)
<b>Net Assets</b>		<b>4,483</b>	<b>66,978</b>	<b>(11,898)</b>	<b>59,563</b>
<b>Shareholders' equity</b>					
Called up share capital		20,081	-	-	20,081
Retained earnings	1,2	(15,598)	66,978	(11,898)	39,482
<b>Total equity</b>		<b>4,483</b>	<b>66,978</b>	<b>(11,898)</b>	<b>59,563</b>

Reconciliation of equity as at 31 March 2015

	Notes	UK GAAP at 1 April 2015 £'000	Transition adjustments £'000	Other adjustment £'000	IFRS as at 1 April 2015 £'000
<b>Non-current assets</b>					
Property, plant and equipment		70,678	-	-	70,678
<b>Current assets</b>					
Inventories		11,426	-	-	11,426
Trade and other receivables		991	-	-	991
Cash and cash equivalents		61	-	-	61
		<b>12,478</b>	<b>-</b>	<b>-</b>	<b>12,478</b>
<b>Current liabilities</b>					
Trade and other payables		(14,815)	-	-	(14,815)
<b>Net current liabilities</b>		<b>(2,337)</b>	<b>-</b>	<b>-</b>	<b>(2,337)</b>
<b>Non-current liabilities</b>					
Financial liabilities - borrowings		-	-	-	-
<b>Provisions for liabilities</b>					
Deferred tax liability	2	-	-	(12,111)	(12,111)
			(1,567)		(1,567)
<b>Net Assets</b>		<b>68,341</b>	<b>(1,567)</b>	<b>(12,111)</b>	<b>54,663</b>
<b>Shareholders' equity</b>					
Called up share capital		20,081	-	-	20,081
Revaluation reserve	3	68,580	(66,157)	-	2,423
Retained earnings	1,2	(20,320)	64,590	(12,111)	32,159
<b>Total equity</b>		<b>68,341</b>	<b>(1,567)</b>	<b>(12,111)</b>	<b>54,663</b>

## SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)

### NOTES TO THE FINANCIAL INFORMATION

#### 29 Reconciliation on first-year adoption of IFRS (continued)

Reconciliation of equity as at 1 April 2016

	Notes	UK GAAP at 1 April 2016 £'000	Transition adjustments £'000	Other adjustment £'000	IFRS as at 1 April 2016 £'000
<b>Non-current assets</b>					
Property, plant and equipment	1	73,342	-	-	73,342
<b>Current assets</b>					
Inventories		13,163	-	-	13,163
Trade and other receivables		3,186	-	-	3,186
Cash and cash equivalents		141	-	-	141
		<b>16,490</b>	<b>-</b>	<b>-</b>	<b>16,490</b>
<b>Current liabilities</b>					
Trade and other payables		(22,703)	-	-	(22,703)
<b>Net current liabilities</b>		<b>(6,213)</b>	<b>-</b>	<b>-</b>	<b>(6,213)</b>
<b>Non-current liabilities</b>					
Financial liabilities - borrowings		(129)	-	-	(129)
<b>Provisions for liabilities</b>					
Deferred tax liability	2	-	(1,286)	(12,328)	(12,328)
<b>Net Assets</b>		<b>67,000</b>	<b>(1,286)</b>	<b>(12,328)</b>	<b>53,386</b>
<b>Shareholders' equity</b>					
Called up share capital		20,081	-	-	20,081
Revaluation reserve	3	68,310	(65,584)	-	2,726
Retained earnings	1,2	(21,391)	64,298	12,328)	30,579
<b>Total equity</b>		<b>67,000</b>	<b>(1,286)</b>	<b>(12,328)</b>	<b>53,386</b>

Reconciliation of equity as at 1 April 2017

	Notes	UK GAAP at 31 March 2017 £'000	Transition adjustments £'000	Other adjustment £'000	IFRS as at 31 March 2017 £'000
<b>Non-current assets</b>					
Property, plant and equipment		68,226	-	-	68,226
<b>Current assets</b>					
Inventories		4,695	-	-	4,695
Trade and other receivables		16,287	-	-	16,287
Cash and cash equivalents		80	-	-	80
		<b>21,062</b>	<b>-</b>	<b>-</b>	<b>21,062</b>
<b>Current liabilities</b>					
Trade and other payables		(28,036)	-	-	(28,036)
<b>Net current liabilities</b>		<b>(6,974)</b>	<b>-</b>	<b>-</b>	<b>(6,974)</b>
<b>Non-current liabilities</b>					
Financial liabilities - borrowings		(63)	-	-	(63)
<b>Provisions for liabilities</b>					
Deferred tax liability	2	-	(667)	(12,549)	(12,549)
<b>Net Assets</b>		<b>61,189</b>	<b>(667)</b>	<b>(12,549)</b>	<b>47,973</b>
<b>Shareholders' equity</b>					
Called up share capital		20,081	-	-	20,081
Revaluation reserve	3	67,508	(65,259)	-	2,249
Retained earnings	1,2	(26,400)	64,592	(12,549)	25,643
<b>Total equity</b>		<b>61,189</b>	<b>(667)</b>	<b>(12,549)</b>	<b>47,973</b>

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**NOTES TO THE FINANCIAL INFORMATION**

**29 Reconciliation on first-year adoption of IFRS (continued)**

1. Under UK GAAP the property, plant and equipment of the Uskmouth Power Station had been fully amortised under the historical cost basis of accounting. On transition to IFRS the deemed cost exemption has been taken under which fair value will be used as the basis of accounting. This is based upon the depreciated replacement cost method of valuation which has been assessed by independent valuers, Duff and Phelps. Under the deemed cost exemption the increase in asset value is reflected through retained earnings. A corresponding deferred tax liability has been recognised on transition.

2. Following an assessment by management of the restoration obligations in respect of the Uskmouth Power Station provision has been made to cover the estimate of costs involved. This is based upon management estimates taking account of external advice and consideration of the costs of decommissioning of similar facilities elsewhere. The estimate is based upon technology and prices at the balance sheet date. The provision is reflected through retained earnings in line with the deemed cost exemption accounting adopted in accounting for the property, plant and equipment related to the power station. Each year the provision is increased to reflect the reversal of the discount to bring the provision to net present value, with the adjustment being reflected through the statement of comprehensive income. A decommissioning provision should have been recognised in the UK GAAP accounts and thus this adjustment is the correction of a prior period error.

3. At each year end an adjustment is required in order to present the increase in valuation of the property, plant and equipment made on transition to IFRS within retained earnings, rather than revaluation reserve. The remaining amount within the revaluation reserve reflects the adjustment to fair value made in each financial year.

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**NOTES TO THE FINANCIAL INFORMATION**

**29 Reconciliation on first-year adoption of IFRS (continued)**

Reconciliation of total comprehensive income for the year ended 31 March 2015

	Notes	UK GAAP at 31 March 2015 £'000	Transition adjustments £'000	Other adjustments £'000	IFRS for the year ended 31 March 2015 £'000
<b>Revenue</b>		-	-	-	-
Cost of sales		431	-	-	431
<b>Gross profit</b>		<b>431</b>	<b>-</b>	<b>-</b>	<b>431</b>
Administrative expenses	4	(5,145)	(2,447)	-	(7,592)
<b>Operating</b>		<b>(4,714)</b>	<b>(2,447)</b>	<b>-</b>	<b>(7,161)</b>
Finance costs	5	(9)	-	(213)	(222)
<b>Loss before</b>		<b>(4,723)</b>	<b>(2,447)</b>	<b>(213)</b>	<b>(7,383)</b>
Income tax credit	6	-	60	-	60
<b>Loss for the year attributable to equity holders</b>		<b>(4,723)</b>	<b>(2,387)</b>	<b>(213)</b>	<b>(7,323)</b>
		68,580			(66,133)
<b>Other comprehensive income:</b>					-
Gain on revaluation of property, plant and equipment					2,447
Deferred tax on revaluation		-	(24)		(24)
<b>Total comprehensive income for the year</b>		<b>63,857</b>	<b>(68,544)</b>	<b>(213)</b>	<b>(4,900)</b>

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**NOTES TO THE FINANCIAL INFORMATION**

**29 Reconciliation on first-year adoption of IFRS (continued)**

Reconciliation of total comprehensive income for the year ended 31 March 2016

	Notes	UK GAAP at 31 March 2016 £'000	Transition adjustments £'000	Other adjustments £'000	IFRS for the year ended 31 March 2016 £'000
<b>Revenue</b>		48,639	-	-	48,639
Cost of sales		(44,487)	-	-	(44,487)
<b>Gross profit</b>		<b>4,152</b>	-	-	<b>4,152</b>
Administrative expenses		(5,341)	-	-	(5,341)
Other operating income		193	-	-	193
<b>Operating</b>		<b>(996)</b>	-	-	<b>(996)</b>
Finance costs	5	(74)	-	(217)	(291)
<b>Loss before</b>		<b>(1,070)</b>	-	<b>(217)</b>	<b>(1,287)</b>
Income tax expense	6	-	(292)	-	(292)
<b>Loss for the year attributable to equity holders</b>		<b>(1,070)</b>	<b>(292)</b>	<b>(217)</b>	<b>(1,579)</b>
<b>Other comprehensive income:</b>					
Gain on revaluation of property, plant and equipment		(270)	-	-	(270)
Deferred tax on revaluation	6	-	573	-	573
<b>Total comprehensive income for the year</b>		<b>(1,340)</b>	<b>281</b>	<b>(217)</b>	<b>(1,276)</b>

Reconciliation of total comprehensive income for the year ended 31 March 2017

	Notes	UK GAAP at 31 March 2017 £'000	Transition adjustments £'000	Other adjustments £'000	IFRS for the year ended 31 March 2017 £'000
<b>Revenue</b>		72,376	-	-	72,376
Cost of sales		(68,847)	-	-	(68,847)
<b>Gross profit</b>		<b>3,529</b>	-	-	<b>3,529</b>
Administrative expenses	7	(8,668)	-	(1,339)	(10,007)
Other operating income		141	-	-	141
<b>Operating</b>		<b>(4,998)</b>	-	<b>(1,339)</b>	<b>(6,337)</b>
Finance costs	5	(10)	-	(221)	(231)
<b>Loss before</b>		<b>(5,008)</b>	-	<b>(1,560)</b>	<b>(6,568)</b>
Income tax credit	6	-	293	-	293
<b>Loss for the year attributable to equity holders</b>		<b>(5,008)</b>	<b>293</b>	<b>(1,560)</b>	<b>(6,275)</b>
<b>Other comprehensive income:</b>					
Gain on revaluation of property, plant and equipment		(802)	-	-	(802)
Deferred tax on revaluation	6	-	325	-	325
<b>Total comprehensive income for the year</b>		<b>(5,810)</b>	<b>618</b>	<b>(1,560)</b>	<b>(6,752)</b>

**SIMEC USKMOUTH POWER LIMITED (HISTORICAL FINANCIAL INFORMATION)**  
**NOTES TO THE FINANCIAL INFORMATION**

**29 Reconciliation on first-year adoption of IFRS (continued)**

4. This adjustment reflects the depreciation charge required on the property, plant and equipment which has been adjusted to fair value, previously being fully depreciated as explained in note 1.
5. This adjustment represents the unwind of the discount of the provision for the decommissioning cost of the Uskmouth Power Station. Further explained in note 2.
6. An adjustment has been made to reflect the deferred tax required to be recognised through the income statement and other comprehensive income on the revaluation adjustment made to property, plant and equipment.
7. This adjustment has been made to reflect a contribution being made from the parent in the form of settling a climate change levy penalty. The adjustment results in an increase in both administrative expenses and retained earnings. This balance should have been reflected in retained earnings in the UK GAAP accounts and therefore this adjustment is the correction of a prior period error.



**SIMEC USKMOUTH POWER LIMITED**

**Registration Number: 05104786**

**Unaudited Interim Financial Information  
For the six months ended 30 September 2017**

**SIMEC USKMOUTH POWER LIMITED**  
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**SIMEC USKMOUTH POWER LIMITED**  
**CONDENSED STATEMENT OF INTERIM COMPREHENSIVE INCOME**  
For the six months ended 30 September 2017

	Notes	Six months ended	
		30 September 2017 £'000	30 September 2016 £'000
<b>Revenue</b>		2,492	41,629
Cost of sales		(4,961)	(39,386)
<b>Gross profit</b>		<u>(2,469)</u>	<u>2,243</u>
Administrative expenses		(3,900)	(4,391)
Other operating income		79	78
<b>Results from operating activities</b>		<u>(6,290)</u>	<u>(2,070)</u>
Finance costs		(144)	(115)
<b>Profit /(loss) before taxation</b>		<u>(6,434)</u>	<u>(2,185)</u>
Income tax expense		-	-
<b>Profit/(loss) for the year attributable to equity holders</b>		<u><u>(6,434)</u></u>	<u><u>(2,185)</u></u>
<b>Other comprehensive income:</b>			
Gain on revaluation of property, plant and equipment		-	-
<b>Total comprehensive income for the period/year</b>		<u><u>(6,434)</u></u>	<u><u>(2,185)</u></u>
<b>Loss per share (pence), basic and diluted</b>	4	<u><u>(32.04)</u></u>	<u><u>(10.88)</u></u>

**SIMEC USKMOUTH POWER LIMITED**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
For the six months ended 30 September 2017

		Six months ended	
		30 September	
	Notes	2017 £'000	31 March 2017 £'000
<b>Non-current assets</b>			
Property, plant and equipment	5	65,982	68,226
		<u>65,982</u>	<u>68,226</u>
<b>Current assets</b>			
Inventory		3,885	4,695
Trade and other receivables		9,940	16,287
Cash and cash equivalents		455	80
		<u>14,280</u>	<u>21,062</u>
<b>Total assets</b>			
<b>Current liabilities</b>			
Trade and other payables		(25,358)	(28,036)
		<u>(11,078)</u>	<u>(6,974)</u>
<b>Net current liabilities</b>			
<b>Non - current liabilities</b>			
Financial liabilities - borrowings		(37)	(63)
Provisions - Asset retirement obligations		(12,661)	(12,549)
Deferred Tax liabilities		(667)	(667)
		<u>41,539</u>	<u>47,973</u>
<b>Net Assets</b>			
<b>Shareholders' equity</b>			
Called up share capital	6	20,081	20,081
Revaluation reserve		2,249	2,249
Accumulated losses/profits		19,209	25,643
		<u>41,539</u>	<u>47,973</u>
<b>Total equity</b>			

**SIMEC USKMOUTH POWER LIMITED**  
**CONDENSED STATEMENT OF INTERIM CHANGES IN EQUITY**  
For the six months ended 30 September 2017

	Share capital £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 April 2016</b>	<b>20,081</b>	<b>2,726</b>	<b>30,579</b>	<b>53,386</b>
Loss for the period	-	-	(2,185)	(2,185)
<b>As at 30 September 2016</b>	<b><u>20,081</u></b>	<b><u>2,726</u></b>	<b><u>28,394</u></b>	<b><u>51,201</u></b>
<b>As at 1 April 2017</b>	<b>20,081</b>	<b>2,249</b>	<b>25,643</b>	<b>47,973</b>
Loss for the period	-	-	(6,434)	(6,434)
<b>As at 30 September 2017</b>	<b><u>20,081</u></b>	<b><u>2,249</u></b>	<b><u>19,209</u></b>	<b><u>41,539</u></b>

**SIMEC USKMOUTH POWER LIMITED**  
**CONDENSED STATEMENT OF INTERIM CASH FLOWS**  
For the six months ended 30 September 2017

	Six months ended	
	30 September	30 September
	2017	2016
	£'000	£'000
<b>Cash flows from operating activities</b>		
(Loss)/profit for the period	(6,434)	(2,185)
Adjustments for:		
Depreciation of property, plant and equipment	2,283	2,354
Interest paid	144	115
Movement in inventories	810	6,431
Movement in trade and other receivables	6,347	(11,971)
Movement in trade and other payables	(2,683)	5,758
<b>Net cash used in operating activities</b>	<u>467</u>	<u>502</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(39)	(216)
<b>Net cash from investing activities</b>	<u>(39)</u>	<u>(216)</u>
<b>Cash flows from financing activities</b>		
Interest paid	(32)	(5)
Repayment of hire purchase contracts	(21)	(30)
<b>Net cash from financing activities</b>	<u>(53)</u>	<u>(35)</u>
<b>Increase in cash and cash equivalents</b>	<u><u>375</u></u>	<u><u>251</u></u>
Cash and cash equivalents at the beginning of the period	80	141
<b>Cash and cash equivalents at the end of the period</b>	<u><u>455</u></u>	<u><u>80</u></u>

**SIMEC USKMOUTH POWER LIMITED**  
**NOTES TO THE FINANCIAL INFORMATION**

**1 Domicile and activities**

SIMEC Uskmouth Power Limited (the "Company") is a company limited by shares and incorporated in England and Wales. The address of the Company's registered office is Uskmouth Power Station, West Nash Road, Nash, Newport, NP18 2BZ, United Kingdom.

The principal activity of the Company is power generation and the trade of coal and oil. It is the objective of the Company to significantly expand power production by converting the existing coal plant to a waste derived generation plant.

The financial information presented herein does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

**2 Summary of significant accounting policies**

**2.1 Statement of compliance**

The financial statements have been drawn up in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and the provisions of the UK Companies Act 2006 applicable to companies reporting under IFRS.

**2.2 Basis of preparation**

This Interim Report has been prepared on a basis consistent with the accounting policies applied to all the periods presented in these financial statements.

The disclosed figures are not statutory accounts in terms of section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2017, on which the auditors gave an unqualified opinion and no statements under section 498 (2) or (3), have been filed with the Registrar of Companies.

*Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Great British Pounds ("GBP"). The financial statements are presented in GBP (£), rounded to the nearest thousand.

*Going concern*

In preparing these financial statements, the directors of the company have given careful consideration to the current and anticipated future solvency of the company and the ability of the company to continue as a going concern for the foreseeable future.

Following damage to the switch room of the power plant in April 2017, the company suspended its power generation activity. The company is reliant on the ultimate parent company, SIMEC Group Ltd, to provide ongoing financial support until the company makes a return to profitability. Subject to various formalities, the company is currently in the process of being acquired by Atlantis Resources Ltd, as part of the wider plans of the company and Atlantis Resources Ltd to convert the existing coal plant to a waste derived fuel generating facility. This conversion will be dependent on the ability of Atlantis Resources Ltd to raise sufficient and appropriate funding for the project. SIMEC Group Ltd has provided a letter of support, whereby it has confirmed that it will provide the necessary finance for the project should there be a shortfall in the fundraising of Atlantis Resources Ltd. SIMEC Group Ltd has also confirmed in the letter of support that, in the event of the proposed acquisition falling through, it will continue to provide financial support to the company. In the light of such financial support, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

**2 Summary of significant accounting policies (continued)**

*Adoption of IFRS and revised standards*

The adoption of new and revised International Accounting Standards (“IASs”) for the financial year beginning 1 April 2017 does not have a significant effect on the financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**2.3 Financial instruments**

Financial assets and financial liabilities are recognised on the Company’s statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest rate basis for debt instruments other than those financial instruments classified as at fair value through profit or loss.

*Financial assets*

Financial assets are initially measured at fair value plus transaction costs except for those financial assets classified as at fair value through profit and loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL), held to maturity investments, available for sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular purchases or sales of financial assets are recognised and derecognised on a trade date basis.

The financial assets of the Company comprise loans and receivables.

*Loans and receivables*

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.



## **2 Summary of significant accounting policies (continued)**

### *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank, short-term bank deposits with an original maturity of 3 months and cash on hand.

### *Impairment of financial assets*

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

### *Derecognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### *Financial liabilities and equity instruments*

#### *Classification as debt or equity*

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

**2 Summary of significant accounting policies (continued)**

*Other financial liabilities*

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

Loans and borrowings (except for financial guarantee contract liabilities) are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs (see Note 2.13).

*Derecognition of financial liabilities*

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

**2.4 Inventories**

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises all direct expenditure and those attributable costs overheads that have been incurred in bringing the inventories to their present location and condition.

**2.5 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**2 Summary of significant accounting policies (continued)**

**2.6 Property, plant and equipment**

Land and buildings, and plant and machinery held for use in the generation of power are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings, and plant and machinery is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued assets is recognised in profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Fixtures and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings	- Straight line over 8-9 years
Plant and machinery	- Straight line over 14-24 years
Fixtures, fittings and equipment	- Straight line over 10 years
Motor vehicles	- Straight line over 4 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, except when there is no reasonable certainty that ownership will be obtained by the end of the lease term, where the assets are depreciated over the shorter of the lease term and their useful lives.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

Fully depreciated assets still in use are retained in the financial statements.

**2 Summary of significant accounting policies (continued)**

**2.7 Impairment of tangible assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**2.8 Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**2 Summary of significant accounting policies (continued)**

**2.9 Government grants**

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are presented as a deduction from the carrying amount of the related assets and recognised as income over the useful lives of the assets by way of a reduced depreciation or amortisation charge.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

**2.10 Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

**2.11 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of the consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue attributable to the activity of electricity generation is recognised as electricity is generated, at the price at which revenue is contracted to be sold.

Revenue from the sale of commodities is recognised when the risks and rewards of ownership have transferred to the customer in accordance with the International Commercial Terms 2010 (Incoterms 2010) and represents the invoiced value of the commodities sold net of VAT.

Other revenues from the sale of goods are recognised at the point when the risks and rewards of ownership pass to the customer, typically at the point of delivery to the customer's premises.

**2.12 Income tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

*Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Company's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the reporting period.

**2 Summary of significant accounting policies (continued)**

*Deferred tax*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination.

**2.13 Foreign currency transactions and translation**

The financial statements are measured and presented in the functional currency.

Transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. All exchange differences are recognised in profit or loss.

**2 Summary of significant accounting policies (continued)**

**2.14 Finance costs**

Finance costs comprise interest expense on borrowings. All borrowing costs are recognised in the profit or loss using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

**2.15 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or property, plant and equipment. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**2.16 New standards and interpretations not adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2017, and have not been applied in preparing these financial statements.

Except as otherwise indicated below, those new standards, amendments to standards, and interpretations are not expected to have a significant effect on the financial statements of the Company. The Company does not plan to adopt these standards early.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 Revenue from Contracts with Customers will replace IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

When effective, IFRS 15 replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and IFRIC 31 Revenue – Barter Transactions Involving Advertising Services.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. IFRS 15 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.

**2 Summary of significant accounting policies (continued)**

The standard establishes the principle for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled to in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed (e.g. service revenue and contract modifications) and improved guidance for multi-element arrangements.

The Company has completed an initial assessment of the potential impact of the adoption of this standard on its consolidated financial statements. Based on its initial assessment, the Company does not expect the changes to have any material impact.

*IFRS 9 Financial Instruments*

IFRS 9 Financial Instruments replaces most of the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

The Company has completed an initial assessment of the potential impact of the adoption of this standard on its consolidated financial statements. Based on its initial assessment, the Company does not expect the changes to have any material impact.

*IFRS 16 Leases*

IFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

When effective, IFRS 16 replaces existing lease accounting guidance, including IAS 17, 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 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if IFRS 15 is also applied.

The Company has completed an initial assessment of the potential impact of the adoption of this standard on its consolidated financial statements. Based on its initial assessment, the Company does not expect the changes to have any material impact.



**3 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

*Critical judgements*

In the process of applying the Company's accounting policies, which are described in Note 2, the critical accounting judgements that will have a significant effect on the amounts recognised in the financial statements are discussed below:

*Valuation of land and buildings, and plant and machinery*

The Company consults with qualified external valuers to ascertain the fair values of the Company's land and buildings, and plant and machinery, which are inherently subjective due to, among other factors, the individual nature and condition of the buildings and power plant and their location. As a result, the valuations are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility.

*Impairment of fixed assets*

The directors have assessed the recoverable value of the Company's buildings and power plant for indications of impairment. The assessment has been carried out in the context of the Company's plan for future power generation from waste derived fuel, which will first require the existing coal plant to be converted to a waste derived fuel generating facility. In their assessment of the project, the directors have conducted financial appraisals, including sensitivity analyses, taking into account a number of factors including cost of capital, capital expenditure requirements, plant utilisation, power prices and operating costs. The directors consider that the project is financially viable and the Company's buildings and plant are not impaired. However the basis of assumptions used in the financial appraisals are inherently subject to uncertainty and volatility, due to factors such as: market forces which determine the financial returns of power generation from waste derived fuel; availability of waste derived fuel; government intervention which may impact on the financial returns; new regulatory compliance requirements; technological innovation which may render the Company's operating procedures obsolete; and the availability of finance to see the company through the conversion

*Tax*

The calculation of the company's tax charge involves a degree of judgement in respect of certain items. The availability of brought forward tax losses which determine the calculation of current tax is dependent upon the application of relevant tax laws. The directors consider that in their judgement and in the application of relevant tax laws, the brought forward tax losses are available for future use by the company. The recognition of deferred tax assets is based on whether it is more likely than not that sufficient and suitable future taxable profits will be available against which the reversal of temporary timing differences can be deducted. The directors consider that deferred tax assets should not be recognised until there is a suitable track record of the company being and remaining profitable.

**3 Critical accounting judgements and key sources of estimation uncertainty (continued)**

*Key sources of estimation uncertainty*

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

*Useful life of assets*

Management reviews the useful lives of depreciable assets at each reporting date, based on expected utility of the assets. Uncertainties in these estimates relate to the period that the Company intends to derive future economic benefits from the use of these assets.

*Inventories*

An element of judgement is inherent in calculating the volume of fuel stocks owned by the Company, given the storage and handling characteristics of coal and oil. Coal stocks are weighed when entering, moving around or exiting sites using tools regularly calibrated to industry standards. Fuel burnt in the electricity generation process is calculated using a combination of weights and thermal efficiency calculations. Coal stocks are verified by an independent stock survey carried out by suitably trained specialists. Despite being an independent process, the survey depends on estimates and assumptions.

*Decommissioning provision*

The estimate of the costs to decommission the property, plant and equipment of the Uskmouth Power Station at a future date is inherently judgemental. The estimated cost of decommissioning is reviewed periodically. Provision is made for the estimated discounted cost of decommissioning at the balance sheet date. The estimate is based on the forecast remediation or clean-up costs at the projected date of decommissioning, which itself is uncertain, and are discounted for the true value of money.

**SIMEC USKMOUTH POWER LIMITED**  
**Notes to the financial information**

**4 Earnings per share**

The calculation of earnings per share is based on the profit/(loss) after tax and on the weighted average number of ordinary shares in issue during each year.

	<b>Six months ended</b>	
	<b>30 September 2017</b>	<b>30 September 2016</b>
(Loss)/Profit after tax (£'000)	(6,434)	(2,185)
Weighted average number of shares ('000)	20,081	20,081
<b>Loss per share (pence), basic and diluted</b>	<b><u>(32.04)</u></b>	<b><u>(10.88)</u></b>

**SIMEC USKMOUTH POWER LIMITED**  
**Notes to the financial information**

**5 Property, plant and equipment**

	Freehold land & buildings £'000	Plant and machinery £'000	Fixtures, motor vehicles £'000	Total £'000
<b>Valuation</b>				
At April 2016	10,315	62,992	45	73,352
Additions	-	396	-	396
Revaluation	(203)	(5,300)	-	(5,503)
At 31 March 2017	<u>10,112</u>	<u>58,088</u>	<u>45</u>	<u>68,245</u>
At April 2017	10,112	58,088	45	68,245
Additions	-	39	-	39
At 30 September 2017	<u>10,112</u>	<u>58,127</u>	<u>45</u>	<u>68,284</u>
<b>Accumulated depreciation</b>				
At April 2016	-	-	10	10
Depreciation for the year	612	4,089	9	4,710
Revaluation	(612)	(4,089)	-	(4,701)
At 31 March 2017	<u>-</u>	<u>-</u>	<u>19</u>	<u>19</u>
At April 2017	-	-	19	19
Depreciation for the year	333	1,945	5	2,283
At 30 September 2017	<u>333</u>	<u>1,945</u>	<u>24</u>	<u>2,302</u>
<b>Net book value</b>				
At 30 September 2017	<u>9,779</u>	<u>56,182</u>	<u>21</u>	<u>65,982</u>
At 31 March 2017	<u>10,112</u>	<u>58,088</u>	<u>26</u>	<u>68,226</u>

<b>6 Share capital</b>		
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
20,081,417 of £1 each	<u>20,081</u>	<u>20,081</u>

**7 Events after the reporting period**

On 14 December 2017, a conditional share purchase agreement was signed whereby SIMEC UK Energy Holdings Limited, the parent company of SIMEC Uskmouth Power Limited, has agreed to sell the company to Atlantis Resources Limited, a company listed on AIM, in consideration for a 49.99% shareholding in Atlantis Resources Limited. It is expected that a general meeting will be convened in the first quarter of 2018, at which the approval of the shareholders of Atlantis Resources Limited will be sought. The proposed transaction is also subject to certain documentation being agreed between the vendor and the purchaser.

**8 Controlling party**

The immediate parent company of SIMEC Uskmouth Power Limited is SIMEC UK Energy Holdings Limited (formerly Pentach Invest Ltd), a company registered in British Virgin Islands and the ultimate parent company is SIMEC Group Limited, a company registered in Hong Kong.

The largest and smallest group in which the results of the Company are consolidated is headed by SIMEC Group Limited. The consolidated financial statements of this group are available to the public and can be obtained from the Company Secretary, Suite 2202 - 2204, Gloucester Tower, The Landmark, 11 Pedder Street, Central Hong Kong.

The ultimate controlling party is Mr P K Gupta.

## PART VIII

### HISTORICAL FINANCIAL INFORMATION ON ATLANTIS

#### 1. Background

The consolidated financial statements of the Group for the year ended 31 December 2014, as set out in the annual report of the Group for 2014, the consolidated financial statements of the Group for the year ended 31 December 2015, as set out in the annual report of the Group for 2015, the consolidated financial statements of the Group for the year ended 31 December 2016, as set out in the annual report of the Group for 2016 and the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2017, as set out in the interim statements of the Group for the six months ended 30 June 2017, are incorporated by reference into this document. The audit reports for each of the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016 were unqualified. The consolidated financial statements for the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016 and for the six months ended 30 June 2017 (unaudited) were prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

#### 2. Cross reference list

The following list is intended to enable investors to identify easily specific items of information which have been incorporated by reference into this document. A copy of each of these documents incorporated by reference into this document can be accessed on the Company's website at [www.atlantisresourcesltd.com](http://www.atlantisresourcesltd.com) (up to Admission) or at [www.simecatlantis.com](http://www.simecatlantis.com) (following Admission).

##### 2.1 **IFRS financial statements for the financial year ended 31 December 2014 and the audit report thereon**

The page numbers below refer to the relevant pages of the annual report of the Group for the financial year ended 31 December 2014:

<i>Section</i>	<i>Page number(s)</i>
Independent auditor's report	22
Consolidated statement of profit or loss and other comprehensive income	23
Statements of financial position	24
Statements of changes in equity	25 to 26
Consolidated statement of cash flows	27
Notes to financial statements	28 to 63

##### 2.2 **IFRS financial statements for the financial year ended 31 December 2015 and the audit report thereon**

The page numbers below refer to the relevant pages of the annual report of the Group for the financial year ended 31 December 2015:

<i>Section</i>	<i>Page number(s)</i>
Independent auditor's report	18
Consolidated statement of profit or loss and other comprehensive income	19
Statements of financial position	20
Statements of changes in equity	21 to 23
Consolidated statement of cash flows	24
Notes to financial statements	25 to 62

2.3 **IFRS financial statements for the financial year ended 31 December 2016 and the audit report thereon**

The page numbers below refer to the relevant pages of the annual report of the Group for the financial year ended 31 December 2016:

<i>Section</i>	<i>Page number(s)</i>
Independent auditor's report	24 to 27
Consolidated statement of profit or loss and other comprehensive income	29
Statements of financial position	30
Statements of changes in equity	31 to 33
Consolidated statement of cash flows	34
Notes to financial statements	35 to 83

2.4 **IFRS financial statements for the six months ended 30 June 2017 and the audit review thereon**

The page numbers below refer to the relevant pages of the interim statements of the Group for the six months ended 30 June 2017:

<i>Section</i>	<i>Page number(s)</i>
Condensed consolidated statement of profit and loss and other comprehensive income	4
Condensed consolidated statement of financial position	5
Condensed consolidated statement of changes in equity	6 to 7
Condensed consolidated statement of cash flows	8
Notes to the consolidated interim financial statements	9 to 16

## PART IX

### UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

#### Section A: Introduction

The unaudited pro forma financial information set out below has been prepared to illustrate the effect of the Acquisition and the Placing on the net assets of Atlantis as at 30 June 2017 as if the Acquisition and Placing had taken place on that date. The unaudited pro forma financial information has been prepared on the basis of, and should be read in conjunction with, the notes set out below.

The unaudited pro forma statement of net assets of the Enlarged Group is based on the consolidated net assets of Atlantis as at 30 June 2017 and has been prepared on the basis that the Acquisition was effective as of 30 June 2017 and in a manner consistent with the accounting policies adopted by Atlantis in preparing the audited financial statements for the year ended 31 December 2016.

Because of its nature, the unaudited pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Enlarged Group's actual financial position or results. It may not, therefore, give a true picture of the Enlarged Group's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The pro forma financial information has been prepared for illustrative purposes only and in accordance with Annex II of the Prospectus Directive Regulation as incorporated into the AIM Rules for Companies.

#### Section B: Unaudited Pro Forma Statement of Net Assets of the Enlarged Group

	<i>Atlantis</i> <i>Note 1</i> <i>£000</i>	<i>SUP</i> <i>Note 2</i> <i>£000</i>	<i>Note 3</i> <i>£000</i>	<i>Adjustments</i>				<i>Pro</i> <i>Forma</i> <i>£000</i>
			<i>Note 4</i> <i>£000</i>	<i>Note 5</i> <i>£000</i>	<i>Note 6</i> <i>£000</i>	<i>Note 7</i> <i>£000</i>		
<b>Non-current assets</b>								
Intangible assets	35,590	–	11,886	–	–	–	–	47,476
Property, plant and equipment	65,374	65,982	–	–	–	–	–	131,356
Loan to joint venture	1,316	–	–	–	–	–	–	1,316
	<u>102,280</u>	<u>65,982</u>	<u>11,886</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>180,148</u>
<b>Current assets</b>								
Inventories	–	3,885	–	–	–	–	–	3,885
Trade and trade receivables	4,731	9,940	–	–	–	–	–	14,671
Cash and cash equivalents	6,939	455	–	(3,511)	19,502	–	–	23,385
	<u>11,670</u>	<u>14,280</u>	<u>–</u>	<u>(3,511)</u>	<u>19,502</u>	<u>–</u>	<u>–</u>	<u>41,491</u>
<b>Total assets</b>	<b>113,950</b>	<b>80,262</b>	<b>11,886</b>	<b>(3,511)</b>	<b>19,502</b>	<b>–</b>	<b>–</b>	<b>222,089</b>
<b>Current liabilities</b>								
Trade and other payables	(7,092)	(25,358)	–	–	–	0	10,660	(21,790)
Provisions	(1,629)	–	–	–	–	–	–	(1,629)
Loans and borrowings	(3,757)	–	–	–	–	–	–	(3,757)
	<u>(12,478)</u>	<u>(25,358)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>0</u>	<u>10,660</u>	<u>(27,176)</u>
<b>Non-current liabilities</b>								
Loans and borrowings	(29,738)	(37)	–	–	–	–	–	(29,775)
Deferred tax liability	(3,830)	(667)	–	–	–	–	–	(4,497)
Provisions	(483)	(12,661)	–	–	–	–	–	(13,144)
	<u>(34,051)</u>	<u>(13,365)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>0</u>	<u>10,660</u>	<u>(47,416)</u>
<b>Total liabilities</b>	<b>(46,529)</b>	<b>(38,723)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0</b>	<b>10,660</b>	<b>(74,592)</b>
<b>Net assets</b>	<b>67,421</b>	<b>41,539</b>	<b>11,886</b>	<b>(3,511)</b>	<b>19,502</b>	<b>0</b>	<b>10,660</b>	<b>147,497</b>



## Notes

1. The net assets of Atlantis as at 30 June 2017 have been extracted without adjustment from its Consolidated Interim Financial Statements for the six months ended 30 June 2017.
2. The net assets of SUP have been extracted without adjustment from its Interim Financial Statements for the six months ended 30 September 2017 set out in Part VII of this document.
3. The adjustment in Note 3 relates to the consideration for the Acquisition (£53,424,815) which is being satisfied by the issue of 152,642,330 Ordinary Shares at 35 pence per share (based on the Placing Price of 35p per share which is the price at which the Placing Shares are being issued). As SUP's net assets presented above total £41,539,000, goodwill amounts to £11,885,815 (being calculated as the purchase consideration of £53,424,815 less net assets acquired of £41,539,000). A fair value assessment of the assets and liabilities acquired, including a valuation of the intangible assets, as required by IFRS 3 (Revised) has not yet been performed.
4. The adjustment in Note 4 reflects the transaction costs of the Acquisition.
5. The adjustment in Note 5 reflects the net proceeds of the Placing through the issue of the Placing Shares at 35p pence per share. The net proceeds receivable by the Company are approximately £19,500,000 (£20,000,000 gross proceeds less direct issue costs of £500,000).
6. SUP owns land at the Power Station site which is not required for Power Station operations and which it has leased to SIMEC Power at a rent of £100 per annum on a 999 year lease. A premium is payable on the grant of the lease of £1,475,000 which is the effective value of the land being leased. The adjustment in Note 6 represents a creditor for the premium payable of £1,475,000 which will be released to the profit and loss account over the period of the lease, offset by a £1,475,000 reduction in SIMEC intercompany balances, also within trade and other payables.
7. The adjustment in Note 7 represents that part of the SIMEC Loan that is to be converted into Ordinary Shares (being the SIMEC Loan Completion Shares), by way of an automatic conversion pursuant to the terms of the Sale and Purchase Agreement and the SIMEC Loan Agreement. This represents the estimated amount of funds required for SUP's working capital requirements over the 18 period from the date of Admission. Such Automatic Conversion Amount (as defined in paragraph 8 of Part XI of this document) will be an amount of £10,660,000.
8. Although, not directly attributable to the Proposals and therefore not included as an adjustment in the pro forma statement as at 16 May 2018, the Atlantis Group has raised £4,600,000, before expenses, through a five-year bond issue to participating members of the Abundance platform with a coupon of 8 per cent. payable semi-annually, maturing in 2023. A summary of the 2018 Debenture is set out at paragraph 10 of Part XII of this document.

## PART X

### INFORMATION TO COMPLY WITH THE SINGAPORE TAKEOVER CODE

#### Section A: Singapore Takeover Code

##### 1. Overview of the Singapore Code

- 1.1 The Singapore Code issued pursuant to the Singapore Securities & Futures Act (Cap. 289) applies to both takeovers and mergers of, amongst other things, public companies in Singapore with a primary listing overseas. It therefore applies to the Company. However, the Singapore Code is non-statutory in that it does not have the force of law but parties in a takeover or merger transaction are expected to observe the spirit as well as the precise wording of the Singapore Code, as it represents the collective public opinion on the standard of conduct to be observed in general, and how fairness can be achieved in particular, in a takeover or merger transaction.

##### **Mandatory Offer**

- 1.2 Except with the consent of the SIC, where any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company, or if any person, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights and such person, or any person acting in concert with him, acquires in any period of six months additional shares carrying more than one per cent. of the voting rights, such person must extend offers immediately, in accordance with the provisions of the Singapore Code, to the holders of any class of share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold shares (a “**Mandatory Offer**”).
- 1.3 A Mandatory Offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert with it for voting rights of the offeree company during the offer period and within six months prior to its commencement.

##### **Voluntary Offer**

- 1.4 A voluntary offer is a take-over offer for the voting shares of a company made by a person when he has not incurred an obligation to make a mandatory offer. A voluntary offer must be conditional upon the offeror receiving acceptances in respect of voting rights which, together with voting rights acquired or agreed to be acquired before or during the offer, will result in the offeror and person acting in concert with it holding more than 50 per cent. of the voting rights (a “**Voluntary Offer**”).
- 1.5 A Voluntary Offer must be in cash or securities or a combination thereof at not less than the highest price paid by the offeror or any person acting in concert with it for voting rights of the offeree company during the offer period and within three months prior to its commencement.

##### **Acting in concert**

- 1.6 Persons “acting in concert” comprise individuals or companies who, pursuant to an arrangement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company. The following individuals and companies will be presumed to be persons acting in concert with each other unless the contrary is established:
- (a) the following companies:
    - (i) a company;
    - (ii) the parent company of (i);
    - (iii) the subsidiaries of (i);
    - (iv) the fellow subsidiaries of (i);
    - (v) the associated companies of any of (i), (ii), (iii) or (iv);

- (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
- (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights;
- (b) a company and its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company and its pension funds and employee share schemes;
- (d) a person and any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser (including a stockbroker) with its client in respect of the shareholdings of:
  - (i) the adviser and persons controlling, controlled by or under the same control as the adviser; and
  - (ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10 per cent. or more of the client's equity share capital;
- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a *bona fide* offer for the company may be imminent;
- (g) partners; and
- (h) the following persons and entities:
  - (i) an individual;
  - (ii) the close relatives of (i);
  - (iii) the related trusts of (i);
  - (iv) any person who is accustomed to act in accordance with the instructions of (i); and
  - (v) companies controlled by any of (i), (ii), (iii) or (iv); and
  - (vi) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

### **Equality of information**

- 1.7 An offeror must treat all shareholders of the same class in an offeree company equally. Information about companies involved in an offer must be made equally available to all shareholders as nearly as possible at the same time and in the same manner.
- 1.8 Shareholders must be given all the facts necessary to make an informed judgment on the merits or demerits of an offer. Such facts require accurate and fair presentation, and a fundamental requirement is that shareholders in the company subject to the takeover offer must be given sufficient information, advice and time to consider and decide on the offer.

### **Restrictions on dealings before the offer**

- 1.9 No dealings of any kind in the securities of the offeree company (including convertible securities, warrants, options and derivatives in respect of such securities) may be transacted by any person, not being the offeror, who has confidential price-sensitive information concerning an actual or contemplated offer or revised offer between the time when there is reason to suppose that an approach or an offer or revised offer is contemplated and the announcement of the approach, the offer, the revised offer, or of the termination of the discussions.
- 1.10 Further to the above, no such dealings may take place in the securities of the offeror (including convertible securities, warrants, options and derivatives in respect of such securities) except where the proposed offer is not deemed price-sensitive in relation to such securities.

### **Restrictions on dealings during the offer**

1.11 The offeror and persons acting in concert with it must not sell any securities in the offeree company during the offer period except in accordance with the Singapore Code.

### **Disclosure of dealings during the offer**

1.12 (a) Dealings by parties and their associates for themselves or for discretionary clients

Dealings in the relevant securities by the offeror, the offeree company or any of their associates for their own accounts or for the accounts of discretionary investment clients during the offer period must be publicly disclosed in accordance with the Singapore Code.

(b) Dealings by parties and their associates for non-discretionary clients

Except with the consent of the SIC, dealings in the relevant securities during the offer period by an offeror, the offeree company or any of their associates for the account of non-discretionary investment clients (other than an offeror, the offeree company and any of their associates) must be privately disclosed in accordance with the Singapore Code.

(c) Dealings by parties and their associates in their capacities as agents

Where the offeror, the offeree company or any of their associates deal in relevant securities during the offer period only as brokerage agents for investment clients and not as principal, such transactions need not be disclosed.

### **Restrictions following offers and possible offers**

1.13 Except with the SIC's consent, where any offer other than a partial offer has been announced or posted but has not become or been declared unconditional in all respects and has been withdrawn or has lapsed, neither the offeror, any persons who acted in concert with it in the course of the original offer nor any person who is subsequently acting in concert with any of them may within 12 months from the date on which such offer is withdrawn or lapses (a) announce an offer or possible offer for the offeree company, or (b) acquire any voting rights of the offeree company if the offeror or persons acting in concert with it would thereby become obligated to make a Mandatory Offer under the Singapore Code.

1.14 Where a person makes an announcement that he does not intend to make an offer for a company, the above restrictions will normally apply for 6 months from the date of the announcement.

1.15 Further to the above, except with the SIC's consent, if a person, together with any person acting in concert with him, holds shares carrying more than 50 per cent. of the voting rights of a company, neither that person nor any person acting in concert with him may, within 6 months of the closure of any previous offer other than a partial offer made by him to the shareholders of that company which became or was declared unconditional in all respects, make a second offer to, or acquire any shares from, any shareholder in that company on terms better than those made available under the previous offer.

### **Waiver from compliance with the Mandatory Offer requirement**

1.16 Where, as a result of the issue of new securities as consideration for an acquisition or a cash subscription or in fulfilment of obligations under an agreement to underwrite the issue of new securities, a person or group of persons acting in concert acquire shares which give rise to an obligation to make a Mandatory Offer, such person(s) may apply to the SIC to seek a waiver from such obligation to make a Mandatory Offer.

1.17 In each case, a specific grant of a waiver is required, and such grant by the SIC will be subject to certain conditions, including, but not limited to, the following:

(a) a majority of holders of voting rights of the offeree company approve at a general meeting, before the issue of new securities to the offeror, a resolution (the "**Offeree Whitewash Resolution**") by way of a poll to waive their rights to receive a general offer from the offeror and parties acting in concert with the offeror;

- (b) the Offeree Whitewash Resolution is separate from other resolutions;
- (c) the offeror, parties acting in concert with them and parties not independent of them abstain from voting on the Offeree Whitewash Resolution;
- (d) the offeree company appoints an independent financial adviser to advise its independent shareholders on the Offeree Whitewash Resolution;
- (e) the offeree company sets out clearly certain specific information as required by the Singapore Code in its circular to shareholders (the “**Circular**”), which includes:
  - (i) details of the proposed issue;
  - (ii) the dilution effect of the proposed issue;
  - (iii) the number and percentage of voting rights in the offeree company, number of instruments convertible into, rights to subscribe for and options in respect of shares in the offeree company (other than the convertibles to the issued) held by the offeror and its concert parties as at the latest practicable date; and
  - (iv) where the proposal could result in the offeror holding shares carrying over 49 per cent. of the voting rights of the offeree company, specific and prominent reference to this and the fact that the offeror is free to acquire further shares without incurring any Rule 14 obligations to make a general offer.
- (f) the SIC’s approval being obtained in advance for those parts of the Circular that refer to the Offeree Whitewash Resolution; and
- (g) to rely on the Offeree Whitewash Resolution, the acquisition of new shares or convertibles by the offeror pursuant to the proposal must be completed within 3 months of the approval of the Offeree Whitewash Resolution.

## **2. Details of the waiver granted by the SIC in relation to the Acquisition**

- 2.1 As at the date of this document neither SIMEC, nor any person deemed to be acting in concert with SIMEC, owns or controls any Ordinary Shares of the Company or any instruments convertible into or options in respect of Ordinary Shares. Immediately after Admission it is anticipated that SIMEC will be interested in 183,099,472 Ordinary Shares representing approximately 49.99 per cent. of the Enlarged Share Capital as a result of the issue to it of the Consideration Shares and the SIMEC Loan Completion Shares. It will also own the SIMEC Loan described at paragraph 8 of Part XI of this document. If the SIMEC Loan were to be converted into Ordinary Shares immediately following Admission, SIMEC would receive a further 6,660,845 Ordinary Shares (in addition to the SIMEC Loan Completion Shares), which would increase SIMEC’s shareholding in the Company to 50.89 per cent. of the Company’s issued ordinary share capital.
- 2.2 On 14 March 2018, the SIC agreed to waive the obligation for SIMEC to make a general offer for the Company under Rule 14 of the Singapore Code that would otherwise arise on SIMEC as a result of the simultaneous issue to SIMEC of the Consideration Shares and the SIMEC Loan Completion Shares, subject to the Whitewash Waiver Conditions.
- 2.3 The Whitewash Waiver Conditions are set out at section B of this Part X.
- 2.4 The Company is required to appoint an independent financial adviser to advise the Independent Directors on the Whitewash Resolution. Accordingly EY has provided formal advice to the Independent Directors, and that advice has been made available to the Independent Atlantis Shareholders, and is set out in Section C of this Part X of this document. EY has confirmed that it is independent of SIMEC.
- 2.5 If Shareholders vote in favour of the Whitewash Resolution, they will waive their rights to a general offer from SIMEC at the highest price paid by SIMEC (and any party deemed to be acting in concert with it), in the six months preceding the commencement of the offer.
- 2.6 **Shareholders should note that, if the Whitewash Resolution is passed at Admission, SIMEC (and its concert parties), will be interested in Ordinary Shares carrying more than**

**49 per cent. of the voting rights of the Company and would be able to acquire further Ordinary Shares, without incurring an obligation to make a general offer to Shareholders of the Company under Rule 14 of the Singapore Code.** However, pursuant to the Relationship Agreement, SIMEC has agreed with the Company not to increase its shareholding in the Company to 50 per cent. or more (save in certain circumstances), without the prior approval of the Board, such approval not to be unreasonably withheld or delayed. Further details of the Relationship Agreement are set out in paragraph 7 of Part XI of this document.

- 2.7 The Singapore Code requires that the Acquisition completes within three months of the Whitewash Resolution being passed.

### **3. Interests and dealings in Ordinary Shares**

- 3.1 Neither SIMEC, nor any person who would be deemed to be acting in concert with SIMEC, has acquired, or will acquire, any Ordinary Shares or instruments convertible into and options in respect of Ordinary Shares of the Company:
- (a) during the period between the announcement of the proposed Acquisition on 14 December 2017 (the “**Announcement**”) and the General Meeting on 13 June 2018; and
  - (b) in the six months prior to the Announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the matters disclosed in the Announcement other than the Consideration Shares that it will acquire pursuant to the Acquisition Agreement, or Ordinary Shares that it may acquire on conversion of the SIMEC Loan.

## Section B: Whitewash Waiver Conditions

The Whitewash Waiver Conditions are as follows:

- (a) a majority of holders of voting rights of the Company approve at a general meeting, before the simultaneous issue of the Consideration Shares and the SIMEC Loan Completion Shares to SIMEC, the Whitewash Resolution by way of a poll to waive their rights to receive a general offer from SIMEC;
- (b) the Whitewash Resolution is separate from other resolutions;
- (c) SIMEC, parties acting in concert with it and parties not independent of them abstain from voting on the Whitewash Resolution;
- (d) SIMEC and its concert parties did not acquire or are not to acquire any shares or instruments convertible into and options in respect of shares of the Company (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new shares which have been disclosed in the Admission Document):
  - (i) during the period between the announcement of the Acquisition on 14 December 2017 and the date Shareholders' approval is obtained for the Whitewash Resolution; and
  - (ii) in the 6 months prior to the announcement of the Acquisition but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors of the Company in relation to the Acquisition;
- (e) the Company appoints an independent financial adviser to advise its independent shareholders on the Whitewash Resolution; and
- (f) the Company sets out clearly in the Admission Document to its Shareholders:
  - (i) details of the Acquisition and the issue of the Consideration Shares and the SIMEC Loan Completion Shares;
  - (ii) the dilution effect of the issue of the Consideration Shares and the SIMEC Loan Completion Shares to existing holders of voting rights;
  - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of shares (other than convertibles to be issued, if any) in the Company held by SIMEC and its concert parties as at the latest practicable date, where applicable;
  - (iv) the number and percentage of voting rights in the Company to be issued to SIMEC upon the issue of the Consideration Shares and the SIMEC Loan Completion Shares;
  - (v) specific and prominent reference to the fact that the issue of the Consideration Shares and the SIMEC Loan Completion Shares would result in SIMEC and its concert parties holding shares carrying over 49 per cent. of the voting rights of the Company (based on the enlarged total number of issued shares), and the fact that SIMEC and its concert parties will be free to acquire further shares without incurring any obligation under Rule 14 to make a general offer; and
  - (vi) that Shareholders of the Company, by voting for the Whitewash Resolution, are waiving their rights to a general offer from SIMEC at the highest price paid by SIMEC and its concert parties for the shares in the Company in the past 6 months preceding the commencement of the offer.

## Section C: EY Whitewash Advice Letter

21 May 2018

The Independent Directors of  
Atlantis Resources Limited  
80 Raffles Place  
Level 36, UOB Plaza 1  
Singapore 048624

Dear Sirs:

### **WHITEWASH RESOLUTION FOR THE WAIVER BY INDEPENDENT ATLANTIS SHAREHOLDERS OF THEIR RIGHT TO RECEIVE A MANDATORY OFFER FROM SIMEC UK ENERGY HOLDINGS LIMITED (“SIMEC”) AND ITS CONCERT PARTIES FOR ALL THE ORDINARY SHARES IN ISSUE NOT ALREADY OWNED OR CONTROLLED BY SIMEC UK ENERGY HOLDINGS LIMITED (THE “WHITEWASH RESOLUTION”)**

#### **1. INTRODUCTION**

On 14 December 2017 (the “**Acquisition Announcement Date**”), Atlantis Resources Limited (“**Atlantis**” or the “**Company**”) announced that it had reached agreement (as amended on 21 May 2018) (the “**Sale and Purchase Agreement**”) to conditionally acquire SIMEC Uskmouth Power Limited (“**SUP**”) from SIMEC, a member of the alliance between Parduman Gupta and Sanjeev Gupta and each of their associated companies (the “**GFG Alliance**”) (the “**Acquisition**”). SUP is the owner of the 393MW Uskmouth power station in Newport, South Wales (the “**Power Station**”). The Power Station suspended electricity generation in April 2017. It is proposed that, following the Acquisition, 220MW of capacity at the Power Station will be converted by Atlantis to use a waste derived energy pellet as the fuel source for power generation.

The consideration for the Acquisition will be satisfied entirely in the ordinary shares of no par value in the capital of the Company (the “**Ordinary Shares**”) through the issue of 152,642,330 new Ordinary Shares to SIMEC (the “**Consideration Shares**”) on the completion of the Acquisition (the “**Completion**”). For purposes of our evaluation of the Whitewash Resolution, we have assumed the last transacted price of the Company prior to the Acquisition Announcement Date, being £0.3525 per Ordinary Share, to be the illustrative price for the Consideration Shares (the “**Illustrative Price**”). Based on the Illustrative Price and the Consideration Shares, the implied purchase consideration for the Acquisition is approximately £53.8 million (the “**Implied Purchase Consideration**”).

As at the date of the admission document issued by the Company (the “**Admission Document**”), neither SIMEC nor any person deemed to be acting in concert with SIMEC, owns or controls any Ordinary Shares or any instruments convertible into or options in respect of the Ordinary Shares. Immediately after Admission it is anticipated that SIMEC will be interested in 183,099,472 Ordinary Shares representing approximately 49.99 per cent. of the enlarged share capital of the Company upon Admission (the “**Enlarged Share Capital**”) as a result of the issue to SIMEC of the Consideration Shares and the 30,457,142 Ordinary Shares upon conversion of loan shares on Completion pursuant to the conditional loan agreement between SUP and SIMEC dated 21 May 2018 (the “**SIMEC Loan Agreement**”) (the “**SIMEC Loan Completion Shares**”). SIMEC will also own the convertible loan of approximately £2.33 million pursuant to the SIMEC Loan Agreement (the “**SIMEC Loan**”) following Admission and adjustments. If the SIMEC Loan were to be converted into Ordinary Shares immediately following Admission, SIMEC would receive a further 6,660,845 Ordinary Shares (in addition to the SIMEC Loan Completion Shares), which would increase SIMEC’s shareholding in the Company to 50.89 per cent. of the Company’s issued ordinary share capital. However, SIMEC may not increase its shareholding to 50 per cent. or more, without the approval of the Board (such approval not to be unreasonably withheld or delayed).

The Acquisition is conditional, amongst other things, on the satisfaction or waiver of a number of conditions precedent, including:

- (i) the approval by the holders of Ordinary Shares (the “**Atlantis Shareholders**”) of the Acquisition;
- (ii) the Securities Industry Council of Singapore (“**SIC**”) agreeing to the Whitewash Resolution;



- (iii) the approval by the Atlantis Shareholders save for shareholders involved in, or interested in, the Acquisition (the “**Atlantis Independent Shareholders**”) of the Whitewash Resolution;
- (iv) the agreement and execution of a number of other transaction documents required for the Acquisition;
- (v) the Placing Agreement not being terminated or ceasing to become capable of becoming unconditional (save for Admission); and
- (vi) Admission having taken place by 14 December 2018.

Upon completion of the Acquisition, Atlantis and its subsidiary undertakings (the “**Atlantis Group**”) will own 100 per cent. of SUP and a diversified portfolio of tidal energy assets and opportunities (the “**Enlarged Group**”), including its approximately 77 per cent. interest in the Atlantis Group’s tidal stream project between the north coast of Scotland and the island of Stroma (the “**MeyGen Project**”). The Acquisition is intended to be the first of a number of acquisitions from the GFG Alliance that will transform Atlantis into a diversified energy company of scale owning development and generating assets across the sustainable energy spectrum, supplementing its existing portfolio of assets.

On 14 March 2018, the SIC agreed to waive the obligation for SIMEC to make a general offer for the Company under Rule 14 of the Singapore Code on Take-overs and Mergers (the “**Singapore Code**”) that would otherwise arise on SIMEC as a result of the simultaneous issue to SIMEC of the Consideration Shares and the SIMEC Loan Completion Shares, subject to the conditions imposed by the SIC (the “**Whitewash Waiver Conditions**”).

Pursuant to the Singapore Code and the Whitewash Waiver Conditions, Ernst & Young Corporate Finance Pte. Ltd (“**EY**”) has been appointed as the independent financial adviser (“**IFA**”) to the directors of the Company (the “**Directors**”) who are considered independent in relation to the Whitewash Resolution (the “**Independent Directors**”), for the purpose of advising on the Whitewash Resolution. We understand that all the current directors of the Company are Independent Directors.

This letter sets out, *inter alia*, our evaluation of the Whitewash Resolution and our advice thereon. It forms part of the Admission Document issued by the Company in relation to the Acquisition and the Whitewash Resolution which provides, *inter alia*, the details of the Acquisition, the Whitewash Resolution and the recommendation of the Independent Directors in relation to the Whitewash Resolution.

Unless otherwise defined, all terms in the Admission Document have the same meaning in this letter.

## 2. TERMS OF REFERENCE

EY has been appointed to advise the Independent Directors on the financial terms of the Whitewash Resolution pursuant to Appendix 1 of the Singapore Code.

Our views as set forth in this letter are based on the prevailing market conditions, economic conditions, and financial conditions, and our evaluation of the Whitewash Resolution, as well as information provided to us by the Company and its management (the “**Management**”), as at 16 May 2018 (the “**Latest Practicable Date**”). Accordingly, our opinion shall not take into account any event or condition which occurs after the Latest Practicable Date. Independent Atlantis Shareholders should take note of any announcement and/or event relevant to their consideration of the Whitewash Resolution which may be released after the Latest Practicable Date.

EY is not and was not involved in any aspect of the discussions and negotiations pertaining to the Acquisition and the Whitewash Resolution, nor were we involved in the deliberations leading up to the decisions by the Directors in connection with the Acquisition and the Whitewash Resolution. We have confined our evaluation and analysis of the Whitewash Resolution to the financial terms thereof. It is not within our terms of reference to compare the relative merits of the Acquisition and the Whitewash Resolution vis-à-vis any alternative transaction that the Company may have previously considered and/or may consider in the future, and as such, we do not express an opinion thereon. We have not been requested or authorised to solicit, and we have not solicited, any indication of interest from any third party with respect to the Ordinary Shares.

The scope of our appointment does not require us to express, and we do not express, a view on the future prospects of the Atlantis Group or of SUP. We are, therefore, not expressing any view herein as to the prices at which the Ordinary Shares may trade or on the future financial performance of the Company upon obtaining the Whitewash Resolution and the Completion of the Acquisition. No financial or profit forecasts, business plans or management accounts of the Company and/or SUP have been specifically prepared for the purpose of evaluating the Whitewash Resolution. Accordingly, we will not be able to comment on the expected future performance or prospects of the Company and/or SUP. However, we may draw upon the views of the Directors and/or the Management, to the extent deemed necessary and appropriate by us, in arriving at our opinion as set out in this letter.

In the course of our evaluation, we have held discussions with the Directors and the Management. We have also examined and relied on publicly available information in respect of the Atlantis Group and/or SUP collated by us as well as information provided to us by the Company, including information in relation to the Acquisition and the Whitewash Resolution. We have not independently verified such information furnished by the Directors and/or the Management or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy and/or completeness of such information, representation and/or assurance. Nevertheless, the Company, the Directors and the Proposed Directors (as defined in the Admission Document), have confirmed to us, after making all reasonable enquiries that, to the best of their knowledge and belief, all material information relating to the Atlantis Group and SUP has been disclosed to us, that such information is in accordance with the facts and contains no omission likely to affect its import in the context of the Whitewash Resolution. The Company, the Directors and the proposed directors of the Company who will be appointed to the Board of Directors with effect from Completion (the “**Proposed Directors**”) have accepted such responsibility accordingly.

We have also made reasonable enquiries and exercised reasonable judgement in assessing such information and have found no reason to doubt the reliability of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors in relation to the Acquisition and the Whitewash Resolution have been reasonably made after due and careful enquiry. We have not conducted a comprehensive review of the business, operations and financial condition of the Atlantis Group, or SUP or any of their associated or joint venture companies. We have also not made an independent valuation or appraisal of the assets and liabilities of the Atlantis Group and/or SUP. However, we have been furnished with the Power Station’s business model with internal valuation. We are not experts and do not regard ourselves to be experts in the valuation of the assets, and we have taken into consideration the internal valuation.

In preparing this letter, we have not had regard to the specific investment objectives, financial situation, tax position and/or unique needs and constraints of any Shareholder. As different Shareholders would have different investment objectives, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his or her Ordinary Shares should consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.

This letter and our opinion are addressed to the Independent Directors solely for their benefit in connection with and for the purposes of their consideration of the Whitewash Resolution. The recommendation made by the Independent Directors to the Independent Atlantis Shareholders with regard to the Whitewash Resolution shall remain their responsibility. Our opinion should not be relied on as a recommendation to, or confer any rights or remedies upon, any Independent Atlantis Shareholder as to what the Independent Atlantis Shareholder should do in relation to the Whitewash Resolution or any matters related thereto. Nothing herein shall confer or be deemed or is intended to confer, any right or benefit to any third party.

The Company has been separately advised in the preparation of the Admission Document (other than this letter). We were not involved and have not provided any advice, whether financial or otherwise, in the preparation, review and verification of the Admission Document (other than this letter). We have, however, reviewed the Admission Document in relation to the Whitewash Resolution, and the references to our name in the form and context in which it appears, and have consented to this letter appearing in the Admission Document. We do not take any responsibility for, and express no views on, whether expressed or implied, the contents of the Admission Document (other than this letter).

Our opinion in relation to the Whitewash Resolution should be considered in the context of the entirety of this letter and the Admission Document.

### 3. THE ACQUISITION

The details and terms of the Acquisition, including information on SUP and the Power Station and the risk factors of the Acquisition, are set out in Parts I, II, IV, VII, IX and XI of the Admission Document. Salient information on the Acquisition is presented in this letter. We recommend that Independent Atlantis Shareholders read the relevant pages of the Admission Document carefully.

#### 3.1 *Information on SUP*

SUP is the owner of the Power Station, which suspended electricity generation in April 2017. The Power Station was originally built in 1959 by the Central Electricity Generating Board with a capacity of 363MW. Following privatisation in 1990, operations were transferred to National Power and subsequent owners have included AES (1998 – 2003), Welsh Power (2004 – 2009) and SSE (2009 – 2015). Under the ownership of AES, a substantial investment and modernisation programme was undertaken to meet contemporary environmental emission and legislative standards, which was completed in 2001. As part of the programme, the generating capacity of the Power Station was increased to 393MW. The Power Station was acquired by SIMEC in 2015.

It is proposed that, following the Acquisition, 220MW of capacity at the Power Station will be converted by Atlantis to use a waste derived energy pellet as the fuel source for power generation (the “**Conversion**”).

#### 3.2 *The Sale and Purchase Agreement and the Purchase Consideration*

Pursuant to the terms of the Sale and Purchase Agreement, the Company has conditionally agreed to acquire the entire issued share capital of SUP from SIMEC, a member of the GFG Alliance. The consideration for the Acquisition will be satisfied entirely in Ordinary Shares through the issue of the Consideration Shares to SIMEC on Completion. Following the Acquisition, the proposed placing of 57,142,857 new Ordinary Shares to be issued by the Company pursuant to the Placing Agreement dated 21 May 2018 (the “**Placing Shares**”) at 35p per Placing Share (the “**Placing**”), and the issue of the SIMEC Loan Completion Shares, SIMEC will own approximately 49.99 per cent. of the Enlarged Share Capital.

The Sale and Purchase Agreement contains certain termination rights for each party and each of the Company and SIMEC have given certain warranties to each other and have agreed to provide certain tax indemnities to each other pursuant to the terms of two Tax Deeds of Indemnity.

The Company and SIMEC have agreed that at Completion, the amount of SUP’s working capital shall not be negative and that SUP shall have no indebtedness other than in respect of the SIMEC Loan, which will be convertible into Ordinary Shares at the Placing Price and will be secured in favour of SIMEC through a debenture which will be entered into on Completion. The Sale and Purchase Agreement includes certain adjustment mechanisms in respect of working capital and indebtedness.

#### 3.3 *The Fuel Supply Agreement*

Under the 20-year fuel supply agreement dated 21 May 2018 between SUP and SIMEC Subcoal Fuels Limited (the “**Fuel SPV**”), the joint venture company formed by the joint venture between SIMEC Fuels Holdings UK Limited (a GFG Alliance company) and N+P Group B.V. (“**N+P**”), a Dutch recycling group (through N&P UK Holding 2 Ltd) (the “**Fuel Supply Agreement**” or the “**FSA**”), Fuel SPV will provide a dedicated supply of energy pellets to the Power Station. The parties’ obligations under the Fuel Supply Agreement will be conditional on certain conditions precedent being satisfied, including SUP achieving financial close on the Conversion.

Under the Fuel Supply Agreement, Fuel SPV will supply energy pellets to SUP based on SUP’s forecast demand for fuel which is approximately 875,000 tonnes per annum. SUP will pay £4 per tonne for the energy pellets, such price being subject to adjustment where the calorific value or ash content of the energy pellets is above/below certain calorific thresholds and indexed in accordance with the Consumer Price Index (“**CPI**”). The energy pellets will be required to meet the fuel specification under the agreement and a failure to do so will entitle SUP to either reject such energy pellets or accept them with an entitlement to claim compensation for the energy pellets being out of specification.

The Fuel SPV proposes to construct three fuel processing facilities in the UK that it will own to produce waste derived energy pellets for burning in the Power Station following the Conversion (the “**Fuel Processing Facilities**”). One of these facilities is proposed to be constructed on a site adjacent to the Power Station (the “**SUP Fuel Processing Facility**”).

The obligations and liabilities of Fuel SPV under the Fuel Supply Agreement are guaranteed by SIMEC Group Limited and N&P Beheer B.V., in the form of a joint and several parent company guarantee (with N&P Beheer B.V.'s liability under the parent company guarantee limited to approximately £20 million). SIMEC Group Limited had gross revenue and net assets of US\$2,520,602,042 and US\$341,787,712 respectively in its latest audited financial statements and N&P Beheer B.V. had revenue and net assets of €8,485,398 and €12,537,603 in its latest audited financial statements.

SUP and Fuel SPV will seek to agree the terms of a loan provided by SUP (or an SUP group undertaking) to Fuel SPV for the purposes of funding part of the construction costs of the Fuel Processing Facilities. It is proposed that such loan will be to the value of £20 million, subordinated to Fuel SPV's senior lenders but ranking senior to any equity distributions, shareholder loans or other subordinated loans. If SUP and Fuel SPV are unable to agree the terms of such loan, SUP shall be required to provide a letter of credit to the value of £25 million at financial close of the Conversion as security for the performance of its obligations under the Fuel Supply Agreement.

#### 3.4 **The Power Purchase Agreements**

SUP has entered into two Purchase Price Agreements (the “**PPAs**”). The first PPA is the 20-year conditional agreement between SUP and Marble Power Limited (“**Marble**”), a GFG Alliance company, dated 21 May 2018 (the “**Marble PPA**”), pursuant to which Marble will purchase up to 220MW of capacity from the Power Station following the Conversion. The Marble PPA contains a floor price of £30.90 per MWh (escalated at 50 per cent. annual CPI indexation) which is predicted on sales of 118,260MWh per year under the Fixed Price PPA and which is subject to downwards adjustment in certain scenarios, including where the generation from the Conversion is eligible for ROCs. The capacity relating to the Marble PPA is assumed to be operated at a load factor of 75 per cent. The second PPA is the 20-year conditional agreement between SUP and the Fuel SPV dated 21 May 2018 (the “**Fixed Price PPA**”) pursuant to which the Power Station will supply up to 15MW of electricity to the SUP Fuel Processing Facility. The annual energy offtake is expected to be between 35,000MWh and 118,260MWh, with the figure to be fixed between the parties during FEED according to the energy requirements of the SUP Fuel Processing Facility. The energy use is equivalent to a load factor of between 27 and 90 per cent. for the 15MW capacity. Under the Fixed Price PPA, the output will be sold at a fixed price of £130 per MWh (escalated annually based on CPI).

The parties' main obligations under the Fuel Supply Agreement will be conditional on certain conditions precedent being satisfied, including SUP achieving financial close on the Conversion.

#### 3.5 **Design and engineering in relation to the Conversion**

The Company commissioned AECOM Infrastructure & Environment UK Limited (the “**Technical Consultant**” or “**AECOM**”) for an independent technical report (the “**SUP Technical Report**”) in connection with the Conversion. The SUP Technical Report which sets out the requirements for returning to service and life extension works for the existing plant is included as Part VI of the Admission Document. The Technical Consultant estimates that subject to completion of all front end engineering and design (“**FEED**”) studies, all necessary consents being obtained, and subject to financing, the construction works in relation to Conversion could be completed within 18 months of the final investment decision. Based on a final investment decision in mid-2019, this would allow completion of commissioning and entry into commercial operations in Q4 2020. The Technical Consultant has estimated the cost of Conversion at approximately £185 million subject to a -10 per cent. to +30 per cent. estimate accuracy range. The Company expects to put the Conversion project out to tender on a fully wrapped engineering, procurement and construction basis following a front end engineering and design phase which is anticipated to be completed by the end of the first quarter of 2019. The Company anticipates that it will seek funding for the Conversion in the second quarter of 2019, following completion of the FEED and procurement of the necessary permits. Approximately half of the Conversion cost is expected to be met through debt funding, with the Company also looking to obtain an element of grant funding from the Welsh government or European sources as well as raising some further private and/or public equity capital to contribute towards the Conversion cost.

### 3.6 **Operation and maintenance of the Power Station**

It is intended that the operation and maintenance of the Power Station following Conversion will be undertaken by a separate company wholly-owned by the Company.

The operation and maintenance will be undertaken on an arm's length basis consistent with standard industry practice and is expected to include, amongst other things, performance guarantees and associated liquidated damage remedies.

### 3.7 **Financing in relation to the Conversion**

#### (a) *Senior debt financing*

The Conversion is intended to benefit from the contractual suite and structure, including the Fixed Price PPA, Marble PPA and FSA as well as an EPC contract that will be put in place with a reputable contractor.

It is anticipated by the Directors and Proposed Directors that approximately half of the Conversion cost will be met through debt funding. Initial discussions have been held with two lending banks in relation to senior debt financing for the Conversion. Both banks have provided confirmation that based on certain assumptions and terms representative of equivalent industry sectors, it should be possible to raise senior debt for the Conversion.

Third party debt financing for the Conversion will not be sought until after successful completion of the FEED studies and procurement of the necessary consents and permits. Based on the SUP Technical Report, FEED is expected to be completed by the end of the first quarter of 2019, with the consents and permits expected to be in place by mid 2019.

#### (b) *Equity financing*

It is anticipated that the substantial balance of the financing required for the Conversion will be provided from equity, which may be both private and public and will not be raised until completion of the FEED studies and grant of the necessary consents and permits.

#### (c) *Grant funding*

The Company will also seek grant funding from the Welsh government in light of opportunities for jobs and regeneration in the area or from European sources.

### 3.8 **Other agreements in relation to the Acquisition**

(a) SUP and Liberty Steel Newport Limited ("**Liberty Steel Newport**" or "**LSN**"), a member of the Liberty Global Holdings Pte. Ltd and its subsidiary undertakings and a part of the GFG Alliance, have entered into a letter with associated heads of terms pursuant to which SUP and LSN have agreed in principle that SUP will be granted the opportunity to enter into a power purchase agreement for LSN's future electricity needs following the proposed installation of a new electric arc furnace at LSN's steel fabrication facilities at Newport in South Wales. Should this LSN PPA be entered into in due course, the power to be sold to Marble pursuant to the Marble PPA would be reduced accordingly.

(b) SUP and SIMEC Power 4 Limited ("**SIMEC Power**"), a GFG Alliance company, have agreed, following Completion, to enter into certain agreements in relation to the Grid Assets so that the Power Station and the biofuel generating facility which is on the Power Station site (the "**Biofuel Facility**") and which will be owned by SIMEC Power 2 Limited will both be able to connect to the transmission network via the Grid Assets, which will be owned by SUP. The Grid Assets refer to various connection assets on the Power Station site pursuant to which the Power Station and the Biofuel Facility are connected to the transmission network.

(c) SUP has granted SIMEC Power, a member of the GFG Alliance, under the lease between SUP and SIMEC Power dated 21 May 2018 (the "**SIMEC Lease**") with effect from the date of completion under the lease a 999 year lease at a rent of £100 per annum with respect to certain land which is owned by SUP and which is not expected to be required by SUP for the purpose of the proposed Power Station operations. In addition, it is intended that pursuant to the Road

Access Agreement to be entered into on or prior to Completion, certain members of the GFG Alliance will with effect from Completion agree to certain arrangements in respect of procuring access rights over land adjacent or near to SUP's site for the benefit of the site.

- (d) The Company, SUP, SIMEC Group Limited and certain other members of the GFG Alliance entered into a conditional agreement dated 21 May 2018 (the "**SIMEC IP Licence and Assignment Agreement**") wherein, among other things, certain intellectual property rights owned by SIMEC or other members of the GFG Alliance and which may be required by SUP following Completion will be assigned or licensed to SUP or the Atlantis Group (as the case may be). This includes a right for members of the Atlantis Group including SUP to use following Completion certain SIMEC and GFG Alliance trademarks in connection with the Atlantis business including as part of such member's corporate and trading names. Certain intellectual property will also be licensed by SUP to members of the GFG Alliance under the SIMEC IP Licence and Assignment Agreement.

The above agreements will become effective on Completion.

#### **4. THE WHITEWASH RESOLUTION**

The details of the Whitewash Resolution are set out in Parts I and X of the Admission Document. Salient information on the Whitewash Waiver is presented in this letter. We recommend that Independent Atlantis Shareholders read the relevant pages of the Admission Document carefully.

##### **4.1 Information on the Whitewash Resolution**

Following the Acquisition and the Placing, and following the issue to SIMEC of the SIMEC Loan Completion Shares, SIMEC will have an aggregate holding of 183,099,472 Ordinary Shares representing 49.99 per cent. of the Enlarged Share Capital, which would normally incur an obligation on SIMEC, under Rule 14 of the Singapore Code, to make a general offer to the Atlantis shareholders to acquire their Ordinary Shares. However, subject to the approval of Independent Atlantis Shareholders on a poll at the General Meeting to waive their rights to receive a general offer from SIMEC and its concert parties under Rule 14 of the Singapore Code, the SIC has agreed to waive this obligation.

On 14 March 2018, the SIC agreed, subject to the Whitewash Waiver Conditions, to waive the obligation for SIMEC to make a general offer for the Company under Rule 14 of the Singapore Code that would otherwise arise on SIMEC as a result of the simultaneous issue to SIMEC of the Consideration Shares and the SIMEC Loan Completion Shares, subject to the approval on a poll by Independent Atlantis Shareholders. Accordingly, the Whitewash Resolution is being proposed at the General Meeting, and will be taken on a poll of Independent Atlantis Shareholders. SIMEC, parties acting in concert with them and parties not independent of them will abstain from voting on the Whitewash Resolution.

If Shareholders vote in favour of the Whitewash Resolution, they will waive their rights to a general offer from SIMEC at the highest price paid by SIMEC (and any party deemed to be acting in concert with it), in the six months preceding the commencement of the offer.

Shareholders should note that, if the Whitewash Resolution is passed at Admission, SIMEC (and its concert parties) will be interested in Ordinary Shares carrying more than 49 per cent. of the voting rights of the Company and would be able to acquire further Ordinary Shares without incurring an obligation to make an offer to Shareholders of the Company under Rule 14 of the Singapore Code. However, pursuant to the conditional relationship agreement between the Company and SIMEC dated 21 May 2018 which will govern the relationship between the Atlantis Group and the GFG Alliance following Completion (the "**Relationship Agreement**"), SIMEC has agreed with the Company not to increase its shareholding in the Company to 50 per cent. or more (save in certain circumstances), without the prior approval of the Board, such approval not to be unreasonably withheld or delayed.

#### 4.2 **The Whitewash Waiver Conditions**

We recommend that Independent Atlantis Shareholders read the Whitewash Waiver Conditions set by the SIC. The Whitewash Waiver Conditions are set out in Section B of Part X of the Admission Document, and have been extracted and set out in italics below.

*“The Whitewash Waiver Conditions are as follows:*

- (a) a majority of holders of voting rights of the Company approve at a general meeting, before the simultaneous issue of the Consideration Shares and the SIMEC Loan Completion Shares to SIMEC, the Whitewash Resolution by way of a poll to waive their rights to receive a general offer from SIMEC;*
- (b) the Whitewash Resolution is separate from other resolutions;*
- (c) SIMEC, parties acting in concert with it and parties not independent of them abstain from voting on the Whitewash Resolution;*
- (d) SIMEC and its concert parties did not acquire or are not to acquire any shares or instruments convertible into and options in respect of shares of the Company (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new shares which have been disclosed in the Admission Document:*
  - (i) during the period between the announcement of the Acquisition on 14 December 2017 and the date Shareholders’ approval is obtained for the Whitewash Resolution; nor*
  - (ii) in the 6 months prior to the announcement of the Acquisition but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors of the Company in relation to the Acquisition;*
- (e) the Company appoints an independent financial adviser to advise its independent shareholders on the Whitewash Resolution; and*
- (f) the Company sets out clearly in the Admission Document to its Shareholders:*
  - (i) details of the Acquisition and the issue of the Consideration Shares and the SIMEC Loan Completion Shares;*
  - (ii) the dilution effect of the issue of the Consideration Shares and the SIMEC Loan Completion Shares to existing holders of voting rights;*
  - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of shares (other than convertibles to be issued, if any) in the Company held by SIMEC and its concert parties as at the latest practicable date, where applicable;*
  - (iv) the number and percentage of voting rights in the Company to be issued to SIMEC upon the issue of the Consideration Shares and the SIMEC Loan Completion Shares;*
  - (v) specific and prominent reference to the fact that the issue of the Consideration Shares and the SIMEC Loan Completion Shares would result in SIMEC and its concert parties holding shares carrying over 49 per cent. of the voting rights of the Company (based on the enlarged total number of issued shares), and the fact that SIMEC and its concert parties will be free to acquire further shares without incurring any obligation under Rule 14 to make a general offer; and*
  - (vi) that Shareholders of the Company, by voting for the Whitewash Resolution, are waiving their rights to a general offer from SIMEC at the highest price paid by SIMEC and its concert parties for the shares in the Company in the past 6 months preceding the commencement of the offer.”*

#### **5. EVALUATION OF THE WHITEWASH RESOLUTION**

In our analysis and evaluation of the Acquisition, being the subject of the Whitewash Resolution, and our recommendation thereon, we have taken into consideration the following factors:

- (a) Rationale for the Acquisition;
- (b) Market quotations and trading activity of the Ordinary Shares;

- (c) Historical financial performance of the Company;
- (d) The Implied Purchase Consideration for SUP; and
- (e) Other relevant factors.

The factors above are discussed in more detail in the following sections.

### 5.1 **Rationale for the Acquisition**

It is important for the Independent Atlantis Shareholders to understand the rationale of the Company and the Directors in undertaking the Acquisition. The Company's reasons to make the Acquisition are set out in Section 2 of Part I of the Admission Document, and have been extracted and set out in italics below.

*"The Acquisition provides a number of benefits for Atlantis. The combination of Atlantis's existing tidal energy assets, the proposal to convert the Power Station to run on a waste derived energy pellet and the relationship with SIMEC and the GFG Alliance will create for Atlantis an enlarged renewable platform with scope for further growth across a broad range of operating and development stage assets. The immediate acquisition of the Power Station, a significant power generation asset, is expected to provide long-term contracted cash flows for Atlantis Shareholders following completion of the Conversion.*

*The contractual structure for Conversion and subsequent operations is expected to be robust and consistent with the requirements of limited recourse financing. Certain of the key commercial documents, including the Marble PPA, the Fixed Price PPA and the FSA, have been entered into and the main obligations under these documents will become effective on achieving financial close for the Conversion. The terms of these agreements will allow SUP, once operational, to generate long-term minimum contracted cash flows whilst also providing Atlantis Shareholders with the ability to benefit from upside linked to intra-day electricity prices in pounds sterling. In addition, given its existing ROC accreditation, SUP is actively assessing the scope for the biomass component of the energy pellet to attract ROCs.*

*Completion of the Acquisition will also establish a formal and long term relationship with SIMEC and the GFG Alliance whereby SIMEC will become the holder of 49.99 per cent. of the Enlarged Share Capital of Atlantis immediately following completion of the Acquisition and the Placing.*

*Atlantis has been granted a right of first offer on a portfolio of renewable power generation assets currently owned or to be subsequently acquired by the GFG Alliance. The SIMEC Pipeline comprises a number of assets in the UK and Australia with a total gross generation capacity of 680MW. Of this capacity, 224MW relates to operational projects with the remainder being in development or construction. The GFG Alliance has acquired this portfolio of assets over the last two years and expects to continue to build on the portfolio. Access to this pipeline of assets provides the opportunity for Atlantis to become a diversified renewable energy company of scale. Details of the existing SIMEC Pipeline, together with further details in relation to Atlantis's right of first offer in relation to the SIMEC Pipeline and other renewable power generation assets of the GFG Alliance, is set out at paragraph 7 of this Part I below.*

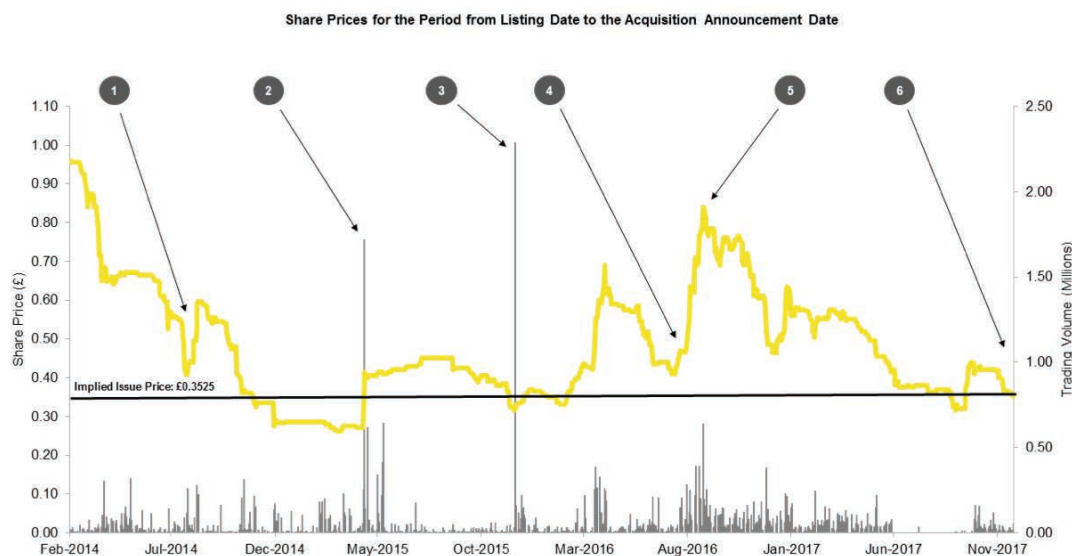
*The Board believes that the establishment of a formal and long term relationship with the SIMEC Group and the GFG Alliance will create material value for Atlantis Shareholders. The Board further believes that the relationship with the SIMEC Group and the GFG Alliance will increase Atlantis's access to a broader range of in-house expertise and funding opportunities as well as enhancing Atlantis's national and international profile."*

### 5.2 **Market Quotations and Trading Activity of the Ordinary Shares**

The consideration for the Acquisition will be satisfied entirely through the issue of the 152,642,330 Consideration Shares on Completion. Based on the Illustrative Price of £0.3525 per Ordinary Share, the Implied Purchase Consideration is approximately £53.8 million to SIMEC. In assessing the reasonableness of the Illustrative Price, we have examined the price performance and trading volume of the Ordinary Shares from the listing of the Company in February 2014 up to the Acquisition Announcement Date, during which the market price of the Ordinary Shares may have reflected investors' valuation of the Shares based on all publicly available information relating to the Company.



We set out below the chart which shows the daily closing prices for the Ordinary Shares and volume traded (excluding married trades) for the period from 20 February 2014 (the “**Listing Date**”) to the Acquisition Announcement Date. We have also marked dates during the given period where significant events occurred.



Source: Capital IQ, Company announcements

Notes:

- (1) On 21 August 2014, the Company announced that another significant milestone had been achieved in securing the funding package for the construction of the MeyGen Phase 1A Project. The MeyGen Project is the Company's flagship tidal stream project.
- (2) On 29 April 2015, the Company announced that it had bought tidal energy rival Marine Current Turbines Limited (“**MCT**”) from Siemens AG in an all-share deal. MCT develops tidal stream generators in the United Kingdom.
- (3) On 9 December 2015, the Company announced the MeyGen Project had completed a successful construction campaign in 2015.
- (4) On 9 August 2016, the Company announced that DEME Concessions NV (“**DEME**”) had completed its purchase of shares in Tidal Power Scotland Limited (“**TPSL**”), a developer of its MeyGen Project. DEME paid £2 million in cash consideration to a wholly owned subsidiary of the Company for a 2 per cent. stake in TPSL.
- (5) On 13 September 2016, the Company announced that it had officially unveiled the MeyGen Project at a ceremony held in Scotland.
- (6) On 14 December 2017, the Company announced that it had signed the Sale and Purchase Agreement in relation to the Acquisition. The Sale and Purchase Agreement was amended on 21 May 2018.

We note that for the majority of the period prior to the Acquisition Announcement Date, the Company's Ordinary Shares traded above the Illustrative Price of £0.3525.

Additional information on the volume-weighted average price (“**VWAP**”) of the Ordinary Shares and other trading statistics are set out below:

Reference period	Premium/ (discount) of issue price over/(to)		Highest transacted price (£)	Lowest transacted price (£)	Average daily trading volume <sup>(2)</sup>	Daily trading volume as percentage of free float <sup>(3)</sup> (%)
	VWAP <sup>(1)</sup> (£)	VWAP (%)				
<b>Periods prior to the Acquisition Announcement Date<sup>(4)</sup></b>						
Last 1 year	0.51	(31.2)	0.64	0.32	33,810	0.03
Last 6 months	0.41	(14.2)	0.44	0.32	13,442	0.01
Last 3 months	0.41	(14.0)	0.44	0.32	20,221	0.02
Last 1 month	0.39	(10.1)	0.42	0.35	17,616	0.01
Last trading day prior to the Acquisition Announcement Date	<u>0.35</u>	<u>0.0</u>	<u>0.35</u>	<u>0.35</u>	<u>91,290</u>	<u>0.07</u>

Source: Capital IQ, EY analysis

Notes:

- (1) The VWAP is calculated based on the closing price of the Ordinary Shares and the traded volume for the relevant trading days for each of the periods. The last transacted price of the Ordinary Shares was used for the last trading day prior to the Acquisition Announcement Date.
- (2) The average daily trading volume of the Ordinary Shares is calculated based on the total volume of Ordinary Shares traded during the given period divided by the number of market days during that period.
- (3) Free float refers to the Ordinary Shares other than those held, directly or indirectly (including via a related financial product) by: (i) a related party; (ii) the trustees of any employee share scheme or pension fund established for the benefit of any directors/employees of the applicant/AIM company (or its subsidiaries); (iii) any person who under any agreement has a right to nominate a person to the board of directors of the applicant/AIM company; (iv) any person who is the subject of a lock-in agreement pursuant to rule 7 or otherwise; or (v) the AIM company as treasury shares (as defined in the AIM Rules for Companies), which amounts to approximately 123,147,284 Shares or equivalent to approximately 97.8 per cent. of the total issued share capital of the Company as at the Acquisition Announcement Date.
- (4) A temporary suspension of trading was called on the morning of 14 December 2017 prior to the announcement of the Acquisition. As such, the last full trading day prior to the Acquisition Announcement is 13 December 2017.

We note the following:

- (a) Over the last year prior to the Acquisition Announcement Date, the market price of the Ordinary Shares traded between a low of £0.32 and a high of £0.64;
- (b) The Illustrative Price represents discounts of approximately 31.2 per cent., 14.2 per cent., 14.0 per cent., and 10.1 per cent. over the VWAPs for the periods 1 year, 6 months, 3 months and 1 month prior to the Acquisition Announcement Date, respectively;
- (c) The last traded price as at the last trading day prior to the Acquisition Announcement Date of £0.3525 is the Illustrative Price.

We have also considered the trading liquidity of the Ordinary Shares. As at the Acquisition Announcement Date, the Company had a free float of approximately 123,147,284 Ordinary Shares or equivalent to approximately 97.8 per cent. of the total issued Ordinary Shares as at the Acquisition Announcement Date. We note the following:

- (a) The average daily traded volume of the Ordinary Shares for the periods 1 year, 6 months, 3 months and 1 month prior to and including the last trading day prior to the Acquisition Announcement Date represents approximately 0.03 per cent. 0.01 per cent. 0.02 per cent. and 0.01 per cent. of the free float, respectively;
- (b) The average daily traded volume of the Ordinary Shares as at the last trading day prior to the Acquisition Announcement Date represents 0.07 per cent. of the free float; and

- (c) Across all the periods observed, the average daily traded volumes of the Ordinary Shares are very low.

The past liquidity of the Ordinary Shares should not be relied upon in any way as an indication of the future liquidity of the Ordinary Shares. We wish to highlight that there is no assurance that the liquidity of the Ordinary Shares will remain at the same level upon Admission.

### 5.3 **Historical Financial Performance of the Company**

We have set out in the table below the historical financial performance of the Company. We wish to highlight that for the financial years ended 31 December 2012, 2013 and 2014, the Company presented its financial results in Singapore Dollars whereas for the financial years ended 31 December 2015 and 2016, and the six months period ended 30 June 2017, the Company had presented its financial results in British Pounds. Hence, we have translated all results into British Pounds using an appropriate exchange rate for presentation purposes.

In £m	Six months ended		Financial year ended 31 Dec			
	30 June 2017	2016	2015	2014	2013	2012
Revenue	0.0	0.2	1.4	2.6	3.0	1.5
Results from operating activities	(2.7)	(6.0)	2.7	(6.5)	(6.6)	(6.1)
Profit/(Loss) for the period	(3.2)	(7.3)	2.0	(7.8)	(4.6)	(7.6)
Earnings before interest, depreciation and amortisation	(2.0)	(4.8)	4.2	(4.9)	2.7	(4.7)
Net assets attributable to owners of company	59.1	58.6	53.1	43.3	10.3	14.7
Net tangible assets ("NTA")	31.8	30.3	26.8	26.6	n/a	n/a
Debt-to-equity ratio	0.5	0.5	0.3	0.2	2.4	0.6

Source: Company reports

n/a – Negative value

Based on the financial periods that we have examined, we note that the Company had only been profitable for the financial year ended 31 December 2015. The historical financial performance of the Company for the financial years 31 December 2012 to 2016 and for the six months period ended 30 June 2017 is discussed below.

For the financial year ended 31 December 2013 ("**FY2013**"), the Company experienced a loss. We note that, as set out in the Company's annual report for FY2013, there were additional finance costs in the year due to "additional interest expense on loans resulting from conversion and fair value adjustments". The Company had also incurred significant IPO costs that year, which further eroded profitability.

We also note that for FY2013, the Company "launched a convertible loan offering to its existing shareholders by way of a rights issuance. The company entered into convertible loan agreements with an aggregate principal amount of S\$3,915,000 (£1,958,000) through this offering from six existing shareholders of the company and three directors of the company, with proceeds received between October 2013 and January 2014. The convertible loans had a 12 months term and a 10 per cent. p.a. interest rate, with interest payable quarterly in arrears. A penalty of 6 months' interest (i.e. 5 per cent.) was payable upon any prepayment before the end of the term. Upon an initial public offering of the company, the loans would convert to shares in the company at a conversion price of 90 per cent. of the initial public offering price (subject in the case of Morgan Stanley Renewables' loan to a cap on conversion of its convertible loan to the extent any such conversion would result in Morgan Stanley Renewables' shareholding in the company exceeding 42.5 per cent.). The prepayment penalty was also payable in the event of an initial public offering of shares in the company, also to be paid in shares in the company." according to the FY2013 annual report. As a

result of the convertible loans, the Company had a significant amount of short term debt and a debt-to-equity ratio of 2.4 times in FY2013.

For the financial year ended 31 December 2014 (“**FY2014**”), the Company had also experienced a loss. According to the Company’s annual report for FY2014, the main reason for the loss was the *“impact in the year ending 31 December 2013 of the “other gains” resulting from the negative goodwill arising from the acquisition of MeyGen, which was in part offset by additional financing costs relating to the conversion of shareholder loans.”* However, the Group’s net assets were boosted due to *“the capitalised expenditure on construction of Phase 1A of the MeyGen project, as well as increased cash, also primarily relating to funding for the MeyGen project.”*

The Company recorded a profit for the financial year ended 31 December 2015 (“**FY2015**”) due chiefly to *“the gain resulting from the MCT acquisition and the gain on disposal of the 50 per cent. stake in Atlantis Operations Canada Limited (“**AOC**”).”* The Company’s annual report for FY2015 also stated that *“the MCT acquisition resulted in a bargain purchase gain of S\$19.3 million reflected in “Other gains”. The bargain purchase gain arises mainly from the fair valuation of the MCT turbine technology and seabed options, details of which can be found in Note 13 to the financial statements. The gain arising from the disposal of a 50 per cent. stake in AOC to DP Energy Group and a re-measurement gain on the remaining 50 per cent. stake upon the formation of the joint venture partnership is also included in “Other gains”.”* We note that the Company recorded a S\$20.7 million increase in intangible assets due to the acquisition of seabed options that *“allow the Group to enter into a 25-year lease to use the seabed for development and operation of the tidal stream energy projects.”*

In the financial year ended 31 December 2016 (“**FY2016**”), the Company recorded a loss and a significant decrease from recorded profit in the prior year. According to the Company’s annual report for FY2016, the financial performance was because *“the prior year included one-off gains arising from the acquisition of Marine Current Turbines (“**MCT**”) of £9.2m and the disposal of 50 per cent. of our stake in AOC of £0.9m.”* As at 30 June 2017, there was a loan debtor balance of £1.1 million which has since been provided against as it is not expected to be recovered. The FY2016 annual report also stated that *“the Group’s net assets increased during the year by £8.9m to £66.6m. In April 2016, the Group raised approximately £6.5m through a successful share issue. In return for a 6 per cent. stake in the Group’s project development company, Tidal Power Scotland Limited (“**TPSL**”), we acquired additional seabed options from Scottish Power Renewables worth £6.6m.”* We also note that the Company recorded a £6.6 million increase in intangible assets owing to the fact that *“In May 2016, the Group, via its Scottish project development vehicle, TPSL, acquired SPR’s portfolio of tidal projects valued at £6.6 million, in exchange for a 6 per cent. shareholding in TPSL.”*

We note that for the six months period ended 30 June 2017 (“**6M2017**”), the Company *“raised £4.1 million before expenses from new and existing shareholders to fund project development activities across the Atlantis portfolio and to secure opportunities for portfolio growth”* in May 2017. We further note that subsequent to the period 6M2017 in July 2017, the Company *“raised £5.0 million, before expenses, through a five-year bond with a coupon of 8 per cent., maturing in 2022. The proceeds will be used to fund incremental project development activities across the Atlantis portfolio and to secure opportunities for portfolio growth.”*

Based on the financial results as at 30 June 2017, the Illustrative Price for the Acquisition of £0.3525 per Ordinary Share represents a 20 per cent. discount to the Company’s net asset value (“**NAV**”) per Ordinary Share, or a price-to-NAV ratio of 0.8 times, and a 40 per cent. premium over the Company’s NTA per Ordinary Share, or a price-to-NTA ratio of 1.4 times.

#### 5.4 **The Implied Purchase Consideration for SUP**

In evaluating the Implied Purchase Consideration for SUP of £53.8 million, we have performed an asset-based evaluation of SUP and reviewed the business model and intrinsic valuation materials provided to us in relation to the Power Station.

(a) *Asset-based evaluation of SUP*

In evaluating the Implied Purchase Consideration for SUP of £53.8 million, we have considered the NTA of SUP of £54.9 million as at 30 September 2017 (being the date of the latest available unaudited financial results of SUP). The Implied Purchase Consideration of £53.8 million represents a 2.0 per cent. discount to the NTA of SUP as at 30 September 2017, or a price-to-NTA ratio of 0.98 times.

In an NTA-based evaluation, a valuation analysis is performed for a company's identified tangible fixed, financial and other assets. The derived aggregate value of these assets is then "netted" against the estimated value of all existing liabilities.

The asset-backing method is appropriate when the entity being valued is predominantly a company which does not carry on any business operations of a commercial nature. The method is also appropriate where (i) the entity's business is to cease operations, and/or (ii) the entity intends to convert the uses of all or most of its assets. This method may ignore the ability of the asset base of the entity to generate ongoing future earnings and sustain an earnings-based valuation.

In this regard, we note that the Company intends to change the operations of SUP upon the Completion of the Acquisition. As such, we have deemed that an asset-based analysis would be appropriate in our overall evaluation of the Implied Purchase Consideration for SUP as SUP has already ceased operations and the Company intends to convert the uses of all of SUP's assets going forward. As part of our asset-based evaluation, we have also considered the asset-based valuation measure of companies that are deemed similar to SUP. Based on our discussions with the Management and a search for comparable listed companies on Capital IQ, OneSource and other available databases, we recognise that there is no particular listed company that we may consider to be directly comparable to SUP in terms of the composition of the business activities, company size, scale of operations, service range, customer base, risk profile, geographical spread of activities, accounting standards and policies used, and such other relevant criteria. However, after discussions with the Management, we have selected companies which, in our view, match SUP in terms of industry, being utilities / independent power producer companies which derive most of their electricity generated from thermal sources (the "**Comparable Companies**").

The Comparable Companies we used for our analysis are Drax Group, ENEA S.A., EVN AG, PGE Polska Grupa Energetyczna S.A., and Vistra Energy Corp.. Based on the respective Comparable Companies' share price as at the Latest Practicable Date and the respective consolidated NTA per share as at the latest available financial results of the Comparable Companies, the average and median price-to-NTA ratios of the Comparable Companies are 1.74 times and 1.06 times, respectively. The implied price-to-NTA ratio for SUP based on the Implied Purchase Consideration of 0.98 times is lower than the average and median price-to-NTA ratios of the Comparable Companies.

The Independent Directors and Shareholders should note that the asset-based evaluation on SUP and any comparison made with respect to the Comparable Companies are for illustrative purposes. The results from the evaluation and comparisons, therefore, may not necessarily reflect the perceived or implied market valuation of SUP. In addition, we wish to highlight that our scope of work does not include performing an appraisal of the assets and liabilities of SUP. We also wish to highlight that there is no one company with the exact scope of business and using the exact accounting policies and standards as those of SUP, that the list of Comparable Companies is by no means exhaustive, and that the Comparable Companies are operating companies, whereas SUP is currently not operating.

(b) *Review of the Power Station's business model and intrinsic valuation materials*

The business model and intrinsic valuation materials provided to us in relation to the Power Station included the expected future cash flows of the Power Station with reasonable discount rates having considered, among relevant factors, the business environment, stages of completion and growth, and riskiness of cash flows. We note that the assumptions are based on available information as at the Latest Practicable Date, including the findings set out in the

SUP Technical Report, and reflect current expectations and views by the Company regarding future events, and therefore would involve known and unknown risks and uncertainties.

In reviewing the business model and intrinsic valuation materials provided to us in relation to the Power Station, we have observed, *inter alia*, the following key assumptions:

- (a) The financial forecast and its underlying assumptions reflect the expected terms of the Conversion, PPAs, FSA and the Company's future business plans, and are assumed not to contravene existing regulatory requirements;
- (b) The level of capital expenditure and net working capital projected are assumed to be sufficient to meet the forecast;
- (c) SUP will be able to obtain the requisite debt and/or equity funding from financial institutions, shareholders, and/or potential investors on a timely and commercially reasonable terms basis to meet the Power Station's cash flow requirements; and
- (d) There are no adverse changes to the economic and energy market conditions and nor are there any changes in the regulatory, fiscal and other government policies in locations where the operations of SUP and/or the Power Station are located.

From an investment perspective, the NPV is the difference between the present value of cash inflows and the present value of cash outflows over a period of time. We note that the NPV provided in the Admission Document is for illustrative purposes only and should not be interpreted as a profit forecast, estimate or projection for the Company or for the Power Station.

The discussion on the NPV of the Power Station is set out in Section 5, Part I of the Admission Document and extracted below:

*"Based on the technical and commercial parameters outlined in Part II of this document and as further detailed in the SUP Technical Report contained in Part VI of this document and using AECOM's current estimate of the construction cost of approximately £185 million, the net present value ("NPV") of the Power Station has been calculated to be £123 million<sup>1</sup>. The NPV has been calculated using a levered equity discount rate of 13 per cent. which is considered by the Directors and the Proposed Directors to be appropriate for the Power Station given its long term contractual structure ensuring visibility on minimum contracted cash flows plus additional potential cash flows subject to future GB power prices.*

*Long term GB power price forecasts used in calculating the NPV reflect the views of the Directors and Proposed Directors and are consistent with current forecasts provided by a leading market consultant. Power prices used to calculate the NPV of £123 million increase in real terms from approximately £41/MWh in 2020 to £59/MWh in 2040. Table 2 below sets out the impact on the NPV of changes in the power price relative to the power curve prepared by the market consultant (the "Power Curve").*

**Table 2**

£m	Power Curve -10%	Power Curve -5%	Power Curve	Power Curve +5%	Power Curve +10%
NPV (at 13%)	85	104	123	142	161

*The fuel cost under the FSA of £4/tonne (real, 2017) and carbon cost forecasts have also been used in calculating the NPV. Carbon costs used to calculate the NPV of £123 million reflect the views of the Directors and Proposed Directors and are consistent with current forecasts provided by the market consultant.*

Table 3 below sets out the illustrative nominal margin per MWh for the first year of commercial operations of the Power Station.”

**Table 3**

<i>£/MWh nominal, December year end<sup>2</sup></i>	<i>Year 1 of operations</i>
<i>15MW Fixed Price PPA power price<sup>3</sup></i>	<i>141.8</i>
<i>205MW Marble PPA power price<sup>4</sup></i>	<i>44.4</i>
<i>Weighted average power price</i>	<i>51.0</i>
<i>Fuel costs<sup>5</sup></i>	<i>(2.6)</i>
<i>Carbon costs<sup>6</sup></i>	<i>(5.6)</i>
<i>Illustrative margin per MWh</i>	<i>42.8”</i>

1 The NPV and illustrative nominal margin per MWh provided in this paragraph 5 of this Part I of this document are produced for illustrative purposes only and neither should be interpreted as a profit forecast, estimate or projection for the Company, SUP or for the Power Station. The numbers provided are estimates only of the net present value and illustrative nominal margin per MWh of the Power Station based on certain assumptions, including that Conversion takes place, and including assumptions about the contracted cash flows of SUP, future GB power prices, future carbon costs and rates of inflation. The NPV has also been calculated using a discount rate chosen by the Directors and the Proposed Directors. Potential investors should not place reliance on this NPV and should decide for themselves whether or not the NPV is reasonable based on the assumptions and discount rate chosen. Potential investors should also not place reliance on the illustrative nominal margin per MWh and should decide for themselves whether or not the illustrative nominal margin per MWh is reasonable based on the assumptions referred to. Investors should also make an assessment of the risks relating to the Company, the Power Station and the Conversion, including the “risk factors” set out in Part IV of this document.

2 Real numbers inflated using Her Majesty’s Treasury forecasts.

3 Fixed Price PPA price of £130MWh (real, 2017) plus inflation.

4 Market consultant’s view of power price in Year 1 of operations – post 4 per cent. discount to intraday power prices as set out in the Marble PPA.

5 FSA fuel cost of £4/tonne (real, 2017) plus inflation.

6 Market consultant’s view of carbon price/cost in Year 1 of operations – assumes fuel will have a 50 per cent. biogenic content.”

We note that having applied various parameters to assess the assumptions surrounding the SUP business model and intrinsic valuation and the NPV of the Power Station as set out in Section 5, Part I of the Admission Document, the Implied Purchase Consideration for SUP of £53.8 million is fair.

## 5.5 **Other relevant factors**

### (a) *Potential Dilution Impact of the Acquisition*

As at the Acquisition Announcement Date, there were 125,956,617 Ordinary Shares in issue. Upon Completion, 183,099,472 new Ordinary Shares will be issued to SIMEC, increasing the issued share capital to 309,056,089 Ordinary Shares. SIMEC will hold approximately 49.99 per cent. of the Enlarged Share Capital of the Company.

### (b) *Risk Factors*

While we have, in the course of our evaluation, assessed the financial terms of the Acquisition and the Whitewash Resolution, we have not examined the underlying business and financial risks associated with the Acquisition and the Whitewash Resolution as well as the business prospects of SUP, SIMEC and/or the Enlarged Group, which shall be the responsibility of the Directors.

The risks, considerations and uncertainties in connection with the business of SUP, SIMEC and/or the Enlarged Group, the industry, and the ownership of Ordinary Shares following the Completion are set out in Part IV of the Admission Document. We advise the Independent Directors to recommend that Independent Atlantis Shareholders should read Part IV of the Admission Document carefully.

(c) *The Acquisition providing opportunities to acquire other GFG Alliance assets*

The Acquisition is intended to be the first of a number of acquisitions from the GFG Alliance, subject to the right of first offer provisions under the Relationship Agreement dated 21 May 2018. The Relationship Agreement provides, *inter alia*, the Company with investment rights via a right of first offer to a pipeline of renewable power assets owned and to be owned by the GFG Alliance from time to time. It is intended that, subject to receiving Board approval, including meeting appropriate shareholder return criteria, and approval of the board of the relevant GFG Alliance member, additional renewable power assets will be injected over time into the Company providing a pathway to further growth transforming the Company into a diversified renewable energy company of scale owning a broad spectrum of renewable energy assets.

We note that each asset acquired from the GFG Alliance pursuant to the terms of the Relationship Agreement will be subjected to a rigorous due diligence process, satisfaction of appropriate shareholder return criteria and will be subject always to Board approval.

(d) *Inter-conditionality of the Acquisition and the Whitewash Resolution*

Shareholders should note that Completion of the Acquisition is conditional, *inter alia*, upon the approval of the Whitewash Resolution by a majority of the Independent Atlantis Shareholders. Accordingly, in the event that the Whitewash Resolution is not approved, the Acquisition will not be passed.

## 6. CONCLUSION

In arriving at our advice on the Whitewash Resolution, we have reviewed and deliberated on the factors which we consider to be relevant and to have a significant bearing on our assessment of the Whitewash Resolution. The factors we have considered in our evaluation, which are discussed in detail in the earlier sections of this letter and which we have relied upon, are as follows:

- (a) Rationale for the Acquisition
- (b) Market quotations and trading activity of the Ordinary Shares
- (c) Historical financial performance of the Company
- (d) The Implied Purchase Consideration for SUP
- (e) Potential dilution impact of the Acquisition
- (f) Risk factors
- (g) The Acquisition providing opportunities to acquire other GFG Alliance assets
- (h) Inter-conditionality of the Acquisition and the Whitewash Resolution

**After having considered carefully the information available to us as at the Latest Practicable Date, we are of the view that the Whitewash Resolution is fair and reasonable, and is not prejudicial to the interests of the Company and the Independent Atlantis Shareholders. Accordingly, we advise the Independent Directors to recommend that the Independent Atlantis Shareholders vote in favour of the Whitewash Resolution.**

**Shareholders should note that if they vote in favour of the Whitewash Resolution, they will waive their rights to a general offer from SIMEC at the highest price paid by SIMEC (and any party deemed to be acting in concert with it), in the six months preceding the date of the Acquisition Agreement.**

**Shareholders should further note that if the Whitewash Resolution is passed at Admission, SIMEC (and its concert parties) will be interested in Ordinary Shares carrying more than 49 per cent. of the voting rights of the Company and would be able to acquire further Ordinary Shares without incurring an obligation to make a general offer to Shareholders of the Company under Rule 14 of the Singapore Code. However, pursuant to the Relationship Agreement, SIMEC has agreed with the Company not to increase its shareholding in the Company (save in certain circumstances) without the prior approval of the Board, such approval not to be unreasonably withheld or delayed.**



The Independent Directors should note that we have arrived at our conclusion and our recommendation based on information made available to us prior to, and including, the Latest Practicable Date. Our advice on the Whitewash Resolution cannot and does not take into account any subsequent developments after the Latest Practicable Date, including future trading activity or price levels of the Ordinary Shares, as these are governed by factors beyond the scope of our review, and would not fall within our terms of reference in connection with our evaluation of the Whitewash Resolution.

This letter is addressed to the Independent Directors for their benefit, in connection with and for the purposes of their consideration of the Whitewash Resolution. The recommendations made by the Independent Directors to the Independent Atlantis Shareholders in respect of the Whitewash Resolution shall remain their responsibility. A copy of this letter may be reproduced in the Admission Document.

Whilst a copy of this letter may be reproduced in the Admission Document, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any purpose other than in relation to the Whitewash Resolution at any time and in any manner without the our prior written consent in each specific case.

This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully  
For and on behalf of  
**Ernst & Young Corporate Finance Pte. Ltd**

## PART XI

### SUMMARY OF ACQUISITION DOCUMENTS

#### 1. Acquisition Agreement and Tax Deeds of Indemnity

##### **Acquisition Agreement**

- 1.1 Under the Acquisition Agreement, entered into between the Company, SIMEC and SIMEC Group Limited on 14 December 2017 (and as amended on 21 May 2018), the Company (or its nominee(s) which may be a wholly owned subsidiary of the Company) has conditionally agreed to purchase the entire issued share capital of SUP in consideration for the issue to SIMEC of the Consideration Shares.
- 1.2 Pursuant to the Acquisition, upon Completion, the Company shall issue the Consideration Shares to SIMEC which will (when taken together with the SIMEC Loan Completion Shares) represent 49.99 per cent. (rounded down to two decimal places) of the Enlarged Shared Capital immediately following Completion. The Acquisition Agreement contains certain rights of pre-emption providing SIMEC with anti-dilution rights with respect to the period prior to Completion.
- 1.3 Notwithstanding that in all circumstances SIMEC shall hold 49.99 per cent. of the Enlarged Share Capital immediately following Completion, SIMEC could increase its shareholding in the Company above 49.99 per cent. after Completion including by way of further converting the SIMEC Loan into new Ordinary Shares. Further conversion of the SIMEC Loan shall however be subject to the consent of the Board (not to be unreasonably withheld or delayed) if it would cause SIMEC's shareholding in the Company to become 50 per cent or more. Paragraph 7 of this Part XI below summarises the details of the standstill included in the Relationship Agreement which shall apply to SIMEC.
- 1.4 The Company and SIMEC have agreed that at Completion SUP's working capital amount shall not be negative and that SUP shall have no indebtedness other than in respect of the SIMEC Loan. The Acquisition Agreement includes certain adjustment mechanisms in respect of working capital and indebtedness as well as a leakage indemnity given by SIMEC.
- 1.5 Pending Completion, the Company has given a number of undertakings to SIMEC to the effect that the business of the Company will be run in the ordinary course and SIMEC has also given a number of undertakings to the Company to the effect that the business of SUP will be run in the ordinary course. The Company and SIMEC have each given the other a number of representations and warranties that are broadly customary for a transaction such as the Acquisition, subject to certain customary limitations of liability. SIMEC and the Company have each agreed on Completion to indemnify the other in respect of tax (subject to certain limits) in respect of the period prior to Completion. Summaries of the principal terms of the Tax Deeds of Indemnity are set out below. Each of the Company and SIMEC have also agreed to negotiate with each other in good faith with a view to settling the terms of any transaction documentation required for the Acquisition including the documentation summarised in this Part XI (which has now been settled between the parties).
- 1.6 Upon Completion, SIMEC shall procure the repayment of all financial indebtedness of SUP, save in respect of the SIMEC Loan. Paragraph 8 of this Part XI below provides a summary of the principal terms of the SIMEC Loan Agreement.
- 1.7 The Acquisition Agreement is conditional, amongst other things, upon the satisfaction or waiver of a number of conditions precedent, including the following matters:
  - (i) the approval by the Atlantis Shareholders of the Acquisition;
  - (ii) SIC agreeing to waive the obligation to make a general offer under Rule 14 of the Singapore Code that would otherwise arise on SIMEC as a result of the Acquisition;
  - (iii) the approval by the Atlantis Independent Shareholders of the Whitewash Resolution;
  - (iv) the agreement and execution of a number of other transaction documents required for the Acquisition (including certain of the documentation summarised in this Part XI);
  - (v) completion of satisfactory due diligence by both SIMEC and the Company related to the Acquisition;

- (vi) compliance in all material respects by SIMEC and the Company with certain of their respective obligations under the Acquisition Agreement or there not having been certain material breaches of the warranties given by each of them pursuant to the Acquisition Agreement;
  - (vii) the publication of this document;
  - (viii) the Placing Agreement in relation to the Placing not having been terminated or ceasing to become capable of becoming unconditional in accordance with its terms (save for any condition therein relating to Admission); and
  - (ix) Admission having taken place by a long stop date of the first anniversary of the date of the parties' entry into the Acquisition Agreement, being 14 December 2018.
- 1.8 Completion shall (subject to the long stop date) take place in escrow on the date on which the last condition precedent (excluding the condition relating to Admission) is fulfilled and automatically upon Admission.
- 1.9 The Acquisition Agreement contains certain termination rights for each party including, amongst other things, in relation to certain material breaches of the other party's obligations under the Acquisition Agreement, certain material breaches of the warranties given by the other party pursuant to the Acquisition Agreement (or which would give rise to such a breach but for their disclosure by the other party), and there not having been a material adverse effect on the Power Station or the land comprising the freehold site owned by SUP (being a right of termination in favour of the Company) or on the Atlantis Group taken as a whole (being a right of termination in favour of SIMEC).
- 1.10 The Company has agreed with SIMEC that if prior to Completion the Company proposes to raise any new debt in order to obtain funds for working capital purposes, SIMEC shall have a right of first refusal to match the terms of any such debt proposed by a third party. SIMEC has since confirmed that it did not wish to match the terms of the bond issue announced by the Company on 31 January 2018, the material agreements in respect of which are summarised at paragraph 10 of Part XII of this document.
- 1.11 SIMEC Group Limited is a party to the Acquisition Agreement for the purpose of guaranteeing SIMEC's obligations under the agreement and other transaction documents to which SIMEC is also a party.

#### ***SIMEC Tax Deed***

- 1.12 Under the SIMEC Tax Deed entered into between the Company and SIMEC dated 21 May 2018, SIMEC has agreed, conditional on Completion, to indemnify the Company in respect of certain pre-Completion tax liabilities and other tax-related liabilities of SUP. The SIMEC Tax Deed will also contain certain specific tax indemnities.
- 1.13 SIMEC's obligations to indemnify the Company will be subject to certain standard exclusions and limitations.
- 1.14 The SIMEC Tax Deed will also set out the rights and obligations of the Company and SIMEC with respect to administrative matters such as the filing of tax returns and the conduct of negotiations for disputes with the tax authorities.

#### ***Atlantis Tax Deed***

- 1.15 Under the Atlantis Tax Deed entered into between the Company and SIMEC dated 21 May 2018, the Company has agreed, conditional on Completion, to indemnify SIMEC in respect of 49.99 per cent. (or in circumstances where SIMEC owns less than 49.99 per cent. of the issued share capital of the Company, such lower percentage of the issued share capital as SIMEC holds at that time) of certain pre-Completion tax liabilities and other tax-related liabilities of the Company and its subsidiaries (but excluding SUP in respect of any periods prior to Completion).
- 1.16 The Company's obligations to indemnify SIMEC will be subject to certain standard exclusions and limitations.

## 2. Marble Power Purchase Agreement

- 2.1 Under the Marble PPA entered into between SUP and Marble dated 21 May 2018, SUP has conditionally agreed to sell power generated by the Power Station to Marble for 20 years. SUP will sell all the output which is not sold via direct wire agreements (including the Fixed Price PPA and, if entered into, the LSN PPA) to Marble. The power will be sold at a four per cent. discount to the intra-day price, subject always to a floor price of £30.90MWh (escalated at 50 per cent. annual CPI indexation) which is predicated on a Fixed Price PPA Output of 118,260MWh and is subject to downward adjustment in certain scenarios, including where the output from the Power Station after Conversion is eligible for ROCs. The floor price is triggered if average power prices during a month are lower than the floor price, and is subject to a six monthly and annual reconciliation.
- 2.2 SIMEC Group Limited is party to the Marble PPA to guarantee the due and proper performance by Marble of Marble's obligations under the Marble PPA, and Marble's liabilities under such agreement. Marble is required to provide additional third party security if SIMEC Group Limited's net worth falls below a threshold, or SIMEC Group Limited becomes insolvent.

## 3. Fixed Price Power Purchase Agreement

- 3.1 Under the Fixed Price PPA entered into between SUP and Fuel SPV dated 21 May 2018, SUP has conditionally agreed to sell power to Fuel SPV for 20 years. SUP will supply a peak demand of up to 15MW, and will be the preferred supplier for all the electricity requirements of the SUP Fuel Processing Facility. Except in certain limited circumstances where a higher price may be payable, all electricity sold under the Fixed Price PPA will be sold at a price of £130MWh (escalated annually based on CPI) (the "**Fixed Price**"). SUP will be responsible for installing and operating the private wire infrastructure between the Power Station and the delivery point to the SUP Fuel Processing Facility.
- 3.2 The Fixed Price PPA has a 'take or pay' mechanic whereby Fuel SPV is required to accept a minimum amount of electricity (the "**Fixed Price PPA Output**") per annum. The Fixed Price PPA Output will represent the average annual offtake of the Fuel SPV and will be set at a value of between 35,000MWh and 118,260MWh (to be agreed between the parties during FEED). If Fuel SPV fails to accept the Fixed Price PPA Output, it is liable to pay SUP the price shortfall (below the Fixed Price) received by SUP for the sale of the shortfall volume of electricity to the grid. The Fixed Price PPA Output that Fuel SPV is required to accept is reduced proportionally to account for force majeure and acts, omissions or breaches by SUP under the Fixed Price PPA or the FSA.
- 3.3 Conversely, the Fixed Price PPA also has a 'put or pay' mechanic whereby, subject to limited grace periods, SUP is required to be available to deliver up to 15MW to Fuel SPV from the commencement of commercial operations of the Power Station after Conversion until the end of the Fixed Price PPA term. If SUP fails to be available to deliver electricity when required it is liable to pay Fuel SPV's costs for replacement electricity to the extent that these costs exceed the Fixed Price. SUP's obligation to supply is reduced proportionally to account for force majeure and acts, omissions or breaches by Fuel SPV under the Fixed Price PPA or the FSA.
- 3.4 The Fixed Price PPA benefits from a parent company guarantee from SIMEC Group Limited and N&P Beheer B.V. This guarantee is provided on a joint and several basis (with N&P Beheer B.V.'s liability limited to the lesser of £20 million and 50 per cent. of the losses) and guarantees the performance of Fuel SPV's obligations and Fuel SPV's liabilities under both the Fixed Price PPA and the Fuel Supply Agreement, with such liabilities subject to certain limitations. SIMEC Group Limited had gross revenue and net assets of US\$2,520,602,042 and US\$341,787,712 respectively in its latest audited financial statements and N&P Beheer B.V. had gross revenue and net assets of €8,485,398 and €12,537,603, in its latest audited financial statements.

## 4. Fuel Supply Agreement

- 4.1 Under the Fuel Supply Agreement entered into between SUP and Fuel SPV dated 21 May 2018, Fuel SPV will supply energy pellets to SUP for a 20 year period based on SUP's forecast demand for fuel which is 875,000 tonnes per annum. The parties' obligations under the Fuel Supply Agreement are conditional on certain conditions precedent being satisfied, including SUP achieving financial close on the Conversion. SUP will pay £4 per tonne for the energy pellets, such price being subject to

adjustment where the calorific value or ash content of the energy pellets is above/below certain thresholds and indexed in accordance with the CPI. The energy pellets will be required to meet the fuel specification under the agreement and a failure to do so will entitle SUP to either reject such energy pellets or accept them with an entitlement to claim compensation for the energy pellets being out of specification.

- 4.2 The Fuel Supply Agreement contains standard provisions relating to either party's failure to supply (in the case of Fuel SPV) or accept (in the case of SUP) the relevant tonnage of fuel. The main provisions can be summarised as follows:
- (a) Fuel SPV will be liable to pay SUP a liquidated sum to compensate SUP for its direct losses to the extent that the commissioning of the Power Station is delayed by reason of delays to the commissioning of the Fuel Processing Facilities;
  - (b) conversely, if on the date the relevant Fuel Processing Facilities have achieved completion the Power Station is not ready for commissioning, SUP will pay Fuel SPV an amount to compensate Fuel SPV for its direct losses;
  - (c) if Fuel SPV fails to deliver the volumes of energy pellets required to be delivered under the Fuel Supply Agreement, Fuel SPV will pay SUP "put or pay" liquidated damages to compensate SUP for its direct losses (primarily its forecast lost electricity revenue); and
  - (d) conversely, if SUP fails to accept the volumes of energy pellets required to be accepted under the Fuel Supply Agreement, SUP will pay Fuel SPV an amount to compensate Fuel SPV for its direct losses.
- 4.3 Fuel SPV is required to provide a parent company guarantee pursuant to the Fuel Supply Agreement in the form of a joint and several guarantee provided by SIMEC Group Limited and N&P Beheer B.V. (with N&P Beheer B.V.'s liability under the parent company guarantee limited to the lesser of £20 million and 50 per cent. of the losses).
- 4.4 SUP and Fuel SPV will seek to agree the terms of a loan provided by SUP (or an SUP group undertaking) to Fuel SPV for the purposes of funding part of the construction costs of the Fuel Processing Facilities. It is proposed that such loan will be to the value of £20 million, subordinated to Fuel SPV's senior lenders but ranking senior to any equity distributions, shareholder loans or other subordinated loans. If SUP and Fuel SPV are unable to agree the terms of such loan, SUP shall be required to provide a letter of credit to the value of £25 million at financial close of the Conversion as security for the performance of its obligations under the Fuel Supply Agreement.
- 4.5 The Fuel Supply Agreement contains detailed provisions setting out either party's rights to terminate the Fuel Supply Agreement for the other party's material breach and the entitlement of the non-defaulting party to recover compensation from the defaulting party. In circumstances where SUP is entitled to terminate the Fuel Supply Agreement for Fuel SPV's material breach, SUP may either:
- (a) terminate the Fuel Supply Agreement and recover its direct losses from Fuel SPV up to a specified termination amount; or
  - (b) step into the Fuel Processing Facilities and the underlying waste supply agreements and pay Fuel SPV the market value for both, in which case SUP would be entitled to recover its more limited direct losses from Fuel SPV.

## **5. GridCo Shareholders' Agreement Heads of Terms**

- 5.1 Under the GridCo Shareholders' Agreement Heads of Terms entered into between SUP and SIMEC Power dated 21 May 2018, SUP and SIMEC Power have agreed that it is their intention to enter a shareholders' agreement to establish and govern GridCo. Pursuant to the GridCo Shareholders' Agreement Heads of Terms, SUP and SIMEC Power will become equal shareholders in GridCo, who it is intended will become a party to the Bilateral Connection Agreement with National Grid and will provide access to and use of the Grid Assets for SUP and SIMEC Power 2 Limited (a related company of SIMEC Power) (including on the default or insolvency of each shareholder). This will enable both parties to import power from and export power to the transmission network via the Grid Assets in the case of SUP for the purposes of the Power Station and in the case of SIMEC Power 2 Limited/SIMEC Power for the purposes of the Biofuel Facility.

- 5.2 The board of GridCo shall comprise four directors, two each from SUP and SIMEC Power. The SUP and SIMEC Power directors will be required to unanimously agree to all decisions that GridCo is required to make. There shall be restrictions on the shareholders voting on matters in respect of which they may be conflicted. SUP and SIMEC Power shall share the costs of funding GridCo and the activities taken by on in its behalf, in accordance with the ratio of power exported to the transmission network at the time such cost is incurred. The GridCo Shareholders' Agreement will include certain restrictions on the transfer of shares in GridCo and the term of the GridCo Shareholders' Agreement will be 125 years unless terminated earlier in accordance with its terms.
- 5.3 The full form documentation reflecting the GridCo Shareholders' Agreement Heads of Terms will be negotiated and finalised after Completion during the FEED phase.

## **6. Lock-In and Orderly Marketing Deed**

Under the Lock-In and Orderly Marketing Deed entered into between SIMEC, Cantor Fitzgerald and the Company dated 21 May 2018, SIMEC has agreed, conditional on Completion, to regulate the disposal of Ordinary Shares (and other relevant securities of the Company) by it and its connected persons following Admission. Specifically, SIMEC has undertaken not to, and will procure that its connected persons will not (unless the Company and Cantor Fitzgerald give their prior written consent or subject otherwise to customary carve-outs), effect any such disposal for a period of six months from the date of Admission (the "**Lock-In Period**"). In addition, SIMEC has also undertaken not to, and will procure that its connected persons will not (subject to customary carve-outs), effect any such disposal for a further period of six months from the expiry of the Lock-In Period until the first anniversary of the date of Admission (the "**Orderly Market Period**") unless a procedure is followed of providing written notice to the Company and Cantor Fitzgerald and (if requested by the latter) by effecting the disposal through the Company's brokers and in such a manner as they may reasonably require with a view to maintaining an orderly market in the Ordinary Shares. As such, the Lock-In and Orderly Marketing Deed gives effect to a six month lock-in undertaking during the Lock-In Period as well as a further six month orderly marketing undertaking thereafter during the Orderly Market Period both of which SIMEC and its connected persons are required to adhere to. The Lock-In and Orderly Marketing Deed will terminate upon the earlier of the end of the Orderly Marketing Period and the Company's Ordinary Shares ceasing to be admitted to trading on AIM.

## **7. Relationship Agreement**

- 7.1 Under the Relationship Agreement entered into between the Company and SIMEC dated 21 May 2018, the Company and SIMEC have agreed, conditional on Completion, to regulate the relationship between them to ensure that the Company can carry on its business independently of SIMEC following Completion for so long as SIMEC (or any person(s) acting in concert with it including its connected persons) continues to hold an interest of 30 per cent. or more of the Ordinary Shares or of the voting rights exercisable at general meetings of the Company (a "**Controlling Interest**"). In order to give effect to that, SIMEC provides a number of undertakings (with which it will also procure that its connected persons comply), including, among others, an undertaking that all transactions, agreements, arrangements and relationships between the Atlantis Group and SIMEC and its connected persons will be conducted at arm's length and on normal commercial terms. Further, any director of the Company appointed by SIMEC will be prevented from voting on any matter to consider the approval of such transactions or arrangements between the Atlantis Group and SIMEC and its connected persons or which gives rise to a conflict of interest involving SIMEC and its connected persons. The Relationship Agreement also includes customary confidentiality undertakings (subject also to customary carve-outs) to be provided by SIMEC in favour of the Company in relation to information of the Atlantis Group. Certain confidentiality undertakings (subject also to customary carve-outs) are also to be provided by the Company in favour of SIMEC in relation to information of the SIMEC Group.
- 7.2 Pursuant to the Relationship Agreement, the Company and SIMEC have agreed that with effect from Admission (and thereafter for so long as the Relationship Agreement remains in force) SIMEC will be entitled to appoint (and remove and reappoint) (i) two persons to be non-executive directors of the Company for so long as SIMEC and/or its connected persons hold in aggregate 20 per cent. or more of the voting rights exercisable at general meetings of the Company, and (ii) one person to be a non-executive director of the Company for so long as SIMEC and/or its connected persons hold in

aggregate 12.5 per cent. or more of the voting rights exercisable at general meetings of the Company (the “**Appointment Threshold**”). As such, for so long as the relevant Appointment Threshold is met, the Company and SIMEC have agreed that in circumstances where (i) SIMEC is entitled to appoint two directors of the Company, the Board will be made up of not more than seven directors of whom two will be executive directors appointed by the Board, two will be directors appointed by SIMEC and three will be non-executive directors, and (ii) SIMEC is entitled to appoint one director of the Company, the Board will be made up of not more than six directors of whom two will be executive directors appointed by the Board, one will be a director appointed by SIMEC and three will be non-executive directors. The identity of those persons entitled to be appointed by SIMEC shall be at SIMEC’s sole discretion unless the Company’s nominated adviser (acting in good faith and having specified the grounds for refusal) notifies SIMEC that the relevant person is not suitable to be a director of an AIM quoted company. SIMEC will cease to be entitled to make appointment(s) of Company director(s) if at any time after Admission it ceases to meet the relevant Appointment Threshold or if SIMEC is in material breach of the Relationship Agreement which, if capable of remedy, has not been so remedied within 30 days of a request to do so. Save for the circumstances where SIMEC ceases to be entitled to make appointment(s) of Company director(s) and otherwise in the case of the relevant director appointed by SIMEC being in breach of his or her statutory or fiduciary duties owed to the Company or the Company having a right to terminate the appointment pursuant to the terms of his or her appointment as a Company director, the Company will not be entitled to terminate the appointment of a Company director appointed by SIMEC without the prior written consent of SIMEC. The directors who are appointed by SIMEC and who are not also employees of the SIMEC Group or the GFG Alliance will be entitled to receive annual remuneration for their appointment which will be agreed between the Company and the relevant director. For any directors who are appointed by SIMEC and who are also employees of the SIMEC Group or the GFG Alliance, the Company will be required to offer to the relevant director the choice of whether or not to receive annual remuneration for their appointment. If SIMEC (on behalf of the relevant director) decides in its discretion to take up the offer of remuneration, such remuneration will be agreed between the Company and the relevant director. In either case, any such remuneration that is ultimately agreed between the Company and the relevant director (whether or not he or she is an employee of the SIMEC Group or the GFG Alliance) will be on terms comparable to the other non-executive directors of the Company and in line with the Company’s remuneration policy for directors. Provision is also made for the reimbursement of all reasonable and properly incurred expenses subject to certain provisos.

- 7.3 The Relationship Agreement contains a standstill under which SIMEC undertakes not to, and will procure that none of its connected persons and none of its or their respective concert parties will, either alone or acting in concert with other persons, among other things, acquire any interests in securities of the Company which would cause such persons to be interested in 50 per cent. or more of the voting rights exercisable at general meetings of the Company. The standstill is subject to the prior written consent of the Board (excluding the SIMEC appointed directors) which is not to be unreasonably withheld or delayed. The standstill also provides that SIMEC undertakes not to, and will procure that none of its connected persons and none of its or their respective concert parties will, take certain actions or omit to take any such action (as applicable) where, among other things, the effect of doing so would be to oblige such persons or any other person (under the Singapore Takeover Code or otherwise) to make an offer for all or any of the Company’s Ordinary Shares or an alternative transaction to acquire the Company or all or substantially all of its business or an equivalent agreement, arrangement or understanding. The standstill, in addition to being subject to the prior written consent of the Board (not to be unreasonably withheld or delayed), does not apply in a number of customary circumstances including, among others, where SIMEC, its connected persons or its or their respective concert parties acquire securities of the Company representing not more than 1 per cent in any 6 month period without becoming obliged (under the Singapore Takeover Code or otherwise) to make an offer for all of the Company’s Shares provided the Board’s consent is obtained in the manner aforesaid. SIMEC and/or its connected persons shall also have the right (but not the obligation) to participate in any future equity fundraising conducted by the Company for so long as SIMEC together with its connected persons hold a Controlling Interest and subject to the foregoing restrictions as set out above.
- 7.4 SIMEC grants to the Company on the terms of the Relationship Agreement a right of first offer in relation to certain renewable assets owned by it or any of its connected persons (which, for the avoidance of doubt, includes any member of the GFG Alliance) in circumstances where those assets are to be disposed of. The right of first offer does not apply where the disposal is to be made to

SIMEC or one of its connected persons or where the enterprise value of the relevant asset the subject of the disposal is below a certain threshold regarded as being de minimis. Only in circumstances where the Company does not wish to acquire the relevant renewable assets or the Company and SIMEC are unable to agree the terms upon which such assets are to be acquired by the Company (having had good faith negotiations to agree such terms for a period of not less than 15 business days but not more than 30 business days) will SIMEC or the relevant connected person be free to dispose of the relevant renewable assets to a third party but provided it does so within a six month period and provided the terms agreed with the relevant third party are, when taken together in the round, better than the terms offered by the Company. SIMEC or the relevant connected person will also be free to dispose of the relevant renewable assets to a third party (even if it is for a materially lower consideration) if it has a cash requirement within an accelerated timeframe for which it requires the proceeds of the disposal and provided that the Company was made aware of the existence of such cash requirement and the relevant third party can proceed to completion of the disposal materially faster than the Company.

- 7.5 SIMEC provides a non-solicitation undertaking to not, and will procure that its connected persons will not (unless the majority of the directors of the Company (excluding the SIMEC appointed directors) gives its prior approval), offer to employ or seek to entice away, any of the executive directors of the Company or any other employee who is employed or has been employed by the Group or SUP at any time during the immediately preceding 12 months and who earns a total annual remuneration of equal to or in excess of £100,000. The non-solicitation undertaking will apply until the first anniversary of the date of Admission.
- 7.6 The Relationship Agreement will terminate upon the earlier of SIMEC and its connected persons ceasing to hold a Controlling Interest and the Company's Ordinary Shares ceasing to be admitted to trading on AIM or, as the case may be, the Official List of the FCA. Certain provisions of the Relationship Agreement including SIMEC's entitlement to appoint directors of the Company and the Company's right of first offer, in each case as set out above, will however survive SIMEC and its connected persons ceasing to hold a Controlling Interest but will otherwise remain as being subject to termination of the Relationship Agreement otherwise in accordance with its terms.

## **8. SIMEC Loan Agreement**

- 8.1 SUP has entered into a convertible loan agreement as the borrower with SIMEC Group Limited as the lender dated 21 May 2018 and conditional on Completion, such agreement evidencing the SIMEC Loan. As at the date of Admission, the SIMEC Loan shall be equal to the aggregate of:
- (a) US\$11,000,000 (translated into an agreed pounds sterling equivalent);
  - (b) plus the sum of £1,000,000;
  - (c) plus the aggregate amount equal to SUP's working capital requirements during the period beginning (and including) 1 October 2017 and ending on the date of Completion, which has been paid by SIMEC Group Limited, such amount expected to be approximately £3.82 million;
  - (d) plus (i) the aggregate amount of certain loan balances owed by SUP which are novated from GFG Alliance members to SIMEC Group Limited, such amount expected to be approximately £7.92 million (based on those loan balances taken as at 31 January 2018), less (ii) the aggregate amount of any loan balances owed to SUP by GFG Alliance members which are assumed by SIMEC Group Limited or which become due to SUP from SIMEC Group Limited, such amount expected to be approximately £2.61 million, and which shall include the Company's entitlement to receive (x) an amount equal to the premium payable to SUP on the grant of the SIMEC Lease, (y) a climate change levy refund expected to be received by SUP from HMRC, and (z) consideration expected to be received by SUP in respect of certain coal sales made by it; and
  - (e) less the Automatic Conversion Amount (as defined below) of £10.66 million.

The SIMEC Loan is expected to be approximately £7.64 million as at Completion. However, the terms of the SIMEC Loan Agreement together with the Acquisition Agreement provide that the SIMEC Loan may be further increased after Completion by the adjustment mechanisms in respect of working capital and indebtedness included in the Acquisition Agreement. Notwithstanding that, the SIMEC Loan Agreement together with the Acquisition Agreement also provides that the SIMEC Loan (before



being reduced by the Automatic Conversion Amount) shall not, following the determination of SUP's working capital and indebtedness in accordance with the terms of the Acquisition Agreement, be more than the Seller's Group Loan Maximum Amount (as defined in the Acquisition Agreement). The Seller's Group Loan Maximum Amount is expected to be approximately £12.99 million. If, following the determination of the working capital and indebtedness, the SIMEC Loan (before being reduced by the Automatic Conversion Amount) exceeds the Seller's Group Loan Maximum Amount, the excess amount shall be capitalised in accordance with the terms of the Acquisition Agreement. The SIMEC Loan after such determination and, if applicable, such capitalisation is expected to be capped at approximately £12.99 million (before applying the Automatic Conversion Amount) and approximately £2.33 million (after applying the Automatic Conversion Amount). SIMEC Group Limited has also agreed that it will not, among other things, convert or demand repayment of an amount that exceeds the Seller's Group Maximum Loan Amount prior to the aforementioned determination of SUP's working capital and indebtedness and, if applicable, capitalisation in accordance with the terms of the Acquisition Agreement.

- 8.2 As summarised in this document, immediately after Admission, SIMEC will be interested in 183,099,472 Ordinary Shares representing approximately 49.99 per cent. of the Enlarged Share Capital. This is as a consequence of the issue to it of the Consideration Shares and the SIMEC Loan Completion Shares. The Consideration Shares are pursuant to the Acquisition Agreement to be adjusted at Completion to reflect the dilution caused by the issue of the Placing Shares where funds from the Placing are to be used for the working capital requirements of the existing Atlantis business. However, where funds from the Placing are to be used for the purpose of SUP's working capital requirements, the number of Consideration Shares will not be adjusted and instead pursuant to the SIMEC Loan Agreement together with the Acquisition Agreement a part of the SIMEC Loan will be converted into Ordinary Shares (being the SIMEC Loan Completion Shares) by way of an automatic conversion of the SIMEC Loan so as to maintain SIMEC's shareholding at 49.99 per cent. of the Enlarged Share Capital.
- 8.3 As a consequence, the amount of the SIMEC Loan summarised above will be automatically reduced by the amount of funds from the Placing required for SUP's working capital requirements (the "**Automatic Conversion Amount**"). Such Automatic Conversion Amount will be an amount of £10.66 million. The Ordinary Shares to be issued to SIMEC in consideration for the reduction of the SIMEC Loan by the Automatic Conversion Amount (being the SIMEC Loan Completion Shares) will be issued to SIMEC at the Placing Price. As such, SIMEC will by virtue of the SIMEC Loan Completion Shares and the Consideration Shares be interested in Ordinary Shares representing approximately 49.99 per cent. of the Enlarged Share Capital immediately after Admission.
- 8.4 Unless previously converted or repaid in full, the SIMEC Loan will be repayable in full or in part (at the election of SIMEC Group Limited) on the earlier of:
- (a) the date on which financial close on the Conversion occurs; and
  - (b) either:
    - (i) 31 December 2019, or
    - (ii) if 31 December 2019 occurs before financial close on the Conversion, each and every second anniversary of 31 December 2019.
- 8.5 SIMEC Group Limited will also have the right to request that the SIMEC Loan is repaid in full or in part by way of the issue of Ordinary Shares to SIMEC by way of a voluntary conversion of the SIMEC Loan. Any Ordinary Shares issued pursuant to a voluntary conversion of the SIMEC Loan will also be issued to SIMEC at the Placing Price. Notwithstanding the foregoing if however the aforementioned request would give rise to the issue of a number of Ordinary Shares that would result in the standstill in the Relationship Agreement as summarised in paragraph 7 of this Part XI prohibiting SIMEC from acquiring such Ordinary Shares without the prior written consent of the Board (not to be unreasonably withheld or delayed), the voluntary loan conversion will not occur unless the Board has provided such consent in accordance with the terms of the Relationship Agreement. For illustrative purposes, if the SIMEC Loan were to be converted into Ordinary Shares immediately following Admission, SIMEC would receive a further 6,660,845 Ordinary Shares (in addition to the SIMEC Loan Completion Shares), which would increase SIMEC's shareholding in the Company to 50.89 per cent of the Company's issued ordinary share capital.

- 8.6 SUP agrees that so long as the SIMEC Loan remains outstanding, SUP shall not, without SIMEC Group Limited approval, create any security over SUP's assets. However, this obligation shall not prevent SUP from creating any security in relation to the provision of financing for the Conversion. SIMEC Group Limited has given certain undertakings to enable or facilitate the financing for the Conversion subject to the Company and SUP using best endeavours to:
- (a) establish GridCo; and
  - (b) execute all agreements, deeds or documents that are required in order to:
    - (i) novate the Bilateral Connection Agreement with National Grid to GridCo; and
    - (ii) facilitate the grant by GridCo of all rights that are required to enable, amongst other things, the Power Station and the Biofuel Facility to export electricity to and import electricity from the transmission network,

in each case, substantially in accordance with the GridCo Shareholders' Agreement Heads of Terms summarised at paragraph 5 of this Part XI above and prior to financial close on the Conversion (or an acceptable equivalent arrangement which the parties shall use their best endeavours to agree).

- 8.7 The SIMEC Loan shall be provided on an interest free basis (unless default interest (which is 10 per cent. per annum) is charged due to the Company or SUP failing to make any payments due under the SIMEC Loan Agreement).
- 8.8 The SIMEC Loan Agreement contains representations, covenants and events of default (subject to agreed exceptions, materiality tests, carve outs and grace periods) that are customary for financings of this nature. These include, among other things, provisions relating to insolvency, restrictions on change of control, and a cross-default event of default.

## **9. SIMEC Debenture**

- 9.1 SUP entered into the SIMEC Debenture with SIMEC Group Limited dated 21 May 2018 and conditional on Completion, such debenture being in support of the liabilities arising under the SIMEC Loan Agreement summarised at paragraph 8 of this Part XI above.
- 9.2 Under the SIMEC Debenture, SUP will grant a fixed charge over substantially all of its assets and an assignment over its rights in each of its insurance policies and its rights in respect of all agreements and instruments relating to its assets. SUP will also grant pursuant to the SIMEC Debenture a floating charge over all of the assets not effectively charged or assigned by the fixed charge and assignment.

## **10. SIMEC IP Licence and Assignment Agreement**

- 10.1 Under the SIMEC IP Licence and Assignment Agreement entered into between the Company, SUP, SIMEC Group Limited and certain other members of the GFG Alliance dated 21 May 2018, SIMEC has agreed to assign, and will procure that any relevant GFG Alliance members will assign, conditional on Completion, certain know-how and information relating to the Conversion, and/or any fuel type considered or proposed for use at the Power Station following the Conversion, to SUP. SUP has in turn agreed to grant a licence of the same know-how back to the GFG Alliance members.
- 10.2 Pursuant to the SIMEC IP Licence and Assignment Agreement, certain members of the GFG Alliance that are a party to the agreement have also agreed, conditional on Completion, to grant a licence to members of the Atlantis Group for the use of certain SIMEC and GFG Alliance trade marks in connection with the Atlantis business including as part of such member's corporate and trading names.
- 10.3 The SIMEC IP Licence and Assignment Agreement contains terms concerning the use of the know-how and trade marks licensed to the GFG Alliance and the Atlantis Group respectively which are standard for an agreement of this nature. It also contains certain customary warranties, undertakings and indemnities given by the parties to the agreement.
- 10.4 The SIMEC IP Licence and Assignment Agreement contains certain termination rights for the parties to the agreement including, among others, in circumstances where there is a change of control of

Atlantis (subject to certain exceptions), where SIMEC and its connected persons cease to hold 12.5 per cent or more of the Company's Ordinary Shares and certain other customary termination rights in respect of breach, insolvency and ceasing to be a GFG Alliance or Atlantis Group member (as applicable).

## **11. Costs Sharing Agreement**

11.1 Under the Costs Sharing Agreement, entered into between the Company, SIMEC Energy Pte. Ltd and SIMEC Group Limited dated 14 December 2017, SIMEC Energy Pte. Ltd agreed that it will make a contribution towards the costs of the Company which are incurred after 31 October 2017 in connection with the Acquisition. Specifically, SIMEC Energy Pte. Ltd agreed (whether or not Completion takes place) to reimburse the Company for 50 per cent. of certain budgeted costs actually incurred by the Company or its subsidiaries or associated companies in connection with the Acquisition, up to a maximum aggregate amount of £500,000 (exclusive of VAT).

11.2 SIMEC Energy Pte. Ltd shall not be responsible for any such budgeted costs if the Company is in material breach of the SIMEC Exclusivity Agreement summarised at paragraph 13 of this Part XI below (which causes SIMEC Energy Pte. Ltd to withdraw from the Acquisition), or if the Acquisition Agreement is terminated in accordance with its terms due to the Company failing to obtain the necessary shareholder approvals for the Acquisition or the Company being in material breach of the warranties given by it under the Acquisition Agreement.

11.3 However, if SIMEC Energy Pte. Ltd is in material breach of the Atlantis Exclusivity Agreement summarised at paragraph 12 of this Part XI below (which causes Atlantis to withdraw from the Acquisition), the Costs Sharing Agreement shall terminate but SIMEC Energy Pte. Ltd shall be responsible for all costs and expenses actually incurred by the Company or its subsidiaries or associated companies (including any budgeted costs) after 31 October 2017 in accordance with the terms of the Atlantis Exclusivity Agreement.

11.4 In the circumstance of either the Company or SIMEC Energy Pte. Ltd simply withdrawing from the Acquisition, that party so withdrawing shall reimburse the other party for all its costs and expenses actually incurred after 31 October 2017 by the other party or its subsidiaries or associated companies in connection with the Acquisition. In the case of such reimbursement being owed to the Company the amount of the reimbursement shall have deducted from it any payment already made to it by SIMEC Energy Pte. Ltd in respect of budgeted costs. Notwithstanding the foregoing, the withdrawing party shall not be obliged to make any payment in respect thereof where the withdrawal has arisen following a breach by the other party of the Atlantis Exclusivity Agreement (in the case of a breach by SIMEC Energy Pte. Ltd) or the SIMEC Exclusivity Agreement (in the case of a breach by the Company) or otherwise where the withdrawal is reasonable in all the circumstances and has arisen following such other party seeking to materially change certain material terms and conditions already agreed to by the parties.

11.5 SIMEC Group Limited has guaranteed SIMEC Energy Pte. Ltd's obligations under the Costs Sharing Agreement.

## **12. Atlantis Exclusivity Agreement**

Under the Atlantis Exclusivity Agreement entered into between the Company and SIMEC Energy Pte. Ltd dated 14 December 2017 (and as amended on 21 May 2018), SIMEC agreed not to (and to procure that neither another member of the SIMEC Group nor their respective directors, employees, agents and advisers will) enter into or have any discussions or negotiations with any third party, enter into any agreement or arrangement with any third party or make available information related to SUP or SIMEC, in each case, relating to or in connection with the possible purchase of SUP or SIMEC or of all or substantially all of their businesses or assets (a "**SIMEC Competing Offer**"). A SIMEC Competing Transaction shall not include and such undertaking shall not apply to those assets the subject of the SIMEC Lease summarised at paragraph 15 of this Part XI below or the GridCo Shareholders' Agreement Heads of Terms summarised at paragraph 5 of this Part XI above. The exclusivity period under the Atlantis Exclusivity Agreement during which such undertaking applies is up until the earlier of Completion and termination of the Acquisition Agreement. During the exclusivity period if SIMEC is approached regarding a SIMEC Competing Offer it shall (to the extent permitted by law) notify the Company immediately of such offer. The obligations under

the Atlantis Exclusivity Agreement (including the aforementioned undertaking) shall cease to have effect on the above mentioned date or, if earlier, on the date on which the Company notifies SIMEC Energy Pte. Ltd that it wishes to withdraw from the Acquisition. As referred to in paragraph 11 of this Part XI above, if SIMEC Energy Pte. Ltd is in material breach of the Atlantis Exclusivity Agreement (which causes Atlantis to withdraw from the Acquisition), SIMEC Energy Pte. Ltd shall reimburse to the Company all costs and expenses reasonably and properly incurred by the Company after 31 October 2017 in relation to the Acquisition and all associated and connected matters.

**13. SIMEC Exclusivity Agreement**

Under the SIMEC Exclusivity Agreement also entered into between the Company and SIMEC Energy Pte. Ltd dated 14 December 2017 (and as amended on 21 May 2018) (and on terms broadly reciprocal to the Atlantis Exclusivity Agreement), the Company agreed not to (and to procure that neither another member of the Atlantis Group nor their respective directors, employees, agents and advisers will) enter into or have any discussions or negotiations with any third party, enter into any agreement or arrangement with any third party or make available information related to the Company, in each case, relating to or in connection with the possible purchase or disposal of any material assets outside the ordinary course of business of the Atlantis Group (an “**Atlantis Competing Transaction**”). An Atlantis Competing Transaction shall not include and such undertaking shall not apply to a purchase or proposed purchase of the Company through a takeover offer, scheme of arrangement or other means and certain other specified spin outs, sales or disposals. The exclusivity period under the SIMEC Exclusivity Agreement during which such undertaking applies is also up until the earlier of Completion and termination of the Acquisition Agreement. During the exclusivity period if the Company is approached regarding an Atlantis Competing Transaction it shall (to the extent permitted by law) notify SIMEC Energy Pte. Ltd immediately of such transaction. The obligations under the SIMEC Exclusivity Agreement (including the aforementioned undertaking) shall cease to have effect on the above mentioned date or, if earlier, on the date on which SIMEC Energy Pte. Ltd notifies the Company that it wishes to withdraw from the Acquisition. As referred to in paragraph 11 of this Part XI above, if the Company is in material breach of the SIMEC Exclusivity Agreement (which causes SIMEC Energy Pte. Ltd to withdraw from the Acquisition), the Company shall reimburse to SIMEC Energy Pte. Ltd all costs and expenses reasonably and properly incurred by SIMEC Energy Pte. Ltd after 31 October 2017 in relation to the Acquisition and all associated and connected matters (excluding any costs specified in the Costs Sharing Agreement which shall be recovered pursuant to the provisions thereof).

**14. LSN Heads of Terms**

14.1 Under the LSN Heads of Terms entered into between SUP and LSN dated 21 May 2018, LSN has agreed that it is its intention to offer to enter into a private wire power purchase agreement with SUP in order to purchase from the Power Station, following Conversion, all of the electricity that may be required by the electric arc furnace which is proposed to be installed by LSN at the LSN steelworks in Newport, South Wales.

14.2 The LSN Facility is adjacent to the Power Station and the arc furnace will allow the steelworks to recycle scrap metal. The electric arc furnace is expected to have an estimated annual energy consumption of 600GWh. The principal terms of the LSN PPA would be as follows:

Duration:	from execution of LSN PPA until December 2040.
Offtake:	600,000 MWh of electricity per year.
Electricity price:	120% of prevailing wholesale electricity price.
Renewable and other generation benefits:	if the Power Station is eligible for ROCs or other existing or future renewables benefits generated by the Power Station, then such benefits shall be for the sole benefit of the Power Station with the exception of Renewable Energy Guarantees of Origin which can be claimed by the LSN Facility.
Take or pay:	the LSN Facility will commit to take or pay for the electricity, at the electricity price referred to above.

## **15. SIMEC Lease**

Under the SIMEC Lease entered into between SUP and SIMEC Power dated 21 May 2018, SUP has granted, with effect from the date of completion under the lease, a lease over certain land comprising parts of the freehold site owned by SUP which are not expected to be required by SUP for the proposed Power Station operations. The SIMEC Lease includes certain rights, including of access and in respect of the running of services, over the SUP Retained Land and SUP has reserved rights over the land held under the SIMEC Lease including of access and in respect of the running of services. The SIMEC Lease is for a term of 999 years and has a rent of £100 per annum. The premium payable on the grant of the SIMEC Lease is £1.475 million. The SIMEC Lease contains certain restrictions on the use of the SUP Retained Land and on the use of the land held under the SIMEC Lease. Under the terms of the SIMEC Lease, SIMEC Power is obliged to pay a fair and reasonable proportion of the costs of SUP maintaining certain facilities located on the SUP Retained Land. SUP is also obliged to pay a fair and reasonable proportion of the costs of SIMEC Power maintaining certain facilities on the land held under the SIMEC Lease. The facilities include roads, conduits and railway lines.

In respect of the land held by SIMEC Power under the SIMEC Lease, SIMEC Power have with effect from Completion assumed certain contamination liabilities and indemnify SUP for such liabilities under the SIMEC Lease. These obligations are to be guaranteed by another SIMEC group company. The guarantee will fall away if the SIMEC Lease is assigned or a cap of £10,000,000 (subject to a CPI linked increase capped at four per cent.) is exceeded. The SIMEC Lease allows SUP to withhold its consent to assign the SIMEC Lease if the proposed assignee does not have a net worth of at least £20,000,000 (subject to a CPI linked increase capped at four per cent.) or the assignee has failed to procure a third party guarantee on similar terms (but without the four per cent. cap on CPI linked increases) to the SIMEC guarantee.

## **16. Road Access Agreement**

It is intended that under the Road Access Agreement to be entered into between SUP and certain members of the GFG Alliance on or prior to Completion, SIMEC Power will commit to procure works in respect of an access road, subject to obtaining all requisite consents, over land adjacent or near to the site, some of which is owned by GFG Alliance companies. It is intended that certain members of the GFG Alliance will be under obligations (subject to certain conditions) to grant rights over this access road.

The Road Access Agreement will also include a mechanism for identifying the route of a potential further accessway to the site over land adjacent or near to the site and for the acquisition of necessary land to facilitate that further accessway together with conditional obligations in relation to the construction of the additional accessway and the grant of additional rights of access over such accessway.

## **17. Power Generation Equipment Lease**

SUP has entered into an equipment lease with SIMEC Power 1 Limited, dated 21 May 2018, pursuant to which SUP leases from SIMEC Power 1 Limited certain diesel generators and a related fuel tank that are to be used for the provision of electricity to the Power Station. The equipment is located on the SUP Retained Land but is owned by SIMEC Power 1 Limited and leased by it to SUP on the terms of the equipment lease. It is intended that the term of the equipment lease will cover the period of time from or before Completion until the Power Station recommences generation following the Conversion or until SUP makes alternative arrangements for the Power Station's electricity requirements. SUP will also have certain rights in relation to an option to purchase the equipment from SIMEC Power 1 Limited. Under the equipment lease SUP shall pay a nominal amount of rent to SIMEC Power 1 Limited for the use of the equipment.

## PART XII

### SUMMARY OF ATLANTIS GROUP MATERIAL CONTRACTS

#### 1. MEYGEN PROJECT

##### Shareholders' Agreement

##### 1.1 *MeyGen Holdings Shareholders' Agreement*

The Company is party to an English law governed shareholders' agreement in relation to MeyGen Holdings Limited (previously named Tidal Power Scotland Holdings Limited) ("**MeyGen Holdings**") with Scottish Enterprise, as administrator of the Renewable Energy Investment Fund ("**SE**"), Atlantis Projects Pte. Ltd ("**APPL**"), MeyGen Holdings and MeyGen dated 16 September 2014, as amended (the "**MeyGen SHA**"). The Company guarantees APPL's obligations under the MeyGen SHA.

SE has the right to appoint one non-executive director. Certain shareholder reserved matters require the approval of all shareholders.

The MeyGen SHA contains customary pre-emption provisions on an issue or transfer of shares and customary default and termination provisions. It governs the appointment of directors to the MeyGen Holdings board, the raising of finance and provides certain tag-along and drag-along rights on a proposed transfer of shares.

On 16 December 2015, Tidal Power Scotland Limited ("**TPSL**") acquired APPL's shares in MeyGen Holdings pursuant to the APPL Subscription Agreement (as described below) and acceded to the MeyGen SHA. Currently APPL owns 92 per cent. of the share capital of TPSL and TPSL owns 83.45 per cent. of the share capital of MeyGen Holdings.

##### Subscription Agreements

##### 1.2 *MeyGen Subscription Agreement*

On 16 September 2014 the Company entered into an English law governed subscription agreement with SE, APPL, MeyGen Holdings and MeyGen (as amended on 16 December 2014) (the "**MeyGen Subscription Agreement**") pursuant to which SE and APPL subscribed for shares in MeyGen Holdings, which in turn subscribed for further shares in MeyGen to provide financing to meet construction and operating expenditures, collateralisation of guarantees and funding of the maintenance reserve account.

On 3 August 2016 the parties to the MeyGen Subscription Agreement entered into a deed of variation pursuant to which TPSL acceded to the MeyGen Subscription Agreement following the transfer by APPL to TPSL of its shares in MeyGen Holdings.

##### 1.3 *APPL Subscription Agreement*

On 16 December 2015 APPL and TPSL entered into an English law governed subscription agreement whereby APPL subscribed for 60,993,566 ordinary shares in the capital of TPSL, in consideration for the transfer of the shares in MeyGen Holdings from APPL to TPSL (the "**APPL Subscription Agreement**").

##### Financing

##### 1.4 *REIF Facility Agreement*

MeyGen entered into a loan facility agreement on 21 August 2014 amongst itself (as company), SE and HSBC Corporate Trustee Company (UK) Limited ("**HSBC Trustee**") (as security trustee) (the "**REIF Facility Agreement**"). SE provided the loans in two tranches of £5,500,000 and £2,000,000, to MeyGen for the purpose of carrying out two turbine projects. Both tranches have a 7.00 per cent. per annum interest rate, capitalising on the last day of six month periods ending on each 30 June and 31 December after 21 August 2014. The total sum of both tranches, £7,500,000 plus interest, is currently outstanding.

The loan is repayable in instalments with the first repayment date being the first of 30 June or 31 December to occur after the date that is 6 months after the completion of both turbine projects (being the Group's own AR1500 turbine and the three Andritz Hydro Hammerfest turbines, which together make up MeyGen Phase 1A). Thereafter, the loan is repayable on each subsequent 30 June and 31 December in each year prior to the final repayment date, being the first quarter date to occur ten years after the earlier of (i) the completion date for both turbine projects and (ii) 31 March 2018.

MeyGen may prepay the whole or any part of the loans by giving SE not less than 20 business days' prior notice. Any part prepayment must not be less than £50,000 at a prepayment fee of 3.00 per cent. of the repaid amount.

MeyGen requires the prior written consent of SE (not to be unreasonably withheld) for any transfer or issue of its shares or voting rights to any entity other than MeyGen Holdings and certain other transactions, including refinancing. Without such prior consent, SE can cancel the loans and declare all the loans with accrued interest and other amounts immediately due and payable, including a 3.00 per cent. fee on the amount prepaid by giving no less than 15 business days' notice.

The REIF Facility Agreement contains customary confidentiality and disclosure provisions and is governed by English law. MeyGen has given extensive general undertakings and project-specific undertakings to SE. The loans are secured by several security documents including an English law debenture comprising security over MeyGen's assets and Scottish law floating charges in respect of MeyGen's and MeyGen Holdings' assets. The Company has provided a guarantee over the £2,000,000 tranche referred to above.

#### 1.5 **Security Trust and Intercreditor Deed**

The Company entered into an English law governed security trust and intercreditor deed on 21 August 2014 between itself (as junior creditor), MeyGen (as company), SE (as senior creditor), TCE (as senior creditor), and other parties (the **"Security Trust and Intercreditor Deed"**).

As a junior creditor, the Company's interests in relation to certain security documents including floating charges, share pledges, a debenture and intra-group loans rank second in priority and payment to the senior creditors' interests, until all the senior debt has been fully and irrevocably paid or discharged and no further obligations are capable of becoming outstanding to the senior creditors.

#### 1.6 **HSBC Trustee Security Documents**

MeyGen and other members of the Atlantis Group have created various forms of security over their assets in favour of HSBC Trustee as security trustee, including:

- (a) Assignment of Company intra-group loan: The Company granted an intra-group loan to MeyGen and the benefit of this contract has been assigned by an English law assignment to HSBC Trustee on 21 August 2014;
- (b) Debenture: MeyGen entered into an English law debenture in favour of HSBC Trustee on 21 August 2014 comprising security over all of its assets and undertaking;
- (c) Standard security: MeyGen has granted a Scottish law standard security in favour of HSBC Trustee in relation to property at Quoys Farm Canisbay;
- (d) Floating charges: MeyGen and MeyGen Holdings each granted a Scottish law floating charge in favour of HSBC Trustee in respect of all their property, assets and rights (including uncalled capital) on 21 August 2014; and
- (e) Share pledges: MeyGen Holdings has granted Scottish law pledges of its shares in MeyGen from time to time in favour of HSBC Trustee.

MeyGen, HSBC Trustee and the creditors have given customary undertakings under the security documents. Each party's obligations under the various security documents continue from 21 August 2014 until each senior creditor has informed HSBC Trustee in writing that all the obligations of MeyGen under the various security documents, the REIF Facility Agreement, the Security Trust and Intercreditor Deed, the TCE Funding Agreement (as defined below) and further documents have been unconditionally and irrevocably discharged.

HSBC Trustee holds this security on behalf of MeyGen's creditors with the senior creditors being able to recover any debt owed to them in the event of MeyGen's insolvency before the junior creditors can recover debt owed to them. As such, the Company (being a junior creditor ) will only be able to enforce its rights once all the senior debt has been satisfied.

#### 1.7 **Subordination Deed**

The Company entered into an English law governed deed of subordination on 21 August 2014 amongst itself (as junior creditor), MeyGen (as company), SE (as senior creditor), TCE (as senior creditor) and Morgan Stanley Capital Group Inc ("**MSCGI**") (as junior creditor), and other parties.

As a junior creditor, the Company's interests in relation to certain intragroup loans and shareholder loan agreements rank second in priority and payment to the senior creditors' interests, until all the senior debt has been fully and irrevocably paid or discharged and no further obligations are capable of becoming outstanding to the senior creditors.

#### 1.8 **HSBC Letter of Credit**

HSBC issued a letter of credit on 26 August 2014 (which was amended on 8 August 2017 and expires on 31 March 2018) for £847,489 to National Grid Electricity Transmission PLC ("**National Grid**") in support of obligations owed by MeyGen to National Grid. MeyGen entered into an indemnity on 17 February 2017 in favour of HSBC to indemnify HSBC for any liabilities it incurs in providing the letter of credit to National Grid. The letter is expected to be renewed for £832,817 from 1 April 2018.

#### 1.9 **Morgan Stanley Capital Group Inc Loan**

On 8 January 2013, MeyGen and MSCGI entered into an English law governed loan agreement, as amended, pursuant to which MSCGI granted a loan facility to MeyGen in the principal amount of £3,753,486.75 (the "**MSCGI Loan**"). The MSCGI Loan is repayable on 1 February 2021 with interest payable at the relevant LIBOR rate plus a margin of 5 per cent. per annum. The MSCGI Loan was fully drawn as of 31 October 2013, and there are no more drawdowns available.

MeyGen has provided undertakings to (i) update MSCGI on the development of the MeyGen Project, (ii) provide its accounts to MSCGI, (iii) only enter into contracts on arm's length terms with related parties, (iv) not make any prepayments under the IPMDL Loan (as defined below) or the Atlantis Loan (as defined below) unless prepayments are made to all the lenders pro-rata; and (v) not pay any distributions and not transfer or encumber its rights under the MeyGen AfL, lease or grid connection agreements for the MeyGen Project unless for the purpose of project finance arrangements. The undertakings are effective until the loan has been repaid.

#### 1.10 **International Power Marine Developments Limited Loan**

On 8 March 2013, MeyGen and International Power Marine Developments Limited ("**IPMDL**") entered into a loan agreement, as amended, pursuant to which IPMDL granted MeyGen a loan facility in the principal amount of £3,753,486.75 (the "**IPMDL Loan**"). The IPMDL loan is repayable on 1 February 2021 with interest payable at the relevant LIBOR rate plus a margin of 5 per cent. per annum. The loan was fully drawn as of 31 October 2013, and there are no more drawdowns available. The principal amount remains outstanding.

MeyGen provided similar undertakings to those given pursuant to the MSCGI Loan. The Company entered into a deed of undertaking with IPMDL to procure that MeyGen complies with certain of these undertakings.

#### 1.11 **Atlantis Loan**

On 27 August 2014, the Company and MeyGen entered into a loan agreement pursuant to which the Company granted MeyGen a loan facility in the principal amount of £849,505.56 which is repayable on 1 February 2030 with interest payable at the relevant LIBOR rate plus a margin of 5 per cent. per annum (the "**Atlantis Loan**"). MeyGen may request an extension of the credit facility and such extension would require the Company's consent. The principal amount remains outstanding.



### 1.12 **TCE Development and Funding Agreement**

On 21 August 2014, MeyGen, TCE and HSBC Trustee entered into an English law governed development and funding agreement for MeyGen Phase 1A (the **“TCE Funding Agreement”**). Pursuant to the Funding Agreement, TCE agreed to provide investment of £9.8 million to finance the construction of MeyGen Phase 1A.

MeyGen is obliged to make re-payments under the TCE Funding Agreement in intervals, with the last payment being the first quarter date after 10 years from commissioning of MeyGen Phase 1A, which occurred at the end of Q1 2018. This agreement contains a number of grounds and events of defaults upon which TCE may require MeyGen to repay the investment earlier, including a change of control without prior written consent, environmental liability or revocation of project authorisations. MeyGen has also granted a number of indemnities for, amongst other things, breaches of environmental laws or permissions.

## **Grants**

### 1.13 **Clearwater Grant**

On 19 December 2013, the Directorate-General for Energy of the European Commission awarded a consortium led by Atlantis Operations (UK) Limited (**“Atlantis Operations”**) a €7.7 million European Union grant known as Clearwater, under which the Atlantis Operations led consortium has so far received €6.8 million towards the development of turbines for the MeyGen Project (the **“Clearwater Grant”**). Atlantis Operations is subject to conditions typical of EU grants including reporting obligations, eligible costs, audit rights and customary termination rights.

### 1.14 **HIE Grants**

On 21 August 2014, Highlands and Islands Enterprise (**“HIE”**) granted MeyGen two Scottish law governed grants in relation to the installation of four turbines on the MeyGen Project and the construction of an onshore power unit for the MeyGen Project at Ness of Quoy. The first of these was for £1,375,398 for research and development costs (the **“HIE Research Grant”**) and the second for £1,933,328 for construction and development costs (the **“HIE Development Grant”**) and, together with the HIE Research Grant, the **“HIE Grants”**. £100,000 remains to be drawn down under this grant.

MeyGen must comply with certain conditions under the HIE Grants, including, amongst other things, to remain wholly owned by MeyGen Holdings and not receive any other funding from public or EU authorities (with certain exceptions), until the date falling three years from the later of (i) the date of the last payment of the grant; or (ii) the date on which electricity is first generated by all four turbines at the MeyGen Project (the **“Period of Obligation”**). The amount of equity invested in MeyGen Holdings by the Company, through its subsidiary APPL, cannot fall below £8.8 million during the Period of Obligation.

HIE can require repayment of the HIE Grants in certain circumstances, including if MeyGen breaches conditions of the HIE Grants. Any repayment request must be met within 30 days of receipt or any later reasonable deadline agreed by HIE.

The Company has guaranteed the repayment of any amount that becomes repayable under the HIE Grants together with any interest and expenses.

### 1.15 **Department of Energy and Climate Change Grant**

On 15 August 2014, MeyGen received a grant of £10 million from the UK's Department of Energy and Climate Change for costs incurred on MeyGen Phase 1A (the **“DECC Grant”**). Obligations under the DECC Grant terminate three years following the final payment of the grant (excluding any right to clawback of the European Commission which terminates 10 years after the final payment).

The grounds for repayment of the grant includes, amongst other things, material changes to the MeyGen business or a change of control. The Company has guaranteed MeyGen's compliance with the conditions of the DECC Grant and the repayment of any amount that becomes repayable.

### 1.16 **Horizon 2020 Grant Agreement**

In December 2016, the Innovation and Networks Executive Agency (under power delegated by the European Commission) (the “**Agency**”) and DEME Blue Energy NV (the “**Coordinator**”), Atlantis Resources (Scotland) Limited (“**Atlantis Scotland**”), Marine Current Turbines Limited (“**MCT**”), GeoSea NV, the Queen’s University of Belfast and Innosea (together, the “**Beneficiaries**”) entered into a grant agreement (the “**Grant Agreement**”) whereby the Agency awarded a grant for the “**DEMOTIDE Project**” to design, build and operate a 6MW turbine array at the MeyGen Phase 1B site in the Pentland Firth, Scotland from 1 January 2017 to 1 January 2021.

Financed under the Horizon 2020 Research and Innovation Framework Programme, the maximum amount of the grant is EUR 20,301,149.75 which reimburses 100 per cent. of certain eligible costs of the Beneficiaries that are non-profit legal entities and 70 per cent. of certain eligible costs of the Beneficiaries that are for profit legal entities (the “**2020 Grant**”). The Beneficiaries must comply with a number of obligations, including to implement the DEMOTIDE Project as prescribed in the Grant Agreement, otherwise the grant may be reduced or suspended. The 2020 Grant is currently suspended pending amendments to the Grant Agreement.

The Coordinator is responsible for interacting with the Agency, submitting requests for payments and distributing grant payments to the Beneficiaries. The payments are made in three stages within certain time periods as prescribed by the Grant Agreement and the money remains the property of the EU until the final stage of the payment. The Grant Agreement gives the Agency and other EU agencies wide supervisory powers including the right to audit the Beneficiaries two years after the final grant payment and to evaluate the impact of the DEMOTIDE Project five years after the final grant payment to assess whether the Beneficiaries have complied with their obligations. The Grant Agreement is governed by applicable EU law supplemented by Belgian law.

The parties to the Grant Agreement also entered into a consortium agreement in December 2016 which specifies the relationship among the parties, including the organisation of work, the management of MeyGen Phase 1B and rights and obligations concerning, amongst other things, liability, access rights and dispute resolution.

### 1.17 **Horizon 2020 Cooperation Agreement**

On 24 December 2016, Deme Blue Energy NV, Geosea NV, Atlantis Scotland, MCT and Stroma Tidal Power Limited (“**Stroma**”) entered into a cooperation agreement setting out the parties’ roles and responsibilities, cost claim procedures, contracts, subcontracts and project management coordination in relation to the Grant Agreement (the “**Cooperation Agreement**”).

Under the Cooperation Agreement, the parties agreed to make amendments to the Grant Agreement to change how funds are allocated between the parties and to transfer the role of Coordinator to Atlantis Scotland.

Pursuant to the Cooperation Agreement, Atlantis Scotland was required to pay Geosea NV £1 million if an offshore works agreement for the installation of monopile foundations for the DEMOTIDE Project was not entered into by 30 June 2017, unless the failure to enter or delay in entering into that agreement was despite reasonable endeavours and good faith efforts by Atlantis. Accordingly, although the offshore works agreement has not been entered into, the £1 million has not been paid to Geosea NV.

Pursuant to the Cooperation Agreement, Stroma shall be project manager of the development of MeyGen Phase 1B. DEME Blue Energy NV or any of its affiliates have the right to invest up to £10 million in Stroma on commercial terms to be proposed by Atlantis Scotland before MeyGen Phase 1B’s financial close.

During the term of the Cooperation Agreement, Atlantis Scotland and MCT shall not, without the prior written consent of other parties, request funding under the Grant Agreement in respect of subcontracting certain marine related works. The parties agree to indemnify each other in respect of any direct loss arising from its breach of the agreement and this provision survives termination of the agreement. The agreement contains customary termination provisions.

### 1.18 **West of England Growth Fund Grant**

On 8 September 2014, Atlantis Operations received a grant of £520,000 from Bath and North East Somerset Council (as accountable body of the West of England Local Enterprise Partnership) to fund the AR1500 control systems tidal turbine programme (the “**West England Grant**”).

The West England Grant may become repayable in certain circumstances up to 30 June 2018, including non-compliance by Atlantis Operations of its conditions and obligations under the grant, or a change of ownership. Atlantis Operations has also indemnified Bath and North East Somerset Council against any such non-compliance. Atlantis Operations has an obligation to submit certain reports annually until 30 June 2018.

The Company guaranteed the repayment of any sums should they become repayable.

### **MeyGen Property including Seabed**

#### 1.19 **MeyGen Agreement for Lease**

On 21 October 2010 MeyGen entered into a Scottish law governed agreement for a lease (“**MeyGen AfL**”) with TCE, as amended, relating to the seabed at the Inner Sound of the Pentland Firth. Pursuant to the MeyGen AfL, TCE granted to MeyGen an option to take a lease for the site of the MeyGen Project for a fee of £800,000 (plus VAT). The option has been exercised by MeyGen and the lease has been granted (as summarised below). MeyGen also provided security for the MeyGen AfL by a payment to TCE in cash of £50,000.

Achievement of key milestones was a material condition of the MeyGen AfL. In 2014 TCE granted a waiver providing that satisfaction of any milestones listed in the MeyGen AfL but not included in the MeyGen Lease (as described below) was either confirmed or waived.

The MeyGen AfL requires MeyGen to indemnify TCE for actions from third parties and any losses TCE suffers in respect of the MeyGen Project, except where TCE is in default or negligent or suffers indirect losses and subject to TCE mitigating the loss. MeyGen’s maximum liability under the MeyGen AfL is limited to £50,000 (except as otherwise required by law). MeyGen is required to provide reports to TCE about the MeyGen Project which are subject to a duty of confidentiality, and which are limited to disclosures required by law.

#### 1.20 **MeyGen Lease**

MeyGen entered into a Scottish law governed lease (the “**MeyGen Lease**”) dated 10 September 2014 with TCE of a tidal site upon the seabed at Inner Sound (the “**Inner Sound Property**”).

The term of the MeyGen Lease is expressed to be the aggregate of an installation phase, an operation phase and a decommissioning phase, which will be, in most cases, not less than 25 years (which may be reduced or extended in certain circumstances as set out in the MeyGen Lease). MeyGen has the right to terminate the operation phase of the MeyGen Lease following damage or destruction by an insured risk to Phase 1 of its development works if the insurance monies are not applied to reinstating such works. TCE may also terminate the MeyGen Lease in certain circumstances.

The rent payable under the MeyGen Lease is determined by reference to market electricity prices. The current rent is payable at £1.62 per MWh of generation, and the fee escalates with a basket of electricity market indices.

Achievement of key milestones is a material condition of the MeyGen Lease and MeyGen’s obligations are secured by way of a guarantee in the sum of £1 million from HSBC Bank plc. MeyGen is required to provide additional guarantees in certain circumstances.

MeyGen is required to indemnify TCE against all losses arising in connection with MeyGen’s use and occupation of the Inner Sound Property, except where TCE is in default or is negligent or suffers indirect losses, and subject to TCE taking reasonable steps to mitigate its losses. MeyGen’s liability under the indemnity is capped at £2 million (exclusive of VAT). Further, MeyGen’s liability under the MeyGen Lease ceases on the expiry of the later of (a) the date of actual final settlement by MeyGen of any claims under the MeyGen Lease and (b) 3 years following formal certification of MeyGen’s decommissioning of its works and restoration of the Inner Sound Property.

TCE is entitled to forfeit the MeyGen Lease in certain circumstances, including (but not limited to) where any rents due under the MeyGen Lease remain unpaid for 21 days; in the event of a breach of MeyGen's obligations under the MeyGen Lease; if Phase 1 of the development works to be carried out on the Inner Sound Property have not been completed within 7 years and 6 months of the commencement of the term; on the occurrence of certain insolvency events in respect of MeyGen; if MeyGen breaches its operators' agreements; or certain financial thresholds are breached under the guarantee(s).

#### 1.21 **Ness of Quoys Lease**

MeyGen is party to a Scottish law governed lease (the "**Ness of Quoys Lease**") dated 25 August 2014 with Clifford Shepherd and Gillian Elaine Shepherd of land at Ness of Quoys, Caithness (the "**Ness of Quoys Property**").

The Ness of Quoys Lease is for a term of 99 years from and including 25 August 2014 at a base rent of £40,700 per annum (exclusive of VAT and reviewed annually in accordance with the retail prices index ("**RPI**")) for the first ten years of the term of the Ness of Quoys Lease, thereafter £33,300 per annum (exclusive of VAT reviewed annually in accordance with RPI). If MeyGen elects to expand the lease area to construct a further electricity substation on the Ness of Quoys Property, the base rent will be £48,000 per annum (exclusive of VAT and reviewed annually in accordance with RPI).

MeyGen has the right to break the Ness of Quoys Lease at any time on not less than 12 months' notice.

MeyGen is permitted to use the Ness of Quoys Property as an electricity substation(s) in connection with the transmission and distribution of electricity and for horizontal directional drilling from the Ness of Quoys Property to the foreshore and seabed adjoining the Ness of Quoys Property.

#### 1.22 **Substation at Quoys Farm, Canisbay, Wick**

Scottish Hydro Electric Power Distribution PLC ("**Scottish Hydro**") is party to a Scottish law governed sublease dated 10 October 2017 (the "**Sublease**") with MeyGen of two parts of a substation enclosure at Ness of Quoys (the "**Quoys Farm Property**").

The Sublease is for a term of 25 years and the rent payable is £1 per annum. In the event that Scottish Hydro no longer requires the Quoys Farm Property, Scottish Hydro has the right to terminate the Sublease on giving not less than 12 months' prior written notice to MeyGen.

Scottish Hydro indemnifies MeyGen against all losses arising as a result of any breach of Scottish Hydro's obligations in the Sublease. This indemnity is capped at £10 million (or such higher figure as represents industry standard from time to time).

### **Material Licences and Consents**

MeyGen Limited has the following material licences, consents and permissions in respect of the MeyGen Project:

- (a) consent under section 36 of the Electricity Act 1989 for Phase 1;
- (b) planning permission under section 28 of The Town and Country Planning (Scotland) Act 1997;
- (c) an assessment under the Council Directive 92/43/EEC(c) on the Conservation of Natural Habitats and of Wild Fauna and Flora;
- (d) licence for marine renewables construction works for Phase 1 under Marine (Scotland) Act 2010 (31 January 2014);
- (e) EIA consent under regulation 22 of the Marine Works (EIA) Regulations 2007 (Regulation 22) (3 February 2014);
- (f) licence for marine renewables construction, operation and deposits of substances or objects in the Scottish marine area for seabed preparation work for turbine support structure No. 4 under Marine (Scotland) Act 2010, part 4 Marine Licensing (29 July 2016);

- (g) licence for marine scientific instrument deployment in the Scottish marine area under Marine (Scotland) Act 2010, part 4 Marine Licensing (19 October 2016);
- (h) licence for marine renewables construction, operation and deposits of substances or objects in the Scottish marine area for Phase 1a (Scotland) Act 2010, part 4 Marine Licensing (18 January 2017); and
- (i) multi-stage regulatory consent in relation to Phase 1b (30 June 2017).

Further licences, consents and permissions will be required as the MeyGen Project develops.

## **2. ATLANTIS SCOTLAND**

### **2.1 GEG Loan and Preferred Supplier Agreement**

The Company entered into a loan agreement on 28 April 2015 amongst itself (as guarantor), Atlantis Scotland (as borrower) and GEG (Holdings) Limited (“**GEG**”) (as lender) as subsequently amended on 30 June 2015 for a loan of £500,000 to (i) help fund on-going working capital requirements of Atlantis Scotland, MCT and/or any other member of the Atlantis Group; and (ii) fund investments to further the development of MeyGen Holdings’ portfolio of power generation projects (the “**GEG Loan Agreement**”).

The principal amount plus interest of 4.5 per cent. per annum is outstanding and is repayable as a bullet repayment on the third anniversary of the date of drawdown (being 2 July 2018). On a change of control of Atlantis Scotland, GEG is entitled to demand repayment of the amount of the loan drawn down and outstanding, together with any interest accrued by giving not less than 10 business days’ written notice.

The GEG Loan Agreement contains customary assignment, confidentiality and disclosure provisions. It is governed by the law of Scotland, and is secured by a Scottish law bond and floating charge from Atlantis Scotland and a group guarantee and debenture over all the assets of MCT and its subsidiaries and Atlantis Operations as security for Atlantis Scotland’s liabilities under the GEG Loan Agreement.

Under the GEG Loan Agreement, the Company entered into a preferred supplier agreement on 28 April 2015 (as amended) with Atlantis Scotland and GEG, granting GEG preferred supplier status in relation to the provision of specified services relating to tidal energy projects and tidal power turbines and equipment in the UK. GEG has this preferred supplier status for five years from and including the drawdown date.

### **2.2 SE Loan Agreement**

The Company entered into a Scottish law governed loan agreement on 11 and 12 February 2014, as amended, amongst itself (as guarantor), Atlantis Scotland (as borrower) and SE (as lender) for a loan of £2,000,000 to establish and develop a global engineering hub in Edinburgh for the development of tidal energy generation (the “**SE Loan Agreement**”). £2 million (plus interest) is currently outstanding under this agreement.

The loan is a five year term loan with an interest rate of 12 per cent. per annum with the interest capitalised and repayable with the principal at the date that is the earlier of (i) 13 February 2019 and (ii) the third anniversary of the date of drawdown under the GEG Loan Agreement (being 2 July 2018). The loan is secured by a bond and floating charge over all assets of Atlantis Scotland and an English law guarantee and debenture over all the assets of MCT and its subsidiaries and Atlantis Operations as security for Atlantis Scotland’s liabilities under the SE Loan Agreement.

Under a Scottish law governed observation rights agreement, the Company has agreed that SE and its nominated advisers are entitled to attend Board meetings in an observer capacity. SE and its nominees have provided confidentiality undertakings in respect of these rights.

### **2.3 SE Bridging Loan**

The Company entered into a bridging loan agreement on 29 June 2015 amongst itself (as guarantor), SE (as lender) and Atlantis Scotland (as borrower) for a loan of £2,000,000 to (i) facilitate the acquisition by the Atlantis Group of MCT and (ii) to help fund the on-going working capital requirements of Atlantis Scotland and MCT (the “**Bridging Loan Agreement**”).

The loan comprises two instalments, and is repayable at an interest rate of 10 per cent. per annum in a bullet payment on the first anniversary of drawdown of the first instalment. Atlantis Scotland has made partial repayments of £300,000, £1,800,000 and £750,000. There is currently £400,000 of accrued interest outstanding (as at 31 March 2018). The repayment date for the balance outstanding under the loan (following amendments to the original bridging loan agreement), is the earliest to occur of (i) Admission; (ii) receipt of aggregate proceeds of £4,300,000 from either a fundraising or the proceeds of a disposal of assets; and (iii) 3 July 2018.

SE may appoint an observer, under a board observer rights agreement, to attend meetings of the Boards of the Company and Atlantis Scotland solely in an observer capacity.

The Bridging Loan Agreement is governed by the law of Scotland and is secured by a Scots law bond and floating charge over all of Atlantis Scotland's assets and an English law guarantee and debenture over all the assets of MCT and its subsidiaries and Atlantis Operations as security for Atlantis Scotland's liabilities under the Bridging Loan Agreement.

### **3. TIDAL POWER SCOTLAND LIMITED**

#### **3.1 *TPSL Shareholders' Agreement***

The Company is a party to an English law governed shareholders' agreement with APPL, TPSL and ScottishPower Renewables (UK) Limited ("**Scottish Power**") dated 16 December 2015 (the "**TSPL SHA**"). The agreement governs the parties' rights and obligations in respect of TPSL. DEME Concessions NV ("**DEME**") acceded to the TSPL SHA on 6 August 2016 and the TPSL SHA was varied on 9 August 2016. The Company guarantees APPL's obligations under the TPSL SHA.

Both Scottish Power and DEME initially had the right to appoint a director for a fixed term and each of them can appoint a director again if they build up a 10 per cent. shareholding in TPSL. Certain shareholder reserved matters require the approval of all shareholders.

The TSPL SHA contains customary pre-emption provisions on an issue or transfer of shares and customary default and termination provisions. It governs the appointment of directors to the TPSL board, arrangements for the raising of further funds and provides certain tag-along and drag-along rights on a proposed transfer of shares.

#### **3.2 *DEME SPA***

On 8 April 2016, DEME, APPL and the Company (as guarantor of APPL's obligations under the agreement) entered into an English law governed share purchase agreement (as amended) pursuant to which APPL transferred to DEME 2 per cent. of the issued share capital in TPSL in consideration for £2 million. The transaction completed in August 2016.

Subject to DEME maintaining a shareholding in TPSL, DEME is entitled to, but is under no obligation to, acquire shares in the companies carrying out the development of MeyGen Phase 1C and the Islay Project in certain circumstances. DEME gains the right to appoint a director to the board of Islay Holdings Limited ("**Islay Holdings**") or MeyGen Holdings (as relevant in certain circumstances).

### **4. LOCKHEED MARTIN**

#### **4.1 *Lockheed Martin Teaming Agreement***

On 12 September 2013 the Company and Lockheed Martin entered into the Teaming Agreement, as amended, which is governed by the laws of the State of New York. Pursuant to the Teaming Agreement, the Company and Lockheed Martin have agreed to collaborate on an exclusive worldwide basis to jointly develop projects throughout the world related to the production of electric energy from free stream tidal currents and also to design tidal turbine systems. The Company and Lockheed Martin are independent contractors in the performance of the Teaming Agreement and there is no partnership or profit sharing agreement.

The Company shall be the prime contractor and Lockheed Martin a sub-contractor for bids for the development of such tidal energy projects. Lockheed Martin has agreed to provide services and

assets to a value of US\$10 million to the Company. This investment includes the provision of engineering services and manufacturing for turbine systems and business services to support the development of tidal energy projects. Liability of the parties under the Teaming Agreement is limited to direct losses.

The Teaming Agreement states that the Company and Lockheed Martin shall work exclusively on a worldwide basis except where (i) a third party employer refuses to work with Lockheed Martin; (ii) Lockheed Martin is unable to work with the third party employer due to specified compliance requirements; or (iii) Company declines to bid for a particular project.

#### 4.2 **Lockheed Martin Board Observer Agreement**

On 5 December 2013, the Company, Lockheed Martin, Daniel Heller and Timothy Fuhr (Mr Heller and Mr Fuhr together the “**Lockheed Board Observer**”) entered into a Board Observation Rights Agreement (the “**ORA**”) governed by English law, pursuant to which the Company has agreed to allow a representative to attend board meetings of the Company solely in an observer capacity. The Lockheed Board Observers were replaced on 18 September 2017 by Frank Armijo and Craig Moeller.

The ORA contains customary confidentiality and non-solicitation provisions. The non-solicitation provisions expire on the date that is one year after the date of termination of the ORA. The ORA shall terminate automatically without notice one year after the date that the Teaming Agreement expires.

### 5. WYRE VALLEY PROJECT

#### 5.1 **Duchy of Lancaster Exclusivity Letter and Heads of Terms**

On 22 November 2017, the Company and Duchy of Lancaster (“**DoL**”) entered into an English law governed exclusivity agreement (“**Exclusivity Agreement**”) and heads of terms (“**Heads of Terms**”) for a lease option agreement (“**LOA**”) relating to the riverbed in the Wyre estuary in Lancashire for the purpose of developing a tidal barrage project (the “**Wyre Valley Project**”).

Under the Exclusivity Agreement the parties agreed to use reasonable endeavours and act in good faith to finalise the LOA by 31 December 2017, or as soon as practicable thereafter. The Heads of Terms set out non legally binding terms on which the LOA may be granted. The LOA has not yet been finalised. In consideration for a fee of £20,000 (plus VAT) paid by the Company, DoL has agreed for a certain period not to make any commitment to any other party or enter into any other option or lease arrangement for any part of the land which is the subject of the LOA.

#### 5.2 **Wyre Valley Project Heads of Terms**

On 9 January 2018, APPL and Natural Energy Wyre Limited (“**NEW**”) entered into a term sheet relating to the development of the Wyre Valley Project (the “**NEW HoT**”) pursuant to which the parties have agreed APPL will lead negotiations with the DoL with the objective of securing an exclusive option for lease of the land required for the Wyre Valley Project. The NEW HoT supersedes the memorandum of understanding between APPL and NEW dated 9 February 2017. The terms of the NEW HoT are confidential and subject to a non-disclosure agreement entered into by the Company and NEW on 14 December 2016.

### 6. ISLAY PROJECT

#### 6.1 **Agreement for Lease**

On 12 April 2011, Scottish Power entered into a Scottish law governed agreement for lease (the “**Islay AfL**”) with TCE pursuant to which Scottish Power was granted an option to take a lease of a development site for the purposes of carrying out the Islay Project in consideration of the payment by Islay of an option fee of £10,000 (exclusive of VAT). With effect from 6 May 2016, Scottish Power assigned its interest in the Islay AfL to Islay Tidal Power Limited (“**Islay**”), a subsidiary of the Company.

Pursuant to the Islay AfL, Islay covenanted to apply for certain necessary consents by 30 June 2010 (including certain key project consents from TCE), survey the development site, obtain a grid

connection and finalise technological development. The necessary consents were awarded to the Islay Project in 2015, and the grid connection is scheduled to be available in 2021.

Islay has until 12 April 2021 (pursuant to an extension letter dated 13 April 2016) to serve notice on TCE in order to trigger the option but Islay must have achieved certain key milestones (as detailed in the Islay AfL), obtained all necessary consents and complied with certain other conditions detailed in the Islay AfL before it can do so.

TCE is entitled to terminate the Islay AfL in certain circumstances, including (but not limited to) where certain key project consents are refused and such refusal is not challenged; in the event of an unremedied breach of any of Islay's material obligations in the Islay AfL; in the event that Islay fails to exercise the option by 12 April 2021; if Islay fails to achieve the key milestones; or on the occurrence of certain insolvency events in respect of Islay.

## 6.2 **Form of Lease**

The form of lease to be granted to Islay (in the event that Islay exercises its option) is appended to the Islay AfL. The term of lease is expressed to be the aggregate of an installation phase, an operation phase and a decommissioning phase, which will be, in most cases not less than 25 years (which may be reduced or extended in certain circumstances) and at a rent determined by reference to market electricity prices. The lease will be guaranteed by a party acceptable to TCE.

## 6.3 **Islay Asset Purchase Agreement**

On 16 December 2015, Scottish Power, Islay, Islay Holdings and TPSL entered an asset purchase agreement pursuant to which Islay bought certain assets from Scottish Power, including all rights and interests and obligations of Scottish Power under the lease between TCE and Scottish Power dated 12 April 2011; any existing consents, permits and licences (both onshore and offshore) and all applications therefore which are capable of being transferred; and all rights, title, interests and obligations of Scottish Power under certain Islay agreements ("**Islay Assets**") in consideration of 3,859,703 ordinary shares in the capital of TPSL issued to Scottish Power. The transaction completed in May 2016.

## 6.4 **Scottish Power, APPL and TPSL Subscription Agreement**

On 16 December 2015, Scottish Power, APPL, the Company and TPSL entered into an English law governed subscription agreement (the "**TPSL Subscription Agreement**") pursuant to which Scottish Power agreed to subscribe for shares in TPSL representing 6 per cent. of the share capital in TPSL in consideration for the Islay Assets. The agreement contains customary termination rights.

# 7. **MARINE CURRENT TURBINES LIMITED**

## 7.1 **Galloway Agreement for Lease**

On 1 July 2014, MCT entered into a Scottish law governed agreement for lease (the "**Galloway AfL**") with TCE pursuant to which TCE granted MCT an option to take a lease of a 30MW tidal power site upon the seabed at the Mull of Galloway for an option fee of £70,500 (exclusive of VAT).

MCT has until 30 June 2019 (subject to extension in certain circumstances, provided that no such extension shall extend the option period beyond 1 July 2024) to trigger the option. Before MCT can serve the option notice, it must have achieved certain key milestones (as detailed in the Galloway AfL), obtained all necessary consents and complied with certain other conditions detailed in the Galloway AfL. The Galloway AfL provides that, prior to exercising the option, if MCT does not have net assets in excess of £10 million, it must provide TCE with a guarantee in the sum of £1 million from a guarantor whose net assets exceed £10 million.

Pursuant to the Galloway AfL, MCT covenants to apply for certain necessary consents by 29 October 2018 (including certain key project consents from TCE), survey the development site, obtain a grid connection and finalise technological development. It is unlikely that MCT will be able to meet these requirements by 29 October 2018, and will therefore expect to apply to extend this date. Discussions remain on-going with TCE.



TCE is entitled to terminate the Galloway AfL in certain circumstances, including (but not limited to) where certain key project consents are refused and such refusal is not challenged; in the event of an unremedied breach of any of MCT's material obligations in the Galloway AfL; in the event that MCT fails to exercise the option within the specified period (as extended in accordance with the terms of the Galloway AfL); if MCT fails to achieve the key milestones; or on the occurrence of certain insolvency events in respect of MCT.

MCT's liability under the Galloway AfL ceases on the expiry of the later of (a) the date of actual final settlement by MCT of any claims under the Galloway AfL and (b) 24 months following formal certification of MCT's remediation of the seabed to a safe condition.

## 7.2 **Galloway Form of Lease**

The form of lease to be granted to MCT (in the event that MCT exercises its option) is appended to the Galloway AfL. The form of lease is for a term of 37 years (subject to its earlier determination in certain circumstances) and at a rent determined by reference to market electricity prices. In the event that MCT does not have net assets in excess of £10,000,000 at the date of the lease, it shall provide a guarantee by a party acceptable to TCE with net assets in excess of £10,000,000.

## 7.3 **Portland Agreement for Lease**

On 1 July 2014, MCT entered into a English law governed agreement for lease (the "**Portland AfL**") with TCE whereby TCE granted an option to take a lease of a 30MW tidal power site upon the seabed at Portland Bill (the "**Portland Bill Development Site**") in consideration of the payment by MCT of an option fee of £70,500 (exclusive of VAT).

Pursuant to the Portland AfL, and in connection with the Portland Bill Development Site, MCT covenants to apply for certain necessary consents by 29 October 2018 (including certain key project consents from TCE), survey the development site, obtain a grid connection and finalise technological development. It is unlikely that MCT will be able to meet these requirements by 29 October 2018, and will therefore expect to apply to extend this date.

MCT has until 30 June 2019 (subject to extension in certain circumstances, provided that no such extension shall extend the option period beyond 1 July 2024) to trigger the option, before which it must have achieved certain key milestones (as detailed in the Portland AfL), obtained all necessary consents and complied with certain other conditions detailed in the Portland AfL. It is unlikely that MCT will be able to meet these requirements by 30 June 2019, and will therefore expect to apply to extend this date. Discussions remain on-going with TCE.

TCE is entitled to terminate the Portland AfL in certain circumstances, including (but not limited to) in the event that MCT fails to exercise the option by 30 June 2019; if MCT fails to achieve the key milestones; or if MCT fails to meet its reporting obligations on two consecutive occasions and fails to remedy the breach within a reasonable period.

## 7.4 **Portland Form of Lease**

The form of lease to be granted to MCT (in the event that MCT exercises its option) is appended to the Portland AfL. The form of lease is for a term of 37 years (subject to its earlier determination in certain circumstances) and at a rent determined by reference to market electricity prices. In the event that MCT cannot provide evidence satisfactory to TCE that MCT has net assets of £10 million the lease will be guaranteed by a party acceptable to TCE and with net assets of £10 million.

## 7.5 **MCT SPA**

On 28 April 2015 Atlantis Turbines Pte. Ltd ("**Atlantis Turbines**") entered into a share purchase agreement, as amended, to purchase the entire issued share capital of MCT in consideration for an allotment of the Company's shares to Siemens Aktiengesellschaft ("**Siemens**") representing 9.99 per cent. of the Company's issued share capital at completion (the "**MCT SPA**"). The Company was party to the MCT SPA as guarantor of Atlantis Turbines' obligations and the transaction completed in July 2015.

## **8. NESS OF DUNCANSBY**

### **8.1 Agreement for Lease**

On 5 March 2010, Scottish Power entered into a Scottish law governed agreement for lease, as amended (the **“Duncansby AfL”**) with TCE pursuant to which TCE granted an option to take a lease of a 100MW development site on the seabed of the Ness of Duncansby in consideration of the payment of an option fee of £200,000 (exclusive of VAT). With effect from 16 December 2015, Scottish Power assigned its interest in the Duncansby AfL to Duncansby Tidal Power Limited (**“Duncansby”**), a subsidiary of the Company and provided TCE with a security deposit of £50,000.

Pursuant to the Duncansby AfL, Duncansby covenants to apply for certain necessary consents (including certain key project consents from TCE by January 2019), survey the development site, obtain a grid connection and finalise technological development. It is unlikely that Duncansby will be able to meet these requirements by January 2019, and will therefore expect to apply to extend this date. Discussions are on-going with TCE.

Duncansby has until 4 March 2020 to serve notice on TCE in order to trigger the option. Before Duncansby can serve the option notice, it must have achieved certain key milestones (as detailed in the Duncansby AfL), obtained all necessary consents and complied with certain other conditions detailed in the Duncansby AfL (including the provision of a lease guarantee).

The Duncansby AfL contains customary termination provisions providing for termination by TCE in certain circumstances.

### **8.2 Form of Lease**

The form of lease to be granted to Duncansby (in the event that Duncansby exercises its option) is appended to the Duncansby AfL. The term of lease is expressed to be the aggregate of an installation phase, an operation phase and a decommissioning phase, which will be, in most cases, not less than 25 years (which may be reduced or extended in certain circumstances) and at a rent determined by reference to market electricity prices. The lease will be guaranteed by a party acceptable to TCE.

### **8.3 Asset Purchase Agreement**

On 16 December 2015, Scottish Power, Duncansby and TPSL entered into an English law governed asset purchase agreement pursuant to which Scottish Power transferred all its rights and obligations under the Duncansby AfL to Duncansby in consideration of £1. The transaction completed in December 2015.

## **9. STRANGFORD LOUGH**

### **9.1 Strangford Agreement for Lease**

On 1 July 2014, MCT entered into a Northern Irish law governed agreement for lease (the **“Strangford AfL”**) with TCE relating to a tidal power site upon the seabed at Strangford Lough (the **“Strangford Site”**).

Pursuant to the Strangford AfL, TCE granted to MCT an option to take a lease of the Strangford Site for the development and installation of a tidal generation facility having an aggregate capacity of no more than 20MW for an option fee of £70,500 (exclusive of VAT). The option has been exercised by MCT and the lease has been granted (as summarised below).

MCT covenanted to apply for certain necessary consents by 29 October 2018 (including certain key project consents from TCE), to survey the development site, obtain a grid connection and finalise technological development. Achievement of certain key milestones is a material condition of the Strangford AfL. It is unlikely that MCT will be able to meet these requirements by January 2019, and will therefore expect to apply to extend this date.

## 9.2 **Strangford Lease**

Sea Generation Limited ("**Sea Generation**"), a subsidiary of the Company, is party to a Northern Irish law governed lease (the "**Strangford Lease**") dated 22 December 2015 with TCE relating to the Strangford Site). The rent payable under the Strangford Lease is £3,000 per annum.

The Strangford Lease is for a term of 3 years 9 months and 48 days commencing on and including 14 August 2013 to and including 30 June 2017. However, the term was expressed to have been extended to 30 June 2018 by a deed of variation dated 12 June 2017 (the "**Deed of Variation**") to facilitate the completion of Sea Generation's decommissioning of the Strangford Site. Sea Generation may determine the Strangford Lease at any time on written notice to TCE. Pursuant to the Deed of Variation, Sea Generation notified TCE that it intended to determine the Strangford Lease on 30 June 2018.

The permitted use under the Strangford Lease is the installation of the experimental or demonstration tidal turbine system (together with ancillary equipment and cabling) (the "**Works**") and generation of electricity by the Works. Prior to determination of the term, Sea Generation is obliged to remove the Works and restore the Strangford Site in accordance with the decommissioning plan annexed to the Strangford Lease. Pursuant to the Strangford Lease, Sea Generation commenced decommissioning before 30 June 2016 and will submit monthly reports in respect of its progress to TCE until the end of the term.

## 9.3 **Restoration Deposit Deed**

TCE and Sea Generation entered into a restoration deposit deed dated 22 December 2015 (the "**Deposit Deed**") to secure the performance of Sea Generation's reinstatement and decommissioning obligations under the Strangford Lease. On execution of the Deposit Deed, the sum of £1,500,224.40 was placed in a bank account in the name of TCE (the "**Account**").

Interim milestones in relation to decommissioning and reinstatement and the expected cost of achieving each interim milestone (each a "**Milestone Amount**") were set following execution of the Deposit Deed, with each Milestone Amount to be repaid to Sea Generation on achievement of the interim milestone. The first milestone has been achieved and TCE has repaid the first Milestone Amount.

## 10. **ABUNDANCE DEBENTURES**

The Group is a party to a number of documents relating to the 2017 Debenture and 2018 Debenture, namely the 2017 Debenture Deed and Agency Agreement for the 2017 Debentures and the 2018 Debenture Deed for the 2018 Debentures, as summarised below (together the "**Debenture Finance Documents**").

### 10.1 **Atlantis Debenture Deeds**

The 2017 Debentures are constituted by a Debenture Deed dated 26 June 2017 between: (i) Atlantis Ocean Energy plc ("**Atlantis Ocean**"), as issuer; (ii) the Company, as guarantor; and (iii) Abundance Investment Ltd ("**Abundance**"), as arranger and agent (the "**2017 Debenture Deed**"). The 2018 Debentures are constituted by a Debenture Deed dated 30 January 2018 between: (i) Atlantis Future Energy plc ("**Atlantis Future**"), as issuer; (ii) the Company, as guarantor; and (iii) Abundance, as arranger and agent (the "**2018 Debenture Deed**" and together with the 2017 Debenture Deed the "**Debenture Deeds**"). The Debenture Deeds are on substantially the same commercial terms.

The debentures constituted by the Debenture Deeds are unsecured but the Company irrevocably and unconditionally guarantees the obligations of Atlantis Ocean and Atlantis Future under each of their respective Debenture Finance Documents. The guarantor's obligations are continuing and extend to the ultimate balance of sums payable by each issuer under their respective Debenture Deeds. The guarantor also provides an indemnity for the benefit of the respective debenture holders under each Debenture Deed (the "**Holders**").

Interest is payable twice yearly by the issuer at the end of each interest period. For the 2018 Debentures, the first interest period will start on 1 April 2018 and will be three months long, as will the last which will start on 1 January 2023. All other periods will be six months. For the 2017 Debentures, the first interest period started on 1 August 2017 and was five months long. All other periods are six months.

The debentures are issued in minimum amounts of £5, save in respect of a tranche of the 2018 Debenture for which the minimum investment limit is £90,000. Atlantis Ocean raised £5.0 million (before expenses) in respect of the 2017 Debenture, and (as at 16 May 2018) Atlantis Future raised £4.6 million (before expenses) in respect of the 2018 Debenture.

The issuer under each Debenture Deed is entitled to redeem the debentures on any interest payment date (an **“Early Redemption Date”**). On a redemption, the issuer shall repay all outstanding principal, all outstanding accrued interest and the interest which would have accrued in respect of the subsequent interest period. If such redemption occurs within three years of the date of the respective Debenture Deed (the **“the Early Redemption Option Date”**), the Holders will also receive all interest that would have accrued on the Debentures from the Early Redemption Date to and including the Early Redemption Option Date. Under each Debenture Deed the issuer may purchase any debentures which shall, following such purchase, be cancelled.

The Agent (as defined in paragraph 10.2 below), on behalf of the Holders, is the beneficiary of certain representations, warranties and undertakings from each of Atlantis Future or Atlantis Ocean (as applicable) and the Company.

The Company undertakes to ensure that the ratio of total debt to total assets, in respect of a specified Covenant Group, will not at any time exceed 1:2.8. **“Covenant Group”** means the Company and its subsidiaries, excluding MeyGen and any SPV established solely for the purpose of developing or operating a renewable power project, or as the holding company of such SPV, which has no financial indebtedness other than non-recourse debt. This financial covenant is tested in respect of the last day of the most recent financial year or financial half-year (as applicable) by reference to the financial statements and/ or any compliance certificates.

The Company undertakes to comply with environmental laws and provide certain financial information, including its audited financial statements on a consolidated basis. It also undertakes not to merge, de-merge or enter into a corporate reconstruction and not to change the general nature of the Atlantis Group’s business.

The events of default in the Debenture Deeds include failure to pay; breach of any other terms of the deed (not remedied within 30 business days); various insolvency events in respect of Atlantis Ocean or Atlantis Future (as applicable) or the Company; cross default; and cessation of Atlantis Ocean’s or Atlantis Future’s (as applicable) or the Company’s business. If an event of default occurs and subject to any applicable grace periods, Abundance can, on behalf of the Holders and upon instructions from a specified majority of the Holders, demand repayment of the debentures.

## 10.2 **Atlantis Agency Documents**

On 26 June 2017 Atlantis Ocean, the Company and Abundance (as **“Agent”**) entered into an Agency Agreement in respect of the 2017 Debenture (the **“Agency Agreement”**). The 2018 Debenture Deed incorporates and amends the Schedule to the Abundance Terms and Conditions (available on the Abundance platform) dated 30 January 2016 (the **“2018 Agency Provisions”** and together with the Agency Agreement, the **“Agency Documents”**). The Agency Documents govern the Agent’s role and conditions for engagement.

Under the Agency Documents, the Agent is granted the ability to waive defaults and consent to amendments. Certain reserved matters, including waiving an event of default, require approval by special resolution (one passed at a meeting of the Holders by 75 per cent. of Holders represented at the meeting). All other matters require approval by ordinary resolution (one passed at a meeting of the Holders by 50 per cent. of Holders represented at the meeting). If an event of default occurs and is continuing, the Agent will issue an acceleration notice if so directed in writing by Holders of at least 25 per cent. of the principal or by a special resolution of the Holders.

The Agent can retire on giving notice or be removed by a special resolution of Holders, but such retirement or removal will not be effective unless a successor agent has been appointed, subject to certain conditions.

## 11. PROPERTY

### 11.1 **EMEC Lease**

On 2 October 2009, Atlantis Operations entered into a Scottish law governed lease agreement with the European Marine Energy Centre ("**EMEC**") relating to the provision of a marine energy test berth at EMEC's facilities ("**EMEC Lease**"). The EMEC Lease gives Atlantis Operations exclusive rights to a berth, together with power offtake facilities and related services.

The EMEC Lease was varied in September and October 2017 to reduce the berth fee for the period 31 July 2017 to 30 November 2017 to zero conditional upon completion of the cable disconnection works; Atlantis Operations withdrawing their claim for the sum of £41,120; and Atlantis Operations raising a purchase order for the sum of £9,180.

In the event that demobilisation is not completed by 30 November 2017, an annual berth fee of £210,000 shall be payable until demobilisation has been completed. The EMEC Lease shall continue, and the berth fee is payable, until all Atlantis Operations' equipment has been decommissioned from the berth to the satisfaction of EMEC.

On 7 April 2017, Atlantis Operations entered into a form of agreement with Green Marine (UK) Limited ("**Green Marine**") in relation to the decommissioning of the berth, pursuant to which Green Marine has indemnified Atlantis Operations for the payment of berth fees required by EMEC beyond 30 November 2017.

### 11.2 **Nigg Lease**

Atlantis Scotland is party to a Scottish law governed lease (the "**Nigg Lease**") dated 7 September 2015 with Global Energy Nigg Limited ("**Global Energy**") of the interior of Shop 1, Nigg Energy Park, Nigg, together with an outside storage space (the "**Nigg Property**") for the storage, manufacturing, assembly, testing, repair, maintenance and disassembly of tidal turbines and associated equipment.

The Nigg Lease is for a term of 5 years from and including 1 July 2015 at a rent of £173,400 (subject to annual RPI-linked rent reviews on an upwards only basis) and a service charge rent equal to 10 per cent. of the principal rent. In the event that Atlantis Scotland does not receive grant funding for the fit out of the Nigg Property, it has the right to terminate the Nigg Lease on 1 July 2018 on payment to Global Energy of £16,800.

### **Office leases**

The Company is party to the following office leases:

### 11.3 **Fountainbridge, Edinburgh**

Atlantis Scotland is party to a Scottish law governed lease (the "**Edinburgh Lease**") dated 20 April 2017 with Black Needle Limited ("**Black Needle**") of part of the 4th floor, 135/139 Fountainbridge, Edinburgh. The Edinburgh Lease is guaranteed by the Company up to a maximum of £500,000.

The Edinburgh Lease is for a term of 10 years from and including 23 February 2017 to and including 22 February 2027. The Edinburgh Lease is subject to a rent free period until and including 22 February 2018; thereafter the yearly rent is £85,712 (exclusive of VAT) per annum (subject to stepped increases annually such that the yearly rent payable for the period from and including 23 February 2021 to and including 22 February 2022 is £101,296 (exclusive of VAT) per annum). The yearly rent is subject to upwards only open market review on 23 February 2022, although pursuant to a minute of variation, the yearly rent for the period from and including 23 February 2022 to 22 February 2023 shall be equal to 50 per cent. of the passing rent otherwise payable under the Edinburgh Lease at the relevant time.

Atlantis has the right to break the Edinburgh Lease with effect from 23 February 2022 on not less than 6 months' notice and subject to paying Black Needle the sum of £25,324.

#### 11.4 **Lower Castle Street, Bristol**

MCT is party to an English law governed lease (the “**Bristol Lease**”) dated 7 September 2015 with Regional Properties Limited (“**Regional Properties**”) of part of the 17th floor, Lower Castle Street, Castlemead, Bristol (the “**Bristol Property**”).

The Bristol Lease is for a term of 5 years from and including 7 September 2015 to and including 6 September 2020 at a yearly rent of £83,675 (exclusive of VAT) per annum. From and including 7 September 2018 to and including 6 January 2019, the yearly rent will be reduced to £41,837.50 (exclusive of VAT) per annum, thereafter reverting to £83,675 (exclusive of VAT) per annum.

#### 11.5 **UOB Plaza, Singapore**

The Company is party to a Singaporean law governed agreement (the “**Singapore Agreement**”) dated 21 March 2017 with Regus Management Singapore Pte. Ltd (“**Regus**”) for the use of a serviced office at 36-00, UOB Plaza 1, 80 Raffles Place, Singapore 048624 (the “**Singapore Property**”).

The Singapore Agreement is for a term of 1 year from and including 1 July 2017 to and including 30 June 2018 at a rent of S\$2,600 per month.

The Singapore Agreement is subject to automatic renewal for further 1 year terms at the expiry of the initial term. Either Atlantis or Regus may terminate the Singapore Agreement on 30 June 2018 or at the end of any subsequent renewal period by giving at least 3 months’ notice. In addition, Regus may terminate the Singapore Agreement on the Company’s insolvency or in the event of an unremedied breach of the Company’s obligations under the Singapore Agreement.

## 12. **OTHER AGREEMENTS**

### 12.1 **Atlantis Branding Agreement**

On 5 October 2007, the Company entered into a branding rights agreement with Atlantis Brands Corporation Pte. Ltd (“**Atlantis Brands**”), governed by Singapore law. Atlantis Brands is 4 per cent. owned by the Company.

Pursuant to the branding rights agreement, the Company has granted to Atlantis Brands a world-wide, perpetual, non-transferable and exclusive right and licence to use amongst other things, the names “Atlantis”, “Aquanator” and “Solon: (i) other than as trade marks in class 7, class 37 and class 40 (being the classes under which the Company has registered these names as trademarks) and (ii) other than in relation to any other power generation class of trade mark. Atlantis Brands is also expressly excluded from using these names in respect of terms being used which are similar to the Company’s technology manufacture, use or deployment of its technology or other energy generation.

Atlantis Brands has agreed to pay the Company a royalty fee of not less than US\$5,000 per annum or, if greater, 5 per cent. of its net profit before tax per annum for its rights under the branding rights agreement. No payments have been made to the Company under the agreement.

### 12.2 **Relationship agreement between the Company, N+1 Singer and Morgan Stanley Renewables**

On 19 February 2014 the Company, N+1 Singer and Morgan Stanley Renewables entered into a relationship agreement governed by English law (the “**MS Relationship Agreement**”) pursuant to which whenever Morgan Stanley Renewables or its connected persons hold in aggregate at least 15 per cent. of the Ordinary Shares, Morgan Stanley Renewables shall exercise voting rights in the Company to procure that the Company’s articles and the AIM Rules are complied with, the Company is managed in accordance with the principles of good governance and any transaction between a member of the Group and a substantial shareholder is made on normal commercial terms.

The Relationship Agreement shall terminate on Admission as Morgan Stanley Renewables’ shareholding will fall to 9.00 per cent. of the Enlarged Share Capital.

### 12.3 **Cantor Fitzgerald Nominated Adviser and Broker Agreement**

On 20 October 2017, the Company and Cantor Fitzgerald entered into an agreement pursuant to which the Company appointed Cantor Fitzgerald as its nominated adviser and broker to provide certain services to the Company relating mainly to (but not limited to) Cantor Fitzgerald's duties and obligations under the AIM Rules. The agreement is automatically renewed unless terminated (in accordance with termination provisions of the agreement) after the initial period of one year.

### 12.4 **Equitix Partnership Agreement**

On 1 April 2016, the Company and Equitix Limited ("**Equitix**") entered into an English law governed partnership agreement setting up a framework for the possible investment by Equitix (through its affiliate) in certain tidal energy projects being developed by TPSL in Scotland (the "**Partnership Agreement**").

Pursuant to the Partnership Agreement, the Company and Equitix agree to work in partnership to negotiate in good faith terms on which Equitix will invest and the Company is obliged to treat Equitix as its preferred equity partner. Equitix intends to acquire at least 25 per cent. of each Atlantis project vehicle at financial close of that project, and will work with the Company to prepare the projects for investment of the construction capital and achievement of financial close.

Equitix shall be entitled to appoint one director to the board of the relevant company in which it invests for each incremental 25 per cent. equity stake held and shall have the benefit of veto rights commensurate with its percentage shareholding.

The Partnership Agreement may be terminated by either party on six months' notice at any time following 1 April 2019 and shall terminate automatically if Equitix has not contributed any equity or debt funding to any Project (as defined therein) by the date on which the construction funding for Sound of Islay and MeyGen Phase 1C has been committed. The Partnership Agreement contains other customary termination provisions, including on a breach or change of control.

### 12.5 **Atlantis Operations (Canada) Limited SPA**

On 20 December 2017, the Company entered into a sale and purchase agreement for the sale of its interest in Atlantis Operations (Canada) Limited ("**Atlantis Canada**") to Rio Fundo Limited (a DP Energy affiliate) for cash. Currently the Company and DP Energy each own 50 per cent. of the issued share capital of Atlantis Canada. On completion of the transaction, the Company will no longer be party to the joint venture with DP Energy at the FORCE facility in the Bay of Fundy, Nova Scotia, Canada.

Completion of the sale is subject to the satisfaction of certain conditions including receipt of required approval from the Nova Scotia Minister of Energy.

**PART XIII**  
**ADDITIONAL INFORMATION**

**1. Responsibility**

- 1.1 The Company, the Directors and the Proposed Directors (whose names and functions appear in paragraph 18 of Part I of this document) accept responsibility for the information contained in this document and for compliance with the AIM Rules for Companies. To the best of the knowledge of the Company, the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.
- 1.2 AECOM Infrastructure & Environment UK Limited, whose registered address is Midpoint, Alencon Link, Basingstoke, Hampshire, RG21 7PP, has given and not withdrawn its consent to the inclusion of the report set out in Part VI of this document, and the references thereto and to its name in the form and context in which they are included. AECOM Infrastructure & Environment UK Limited accepts responsibility for the report set out in Part VI of this document and, to the best of the knowledge and belief of AECOM Infrastructure & Environment UK Limited (having taken reasonable care to ensure that such is the case) the report contained in Part VI is in accordance with the facts and contains no omission likely to affect the import of such information.

**2. The Company and its subsidiaries**

- 2.1 The Company was incorporated and registered in the Republic of Singapore on 19 December 2005 under the Singapore Companies Act (Chapter 50) (the “**Singapore Act**”) as a private limited company with the name Atlantis Resources Corporation Pte. Ltd and with the registered number 200517551R.
- 2.2 The principal legislation under which the Company operates is the Singapore Act and the subordinate legislation made under it. The liability of the members is limited.
- 2.3 On 2 October 2013, pursuant to special resolutions passed at an annual general meeting of the Company on 28 August 2013, the Company was re-registered as a public limited company and changed its name to Atlantis Resources Corporation Limited.
- 2.4 On 11 November 2013, pursuant to a special resolution passed at a general meeting of the Company on 29 October 2013, the Company changed its name to Atlantis Resources Limited.
- 2.5 On 13 June 2018, the Company proposes to pass a special resolution at a general meeting of the Company to change its name to SIMEC Atlantis Energy Limited upon completion of the Acquisition.
- 2.6 The Company is domiciled in Singapore.
- 2.7 The Company's registered office is at 80 Raffles Place, Level 36, Singapore, 048624. The Company's telephone number is +44 (0) 131 659 9690.
- 2.8 Up to Admission, the website address of the Company for the purposes of AIM Rule 26 is [www.atlantisresourcesltd.com](http://www.atlantisresourcesltd.com). Following Admission, the website address of the Company for the purposes of AIM Rule 26 will be [www.simecatlantis.com](http://www.simecatlantis.com).

**3. Share capital**

- 3.1 The Company was incorporated with 10 ordinary shares, which were allotted on 19 December 2005.



- 3.2 The following summarises the changes that have occurred in the share capital of the Company from 1 January 2014 (being the date of commencement of the period from which historical financial information on the Company has been provided in this document) to the date of this document:
- (a) Prior to its initial public offering and admission of the Company's shares to trading on AIM in 2014, the Company had one class of ordinary "A" shares, which had no par value and carried no right to fixed income, and two classes of preference shares. Holders of class "B" and "C" non-voting preference shares were not entitled to any voting rights and were entitled to liquidation distributions not exceeding S\$2 billion and dividend payments not exceeding S\$100 million. The terms of the class "B" and "C" non-voting preference shares provided that they would convert to class "A" ordinary shares upon an initial public offering of ordinary shares of the Company, a trade sale or change in control of the Company.
  - (b) On 20 February 2014, the Company's entire share capital was admitted to trading on AIM. At the date of admission, the Company's class "B" and "C" non-voting preference shares in the capital of the Company were converted into class "A" ordinary shares. Furthermore, the Company's class "A" ordinary shares were consolidated on the basis of one new ordinary share for 30 class "A" ordinary shares held by such person on admission. After conversion of the convertible loans to shares and the public offering of shares for cash, the Company had a total of 76,704,000 shares issued. All issued shares are fully paid, with no par value.
  - (c) On 31 October 2014, the Company made a placing of 12.5 million Ordinary Shares at 40 pence per share raising an amount of £5 million.
  - (d) On 1 July 2015, the Company successfully completed the acquisition of Marine Current Turbines Limited from Siemens AG. Consideration transferred for the acquisition was the issuance of 9,911,577 Ordinary Shares to Siemens AG, increasing the Company's total number of issued shares to 99,115,777.
  - (e) On 25 August 2015, the Company completed the placing of 5,952,380 Ordinary Shares at 42 pence per share, raising a gross amount of £2.5 million, such that following this placement, the Company had a total of 105,068,157 issued shares.
  - (f) On 25 April 2016, the Company raised approximately £6.5 million before expenses through the conditional placing of 11,888,460 Ordinary Shares at a placing price of 55 pence per share. Following this placement the Company had a total of 116,956,617 issued shares.
  - (g) On 24 May 2017, the Company raised £4.05 million, before expenses, through the placing of 9 million Ordinary Shares at a placing price of 45 pence per share, following which the Company had a total of 125,956,617 issued shares.
  - (h) On 29 June 2017, by ordinary resolutions of the Company passed at the Annual General Meeting:
    - (i) Pursuant to Section 161 of the Singapore Act, the Directors were generally and unconditionally authorised for the purposes of Article 3.2 of the Constitution of the Company (the "**Constitution**") to exercise all the powers of the Company to allot and issue Equity Securities (as defined in Section 560(1) of the United Kingdom Companies Act 2006, as amended) up to an aggregate number of 41,600,000 Ordinary Shares, such authority to expire at the conclusion of the next Annual General Meeting.
    - (ii) In accordance with Article 6 of the Constitution, the Directors were authorised to allot and issue Equity Securities without first having offered such Equity Securities to existing Shareholders and holders of Depositary Interests, provided that this power shall be limited to:
      - (A) the allotment of Equity Securities on a pre-emptive basis for cash, up to a maximum number of 41,600,000 Ordinary Shares in accordance with Article 6.1 of the Constitution (such number to be reduced by the number of any Equity Securities allotted under paragraphs (B) or (C));
      - (B) the allotment of Equity Securities on a non pre-emptive basis, up to a maximum number of 41,600,000 Ordinary Shares, to such persons as they may in their absolute discretion deem fit for a consideration other than cash (such number to be reduced by the number of any Equity Securities allotted under paragraphs (A) or (C)); and

- (C) the allotment of Equity Securities on a non pre-emptive basis for cash, to such persons as the Directors may in their absolute discretion deem fit up to an aggregate number of 25,200,000 Ordinary Shares (such number to be reduced by the number of Equity Securities above 16,400,000 allotted under paragraphs (A) or (B)),

such authorities to expire at the conclusion of the next Annual General Meeting.

3.3 For the purposes of implementing the Acquisition and the Placing, the following resolution will be proposed at the General Meeting on 13 June 2018 in relation to the share capital of the Company, as set out in full in the Notice of General Meeting at the end of this document:

- (a) that the Directors be generally and unconditionally authorised to exercise all the powers of the Company to allot and issue Equity Securities (as defined in Section 560(1) of the United Kingdom Companies Act 2006, as amended) up to an aggregate number of 246,903,174 Ordinary Shares to such persons on such terms and conditions and with such rights and restrictions as they may think fit;
- (b) the Directors be authorised to allot and issue Equity Securities without first having offered such Equity Securities to existing Shareholders and holders of Depositary Interests, provided that this power shall be limited to:
  - (i) the allotment of Equity Securities on a non pre-emptive basis, up to a maximum number of 152,642,330 Ordinary Shares, to SIMEC or to such person or persons as SIMEC may direct as consideration for the transfer to the Company (or a subsidiary of the Company), of the entire issued share capital of SUP;
  - (ii) the allotment of Equity Securities on a non pre-emptive basis for cash, pursuant to the Placing, to such persons as the Directors may in their absolute discretion deem fit up to an aggregate number of 57,142,857 Ordinary Shares; and
  - (iii) the allotment of Equity Securities on a non pre-emptive basis for cash to SIMEC, pursuant to the issue of Ordinary Shares of the Company under the SIMEC Loan Agreement up to an aggregate number of 37,117,987 Ordinary Shares,

for a period (unless revoked or varied by the Company in general meeting) commencing on the date of the passing of the resolution and expiring on 31 December 2018, save that the Directors may, before the expiry of such period, make an offer or agreement which would or might require such Equity Securities to be allotted after such expiry and, notwithstanding such expiry, the Directors may allot such Equity Securities in pursuance of any such offers or agreements.

3.4 Subject to the approval by Atlantis Shareholders of the Resolutions to be proposed at the General Meeting convened for 13 June 2018, upon the Acquisition Agreement becoming unconditional in all respects (save for Admission) and not being terminated in accordance with its terms and upon Admission becoming effective on 15 June 2018 (or such later date as the Company and the Joint Bookrunners may agree but not later than 29 June 2018):

- (a) 57,142,857 Ordinary Shares will be issued pursuant to the Placing at a price of 35 pence per Placing Share, which price is payable in full on application;
- (b) 152,642,330 Ordinary Shares will be issued to SIMEC in consideration for the Acquisition and credited as fully paid and ranking *pari passu* in all respects with the existing issued Ordinary Shares; and
- (c) 30,457,142 Ordinary Shares will be issued to SIMEC pursuant to the SIMEC Loan Agreement. Up to a further 6,660,845 Ordinary Shares may subsequently be issued to SIMEC pursuant to the SIMEC Loan Agreement if the balance of the SIMEC Loan is subsequently converted to Ordinary Shares.

- 3.5 The following tables show the issued share capital of the Company as it is at the date of this document and as it is expected to be immediately following Admission (assuming that the Resolutions are passed, the Placing is fully subscribed, the Acquisition completes and the SIMEC Loan Completion Shares are issued):

*Issued and fully paid share capital as at the date of this document*

*Ordinary Shares*

125,956,617

*Issued and fully paid share capital immediately following Admission*

*Ordinary Shares*

366,198,946

- 3.6 Save for the options and the awards set out at paragraph 9 of this Part XIII below the Company has no securities in issue not representing share capital.

#### **4. Loan capital**

- 4.1 On 25 July 2017, the Atlantis Group raised £5.0 million, before expenses, through a five-year bond issuance to participating members of the Abundance platform (a regulated green peer-to-peer investment platform) with a coupon of 8 per cent. payable semi-annually, maturing in 2022 (the **"2017 Debenture"**). A summary of the 2017 Debenture is set out at paragraph 10 of Part XII of this document.
- 4.2 As of 16 May 2018, the Atlantis Group has raised £4.60 million, before expenses, through a five-year bond issuance to participating members of the Abundance platform with a coupon of 8 per cent. payable semi-annually, maturing in 2023 (the **"2018 Debenture"**). A summary of the 2018 Debenture is set out at paragraph 10 of Part XII of this document.
- 4.3 In addition, the Atlantis Group has entered into those loan agreements summarised in Part XII of this document and the SIMEC Loan Agreement.
- 4.4 Save as disclosed in this document:
- (a) there has been no change in the amount of the issued share or loan capital of the Company in the three years preceding the date of this document;
  - (b) no share or loan capital of the Company is currently under option or agreed, conditionally or unconditionally, to be put under option;
  - (c) no person has any preferential subscription rights for any share capital of the Company and the Company has given no undertakings to any third party to increase the capital of the Company; and
  - (d) there are no shares of the Company held by or on behalf of itself or by any member of the Group.

#### **5. Articles of Association**

- 5.1 The Articles are available for inspection at the business address specified in paragraph 25 of this Part XIII below.
- 5.2 The Articles were adopted by the Company by special resolution passed on 29 October 2013, effective conditional upon admission on 20 February 2014. The Articles contain provisions, amongst other things, to the following effect:
- (a) **Voting rights in respect of Ordinary Shares**

Shareholders shall have the right to receive notice of, to attend and to vote at all general meetings of the Company. Save as otherwise provided in the Articles, on a show of hands each holder of shares present in person and entitled to vote shall have one vote and upon a poll each such holder who is present in person or by proxy and entitled to vote shall have one vote in respect of every share held by him.

(b) **Restrictions on Ordinary Shares**

Subject to Singapore law, if a member or any person appearing to the Directors to be interested in shares in the capital of the Company held by such member has been duly served with an information notice and is in default in supplying to the Company information thereby required within 14 days from the date of service of such notice the Company may serve on such member or on any such person a notice (a “**disenfranchisement notice**”) in respect of the shares in relation to which the default occurred (the “**default shares**”) directing that the member shall not be entitled to be present or to vote at any general meeting or class meeting of the Company or to be reckoned in any quorum. Where the restricted shares represent at least 0.25 per cent. of the issued shares of the Company of the same class the disenfranchisement notice may in addition direct, amongst other things, that any dividend or other monies which would otherwise be payable on or in respect of the default shares shall be withheld by the Company without liability to pay interest. Where the Company has offered the right to elect to receive shares instead of cash in respect of any dividends any election by such member of such default shares will not be effective and no transfer of any of the shares held by the member shall be registered unless the member is not himself in default in supplying the information requested and the transfer is part only of the member’s holding and is accompanied by a certificate given by the member in a form satisfactory to the Directors to the effect that after due and careful enquiry, the member is satisfied that none of the shares which is the subject of the transfer is a default share.

(c) **Disclosure of interests in shares**

A person must notify the Company if the percentage of voting rights he holds in respect of his shareholding in the Company or through his direct or indirect holding in qualifying financial instruments (or a combination of such holdings) has reached or exceeded three per cent. and each one per cent. threshold thereafter up to one hundred per cent. either at the date on which the Articles come into force or any time thereafter.

(d) **Variation of class rights**

If at any time the share capital is divided into different classes of shares, the rights attached to any class or any of such rights may, subject to the provisions of the Singapore Act or any statutory modification and every other statute for the time being in force concerning companies and affecting the Company (the “**Statutes**”) whether or not the Company is being wound up, be abrogated or varied with the consent in writing of the holders of at least three-quarters of the issued shares of that class (excluding any shares of that class held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting all the provisions of the Articles relating to general meetings shall, *mutatis mutandis*, so far as applicable apply subject to the following provisions: (i) the necessary quorum at any such meeting, other than an adjourned meeting, shall be two persons present holding at least one-third of the issued shares of the class in question (excluding any shares of that class held as treasury shares) and at an adjourned meeting one person present holding shares of the class in question; and (ii) any holder of shares of the class in question present in person or by proxy may demand a poll. For the purposes of (i) above, where a person is present by proxy or proxies, he is treated as holding only the shares in respect of which those proxies are authorised to exercise voting rights. The rights attached to any class of shares shall, unless otherwise expressly provided by the terms of issue of the shares of that class or by the terms upon which such shares are for the time being held, be deemed not to be abrogated or varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) **Alteration of capital**

- (i) The Company may by ordinary resolution consolidate all or any of its share capital and sub-divide all or any of its shares.
- (ii) Subject to the provisions of the Statutes, the Company may by special resolution reduce its share capital and any other undistributable reserve in any way.
- (iii) Subject to the provisions of the Statutes, any shares may be issued on terms that they are to be redeemed or liable to be redeemed at the option of the Company or the shareholders. The terms and conditions and manner of redemption may be determined by the Directors provided that this is done before the shares are allotted.

- (iv) Subject to the provisions of the Statutes, the Company may purchase any of its own shares (including any redeemable shares).
- (f) **Transfer of shares**
- (i) Subject to paragraph (ii) below, the instrument of transfer of a certificated share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof. All transfers of the legal title in shares may be effected by the registered holders thereof by transfer in writing in the form for the time being approved by any stock exchange upon which shares in the Company may be listed or in any other form acceptable to the Directors. The Directors may, in their absolute discretion, refuse to register the transfer of a share which is not fully paid (whether certificated or uncertificated) provided that where such shares are admitted to the Official List or admitted to AIM, such discretion may not be exercised in a way which the Financial Conduct Authority or the London Stock Exchange regards as preventing dealings in the shares of the relevant class or classes from taking place on an open and proper basis. In relation to certificated shares, the Directors may decline to recognise any instrument of transfer unless (a) the amount of stamp duty chargeable on such instrument under any law is paid and the instrument is duly stamped as evidenced by a certificate of payment of stamp duty or it is shown to the satisfaction of the Board to be exempt from any such duty, (b) it is left at the registered office of the Company or such other place as the Directors may determine, accompanied by the relevant certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do), and (c) the instrument is in respect of only one class of share.
  - (ii) Subject to the Statutes, the Directors may permit any class or classes of shares (or interests in shares) in the Company to be held in uncertificated form and title to shares may be transferred by means of a relevant system.
- (g) **General meetings**
- (i) Save as provided by the Statutes, any general meeting at which it is proposed to pass a special resolution shall be called by not less than 21 clear days' notice in writing and an annual general meeting and any other general meeting shall be called by not less than 14 clear days' notice in writing. The notice shall state the place, the date and the time of meeting and the general nature of that business and it shall be given in the manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Statutes or by the Company in general meeting to such persons as are entitled to receive such notices from the Company and shall comply with the provisions of the Statutes as to informing members of their right to appoint proxies. A notice calling an annual general meeting shall state that the meeting is an annual general meeting and a notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as such and shall include the text of the resolution.
  - (ii) A meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in the paragraph above, be deemed to have been duly called if it is so agreed in the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat and in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the total voting rights of all the members having a right to vote at the meeting.
  - (iii) The accidental failure to give notice of a meeting or the non-receipt of notice of a meeting by any person entitled thereto shall not invalidate the proceedings at any general meeting.

(h) **Directors**

- (i) The number of Directors shall not be less than two. A Director shall not be required to hold any shares in the capital of the Company. A Director who is not a member of the Company shall nevertheless be entitled to receive notice of and attend and speak at any meeting of the members of the Company convened in accordance with the Articles and the Singapore Act.
- (ii) Provided that a Director discloses the nature and extent of his interest to the Board in advance in accordance with section 156 of the Singapore Act, such Director may be party to, or in any way interested in, any other office or place of profit with the Company or any other company in which the Company is in any way interested, except that of Auditor, whether by himself or through his firm or any firm of which he is a member, or any other contract, transaction or arrangement with the Company or in which the Company has a (direct or indirect) interest.
- (iii) The ordinary fees of the Directors shall be determined from time to time by an ordinary resolution paid out of the funds of the Company in accordance with the statutes and shall not exceed in aggregate S\$750,000 per annum (or such higher amount as may be determined by an ordinary resolution of the Company) and such remuneration shall be divided between the Directors as they shall agree or, failing agreement, equally. Such remuneration shall be deemed to accrue from day to day. The Directors may also be paid all reasonable expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or of the holders of any class of shares or debentures of the Company or otherwise in connection with the business of the Company. Any Director who is appointed to any executive office or who serves on any committee of the Directors or who otherwise performs services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director may be paid such extra remuneration by way of salary, commission or otherwise as the Directors may determine.
- (iv) Each Director shall have the power at any time to appoint any person (other than another Director) to be his alternate Director provided that such appointment is approved by the Directors. The appointment of an alternate Director shall automatically determine on the happening of any event which, if he were a Director, would cause him to vacate such office if the Director concerned ceases to be a Director.
- (v) At every annual general meeting, there shall retire from office by rotation (i) any Director who shall have been a Director at each of the preceding two annual general meetings and who was not appointed or re-appointed by the Company in general meeting at, or since, either such meeting and (ii) one-third of the other Directors for the time being who are not to retire under (i) of this paragraph. A retiring Director shall be eligible for re-appointment except in cases as set out in the Articles.

The Directors may exercise all the powers of the Company to give or award pensions or other retirement, superannuation, death or disability benefits to any persons who are Directors of the Company for the time being holding any executive office.

(i) **Borrowing powers**

Save as the Articles otherwise provide and subject to the provisions of the Statutes, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital and issue debentures and other securities, whether outright or as security for any debt, liability or obligation of the Company or of any third party.

(j) **Dividends and distributions on liquidation to Shareholders**

- (i) The Company may by ordinary resolution declare dividends, but no dividend shall exceed the amount recommended by the Directors. Subject to the Statutes and the rights or restrictions attached to any shares or class of shares, all dividends shall be declared and

paid according to the amounts paid up on the shares and shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid.

- (ii) Subject to the provisions of the Statutes, the Directors may from time to time pay such interim dividends as they think fit and may pay the fixed dividends payable on any shares of the Company half yearly or otherwise on fixed dates.
  - (iii) On a liquidation, the liquidator may, subject to the Statutes and with the sanction of a special resolution of the Company and any other sanction required by the Statutes, divide amongst the members in specie or in kind the whole or any part of the assets of the Company and may, for such purpose, set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out.
- (k) **Non-UK Shareholders**
- There are no limitations in the Articles on the rights of non-UK shareholders to hold, or to exercise voting rights attached to the Ordinary Shares.
- (l) **Unlimited objects**
- The Articles contain no restriction on the objects of the Company.
- (m) **Depository interests**
- Subject to the Statutes, the Directors may permit any class or classes of shares to be held and transferred in uncertificated form by means of a relevant depository system. The Directors may utilise such a system to carry out its functions and in certain circumstances may require the holder to convert a share into certificated form.
- (n) **Pre-emption rights**
- (i) Subject to paragraph (ii) below, all new Equity Securities (as defined in section 560(1) of the United Kingdom Companies Act 2006 (as amended)) issued for cash by the Company (other than any issuance of bonus shares) shall be offered to existing members in proportion, so far as the circumstances permit, to those existing Equity Securities to which they are presently entitled. Any such offer shall be made for a limited time, upon the expiration of which it will be deemed declined and the Directors shall be permitted to dispose of the Equity Securities in the manner they deem to be most beneficial to the Company.
  - (ii) Pre-emption rights shall not apply (i) in relation to shares issued pursuant to an option exercised under an employee share scheme; or (ii) as determined by the Directors in relation to Equity Securities issued during the period in which the ordinary resolution giving the Directors a general authority to make such issuance was in force.

## 6. Substantial Shareholders

- 6.1 Save as disclosed in this paragraph 6 or paragraph 7 of this Part XIII, as at date of this document none of the Directors or the Proposed Directors are aware of any interest which represents three per cent. or more of the issued share capital of the Company as at the date of this document or on Admission (not taking into account any Ordinary Shares subscribed in the Placing), or of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

- 6.2 The following persons have an interest in three per cent. or more in the issued share capital of the Company as at the date of this document and on Admission, assuming that none of them participates in the Placing:

<i>Name</i>	<i>As at the date of this document</i>		<i>Immediately following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Approximate percentage of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Approximate percentage of issued share capital</i>
Morgan Stanley	32,999,990	26.2	32,999,990	9.0
Janus Henderson Investors	14,947,574	11.9	14,947,574	4.1
Miton Asset Management Ltd	11,761,018	9.3	11,761,018	3.2
Siemens Aktiengesellschaft	9,911,577	7.9	9,911,577	2.7
Herald Investment Management	5,748,829	4.6	5,748,829	1.6
Minnow Holdings Pty Limited	5,059,068	4.0	5,059,068	1.4
Armstrong World Industries HK Ltd	4,997,182	4.0	4,997,182	1.4

- 6.3 None of the major shareholders of the Company set out in the table above has different voting rights from any other holder of Ordinary Shares in respect of any Ordinary Share held by them.

- 6.4 On Admission, SIMEC will have an interest in 183,099,472 Ordinary Shares representing approximately 49.99 per cent. of the Enlarged Share Capital.

## 7. Interests of the Directors and the Proposed Directors

- 7.1 The interests of the Directors and the Proposed Directors, all of which are beneficial unless otherwise stated, in the issued share capital of the Company, where the existence of which is known to them or could, with reasonable diligence, be ascertained by the Directors, as at the date of this document and as expected to be immediately following the Placing and Admission are as follows:

<i>Name</i>	<i>As at the date of this document</i>		<i>Immediately following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of existing issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
Tim Cornelius	1,076,106 <sup>(1)</sup>	0.9	1,076,106	0.3
Duncan Black	1,042,419	0.8	1,042,419	0.3
John Neill	377,501	0.3	377,501	0.1
John Woodley	–	–	–	–
Michael Lloyd	188,287	0.2	188,287	0.1
Ian Macdonald	125,020	0.1	125,020	0
Ian Cobban	–	–	–	–
Andrew Dagley	–	–	–	–
Mark Elborne	–	–	–	–
Jay Hambro	–	–	–	–

- (1) 992,065 of these Ordinary Shares are held through Languedoc Pte. Ltd of which Tim Cornelius is the sole shareholder. These Ordinary Shares are subject to a Singapore law charge in favour of Morgan Stanley Capital Group Inc as security for a S\$1.5 million loan to Tim Cornelius dated 12 November 2008.

Save as disclosed in this paragraph 7, none of the Directors or Proposed Directors has any interest, beneficial or non-beneficial, in the share or loan capital of the Company or any of its subsidiaries.

- 7.2 Details of the options and awards granted to the Directors and Proposed Directors under the Company's share plans are set out in paragraph 9 of this Part XIII below.



7.3 Details of the titles and dates of appointment of the Directors and Proposed Directors are set out below:

<i>Name</i>	<i>Title/function</i>	<i>Date of appointment to the Board</i>
Tim Cornelius	Chief Executive Officer	11 December 2013
John Neill	Chairman	11 December 2013
Duncan Black	Non-Executive Director	11 December 2013 <sup>2</sup>
John Woodley	Non-Executive Director	22 September 2008
Michael Lloyd	Non-Executive Director	11 December 2013
Ian Macdonald	Non-Executive Director	11 December 2013
Ian Cobban	Non-Executive Director	1 August 2015
Andrew Dagley	Chief Financial Officer	On Completion
Mark Elborne	Non-Executive Director and SIMEC nominee	On Completion
Jay Hambro	Non-Executive Director and SIMEC nominee	On Completion

7.4 The Directors and Proposed Directors hold, and have during the five years preceding the date of this document held, the following directorships or partnerships (other than the Company):

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Tim Cornelius	Atlantis Future Energy plc Atlantis Gujarat Pte. Ltd Atlantis Ocean Energy plc Atlantis Operations (Canada) Limited ARC Operations (Singapore) Pte. Ltd Atlantis Operations (UK) Limited Atlantis Resources (Scotland) Limited Atlantis Resources International Pte. Ltd Languedoc Pte. Ltd Current Resources (Cayman) Limited Duncansby Tidal Power Limited Islay Holdings Limited Islay Tidal Power Limited Marine Current Turbines Limited MeyGen Limited MeyGen Holdings Limited Sea Generation (Brough Ness) Limited Sea Generation (Kyle Rhea) Limited Sea Generation (Wales) Limited Sea Generation Limited Stroma Tidal Power Limited Tidal Power Scotland Limited Wide Range Developments Limited	None
Duncan Black	Daestrum Holding S.A. Daestrum Capital Pte. Ltd Lyon Group (Singapore) Pte. Ltd	Atlantis Asset Management Pte. Ltd Atlantis Energy Pte. Ltd Atlantis Licensing Pte. Ltd Atlantis Operations (Canada) Ltd ARC Operations (Singapore) Pte. Ltd Atlantis Operations (UK) Ltd Atlantis Operations Pty Ltd Atlantis Projects Pte. Ltd

<sup>2</sup> Previously was appointed to the Board as an Executive Director from 11 December 2013 until 18 September 2015 during which time he held the position of Chief Financial Officer. Mr Black remained on the Board as a Non-Executive Director from 18 September 2015 onwards.

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Duncan Black (continued)		Atlantis Resources (Gujarat Tidal) Pte. Ltd Atlantis Resources (Scotland) Limited (previously named ARC Ventures (UK) Ltd) Atlantis Resources International Pte. Ltd Atlantis Turbines Pte. Ltd Current Resources (Cayman) Limited Duncansby Tidal Power Limited Marine Current Turbines Limited MeyGen Holdings Limited (then known as Tidal Power Scotland Holdings Limited) MeyGen Limited Sea Generation (Brough Ness) Limited Sea Generation (Kyle Rhea) Limited Sea Generation (Wales) Limited Sea Generation Limited
John Neill	Business in the Community Limited German-British Chamber of Industry & Commerce Kautex Unipart Limited Metlase Limited The Society of Motor Manufacturers and Traders Limited UGC Retirement Benefits Trustees Limited Unipart Group Limited Unipart Group of Companies Limited Unipart International Holdings Limited Unipart Logistics Limited Unipart Rail Holdings Limited Unipart Rail Limited Vestcave Limited	HCSU10 Limited HCSU29 Limited Rolls-Royce Holdings PLC Rolls-Royce plc Unipart Leisure and Marine Limited
John Woodley	Woodley AG	Atlantis Operations (UK) Limited MeyGen Limited
Michael Lloyd	Ceres Power Holdings plc Mike Lloyd Associates Limited	Aerospace Tooling Corporation Limited Magnomatics Limited Media Based Attractions Limited Michael Robert Lloyd Associates Limited Office of Rail Regulation Rimor Ltd Sim-Worx Ltd Willoughby (873) Limited
Ian Macdonald	Hania Consultancy Pte. Ltd Investible Prime GPCo Pty Ltd Investible Prime Early Stage Management Pty Ltd Investible Prime Carry Pty Ltd Investible Pte. Ltd Chrysalis Retail Science Limited	Media Development Authority of Singapore Daestrums Capital Pte. Ltd Singapore Turf Club
Ian Cobban	IGC International Limited	None

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Andrew Dagley	Atlantis Future Energy plc Atlantis Licensing Pte. Ltd Atlantis Projects Pte. Ltd Atlantis Resources International Pte. Ltd Atlantis Turbines Pte. Ltd ARC Operations (Singapore) Pte. Ltd Atlantis Resources (Gujarat Tidal) Pte. Ltd Atlantis Energy Pte. Ltd Atlantis Operations (Canada) Limited Atlantis Ocean Energy Plc Atlantis Resources (Scotland) Limited Atlantis Operations (UK) Limited Marine Current Turbines Limited Sea Generation Limited Sea Generation (Wales) Limited Sea Generation (Kyle Rhea) Limited Sea Generation (Brough Ness) Limited Tidal Power Scotland Limited. Islay Holdings Limited Islay Tidal Power Limited Duncansby Tidal Power Limited Stroma Tidal Power Limited Wide Range Developments Limited Current Resources (Cayman) Limited Languedoc Pte. Ltd	78 Chapel Street Pty Ltd Higher-Reason Pty Ltd TNP Solutions Pty Ltd
Mark Elborne	Alstom Pension Trust Ltd Bluefield Consultants Ltd Bluefield Farm Enterprise Limited GE Pension Trustees Ltd Monc Ltd	Alstom Power Ltd Alstom Resources Management Ltd Alstom UK Alstom UK Holdings Ltd Cogalex Ltd GE International Inc. GE Renewable UK (Holdings) Ltd GE Oil & Gas Marine & Industrial UK Ltd General Electric Energy UK Ltd IGE USA Holdings Long & Crawford Ltd Psymetrix Ltd Tidal Generation Ltd UK Grid Solutions Ltd

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Jay Hambro	Balls Brake Consulting Limited CellMark AB GFG Foundation IRC Ltd Mount F Consulting Limited SIMEC Highland Hydro Renewables Holdings Ltd Wyelands Bank plc Wyelands Capital Ltd Wyelands Holdings Limited Zen Energy Pty Ltd SIMEC GHR Acquisitions TopCo Limited SIMEC GHR Acquisitions MidCo Limited SIMEC GHR Acquisitions Limited SIMEC Green Highland Renewables Limited Green Highland Hydro Limited Green Highland Renewables (Roroyere) Limited Ceannacroc Hydro Limited Coulags Hydro Limited Allt Mullardoch Hydro Limited Shenval Hydro Limited Green Highland Abhainn Gleann nam Fiadh (385) Limited Keltneyburn Hydro Limited Green Highland Renewables (Lochaber) Limited	Aricom Limited Aricom UK Limited Ariva HK Limited Arti HK Limited Thordollar Limited Thorholdco Limited Thorrouble Limited

7.5 Save as disclosed at paragraph 7.6 of this Part XIII below, none of the Directors or Proposed Directors has:

- (a) any unspent convictions relating to indictable offences (including fraudulent offences);
- (b) any bankruptcies or entered into any individual voluntary arrangements with his creditors;
- (c) been a director of any company at the time of, or within the 12 months preceding, any receivership or liquidation (including compulsory liquidation, creditors' voluntary liquidation), administration, company voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors of such company;
- (d) been a partner of any partnership at the time of, or within the 12 months preceding, any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- (e) had any of their assets made the subject of any receivership or have been a partner of a partnership at the time of or within the 12 months preceding any assets thereof being the subject of a receivership; or
- (f) received any official public incrimination and/or sanction by any statutory or regulatory authorities (including recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

7.6 John Neill resigned as a director of HCSU29 Limited on 6 June 2014. It went into administration on 30 October 2014 and entered a creditors voluntary liquidation on 19 March 2015. Mr Neill was a director of GP2002 Limited when it entered into members' voluntary liquidation on 13 May 2008.

7.7 None of the Directors, the Proposed Directors or any person connected with them (within the meaning of section 252 of the Act) is interested in any related financial product referenced to the Ordinary Shares (being a financial product whose value is, in whole or in part, determined directly or indirectly by reference to the price of the Ordinary Shares including a Contract for Difference or a fixed odds bet).

7.8 Excluding professional advisers otherwise named in this document and trade suppliers, no person has at any time within the 12 months preceding the date of this document received, directly or indirectly, from the Company or entered into any contractual arrangement to receive, directly or indirectly, from the Company on or after Admission any fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more calculated by reference to the issue price or any other benefit with a value of £10,000 or more at the date of Admission.

## 8. Directors' and Proposed Directors' service agreements and letters of appointment

<i>Name</i>	<i>Date of Agreement</i>	<i>Date of Appointment to the Board</i>	<i>Position</i>	<i>Salary</i>
Timothy Cornelius	11 December 2013	11 December 2013	Chief Executive Officer	£260,000
Andrew Dagley <sup>(1)</sup>	22 July 2016, as amended on 21 December 2017 and 21 May 2018	On Completion	Chief Financial Officer	£159,000

(1) Andrew Dagley is remunerated in Singapore Dollars. His annual salary as at the date of this document is S\$288,000 in Singapore Dollars. The figure shown above has been converted at the exchange rate given on page 5 of this document.

8.1 The annual salary of the only current Executive Director, Tim Cornelius, is set out in the table above. This salary is subject to annual review by the remuneration committee although there is no obligation to award an increase. Tim Cornelius is eligible for a discretionary annual bonus, a pension contribution equal to ten per cent. of salary, life assurance and private medical insurance. Tim Cornelius will receive a bonus of £200,000 immediately following Admission which represents achievement against key performance indicators under approved bonus arrangements.

8.2 Tim Cornelius is also entitled to 25 days' annual leave (plus public holidays) and, in the event of sickness absence, payment of full salary for up to 30 days or, if hospitalisation is necessary, 60 days each year.

8.3 Tim Cornelius's service agreement is terminable on six months' notice given by either party and Tim Cornelius may be put on garden leave during his notice period. Tim Cornelius's service agreement contains provisions entitling the Company to pay him in lieu of his notice period on termination to the value of his basic salary at the time of termination. Such payments may be made in instalments.

8.4 The employment of Tim Cornelius will be terminable with immediate effect without notice in certain circumstances, including gross misconduct, fraud or financial dishonesty, bankruptcy or material breach of obligations under his service agreement.

8.5 Tim Cornelius's service agreement also contains post-termination restrictions including: (i) six month post-termination restrictive covenants against competing with the Company or a relevant Group company; (ii) six month post-termination restrictive covenants against dealing with clients or suppliers of the Company or a relevant Group company; (iii) twelve month post-termination restrictive covenants against soliciting clients, prospective clients, suppliers and key employees.

8.6 Andrew Dagley joined the Company in 2014 and has been Chief Financial Officer since August 2017. Andrew Dagley has entered into a deed of variation with the Company dated 21 May 2018 to vary the terms of his employment in connection with his appointment to the Board. Under the revised terms of his employment, Andrew Dagley is entitled to an annual salary of £159,000<sup>6</sup> which is subject to annual review by the remuneration committee although there is no obligation to award an increase. Andrew Dagley will receive a bonus of £100,000 immediately following Admission which represents achievement against key performance indicators under approved bonus arrangements. Andrew Dagley is entitled to 20 days' annual leave.

<sup>6</sup> Andrew Dagley is remunerated in Singapore Dollars. His annual salary as at the date of this document is S\$288,000 in Singapore Dollars. This figure has been converted at the exchange rate given on page 5 of this document.

- 8.7 Andrew Dagley's service agreement is terminable on six months' notice given by either party and contains two month post-termination restrictive covenants against (i) soliciting clients, referrers, employees or consultants; (ii) interfering with the relationship between the Company and its clients, referrers, employees, consultants or suppliers; and (iii) recklessly or maliciously injuring or disparaging the reputation of the Company.

### **Non-Executive Directors**

<i>Name</i>	<i>Position</i>	<i>Annual Fee</i>	<i>Date of Appointment to the Board</i>
John Neill	Chairman	£75,000	11 December 2013
John Woodley <sup>(1)</sup>	Non-Executive Director	£39,755	22 September 2008
Michael Lloyd	Non-Executive Director	£36,000	11 December 2013
Ian Macdonald <sup>(1)</sup>	Non-Executive Director	£39,755	11 December 2013
Duncan Black <sup>(1)</sup>	Non-Executive Director	£39,755	11 December 2013 <sup>(2)</sup>
Ian Cobban	Non-Executive Director	£36,000	1 August 2015
Mark Elborne	Non-Executive Director and SIMEC nominee	£39,755 <sup>(3)</sup>	On Completion
Jay Hambro	Non-Executive Director and SIMEC nominee	£36,000 <sup>(4)</sup>	On Completion

- (1) John Woodley, Ian Macdonald and Duncan Black are remunerated in Singapore Dollars. Each of their annual fees as at the date of this document are S\$72,000 in Singapore Dollars. Figures shown above have been converted at the exchange rate given on page 5 of this document.
- (2) Duncan Black was previously appointed to the Board as an Executive Director from 11 December 2013 until 18 September 2015 during which time he held the position of Chief Financial Officer. Mr Black remained on the Board as a Non-Executive Director from 18 September 2015 onwards.
- (3) The annual fee in respect of Mark Elborne's appointment will be paid to SIMEC who shall engage Mr Elborne through a separate consultancy agreement with his service company. Mr Elborne's fee is to be denominated in Singapore Dollars (which as at the date of this document is \$72,000 in Singapore Dollars) but payable in pounds sterling at the then prevailing SGD/GBP exchange rate on the relevant payment date. Figures shown above have been converted at the exchange rate given on page 5 of this document.
- (4) The Company is required pursuant to the terms of the Relationship Agreement to offer Mr Hambro the choice of whether or not to receive annual remuneration for his appointment. The Company will make such an offer to Mr Hambro and SIMEC (on his behalf) may decide in its discretion whether or not the offer is taken up. Any annual remuneration for Mr Hambro's appointment is required pursuant to the terms of the Relationship Agreement to be on terms comparable to the other non-executive directors of the Company and in line with the Company's remuneration policy for directors and (if agreed to be paid) is expected to be £36,000.

- 8.8 The Chairman and the Non-Executive Directors have entered into appointment letters with the Company. Under the terms of these letters, the chairman and the Non-Executive Directors are entitled to an annual fee as set out in the table above. The appointments are terminable by either party on three months' notice given by either party and the Company is entitled to make a payment in lieu of their notice period on termination. The appointments are also terminable with immediate effect and without compensation or payment in lieu of notice if the Chairman or any Non-Executive Director is not re-elected to their position as a director of the Company.

- 8.9 Mark Elborne and Jay Hambro have entered into deeds of appointment with the Company dated 21 May 2018 to join the Board as Non-Executive Directors, as nominated by SIMEC pursuant to the Relationship Agreement. Their appointment to the Board is conditional upon and will commence on Completion and is subject to the Relationship Agreement. It is anticipated that Mark Elborne and Jay Hambro will allocate around two days per month to their positions as Non-Executive Directors. It has been agreed that, notwithstanding Mark Elborne is a director appointed by SIMEC and who is not also an employee of the SIMEC Group or the GFG Alliance, the annual fee in respect of Mr Elborne's appointment will be paid to SIMEC who shall engage Mr Elborne through a separate consultancy agreement with his service company. That fee is to be on terms comparable to the other non-executive directors of the Company and in line with the Company's remuneration policy for directors. The annual fee will be denominated in Singapore dollars (which as at the date of this document is S\$72,000 in Singapore Dollars) but payable in pounds sterling at the then prevailing exchange rate on the relevant payment date. The aforementioned figure has been converted at the exchange rate given on page 5 of this document. In the case of Jay Hambro, because Mr Hambro is also an employee of the SIMEC Group or the GFG Alliance, the Company is required pursuant to the terms

of the Relationship Agreement to offer Mr Hambro the choice of whether or not to receive annual remuneration for his appointment. The Company will make such an offer to Mr Hambro and SIMEC (on his behalf) may decide in its discretion whether or not the offer is taken up. Any annual remuneration for Mr Hambro's appointment is required pursuant to the terms of the Relationship Agreement to be on terms comparable to the other non-executive directors of the Company and in line with the Company's remuneration policy for directors and (if agreed to be paid) is expected to be £36,000. Provision has also been made for both Mr Elborne and Mr Hambro for the reimbursement of all reasonable and properly incurred expenses subject to certain provisions. Further details of the Relationship Agreement are set out at paragraph 7 of Part XI of this document.

8.10 Duncan Black, Ian Cobban and Michael Lloyd have each signed letters of resignation dated 21 May 2018 under which their respective appointments as Non-Executive Directors will terminate effective on Completion. Each director will receive a payment in lieu of their notice period on termination equal to one quarter of their yearly director's fee. Paragraph 9.6 of this Part XIII below discloses how their options under the terms of the LTIP will be treated on termination of their appointments.

## **9. Options and LTIP Awards**

9.1 The Company has adopted the Atlantis 2013 Long Term Incentive Plan and Atlantis Resources 2016 Company Share Option Plan (together, the "**Plans**"), both as described in detail below. The Transaction will not accelerate the vesting and exercise of any options and awards under the Plans, nor will outstanding options and awards be adjusted to take account of the Placing. Outstanding awards shall continue to subsist and remain capable of vesting and exercise subject to the rules of the relevant Plan and on their original terms.

### **9.2 Summary of the principal terms of the Atlantis 2013 Long-Term Incentive Plan (the "LTIP")**

9.3 The rules of the LTIP are governed by the laws of Singapore. In 2015, the rules of the LTIP were amended to allow the Board to determine the date on which awards granted under the LTIP can vest. As at the date of this document, other than the options granted to Tim Cornelius, there has been no change to vesting dates.

9.4 The options granted to Directors and Proposed Directors are shown below:

<i>Name</i>	<i>Date of grant</i>	<i>Ordinary Shares</i>	<i>Nature of Award</i>	<i>Exercise price per Ordinary Share</i>	<i>Vesting period</i>
Tim Cornelius	30 September 2016	1,000,000	Option	£0.50	1/3 on 11 Dec 2016 1/3 on 11 Dec 2017 1/3 on 11 Dec 2018
Duncan Black	20 February 2014	851,064	Option	£0.94	1/3 on each of first, second and third anniversary of grant
John Neill	20 February 2014	1,063,830	Option	£0.94	1/3 on each of first, second and third anniversary of grant
Michael Lloyd	20 February 2014	106,383	Option	£0.94	1/3 on each of first, second and third anniversary of grant
Ian Macdonald	20 February 2014	265,958	Option	£0.94	1/3 on each of first, second and third anniversary of grant
Andrew Dagley	5 December 2016	120,000	Option	£0.50	1/3 on 1 June 2017 1/3 on 1 June 2018 1/3 on 1 June 2019
	21 December 2017	336,000	Option	£0.50	1/3 on 3 August 2018 1/3 on 3 August 2019 1/3 on 3 August 2020
Mark Elborne	–	–	–	–	–
Jay Hambro	–	–	–	–	–

Vested awards for the current Directors, other than Tim Cornelius, are exercisable up until 19 February 2024. Andrew Dagley's options expire on 21 December 2027.

9.5 In addition to the options referred to above, it is proposed that as soon as practicable following Admission the following additional options will be granted to Directors:

<i>Name</i>	<i>Date of grant</i>	<i>Ordinary Shares</i>	<i>Nature of Award</i>	<i>Exercise price per Ordinary Share</i>	<i>Vesting period</i>
Tim Cornelius	Following Admission	300,000	Option	Placing Price	1/3 on each first, second and third anniversary of Admission
Andrew Dagley	Following Admission	150,000	Option	Placing Price	1/3 on each first, second and third anniversary of Admission

9.6 Duncan Black and Michael Lloyd's respective appointments as Non-Executive Directors will terminate effective on Completion, upon which their options under the LTIP will lapse. The Board has determined that Duncan Black and Michael Lloyd will be treated as "good leavers" pursuant to the terms of the LTIP to allow them to exercise any vested options within six months of the date of cessation, provided that the option period has not expired. The relevant terms of the LTIP are described in more detail at "Leaving employment" at paragraph 9 of Part XIII of this document.



9.7 Details of the total number of options granted under the LTIP (including those granted to the Directors and Proposed Directors as shown at paragraph 9.4 of this Part XIII above) on unissued shares of the Company are as follows:

<i>Date of grant</i>	<i>Granted</i>	<i>Exercised</i>	<i>Cancelled /lapsed</i>	<i>Balance at the date of this document</i>	<i>Exercise price per share</i>	<i>Exercisable period</i>
11.12.2013	4,255,321	–	(1,223,405)	3,031,916	£0.94	20.02.2014 to 20.02.2019
01.01.2016	650,000	–	–	650,000	£0.50	01.01.2016 to 01.01.2026
30.09.2016	1,000,000	–	–	1,000,000	£0.50	30.09.2016 to 30.09.2026
05.12.2016	1,195,000	–	(525,000)	670,000	£0.50	05.12.2016 to 05.12.2026
21.12.2017	636,000	–	–	636,000	0.50	21.12.2017 to 21.12.2027
Total:	<u>7,736,321</u>	–	<u>(1,748,405)</u>	<u>5,987,916</u>		

9.8 Details of the options to be granted under the LTIP as soon as practicable following Admission (including those options proposed to be granted to the Directors as shown at paragraph 9.5 of this Part XIII above), on unissued shares of the Company are as follows:

<i>Date of grant</i>	<i>To be granted</i>	<i>Exercise Price</i>	<i>Vesting period</i>
Following Admission	150,000	Placing Price	1/3 on each first, second and third anniversary of Admission
Following Admission	100,130	50p	6 months from date of Admission

### **General**

The LTIP operates in two parts: Part A and B. Part A is for award grants made to employees (including executive directors) and Part B is for award grants made to non-employees. The summary below relates to both Parts A and B, unless expressed otherwise.

### **Eligibility**

#### *Part A*

Employees (including executive directors) of the Company or any member of the Group may be granted awards under the LTIP. The Board may grant awards to such eligible employees and directors as it shall in its absolute discretion select. Unless the Board considers that special circumstances exist, eligible employees exclude an employee who, on the date of grant, has given or received notice of termination of employment.

#### *Part B*

Any person who is a director of the Company (whether or not also an employee) is eligible for participation. Unless the Board considers that special circumstances exist, this excludes any employee or director who, on the date of grant, has given or received notice of termination of employment or appointment.

### **Grant of Awards**

- (a) Awards may be granted within 42 days following approval of the LTIP by the Board. Thereafter, awards will normally be granted within 42 days commencing on the announcement of the results for any period. Subject to dealing restrictions, they may be granted at other times, for example, if there is a change to legislation or regulations which, in the Board's reasonable opinion, may affect awards granted under the LTIP or in exceptional circumstances, as resolved by the Board. No grants under the LTIP can be made more than ten years after the LTIP's approval by the Board.
- (b) The extent of any grant of awards shall be determined by the Board in its absolute discretion, subject to the individual and plan limits.
- (c) Awards will be structured as conditional awards, restricted share awards or options.
- (d) No payment is required for the grant of an award.
- (e) Awards are not pensionable.

### **Exercise price**

The exercise price of an option shall be determined by the Board and will be such an amount as the Board may in its absolute discretion decide.

### **Performance conditions**

- (a) The Board may grant an Option subject to such performance condition(s) as it in its discretion thinks fit which must (save as otherwise provided in the rules of the LTIP or the performance condition itself) be fulfilled before the award may vest.
- (b) If an event occurs which causes the Board to determine that the performance condition(s) have ceased to be appropriate, it may in its discretion vary or waive such condition(s) provided that any new conditions imposed or any variation are in its opinion fair, reasonable and no more difficult to satisfy than the previous conditions.

### **Individual limits**

#### *Part A*

The aggregate market value of shares subject to awards granted to a participant (who is an employee of a participating company) under the LTIP in any financial year may not normally exceed a sum equal to (i) twice his base salary (excluding variable remuneration and other benefits) for the period of 12 months ending on the date of grant or during the previous accounting period of the Company; or (ii) his annual rate of base salary (excluding variable remuneration and other benefits), as determined at the Board's discretion ("**Earnings**"). Where the Board determines that special circumstances exist in relation to a participant, the limit will be five times his Earnings.

#### *Part B*

The aggregate market value of shares subject to awards granted to a non-executive director of the Company may not normally exceed a sum equal to the maximum possible award that could be made if he were a participant who is also an employee of a participating company with Earnings equal to those of the highest paid director of the Company.

### **Plan limits**

No award will be granted on any date if, as a result, the aggregate number of Ordinary Shares issued or committed to be issued pursuant to awards made under the LTIP and all other employees' share plans operated by the Company would exceed 10 per cent. of the issued Ordinary Share capital of the Company on that date. This limit does not include shares which have been the subject of awards under the LTIP or granted under any other employees' share plan which have lapsed or been released.

### ***Vesting and exercise***

- (a) Subject to dealing restrictions and satisfaction of the relevant performance condition(s), an award will normally vest on the later of the third anniversary of the date of grant and the date on which the Board makes its determination in relation to the satisfaction or waiver of the performance condition(s) or any other conditions which apply to the award.
- (b) Vested options are exercisable up until the tenth anniversary of the date of grant.
- (c) Where a conditional award has vested or an option has been exercised, shares will be issued or transferred to the participant within 30 days (unless the Board determines to satisfy the award in cash).

### ***Clawback***

The Board may reduce (or extinguish) awards or reclaim cash and/or shares relating to an award that has already vested or an option that has been exercised if it determines in its absolute discretion that exceptional circumstances justify such action (including there being a material misstatement of the Company's accounts or misconduct of the participant between grant and vesting). In addition, the Board may, acting reasonably and in good faith, delay the vesting of an award if, at the date of vesting, there is a continuing investigation or other procedure to determine whether exceptional circumstances exist and the Board decides that further investigation is warranted.

### ***Leaving employment***

#### (a) *Part A*

Awards will normally lapse when a participant ceases to hold employment before vesting. However, if employment ends because of death, injury, ill-health, disability, redundancy, retirement with agreement of his employing company, his employing company ceasing to be a member of the Group, the transfer of his employing company or business outside the Group or any other reason (apart from dishonesty, fraud, misconduct or any other circumstances justifying summary dismissal) as the Board may in its absolute discretion permit, then subject to dealing restrictions, the performance period in respect of the award will be treated as ending on the date of cessation of employment (or such other date as the Board determines).

#### (b) *Part B*

In the case of a participant who is not an employee, awards will normally lapse when the participant's appointment terminates before vesting. Where the appointment is terminated by reason of death, injury, ill-health, disability or any other reason (apart from dishonesty, fraud, misconduct, or any other circumstances justifying summary termination) permitted by the Board in its absolute discretion, then subject to dealing restrictions, any performance period in respect of the award will be treated as ending on the date of termination of the appointment (or such other date as the Board determines). The provisions as to lapse or early exercise of an award may also be adapted by the Board to reflect the terms of any letter of appointment.

- (c) Awards will vest and options will become exercisable (to the extent any applicable performance condition(s) have been achieved or waived) on the date on which the Board makes its final determination as to the number of shares which vest under the award and, in the case of options, will be capable of exercise for a period of six months from the date of cessation of employment or termination of appointment (or, in the case of death, the earlier of the first anniversary of his death and the expiry of six months commencing on the date on which the participant's personal representatives notify the Company that they have obtained a grant of representation).
- (d) Unless the Board decides otherwise, the number of shares which vest under the award will be reduced *pro rata* to reflect the period of the performance period during which the participant was not employed or appointed. Where the Board, acting fairly and reasonably, determines that the number of shares is inappropriate in a particular case, it may decide that the award should vest in respect of a higher or lower number of Shares, provided that the number does not exceed the total number of shares subject to an award.

### **Corporate transactions**

- (a) In the event of a takeover, merger, scheme of arrangement of the Company, voluntary winding up of the Company or other corporate reorganisation, the performance period in respect of the award will be treated as ending on the date of the corporate event (or such other date as the Board determines). Awards will vest and options will become exercisable (to the extent any applicable performance condition(s) have been achieved or waived) on the date of the corporate event or on such earlier date as the Board may in its absolute discretion determine. Options will remain exercisable until the expiry of six months commencing on the date of the corporate event or, if earlier, the expiry of six weeks commencing on the date on which a notice to acquire shares under section 215 of the Act is first served.
- (b) Where the Board, acting fairly and reasonably, determines that the number of shares which vest under the award is inappropriate in a particular case, it may decide that the award should vest in respect of a higher or lower number of shares, provided that the number does not exceed the total number of shares subject to an award.
- (c) In certain circumstances (such as where there is a change of control of the Company or the Company has become bound or entitled to acquire shares as a result of a corporate transaction), then to the extent that an offer to surrender an award in consideration of the grant of a new award has been made to and accepted by a participant, his award will not vest but will lapse.

### **Capital reorganisation**

The Board may make adjustments to the exercise price of an option and to the number, nominal value and description of shares subject to an award following any variation of in the share capital of the Company. Where an option has been exercised or an award has vested but, as at the date of variation of capital, shares have not yet been allotted or transferred to the participant, the Board may adjust the number of shares which may be so allotted or transferred and the price at which they may be acquired.

### **Voting, dividend and other rights**

- (a) Until awards vest or options are exercised, participants have no voting or other rights in respect of the shares subject to their award.
- (b) Shares issued or transferred pursuant to the LTIP will rank *pari passu* in all respects with the shares then already in issue except that they will not rank for any dividend or other distribution of the Company paid or made by reference to a record date falling prior to the vesting date or, in the case of an option, the date of exercise.
- (c) Awards are not pensionable, assignable or transferable.

### **Administration and amendment**

- (a) The LTIP shall be administered under the direction of the Board who may at any time and from time to time by resolution and without further formality delete, amend or add to the rules of the LTIP in any respect provided that no deletion, amendment or addition shall operate to affect adversely in any way rights already acquired by a participant under the LTIP without the prior approval of the majority of the affected participants.
- (b) Shareholder approval will be required to amend certain provisions to the advantage of participants. These provisions relate to eligibility, individual and plan limits and the treatment of awards on the variation of the Company's share capital. The Board can make certain minor amendments, without shareholder approval, that may be to the advantage of participants, such as amendments to benefit the administration of the LTIP, to obtain or maintain approval of the LTIP by HM Revenue & Customs or other taxation authority, to obtain or maintain favourable tax treatment for participants or any member of the Group or to take account of any existing or proposed legislation.

### **Overseas schemes**

The Board may at any time by resolution and without further formality establish further plans or sub-plans to apply in overseas territories governed by rules similar to the rules of the LTIP but modified to take account of local tax, exchange controls or securities laws, regulations or practice.

### **Termination**

The Board or the Company in general meeting may resolve to terminate the LTIP and in any event no awards may be granted on or after the tenth anniversary of the date on which the LTIP is approved by the Board. Termination will not affect the subsisting rights of participants.

## **9.9 Summary of the principal terms of the Atlantis 2016 Company Share Option Plan (the "CSOP")**

On 10 November 2016, the Company established a CSOP to offer share options to employees. Under this programme, holders of the vested options are entitled to purchase shares at the proposed exercise price. The options are fully vested on the third anniversary of the date of the grant, and exercisable up until the tenth anniversary of the date of the grant. The shares acquired on the exercise of the option shall rank *pari passu* with all other shares then in issue except that they will not rank for any dividend or distribution of the Company paid or made by reference to a record date falling before the exercise date. The option is not assignable or transferable.

### **General**

The 2016 CSOP has been adopted and administered in accordance with Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003. The operation of the 2016 CSOP is supervised by the remuneration committee of the Board (the "**Remuneration Committee**"). The rules of the 2016 CSOP are governed by the laws of England and Wales.

### **Eligibility**

Any employee (including a Director) of the Company or any participating member of the Group who is required to devote substantially the whole of his working time to his employment or office and in any event is required to devote not less than 25 hours per week to his duties (in the case of a Director) is eligible to participate in the 2016 CSOP.

The Remuneration Committee may in its absolute discretion grant options to eligible employees to acquire Ordinary Shares of the Company.

### **Grant of awards**

The awards are structured as options.

Options may normally only be granted within 42 days after the approval of the 2016 CSOP by the Board or within 42 days after the announcement of the Company's results for any period. Options may also be granted at any other time at which the Remuneration Committee determines that there are exceptional circumstances which justify the grant of an option. No option may be granted later than ten years after the approval of the 2016 CSOP by the Board or when the Company is in a closed period or the Directors hold inside information.

No payment is required for the grant of an option.

Awards under the 2016 CSOP shall not be pensionable.

### **Exercise price**

The exercise price of an option shall be determined by the Remuneration Committee and shall not be less than the market value of an Ordinary Share at the date of grant (or, in the case only of an option to subscribe for Ordinary Shares, the nominal value of an Ordinary Share if higher).

The method for determining the market value of an Ordinary Share for the purposes of the 2016 CSOP must be agreed in advance with HMRC Shares & Assets Valuation.

### ***Performance conditions***

The Remuneration Committee may grant an option subject to such performance condition or conditions as it in its discretion sees fit. Performance conditions must be objective and will be measured over a period determined by the Remuneration Committee (normally three years). A performance condition attached to an option shall not be capable of variation or waiver unless events happen which cause the Remuneration Committee to consider that such a condition shall have ceased to be appropriate whereupon the Remuneration Committee may vary or waive such condition provided that any new condition imposed or any variation is in its opinion fair and reasonable and no more difficult to satisfy than the previous condition.

### ***Individual limits***

No option may be granted to any individual at any time if, as a result, any of the following limits would be breached:

- (a) the aggregate market value of Ordinary Shares subject to that option and to options and other rights granted to him in the same financial year of the Company (i) under the 2016 CSOP or (ii) under any other employee share option scheme established by the Company, would exceed 200 per cent. of base salary (500 per cent. in exceptional circumstances); or
- (b) the aggregate market value of Ordinary Shares which are subject to options granted to him under the 2016 CSOP and any other HMRC approved share option scheme (not being a savings-related share option scheme) established by the Company or any associated company of the Company, other than options which have been exercised or lapsed or which have been deemed never to have been granted, would exceed £30,000 or such other limit as may be imposed from time to time by HMRC.

### ***Plan limits***

On any date, no option may be granted under the 2016 CSOP if, as a result, the aggregate number of Ordinary Shares issued or transferred from treasury or committed to be issued or transferred from treasury pursuant to grants made under the 2016 CSOP and during the previous ten years under all other employee share schemes established by the Company would exceed 10 per cent. of the issued Ordinary Share capital of the Company on that date.

Shares which have been the subject of options or rights granted under any employee share scheme or the 2016 CSOP which have lapsed shall not be taken into account for the purposes of these limits.

### ***Exercise of options***

In normal circumstances, an option is capable of exercise at any time between the third and tenth anniversaries of its date of grant provided that any performance condition(s) to which it is subject have been fulfilled or waived.

An option will, in any event, lapse on the tenth anniversary of its date of grant, if not previously exercised.

Options may be satisfied by the issue of new Ordinary Shares or by the transfer of existing Ordinary Shares, either from treasury or otherwise.

### ***Leaving employment***

If a participant ceases to be employed within the Group before the expiry of the performance period by reason of death; injury or disability; redundancy; retirement; the company employing the participant ceasing to be a member of the Group; or any other reason (apart from dishonesty, fraud, misconduct or any other circumstances justifying summary dismissal) as the Remuneration Committee may in its discretion permit, then subject to dealing restrictions, the performance period in respect of the award will be treated as ending on the date of cessation of employment and an option will become

exercisable and remain exercisable for a period of six months (or 12 months in the case of death). The number of Ordinary Shares over which options are exercisable will, in these circumstances, be determined by reference to the extent to which the performance condition(s) have been fulfilled over the reduced performance period and will then be pro-rated according to the length of the reduced performance period when compared to the original performance period.

If a participant ceases to be employed within the Group for one of the reasons set out above on or after the expiry of the performance period, a subsisting option may be exercised for a period of six months (or 12 months in the case of death) to the extent that the performance condition(s) have been fulfilled.

### **Corporate transactions**

Options shall vest and become exercisable early in the event of a takeover or scheme of arrangement or the voluntary winding-up of the Company, subject to the extent that any performance conditions have been satisfied. Options subject to a performance conditions may also be subject to the application of a time pro-rata reduction.

If such an event occurs, an option may also be released in exchange for an equivalent new option to be granted by any acquiring company, if the participant so wishes and the acquiring company agrees.

Where any such event occurs as part of an internal reorganisation of the Company, subsisting options will be exchanged for new options granted by the acquiring company unless such an offer is not forthcoming from the acquiring company in which case exercise as set out above will be permitted.

### **Capital reorganisation**

In the event of any variation in the share capital of the Company, adjustments to the number of Ordinary Shares subject to options and the exercise price may be made by the Board in such manner and with effect from such date as the Board may determine to be appropriate.

### **Voting, dividend and other rights**

Until options are exercised, option holders have no voting or other rights in respect of the Ordinary Shares subject to their options.

Shares issued or transferred pursuant to the 2016 CSOP shall rank *pari passu* in all respects with the Ordinary Shares already in issue except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of exercise of the option.

Benefits obtained under the 2016 CSOP shall not be pensionable.

Options are not assignable or transferable.

### **Administration and amendment**

The Remuneration Committee may amend the 2016 CSOP by resolution provided that no amendment may be made which would alter to the disadvantage of a participant any rights already acquired by him under the 2016 CSOP without the prior approval of the majority of the affected participants. No cash or other non-share benefits are available under the 2016 CSOP.

At any time at which the 2016 CSOP is intended to satisfy Schedule 4, no amendment to a key feature may be made.

All amendments to the 2016 CSOP must be notified to HMRC in the annual return.

### **Overseas schemes**

The Board may at any time and without further formality establish further plans in overseas territories, any such plan to be similar to the 2016 CSOP but modified to take account of local tax, exchange control or securities laws, regulation or practice. Ordinary Shares made available under any such plan will count against any limits on overall or individual participation in the 2016 CSOP save that only newly issued Ordinary Shares or Ordinary Shares transferred from treasury would count against the overall dilution limits.

## Termination

The 2016 CSOP may be terminated at any time by resolution of the Board or of the Company in general meeting and shall in any event terminate on the tenth anniversary of the date on which the 2016 CSOP is approved by the Board. Termination will not affect the outstanding rights of participants.

9.10 Details of the options granted under the CSOP on unissued shares of the Company are as follows:

<i>Date of grant/ modification</i>	<i>Granted</i>	<i>Exercised</i>	<i>Cancelled/ lapsed</i>	<i>Balance at the date of this document</i>	<i>Exercise price per share</i>	<i>Exercisable period</i>
10.11.2016	485,690	0	(114,280)	371,410	£0.70	11.11.2016 to 11.11.2026
Total	<u>485,690</u>	0	<u>(114,280)</u>	<u>371,410</u>		

9.11 In addition to the options granted under the CSOP as referred to at paragraph 9.10 of this Part XIII of this document, it is proposed that as soon as practicable following Admission CSOP options over £7,500 worth of shares of the Company will be granted to an employee at an exercise price determined in accordance with the CSOP rules. These options will vest twelve months from the date of grant and will be subject to performance conditions.

9.12 No options under the CSOP have been granted to any Director or Proposed Director.

## 10. Material contracts

The following contracts constitute contracts (not being contracts entered into in the ordinary course of business), which have been entered into by the Group and SUP (a) in the two years immediately preceding the date of this document and are, or may be, material; or (b) certain provisions under which any member of the Group or SUP has any continuing obligation or entitlement which is material to the Group or SUP as at the date of this document.

### 10.1 *Atlantis*

(a) A summary of such contracts is contained in Parts XI and XII of this document.

(b) *Placing Agreement*

On 21 May 2018, the Company, Tim Cornelius and Andrew Dagley, Cantor Fitzgerald and Macquarie entered into the Placing Agreement pursuant to which Cantor Fitzgerald and Macquarie agreed, subject to certain conditions, to act as agent for the Company and to use their reasonable endeavours severally to procure placees for the Placing Shares at the Placing Price.

The Placing Agreement is conditional upon, *inter alia*, Admission occurring on or before 8.00 a.m. on 15 June 2018 (or such later time and date being not later than 8.00 a.m. on 29 June 2018 as Cantor Fitzgerald, Macquarie and the Company may agree). Pursuant to the terms of the Placing Agreement, the Company has agreed to pay to the Joint Bookrunners a commission of five per cent. on the aggregate value of the Placing Shares at the Placing Price (save in respect of Placing Shares subscribed by certain existing Shareholders of the Company in respect of which the commission shall be one per cent. of the aggregate value of those Placing Shares at the Placing Price, and save in respect of one new investor in relation to which no commission shall be payable), and will also pay Cantor Fitzgerald's and Macquarie's costs and expenses (including any applicable VAT) associated with the Placing and the application for Admission. The Company will also pay a corporate finance fee to Cantor Fitzgerald. The Placing Agreement contains certain customary warranties, undertakings and indemnities given by the Company and certain customary warranties from Tim Cornelius and Andrew Dagley. The Placing Agreement is also conditional, *inter alia*, on none of the warranties given to Cantor Fitzgerald and Macquarie prior to Admission being untrue or inaccurate or misleading in any material respect.



Cantor Fitzgerald and Macquarie may terminate the Placing Agreement in specified circumstances, including for material breach of warranty at any time prior to Admission and if, in the good faith opinion of Cantor Fitzgerald or Macquarie, a material adverse change has occurred or certain *force majeure* events have occurred at any time prior to Admission.

(c) *Directors' Lock-in*

John Neill, Tim Cornelius and Ian Macdonald have each entered into a Lock-in Deed pursuant to which they have each agreed with Cantor Fitzgerald, Macquarie and the Company that, conditional on Admission occurring, they will not, and will procure that their connected persons will not, dispose of any interest in Ordinary Shares for a period of six months following Admission save in certain circumstances, without the written consent of the Company, Cantor Fitzgerald and Macquarie. These restrictions will not apply in the event of, amongst other things, a takeover offer being made for the Company and transfers between family members and to and between family trusts.

## 10.2 **SUP**

A summary of such contracts is contained in Part XI of this document.

## 11. **Intellectual Property**

### **Atlantis**

11.1 The Group owns a number of patents relating to the design of its turbines and key components thereof which are registered in various jurisdictions worldwide. Marine Current Turbines Limited, a subsidiary of the Company also co-owns certain patents with BAUER Maschinen GmbH. The Company uses external advisers to help assess which patents to maintain from time to time, but the Company does not believe that any of its patents are of material importance for the operation or the protection of its business.

11.2 The Group has registered trademarks including "Atlantis", "Atlantis Device", "Aquanator", "Aquanator & Device" and/or "Nereus" across a number of jurisdictions. Such trademarks span the Group's business and include classes relating to turbines for power generation, underwater machines, electricity generators and installations for generating power from natural sources.

11.3 The Group and its key employees possess significant know-how which is important for its business. Employees, consultants and contractors of the Group who may be involved in work where intellectual property may be created or existing intellectual property improved are required to execute an intellectual property assignment agreement with the employer company. This agreement acknowledges that the employer company will own all right, title and interest in any intellectual property and assigns all such intellectual property to the employer company, including a further assurance obligation.

### **SUP**

11.4 SUP does not own any registered or unregistered trademarks, patents, designs or domain names which are material to the Enlarged Group. SUP will however be assigned and/or licensed certain intellectual property by the SIMEC Group as part of the Intellectual Property Licence and Assignment Agreement, details of which are set out at paragraph 10 of Part XI of this document. In addition, pursuant to the same agreement, members of the Atlantis Group (including SUP) will be granted a licence to use the SIMEC trade mark.

## 12. Premises

### 12.1 **Atlantis**

The Group occupies the following property:

<i>Property location</i>	<i>Current use</i>	<i>Owned/leased</i>	<i>Lease end</i>
Singapore	Office	Leased	30 June 2018
Edinburgh, UK	Office	Leased	22 February 2027
Bristol, UK	Office	Leased	6 September 2020
Nigg, UK	Turbine facility	Leased	30 June 2020
Land at Ness of Quoyoys, Caithness, UK	Power conversion centre for MeyGen	Leased	24 August 2113 (99 years from lease start date of 25 August 2014)

The Group has also entered into a lease of the sea bed in connection with the MeyGen Project and a number of agreements for lease of the sea bed for other projects, further details of which are set out in paragraphs 1.19 and 1.20 of Part XII of this document.

### 12.2 **SUP**

<i>Property location</i>	<i>Current use</i>	<i>Owned/leased</i>	<i>Lease end</i>
Newport, UK <sup>(1)</sup>	Uskmouth Power Station	Owned	–
Bed of the River Usk at Julian's Pill, Newport, UK	Outfall structure	Leased	12 September 2024

(1) Part of the land is leased to SIMEC Power pursuant to the SIMEC Lease summarised at paragraph 15 of Part XI of this document.

## 13. Employees

### 13.1 **Atlantis**

The Group employs 39 full time employees, 1 of which is employed in Singapore and 38 of which are employed in the UK. The Group also employs 4 part-time employees, 3 of which are employed in the UK and 1 of which is employed in Singapore.

### 13.2 **SUP**

SUP employs 46 permanent employees and 9 workers on zero hours contracts.

## 14. Working Capital

The Directors and the Proposed Directors are of the opinion, having made due and careful enquiry that, after taking account of the Enlarged Group's loan facilities and the estimated net proceeds of the Placing, the Enlarged Group will have sufficient working capital for its present requirements, that is for at least 12 months from the date of Admission.

## 15. Significant Change

### 15.1 **Atlantis**

Save as disclosed in this document there has been no significant change in the financial or trading position of the Group since 30 June 2017, being the date to which the last financial information of the Group, contained in Part VIII of this document, was prepared.

### 15.2 **SUP**

Save as disclosed in this document there has been no significant change in the financial or trading position of SUP since 30 September 2017, being the date to which the last financial information of SUP, contained in Part VII of this document, was prepared.

## 16. Subsidiaries

16.1 The Company acts as the holding company of the Group and, following Admission, will be the holding company of the Enlarged Group. On Admission, the Company will have the following significant subsidiary undertakings:

<i>Company Name</i>	<i>Principal Activity</i>	<i>Country of Incorporation</i>	<i>Percentage ownership (%)</i>
Atlantis Ocean Energy Plc	Investment holding	United Kingdom	100
ARC Operations Pty Limited	Provision of operational services to the group	Australia	100
Atlantis (Gujarat Tidal) Pte. Ltd	Dormant	Singapore	50
Atlantis Energy Pte. Ltd	Dormant	Singapore	100
Atlantis Licensing Pte. Ltd	Dormant	Singapore	100
Atlantis Operations (Canada) Limited <sup>11</sup>	Development of tidal power generation project	Canada	50
Atlantis Operations (UK) Limited	Provision of operational services to the Group	United Kingdom	100 (indirect)
Atlantis Projects Pte. Ltd	Investment holding	Singapore	100
Atlantis Resources (Scotland) Limited	Provision of project management and consulting services	United Kingdom	100
Atlantis Turbines Pte. Ltd	Investment holding	Singapore	100
Duncansby Tidal Power Limited	Development of tidal power generation project	United Kingdom	92 (indirect)
Islay Holdings Limited	Development of tidal power generation project	United Kingdom	92 (indirect)
Islay Tidal Power Limited	Development of tidal power generation project	United Kingdom	92 (indirect)
Marine Current Turbines Limited	Development of turbines and projects	United Kingdom	100 (indirect)
MeyGen Holdings Limited (previously known as Tidal Power Scotland Holdings Limited)	Investment holding	United Kingdom	77 (indirect)
MeyGen Limited	Development of tidal power generation project	United Kingdom	77 (indirect)
Sea Generation (Brough Ness) Limited	Development of tidal power generation project	United Kingdom	100 (indirect)
Sea Generation (Kyle Rhea) Limited	Development of tidal power generation project	United Kingdom	100 (indirect)
Sea Generation (Wales) Limited	Development of tidal power generation project	United Kingdom	100 (indirect)
Sea Generation Limited	Development of tidal power generation project	United Kingdom	100 (indirect)
SIMEC Uskmouth Power Limited	Power generation	United Kingdom	100
Stroma Tidal Power Limited (previously known as Atlantis Resources Developments Limited)	Development of tidal power generation project	United Kingdom	100 (indirect)
Tidal Power Scotland Limited	Investment holding	United Kingdom	92 (indirect)
Wide Range Developments Limited	Development of tidal power generation project	United Kingdom	100 (indirect)

<sup>11</sup> The Company has entered into a conditional sale and purchase agreement to sell its interest in Atlantis Operations (Canada) Limited to DP Group Limited which is due to complete in 2018.

- 16.2 Except for Atlantis Operations (Canada) Limited, Atlantis (Gujarat Tidal) Pte. Ltd, Tidal Power Scotland Limited and its direct and indirect subsidiaries (MeyGen Holdings Limited, MeyGen Limited, Islay Holdings Limited, Islay Tidal Power Limited and Duncansby Tidal Power Limited), all the entities in the Group are 100 per cent. owned, directly or indirectly, by the Company.
- 16.3 The Company owns 50 per cent. of the issued share capital in Atlantis Operations (Canada) Limited. The remaining 50 per cent. is held by DP Group Limited. Note that the Company has entered into a conditional sale and purchase agreement to sell its interest in Atlantis Operations (Canada) Limited to DP Group Limited which is due to complete in 2018.
- 16.4 The Company owns 50 per cent. of the issued share capital in Atlantis (Gujarat Tidal) Pte. Ltd. The remaining 50 per cent. is held by Gujarat Power Corporation Limited (40 per cent.) and Perfect Mining and Energy Solutions Pte. Ltd (10 per cent.).
- 16.5 The Company owns 76.77 per cent. of the issued share capital in MeyGen Holdings Limited through its subsidiary Tidal Power Scotland Limited, of which it owns 92 per cent. Tidal Power Scotland Limited owns 83.45 per cent. of the issued share capital in MeyGen Holdings Limited. The remaining 16.55 per cent. is held by Scottish Enterprise.
- 16.6 The Company owns 92 per cent. of the issued share capital in Tidal Power Scotland Limited through its subsidiary Atlantis Projects Pte. Ltd. The remaining 8 per cent. is held by ScottishPower Renewables (UK) Limited (6 per cent.) and DEME Concessions NV (2 per cent.).
- 16.7 Save for the undertakings set out in paragraph 16.1 of this Part XIII above, there are no undertakings in which the Company holds a proportion of the capital that is likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits.

## **17. Related Party Transactions**

### **17.1 *Atlantis***

The Group has entered into the following transactions with related parties during the period covered by the financial information set out in Part VIII of this document and up to the date of this document:

- (i) The Company received convertible loans of £200,000 from John Neill, £100,000 from Ian Macdonald and £50,000 from Michael Lloyd, each being a non-executive director of the Company which converted to Ordinary Shares on admission of the Company's issued share capital to AIM on 20 February 2014.

### **17.2 *SUP***

SUP has entered into the following transactions with related parties during the period covered by the financial information set out in Part VII of this document and up to the date of this document:

- (i) SUP guarantees certain finance leases of SIMEC Power 1 Limited. The balance outstanding under the leases, as set out in the financial statements for SUP, was £9,790,000 as at 31 March 2017. SIMEC has confirmed that all sums owed by SIMEC Power 1 Limited under the leases have been repaid in full. The Sale and Purchase Agreement also contains provisions requiring SIMEC to procure that SUP is released, with effect from Completion, from any such guarantee and further requires SIMEC to keep SUP fully indemnified against any failure to make repayment in respect of, or to release SUP from, any such guarantee.
- (ii) During the financial year ending 31 March 2017, SUP recharged costs of £1,339,000 to SIMEC in relation to penalties incurred on the late filing of climate change levy returns.

17.3 SUP, SIMEC and SIMEC Power 1 Limited are all part of the GFG Alliance.

## **18. Litigation**

### **18.1 *Atlantis***

Neither the Company nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceeding being threatened or pending of which the Company is aware) in the past 12 months which may have a material effect on the Company and/or the financial position or profitability of the Group.

### **18.2 *SUP***

SUP is not nor has it been involved in any governmental, legal or arbitration proceedings (including any such proceeding being threatened or pending of which SUP is aware) in the past 12 months which may have a material effect on SUP and/or its financial position or profitability.

## **19. Taxation**

### **19.1 *UK taxation***

The following is a general guide to certain limited aspects of the UK tax treatment of acquiring, holding and disposing of the Ordinary Shares, and does not purport to be a complete analysis of all the potential UK tax considerations thereof. The comments set out below do not constitute tax advice and are based on current UK tax law as applied in England and Wales and HMRC's published practice (which may not be binding on HMRC) as at the date of this document, both of which are subject to change, possibly with retrospective effect.

The information provided below applies only to shareholders (a) who are resident (and, in the case of individuals, domiciled) for UK tax purposes in the UK; (b) who hold their shares as investments (other than in an individual savings account); and (c) who are the absolute beneficial owners thereof.

The discussion does not address all possible tax consequences relating to an investment in any relevant shares. Certain categories of investors, including those carrying on certain financial activities (including market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services), those subject to specific tax regimes or benefiting from certain reliefs and exemptions and those for whom the shares are employment-related securities may be subject to special rules and this summary does not apply to such investors. Such investors should consult their professional advisors without delay.

Shareholders or prospective shareholders who are resident or otherwise subject to taxation in a jurisdiction outside the UK, or who are in any doubt about their tax position, are also advised to consult their own professional advisers immediately.

#### *Dividends on the Ordinary Shares*

##### *UK tax resident individual shareholders*

All dividends received by a shareholder who is an individual in respect of the Ordinary Shares will form part of that shareholder's total income for income tax purposes and will constitute the top slice of that income. A nil rate of income tax will apply to the first £5,000 (reducing to £2,000 for the 2018/2019 tax year) of taxable dividend income received by that shareholder in a tax year.

Where the dividend income is above the dividend allowance, an individual shareholder will not be subject to tax on dividend income above the allowance to the extent that, treating that income as the top slice of the shareholder's income, that income would be within that individual's personal allowance. Any amount in excess of the nil rate and the personal allowance (if applicable) will be taxed at the relevant rate. The rates are 7.5 per cent. to the extent that the excess amount falls within the basic rate tax band, 32.5 per cent. to the extent that the excess amount falls within the higher rate tax band and 38.1 per cent. to the extent that the excess amount falls within the additional rate tax band.

##### *UK tax resident corporate shareholders*

Dividends paid to shareholders who are subject to UK corporation tax are likely to fall within one or more of the classes of dividend qualifying for exemption from corporation tax, although the exemptions are not comprehensive and are also subject to anti-avoidance rules. Such shareholders should consult their own professional advisers.

There is no Singapore withholding tax imposed on dividend payments in Singapore.

#### *Disposals of Ordinary Shares*

A disposal or deemed disposal of Ordinary Shares by a shareholder who is resident in the UK for tax purposes may give rise to a liability to UK tax on capital gains (in the case of shareholders who are individuals) or UK corporation tax on chargeable gains (in the case of shareholders within the charge to UK corporation tax) depending upon the shareholder's circumstances and subject to any available exemption or relief.

#### UK tax resident individual shareholder

For an individual shareholder within the charge to UK capital gains tax, a disposal (or deemed disposal) of the Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of capital gains tax. The rate of capital gains tax on the disposal of shares is 10 per cent. (for the 2017/2018 tax year) for basic rate taxpayers and 20 per cent. (for the 2017/2018 tax year) for higher or additional rate taxpayers. An individual shareholder is entitled to realise an annual exempt amount of gains (currently £11,300 for the 2017/2018 tax year, increasing to £11,700 for the 2018/2019 tax year) without being liable to tax.

#### UK tax resident corporate shareholders

For a corporate shareholder within the charge to UK corporation tax, a disposal (or deemed disposal) of the Ordinary Shares may give rise to a chargeable gain or allowable loss for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. The rate of UK corporation tax is 19 per cent. for the financial years commencing 1 April 2017, 1 April 2018 and 1 April 2019. Legislation has been enacted which reduces the rate of UK corporation tax to 17 per cent. for the financial year commencing 1 April 2020.

#### *Stamp duty and stamp duty reserve tax*

The statements below are intended as a general guide to the current position. They do not apply to certain intermediaries who are not liable to stamp duty or stamp duty reserve tax or (except where stated otherwise) to persons connected with depositary arrangements or clearance services who may be liable at a higher rate.

No stamp duty or stamp duty reserve tax should arise on the issue of the Ordinary Shares (whether in certificated form or represented by Depositary Interests).

An exemption from stamp duty and stamp duty reserve tax is available on the transfer of shares admitted to trading on HMRC recognised growth markets (the **"growth market exemption"** and which are not listed on any recognised stock exchange). AIM is recognised by HMRC as such a growth market for the purposes of the growth market exemption. No stamp duty or stamp duty reserve tax should therefore arise on transfers of Ordinary Shares on AIM (including instruments transferring Ordinary Shares and agreements to transfer Ordinary Shares) for so long as:

- (a) the Ordinary Shares are admitted to trading on AIM, but are not listed on any market (with the term "listed" being construed in accordance with section 99A of the Finance Act 1986), and this has been certified to Euroclear; and
- (b) AIM continues to be accepted as a "recognised growth market" as construed in accordance with section 99A of the Finance Act 1986.

HMRC have confirmed that a depositary interest will be eligible for the growth market exemption upon its transfer if the underlying shares are admitted to trading on a recognised growth market and are not listed on a recognised stock exchange. On this basis, no stamp duty reserve tax should be payable on the transfer of the Depositary Interests for so long as the Ordinary Shares are admitted to trading on AIM and are not listed on a recognised stock exchange (and AIM continues to be accepted as a recognised growth market).

(i) *Singapore stamp duty*

No Singapore stamp duty should arise on the issue of Ordinary Shares (whether in certificated form or represented by Depositary Interests).

A transfer of Ordinary Shares in certificated form will generally be subject to Singapore stamp duty at the rate of 0.2 per cent. of the higher of the consideration given for the Ordinary Shares and their net asset value. This stamp duty should be paid by the buyer or transferee unless the transfer documents provide otherwise.

A transfer of Ordinary Shares represented by Depositary Interests should not be subject to Singapore stamp duty.

## 20. Market quotations

The following table shows the closing middle market quotation for the existing Ordinary Shares as derived from the London Stock Exchange Daily Official List on: (i) the first business day of each the six months immediately before the date the Company's Ordinary Shares were suspended from trading on AIM on 14 December 2017 as a consequence of the Acquisition; and (ii) 13 December 2017 (being the last day of dealings in the Company's shares prior to the date on which the Company's Ordinary Shares were suspended as a consequence of the Acquisition):

<i>Date</i>	<i>Price per Ordinary Share (p)</i>
3 July 2017	37.5
1 August 2017	38.0
1 September 2017	37.0
2 October 2017	32.50
1 November 2017	42.0
1 December 2017	36.0
13 December 2017 <sup>(1)</sup>	35.25

(1) Trading in the Company's Ordinary Shares on AIM was suspended at 7.30 a.m. on 14 December 2017 pending publication of the Admission Document.

## 21. CREST

21.1 Application will be made to the London Stock Exchange for all the existing Ordinary Shares, the Consideration Shares, the Placing Shares and the SIMEC Loan Completion Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Enlarged Share Capital will commence at 8.00 a.m. on 15 June 2018.

21.2 The requirements of the AIM Rules provide that the Company must, upon Admission becoming effective, have a facility for the electronic settlement of the Ordinary Shares. The shares of companies incorporated in England (and the shares of companies incorporated in certain other jurisdictions) which are quoted on AIM are settled through CREST, which is an electronic paperless share transfer and settlement system. The CREST system allows shares and other securities, (including Depositary Interests), to be held in electronic rather than paper form. However, with limited exceptions, only shares and other securities which are constituted under English law can be settled through the CREST system, regardless of the fact that they may be admitted to trading on AIM. As the Company is incorporated in Singapore its Ordinary Shares are not eligible to be held through CREST and, accordingly, the Company has established, via the Depositary, a depositary interest programme.

21.3 The Depositary Interests representing the Ordinary Shares are issued to the individual Shareholders' CREST account on a one for one basis and with the Depositary providing the necessary custodial service.

21.4 The Depositary Interests are themselves independent securities constituted under English law and can be traded and settled within the CREST system in the same way as any other CREST security. The Shareholders have the choice of whether to hold their Ordinary Shares in certificated form or in uncertificated form in the form of Depositary Interests. Shareholders who elect to hold their Ordinary Shares in uncertificated form through the Depositary Interest facility will be bound by a deed of trust.

21.5 The Company's share register, which is kept by the Registrar, shows the nominee company, Link Market Services Trustees Limited, as the holder of the Ordinary Shares represented by Depositary Interests but the beneficial interest remains with the Shareholders who continue to receive all the rights attaching to the Ordinary Shares as they would have if they had themselves been entered on the Company's share register. Shareholders can withdraw their Ordinary Shares back into certificated form at any time using standard CREST messages.

21.6 CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. It is expected that, where Placees have asked to hold their Ordinary Shares in uncertificated form, they will have their CREST accounts credited with Depositary Interests on the day of Admission. Where Placees have requested to receive their Ordinary Shares in certificated form, share certificates will be despatched by first-class post within ten Business Days of the date of Admission. No temporary documents of title will be issued. Pending the receipt of definitive share certificates in respect of the Placing Shares (other than in respect of those Placing Shares settled via Depositary Interests through CREST), transfers will be certified against the Company's share register.

The ISIN number of the Ordinary Shares is SG9999011118. The TIDM from Admission will be SAE.

## **22. Consents**

22.1 Evercore Partners International LLP has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of references to its name in the form and context in which it appears.

22.2 Ernst & Young Corporate Finance Pte. Ltd has given and has not withdrawn its consent to the inclusion of the EY Whitewash Advice Letter in section C of Part X of this document in the form and context in which it is included and has authorised the contents of the EY Whitewash Advice Letter.

22.3 Cantor Fitzgerald Europe has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of references to its name in the form and context in which it appears.

22.4 Macquarie Capital (Europe) Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of references to its name in the form and context in which it appears.

22.5 AECOM Infrastructure & Environment UK Limited has given and has not withdrawn its written consent to the inclusion in this document of the SUP Technical Report set out in Part VI of this document, and the references thereto and to its name, in the form and context in which they appear. The SUP Technical Report was prepared at the request of the Company. AECOM Infrastructure & Environment UK Limited has no interest in the share capital of the Company nor any member of the Group.

22.6 KPMG has given and has not withdrawn its written consent to the inclusion of its Accountants' Report in Part VII of this document in the form and context in which it is included and has authorised the contents of that part of this document.

## **23. Health and Safety**

23.1 HSE is central to the Company's core values. The Company commits to ensuring a safe and healthy working environment in line with current best practices. The Company has always rigorously observed health and safety standards, laws and regulations in its business operations. The Company acts with care and sensitivity towards the local environment and encourages employees and stakeholders to immediately report to management any aspect of the Group's business or operations which is considered to actually or potentially not meet its high standards.



## **24. General**

- 24.1 The total costs and expenses payable by the Company in connection with or incidental to the Acquisition, Placing and Admission, including London Stock Exchange fees, professional fees, consulting and investor relation services and the costs of printing and distribution, are estimated to amount to approximately £3.2 million (excluding VAT).
- 24.2 The gross proceeds expected to be raised by the Placing are approximately £20 million. The net proceeds are expected to be £19.5 million.
- 24.3 The financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Act.
- 24.4 The Ordinary Shares as at the date of this document are in registered form and the Ordinary Shares will, on Admission, be capable of being held in uncertificated form.
- 24.5 The Company, through the Depositary, has established a depositary arrangement whereby the Depositary Interests representing Ordinary Shares will be issued to any shareholders who wish to hold their Ordinary Shares in electronic form within the CREST system.
- 24.6 No public takeover bids have been made by third parties in respect of the Company's issued share capital in the current financial year nor in the last financial year.
- 24.7 Save as disclosed in this document, the Directors and Proposed Directors are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Enlarged Group's prospects for the current financial year.
- 24.8 Save as disclosed in this document, the Company had no principal investments for each financial year covered by the historical financial information and there are no principal investments in progress and there are no principal future investments on which the Board has made a firm commitment.
- 24.9 The Company confirms that where information has been sourced from a third party it has been accurately reproduced, the source of such information has been provided and so far as the Company is aware, and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 24.10 Save as disclosed in Parts IV and V of this document, the Directors and Proposed Directors are not aware of any material environmental issues or risks affecting the utilisation of the Enlarged Group's tangible fixed assets or its operations.
- 24.11 Save as disclosed in this document, there are no outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company.

## **25. Availability of this document**

Copies of this document are available free of charge during normal business hours on any Business Day from the offices of Ashurst LLP at Broadwalk House, 5 Appold Street, London, EC2A 2HA, from the date of this document until one month after the date of Admission and will be available for viewing on the Company's website at [www.atlantisresourcesltd.com](http://www.atlantisresourcesltd.com) (up to Admission) or at [www.simecatlantis.com](http://www.simecatlantis.com) (following Admission).

## **26. Documents incorporated by reference**

The information incorporated by reference and set out in Part VIII of this document is available free of charge in electronic format on the Company's website at [www.atlantisresourcesltd.com](http://www.atlantisresourcesltd.com) (up to Admission) or at [www.simecatlantis.com](http://www.simecatlantis.com) (following Admission).

Hard copies of the documents noted in this paragraph 26 of this Part XIII of this document as incorporated into this document by reference will not be sent to Shareholders unless requested by them. However, should Shareholders wish to receive hard copies of such documents they should request copies from the Company at 4th Floor Quay 2, 139 Fountainbridge, Edinburgh EH3 9QG.

Any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded for the purpose of this document shall be deemed, except as so modified or superseded, to constitute a part of this document.

Dated: 21 May 2018

## **PART XIV**

### **DEFINITIONS**

The following definitions apply throughout this document unless the context requires otherwise:

<b>“2017 Debenture”</b>	the £5.0 million five-year bond raised by the Atlantis Group, as defined in, and described in more detail in, paragraph 4.1 of Part XIII of this document
<b>“2018 Debenture”</b>	the five-year bond being raised by the Atlantis Group, as defined in, and described in more detail in, paragraph 4.2 of Part XIII of this document
<b>“Accountants’ Report”</b>	the accountants’ report prepared by KPMG LLP in respect of SUP set out in Part VII of this document
<b>“Acquisition”</b>	the proposed acquisition by the Company of SUP on the terms of the Sale and Purchase Agreement
<b>“Acquisition Documents”</b>	the agreements in relation to the Acquisition each of which is summarised in Part XI of this document
<b>“Admission”</b>	the re-admission of the Ordinary Shares and the admission of the Consideration Shares, the Placing Shares and the SIMEC Loan Completion Shares, in each case, to trading on AIM becoming effective in accordance with the AIM Rules
<b>“AIM”</b>	AIM, a market of the London Stock Exchange
<b>“AIM Rules”</b>	the AIM Rules for Companies and the AIM Rules for Nominated Advisers, as applicable
<b>“AIM Rules for Companies”</b>	the rules for AIM companies published by the London Stock Exchange, as amended or re-issued from time to time
<b>“AIM Rules for Nominated Advisers”</b>	the rules for nominated advisers to AIM companies published by the London Stock Exchange, as amended or re-issued from time to time
<b>“Andritz Hydro Hammerfest” or “AHH”</b>	Andritz Hydro Hammerfest, part of the Andritz Hydro GmbH group, a global supplier of electro-mechanical equipment and services for the hydropower industry
<b>“AR1500”</b>	the AR1500 tidal turbine generator of the Company
<b>“Articles”</b>	the articles of association of the Company as at the date of this document, a summary of certain provisions of which is set out in paragraph 5 of Part XIII of this document
<b>“Atlantis Exclusivity Agreement”</b>	the agreement between Atlantis and SIMEC Energy Pte. Ltd dated 14 December 2017 (and as amended on 21 May 2018) pursuant to which SIMEC Energy Pte. Ltd has agreed to grant Atlantis certain exclusivity undertakings in relation to SUP and SIMEC as summarised at paragraph 12 of Part XI of this document
<b>“Atlantis Group” or “Group”</b>	the Company and its subsidiaries as at the date of this document
<b>“Atlantis Tax Deed”</b>	the conditional tax deed between the Company and SIMEC dated 21 May 2018 pursuant to which the Company has agreed to indemnify SIMEC in respect of certain pre-Completion tax liabilities

and other tax-related liabilities of the Company and its subsidiaries (excluding SUP in respect of any periods prior to Completion), details of which are set out in paragraph 1 of Part XI of this document

<b>“BEIS”</b>	Department for Business, Energy and Industrial Strategy
<b>“Biofuel Facility”</b>	a biofuel generating facility which is on the Power Station site
<b>“Board”</b>	the board of directors of the Company as constituted from time to time
<b>“Business Day”</b>	a day (other than Saturday or Sunday) on which banks are generally open for business in London
<b>“Cantor Fitzgerald”</b>	Cantor Fitzgerald Europe, nominated adviser and broker to the Company
<b>“certificated” or “in certificated form”</b>	the description of a share or other security which is not in uncertificated form (that is, not in CREST)
<b>“City Code”</b>	the UK City Code on Takeovers and Mergers
<b>“Companies Act” or “Act”</b>	the UK Companies Act 2006, as amended
<b>“Company” or “Atlantis”</b>	Atlantis Resources Limited, a company incorporated in the Republic of Singapore with registration number 200517551R
<b>“Completion”</b>	completion of the Acquisition
<b>“Consideration Shares”</b>	the 152,642,330 new Ordinary Shares to be issued to SIMEC on Completion
<b>“Conversion”</b>	the proposed conversion of the Uskmouth Power Station to use waste derived energy pellets as a fuel source, the requirements in relation to which are referred to in the SUP Technical Report and which includes return to service and life extension works for the existing plant
<b>“Convertible Loan Shares”</b>	the Ordinary Shares that may be issued pursuant to the SIMEC Loan including the SIMEC Loan Completion Shares
<b>“Costs Sharing Agreement”</b>	the agreement between Atlantis, SIMEC Energy Pte. Ltd and SIMEC Group Limited dated 14 December 2017 pursuant to which SIMEC Energy Pte. Ltd has agreed to bear certain of Atlantis’s costs in relation to the Proposals as summarised at paragraph 11 of Part XI of this document
<b>“CREST”</b>	the computerised settlement system, facilitating the paperless settlement of trades and the holding of uncertificated shares administered by Euroclear UK & Ireland Limited, the operator of CREST
<b>“CREST Regulations” or “Regulations”</b>	the Uncertificated Securities Regulations 2001 of the UK (SI 2001/3755) (as amended)
<b>“Depositary”</b>	Link Market Services Trustees Limited (No. 02729260) of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

<b>“Depository Interests”</b>	dematerialised interests representing underlying Ordinary Shares in the ratio of 1:1, that can be settled electronically through and held in CREST, as issued by the Depository or its nominees who hold the underlying securities on trust, further details of which are set out in paragraph 21 of Part XIII of this document
<b>“Directors”</b>	the current directors of the Company, whose names are set out in paragraph 18 of Part I of this document
<b>“DTR” or “Disclosure Guidance and Transparency Rules”</b>	the Disclosure Guidance and Transparency Rules made by the FCA pursuant to Part VI of FSMA
<b>“Duncansby Development”</b>	the development and installation of a tidal generation facility at a tidal power site upon the seabed at Ness of Duncansby, Scotland
<b>“EMEC”</b>	European Marine Energy Centre, a research centre focusing on wave and tidal power development
<b>“Enlarged Group”</b>	Atlantis and its subsidiary undertakings following Completion
<b>“Enlarged Group Board”</b>	the Board as it will be constituted on Completion
<b>“Enlarged Share Capital”</b>	the enlarged share capital of the Company upon Admission, comprising the Ordinary Shares, the Consideration Shares, the Placing Shares and the SIMEC Loan Completion Shares
<b>“EY”</b>	Ernst & Young Corporate Finance Pte Ltd
<b>“EY Whitewash Advice Letter”</b>	the letter to the Independent Directors in relation to the Whitewash Resolution, a copy of which is set out in section C of Part X of this document
<b>“EU”</b>	the European Union
<b>“Evercore”</b>	Evercore Partners International LLP
<b>“Financial Conduct Authority” or “FCA”</b>	the Financial Conduct Authority of the United Kingdom
<b>“Fixed Price PPA”</b>	the conditional agreement between SUP and Fuel SPV dated 21 May 2018 pursuant to which Fuel SPV will purchase power from the Power Station to power the SUP Fuel Processing Facility
<b>“Form of Direction”</b>	the form of direction accompanying this document for use by holders of Depository Interests in respect of the General Meeting
<b>“Form of Proxy”</b>	the form of proxy accompanying this document for use by holders of Ordinary Shares in respect of the General Meeting
<b>“FSMA”</b>	the UK Financial Services and Markets Act 2000 (as amended) including any regulations made pursuant thereto
<b>“Fuel Joint Venture”</b>	the joint venture between SIMEC Fuels and N+P (through N&P UK Holding 2 Ltd) that will, through Fuel SPV, own the Fuel Processing Facilities
<b>“Fuel Processing Facilities”</b>	the three fuel processing facilities proposed to be constructed in the UK (including the SUP Fuel Processing Facility), to produce waste derived energy pellets for burning in the Power Station following Conversion and to be owned by Fuel SPV

<b>“Fuel SPV”</b>	SIMEC Subcoal Fuels Limited, the joint venture company formed by the Fuel Joint Venture that will own the Fuel Processing Facilities
<b>“Fuel Supply Agreement” or “FSA”</b>	the conditional agreement between SUP and Fuel SPV dated 21 May 2018 pursuant to which waste derived energy pellets will be supplied to the Power Station, details of which are set out in paragraph 4 of Part XI of this document
<b>“General Meeting”</b>	the general meeting of the Company to be held on 13 June 2018 (and any adjournment thereof) for the purposes of considering the Resolutions, notice of which is set out at the end of this document
<b>“GFG Alliance”</b>	the alliance between Parduman Gupta and Sanjeev Gupta and each of their associated companies
<b>“Grid Assets”</b>	various connection assets on the Power Station site pursuant to which the Power Station and the Biofuel Facility are connected to the transmission network
<b>“Grid Land”</b>	the land on which the Grid Assets are located
<b>“GridCo”</b>	a joint venture company to be established by SUP and SIMEC Power following Completion to own the Grid Assets
<b>“GridCo Shareholders’ Agreement”</b>	the shareholders’ agreement proposed to be entered into after Completion between SUP and SIMEC Power to govern the arrangements in relation to GridCo
<b>“GridCo Shareholders’ Agreement Heads of Terms”</b>	the heads of terms between SUP and SIMEC Power dated 21 May 2018 setting out the proposed terms of the GridCo Shareholders’ Agreement, details of which are set out in paragraph 5 of Part XI of this document
<b>“HMRC”</b>	HM Revenue & Customs
<b>“Independent Atlantis Shareholders”</b>	the Atlantis Shareholders save for shareholders involved in, or interested in, the Acquisition
<b>“Independent Directors”</b>	the Directors
<b>“Islay Project”</b>	the proposed 10MW tidal power project in the Sound of Islay between the islands of Islay and Jura on the west coast of Scotland
<b>“Joint Bookrunners”</b>	Cantor Fitzgerald and Macquarie
<b>“Liberty House Group” or “Liberty”</b>	Liberty Global Holdings Pte. Ltd and its subsidiary undertakings, part of the GFG Alliance
<b>“Liberty Steel Newport” or “LSN”</b>	Liberty Steel Newport Limited, a Liberty House Group company
<b>“Lock-in and Orderly Marketing Deed”</b>	the conditional deed between SIMEC, Cantor Fitzgerald and the Company dated 21 May 2018, pursuant to which SIMEC has given certain undertakings in relation to the disposal by it and its connected persons of Ordinary Shares, further details of which are set out in paragraph 6 of Part XI of this document
<b>“Lockheed Martin” or “Lockheed”</b>	Lockheed Martin Corporation, or one of its subsidiaries or affiliates as the context may require
<b>“London Stock Exchange”</b>	London Stock Exchange plc

<b>“Long Term Incentive Plan” or “LTIP”</b>	the 2013 long term incentive plan adopted by the Company, further details of which are set out in paragraph 9 of Part XIII of this document
<b>“LSN Facility”</b>	the steelworks at Newport, South Wales owned by LSN at which it is proposed LSN will install a new electric arc furnace to allow the mill to recycle scrap metal
<b>“LSN Heads of Terms”</b>	the heads of terms between SUP and LSN dated 21 May 2018, pursuant to which LSN and SUP have agreed in principle that SUP will be granted the opportunity for SUP to enter into the LSN PPA to take power from the Power Station following construction of the proposed arc furnace at the LSN Facility as summarised at paragraph 14 of Part XI of this document
<b>“LSN PPA”</b>	the proposed definitive power purchase agreement proposed to be entered into in due course pursuant to the LSN Heads of Terms
<b>“Macquarie”</b>	Macquarie Capital (Europe) Limited
<b>“Marble” or “Marble Power”</b>	Marble Power Limited, a GFG Alliance company
<b>“Marble PPA”</b>	the conditional agreement between SUP and Marble dated 21 May 2018, pursuant to which Marble will purchase up to 220MW of capacity from the Power Station following Conversion as summarised at paragraph 2 of Part XI of this document
<b>“MeyGen”</b>	MeyGen Limited, a subsidiary of the Company and the owner of the Group’s MeyGen Project in Scotland
<b>“MeyGen Phase 1”</b>	MeyGen Phase 1A, MeyGen Phase 1B and MeyGen Phase 1C
<b>“MeyGen Phase 1A”</b>	the first phase of the MeyGen Project which has been completed providing installed capacity of 6MW
<b>“MeyGen Phase 1B”</b>	the second phase of the MeyGen Project which, if completed, will provide further installed capacity of 5.1MW
<b>“MeyGen Phase 1C”</b>	the third phase of the MeyGen Project which, if completed, will provide further installed capacity of 80MW in aggregate with MeyGen Phase 1B
<b>“MeyGen Phase 2”</b>	the fourth phase of the MeyGen Project which, if completed, will provide further installed capacity of 166MW
<b>“MeyGen Phase 3”</b>	the fifth phase of the MeyGen Project which, if completed, will provide further installed capacity of 146MW
<b>“MeyGen Project”</b>	the Group’s tidal stream project between the north coast of Scotland and the island of Stroma of which MeyGen Phase 1A has been completed
<b>“National Grid”</b>	National Grid Electricity Transmission plc
<b>“Notice”</b>	the notice convening the General Meeting set out at the end of this document
<b>“N+P”</b>	N+P Group B.V., the Dutch recycling group
<b>“Official List”</b>	the Official List of the UK Listing Authority

<b>“Ordinary Shares”</b>	the ordinary shares of no par value in the capital of Atlantis
<b>“Placee”</b>	a person subscribing for Placing Shares under the Placing at the Placing Price
<b>“Placing”</b>	the proposed placing of 57,142,857 Placing Shares at the Placing Price pursuant to the Placing Agreement
<b>“Placing Agreement”</b>	the conditional agreement between Cantor Fitzgerald, Macquarie, the Company, Tim Cornelius and Andrew Dagley dated 21 May 2018, further details of which are set out in paragraph 10.1 of Part XIII of this document
<b>“Placing Price”</b>	35p per Placing Share
<b>“Placing Shares”</b>	57,142,857 new Ordinary Shares to be issued by the Company pursuant to the Placing Agreement
<b>“Power Station”</b>	the power station owned by SUP at Uskmouth in South Wales
<b>“Proposals”</b>	the proposals set out in this document, including the Acquisition, the Placing and Admission
<b>“Proposed Directors”</b>	the proposed directors of the Company, who will be appointed to the Board of the Company with effect from Completion, namely, Andrew Dagley, Mark Elborne and Jay Hambro
<b>“Prospectus Directive”</b>	Directive 2003/71/EC (and amendments thereto including 2010 PD Amending Directive), including any relevant amending implementing measures in each member state of the European Economic Area that has implemented Directive 2003/71/EC
<b>“Prospectus Rules”</b>	the rules published by the FCA under FSMA governing the publication of a prospectus, as derived from the Prospectus Directive
<b>“QCA Code”</b>	the Corporate Governance Code published by the Quoted Companies Alliance
<b>“Registrar”</b>	Boardroom Corporate & Advisory Services Pte Ltd and Link Market Services (Guernsey) Limited
<b>“Relationship Agreement”</b>	the conditional relationship agreement between the Company and SIMEC dated 21 May 2018 which will govern the relationship between the Atlantis Group and the SIMEC Group and the GFG Alliance following Completion, further details of which are set out in paragraph 7 of Part XI of this document
<b>“Renewables Obligation”</b>	one of the main support mechanisms for large-scale renewable electricity projects in the UK which is now closed to all new generating capacity
<b>“Resolutions”</b>	the resolutions set out in the Notice
<b>“Restricted Jurisdiction”</b>	any non-EEA jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal sanction if information concerning the Proposals is sent or made available to Shareholders in that jurisdiction
<b>“RJM”</b>	RJM Corporation (EC) Limited



<b>“Road Access Agreement”</b>	the conditional agreement between SUP and certain members of the GFG Alliance to be entered into on or prior to Completion under which certain arrangements in respect of rights of access over land adjacent or near to SUP’s site for the benefit of the site are intended to be entered into on or prior to Completion, details of which are set out in paragraph 16 of Part XI of this document
<b>“Sale and Purchase Agreement” or “Acquisition Agreement”</b>	the conditional agreement between the Company, SIMEC and SIMEC Group dated 14 December 2017 (and as amended on 21 May 2018) in relation to the acquisition of SUP, further details of which are set out in paragraph 1 of Part XI of this document
<b>“Share Option Plan” or “CSOP”</b>	the Company’s 2016 share option plan, further details of which are set out in paragraph 9 of Part XIII of this document
<b>“Shareholders” or “Atlantis Shareholders”</b>	holders of Ordinary Shares from time to time
<b>“SIC”</b>	the Securities Industry Council of Singapore
<b>“SIMEC”</b>	SIMEC UK Energy Holdings Limited
<b>“SIMEC Debenture”</b>	the conditional debenture between SUP and SIMEC Group Limited dated 21 May 2018 entered into in support of the liabilities arising under the SIMEC Loan Agreement, details of which are set out in paragraph 9 of Part XI of this document
<b>“SIMEC Exclusivity Agreement”</b>	the agreement between Atlantis and SIMEC Energy Pte. Ltd dated 14 December 2017 (and as amended on 21 May 2018) pursuant to which Atlantis has agreed to grant SIMEC Energy Pte. Ltd certain exclusivity undertakings in relation to the Atlantis Group as summarised at paragraph 13 of Part XI of this document
<b>“SIMEC Fuels”</b>	SIMEC Fuels Holdings UK Limited, a GFG Alliance company
<b>“SIMEC Group”</b>	SIMEC Group Limited and its subsidiary undertakings from time to time
<b>“SIMEC IP Licence and Assignment Agreement”</b>	the conditional agreement between the Company, SUP, SIMEC Group and certain other members of the GFG Alliance dated 21 May 2018 pursuant to which certain intellectual property is to be assigned and licensed between the parties thereto, details of which are set out in paragraph 10 of Part XI of this document
<b>“SIMEC Lease”</b>	the lease between SUP and SIMEC Power dated 21 May 2018 and having effect from the date of completion under the lease in respect of certain land not expected to be required by SUP for the proposed Power Station operations, details of which are set out in paragraph 15 of Part XI of this document
<b>“SIMEC Loan”</b>	the convertible loan owed by SUP to SIMEC pursuant to the SIMEC Loan Agreement which (following the issue of the SIMEC Loan Completion Shares, and following adjustments pursuant to the Acquisition Agreement), is expected to be approximately £2.33 million
<b>“SIMEC Loan Agreement”</b>	the conditional loan agreement between SUP and SIMEC dated 21 May 2018 evidencing the SIMEC Loan, details of which are set out in paragraph 8 of Part XI of this document

<b>“SIMEC Loan Completion Shares”</b>	means 30,457,142 of the Convertible Loan Shares which will be converted on Completion into Ordinary Shares to maintain SIMEC’s interest in the Enlarged Share Capital at 49.99 per cent.
<b>“SIMEC Power”</b>	SIMEC Power 4 Limited, a GFG Alliance company
<b>“SIMEC Pipeline”</b>	the current portfolio of development and operational renewable power generation assets set out in Table 4 of Part I of this document
<b>“SIMEC Tax Deed”</b>	the conditional tax deed between the Company and SIMEC dated 21 May 2018 pursuant to which SIMEC has agreed to indemnify the Company in respect of certain pre-Completion tax liabilities and other tax-related liabilities of SUP, details of which are set out in paragraph 1 of Part XI of this document
<b>“Singapore Act”</b>	the Singapore Companies Act (Cap. 50) or any statutory modification for the time being in force
<b>“Singapore Code”</b>	the Singapore Code on Takeovers and Mergers issued by the Monetary Authority of Singapore pursuant to section 321 of the Singapore Securities and Futures Act (Cap. 289) as amended from time to time
<b>“SUP”</b>	SIMEC Uskmouth Power Limited
<b>“SUP Fuel Processing Facility”</b>	the fuel processing facility to be constructed on a site adjacent to the Power Station to produce waste derived energy pellets for burning in the Power Station following Conversion and to be owned by Fuel SPV
<b>“SUP Technical Report”</b>	the independent technical report by the Technical Consultant which is reproduced in its entirety in Part VI of this document
<b>“Tax Deed of Indemnity”</b>	the SIMEC Tax Deed and the Atlantis Tax Deed
<b>“TCE”</b>	The Crown Estate Commissioners
<b>“Technical Consultant” or “AECOM”</b>	AECOM Infrastructure & Environment UK Limited
<b>“UK Listing Authority” or “UKLA”</b>	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>“uncertificated” or “uncertificated form”</b>	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“United States”, “United States of America” or “US”</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction
<b>“US Securities Act”</b>	the United States Securities Acts of 1933, as amended, and the rules and regulations promulgated thereunder
<b>“US\$” or “US dollar”</b>	the US dollar, the lawful currency from time to time of the United States
<b>“Whitewash”</b>	the approval of the Independent Atlantis Shareholders to waive their rights to receive a general offer from SIMEC under Rule 14 of the

	Singapore Code, as explained in sections A and B of Part X of this document
<b>“Whitewash Waiver Conditions”</b>	the conditions imposed by SIC for it to agree to waive the obligation for SIMEC to make a general offer that would otherwise arise on SIMEC as a result of the Acquisition, which are set out at section B of Part X of this document
<b>“Whitewash Resolution”</b>	Resolution 2 to be proposed at the General Meeting
<b>“Wyre Project”</b>	the Group’s prospective tidal barrage project in the Wyre Estuary in the UK described at paragraph 5 of Part XII of this document
<b>“£” or “Sterling”</b>	pounds sterling, the lawful currency from time to time of the United Kingdom

## PART XV

### GLOSSARY OF TECHNICAL TERMS

<b>“BAT”</b>	Best Available Technique
<b>“BREF”</b>	BAT Reference document
<b>“CfD”</b>	contracts for difference
<b>“CPI”</b>	Consumer Price Index
<b>“EPC”</b>	engineering, procurement and construction
<b>“EU ETS”</b>	EU Emissions Trading
<b>“FEED”</b>	front end engineering and design
<b>“FID”</b>	final investment decision
<b>“GWh”</b>	gigawatt hour
<b>“HSE”</b>	health, safety and environment
<b>“IED”</b>	Industrial Emissions Directive
<b>“IFRS”</b>	International Financial Reporting Standards as adopted by the EU
<b>“kg”</b>	kilogram
<b>“kV”</b>	kilovolt
<b>“Load Factor”</b>	actual output for a period divided by total output had the Power Station operated at full capacity for the same period expressed as a percentage
<b>“LHV”</b>	lower heating value
<b>“MJ”</b>	megajoule
<b>“MW”</b>	megawatts
<b>“MWh”</b>	megawatt hour
<b>“NGET”</b>	National Grid Electricity Transmission
<b>“O&amp;M”</b>	operation and maintenance
<b>“PPA”</b>	power purchase agreement
<b>“ROCs”</b>	Renewables Obligation Certificates
<b>“RTS”</b>	return to service
<b>“SDRT”</b>	Stamp Duty Reserve Tax
<b>“TEC”</b>	transmission entry capacity
<b>“TNP”</b>	Transitional National Plan

## NOTICE OF GENERAL MEETING

# ATLANTIS RESOURCES LIMITED

Notice is hereby given that a General Meeting of Atlantis Resources Limited (the **“Company”**) will be held at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA at 10.00 a.m. (London time) on 13 June 2018 to consider and, if thought fit, pass the following Resolutions of which Resolution 1 will be proposed as a Special Resolution and Resolution 2 will be proposed as an Ordinary Resolution.

### SPECIAL RESOLUTION

1. THAT:

- (a) the proposed acquisition of SIMEC Uskmouth Power Limited (**“Acquisition”**) on the terms and conditions set out in the sale and purchase agreement as summarised in the admission document in relation to the Company dated 21 May 2018 (**“Admission Document”**) of which this notice forms part, be and is hereby approved for the purposes of Rule 14 of the AIM Rules for Companies published by London Stock Exchange plc and the board of directors of the Company (or a duly constituted committee of the board), be and is hereby authorised to waive, amend, vary or extend any of the conditions and terms of the Acquisition and to do all such things as it may consider necessary or desirable to complete the Acquisition;
- (b) pursuant to Section 161 of the Singapore Companies Act (Chapter 50) (the **“Singapore Act”**) and, subject to the Singapore Act and the constitution of the Company (**“Constitution”**) as may be varied or imposed from time to time, and in addition to the existing authority to allot Equity Securities (as defined in Section 560(1) of the United Kingdom Companies Act 2006, as amended), granted to the Directors at the Annual General Meeting held on 29 June 2017, the Directors be and are hereby generally and unconditionally authorised for the purposes of Article 3.2 of the Constitution to exercise all the powers of the Company to allot and issue Equity Securities up to an aggregate number of 246,903,174 Ordinary Shares (the **“Allotment Amount”**) to such persons on such terms and conditions and with such rights and restrictions as they may think fit to impose during the period (unless revoked or varied by the Company in general meeting) commencing on the date of the passing of this Special Resolution and expiring on 31 December 2018 (the **“Allotment Period”**), save that the Directors may, before the expiry of such Allotment Period, make an offer or agreement which would or might require Equity Securities to be allotted after such expiry and, notwithstanding such expiry, the Directors may allot Equity Securities in pursuance of such offers or agreements;
- (c) in accordance with Article 6 of the Constitution, in addition to the authority to disapply pre-emption rights granted to the Directors at the Annual General Meeting held on 29 June 2017, the Directors be and are hereby authorised to allot and issue Equity Securities (as defined in Section 560(1) of the United Kingdom Companies Act 2006, as amended), pursuant to the authority conferred by paragraph (b) of this resolution and Section 161 of the Singapore Act and subject to the Singapore Act and the Constitution as may be varied or imposed from time to time, without first having offered such Equity Securities to existing Shareholders and holders of Depository Interests, provided that this power shall be limited to:
  - (i) the allotment of Equity Securities on a non pre-emptive basis, up to a maximum number of 152,642,330 Ordinary Shares, to SIMEC UK Energy Holdings Limited (**“SIMEC”**) or to such person or persons as SIMEC may direct as consideration for the transfer to the Company (or a subsidiary of the Company), of the entire issued share capital of SIMEC Uskmouth Power Limited;
  - (ii) the allotment of Equity Securities on a non pre-emptive basis for cash, pursuant to the placing of Ordinary Shares of the Company as described in the Admission Document (**“Placing”**), to such persons as the Directors may in their absolute discretion deem fit up to an aggregate number of 57,142,857 Ordinary Shares; and

- (iii) the allotment of Equity Securities on a non pre-emptive basis for cash pursuant to the issue of Ordinary Shares of the Company under the SIMEC Loan as described in the Admission Document up to an aggregate number of 37,117,987 Ordinary Shares,
- for a period (unless revoked or varied by the Company in general meeting) commencing on the date of the passing of this Resolution and expiring on 31 December 2018, save that the Directors may, before the expiry of such period, make an offer or agreement which would or might require such Equity Securities to be allotted after such expiry and, notwithstanding such expiry, the Directors may allot such Equity Securities in pursuance of any such offers or agreements; and
- (d) the name of the Company be changed to SIMEC Atlantis Energy Limited.

#### **ORDINARY RESOLUTION**

2. THAT contingent upon the passing of the Special Resolution in this Notice of General Meeting and subject to the conditions in the ruling from the SIC dated 14 March 2018 being fulfilled, the shareholders of the Company, save for any shareholders involved in, or interested in, the Acquisition, do hereby, on a poll taken, unconditionally and irrevocably waive their rights to receive a general offer from SIMEC and its concert parties at the highest price paid by SIMEC and its concert parties for the Ordinary Shares in the Company in the six months preceding the offer, in accordance with Rule 14 of the Singapore Code on Takeovers and Mergers, for all the Ordinary Shares in the Company not already owned by SIMEC and its concert parties, as a result of the allotment and issue of the Consideration Shares and the SIMEC Loan Completion Shares (each as defined in the Admission Document), giving SIMEC an aggregate interest in the Company following the Placing of 183,099,472 Ordinary Shares, being approximately 49.99 per cent. of the Enlarged Share Capital (as defined in the Admission Document).

By order of the Board

**Gwendolin Lee Soo Fern**  
*Company Secretary*

*Registered Office:*  
80 Raffles Place  
Level 36  
UOB Plaza 1  
Republic of Singapore  
04862

21 May 2018

Incorporated in the Republic of Singapore with registered number 200517551R

## IMPORTANT NOTES

The following notes explain the general rights of Shareholders and holders of Depositary Interests and the rights to attend and vote at the General Meeting or to appoint someone else to vote on their behalf.

### Holders of Ordinary Shares

1. A Shareholder is entitled to attend and vote at the General Meeting and is entitled to appoint not more than two proxies to exercise all or any of his or her rights to attend, speak and vote instead of him or her provided that each proxy is appointed to attend, speak and vote in respect of a different share or shares. If two proxies are appointed, only one, as determined by the Shareholder, shall be entitled to vote on a show of hands. A proxy need not be a Shareholder. A Shareholder may appoint the Chairman to vote, as directed by the Shareholder's voting instructions, or at the Chairman's discretion as he shall see fit if the Shareholder has expressly authorised the Chairman under the "Discretion to Chairman" option in the voting instructions. Appointing a proxy will not prevent a Shareholder from subsequently attending in person and voting at the General Meeting. If a share is held by joint Shareholders and more than one of the joint Shareholders votes (including by way of proxy), the only vote that will count is the vote of the person whose name is listed before the other joint holders on the register.
2. The appointment of a proxy, and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, should be lodged with PXS, Link Asset Services, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (by post or by hand) no later than 10.00 a.m. on 11 June 2018, or 48 hours before the time for holding any adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the General Meeting or adjourned meeting) for the taking of the poll at which it is to be used.
3. Only those Shareholders entered on the register as at close of business on 11 June 2018 (or, if the General Meeting is adjourned, 48 hours before the time fixed for the adjourned meeting) will be entitled to attend and vote at the General Meeting in respect of the number of shares registered in their names at that time. In each case, changes to entries on the register after such time shall be disregarded in determining the rights of any person to attend or vote at the General Meeting.

### Holders of Depositary Interests

4. By completing the enclosed Form of Direction, holders of Depositary Interests can instruct Link Market Services Trustees Limited (the "**Depositary**") to vote on their behalf at the General Meeting, either in person or by proxy. The Depositary will appoint the Chairman of the meeting as its proxy to cast the votes of Depositary Interest holders, as directed by each of the Depositary Interest holder's voting instructions, or at the Chairman's discretion as he thinks fit if a Depositary Interest holder has expressly authorised the Chairman under the "Discretion to Chairman" option in the voting instructions. Note that the Chairman will not be able to exercise his discretion automatically unless he has been expressly authorised to do so under the voting instructions. If the Form of Direction is completed without any indications as to how the Depositary should vote, the Depositary will abstain from voting the corresponding Depositary Interests in respect of the Resolutions to which there are no indications as to how the Depositary should vote. If the Depositary Interest holder wishes to instruct the Depositary to vote the Depositary Interests (other than electronically using CREST), it must lodge the completed Form of Direction with PXS, Link Asset Services, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (by post or by hand) during normal business hours no later than 10.00 a.m. on 8 June 2018 or 72 hours before the time for holding any adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the General Meeting or adjourned meeting) for the taking of the poll at which it is to be used.
5. Alternatively, Depositary Interest holders may instruct the Depositary how to vote by using the CREST electronic voting service. To instruct the Depositary how to vote or amend an instruction to vote via the CREST system, the CREST message must be received by Link Asset Services (CREST ID RA10) by 10.00 a.m. (London time) on 8 June 2018. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's Agent is able to retrieve the message.

CREST personal members or other CREST sponsored members, and those CREST members who have appointed voting service provider(s), should contact their CREST sponsor or voting service provider(s) for assistance. For further information on CREST procedures, limitations and system timings please refer to the CREST manual which is available from [www.Euroclear.com/CREST](http://www.Euroclear.com/CREST).

6. After the Depositary has received instructions on how to vote on the Resolutions from the Depositary Interest holders, it will complete a Form of Proxy reflecting such instructions and send the Form of Proxy to Link Asset Services in accordance with note 2 above.
7. If you hold your shares via the Depositary Interest arrangement and would like to attend the General Meeting, please contact the Depositary, contact details of which are set out in the Form of Direction.

### **Corporate representatives**

8. Any corporation which is a Shareholder can appoint a corporate representative who may exercise on its behalf all of its powers as a Shareholder, provided that no more than one corporate representative exercises powers over the same shares. Any written authorisation (together with the original or certified copy of any power of attorney or other power under which it is executed) must be lodged with PXS, Link Asset Services, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (by post or by hand) as soon as possible and, in any event, so as to arrive no later than 10.00 a.m. on 11 June 2018.

### **Attendance at the meeting**

9. To facilitate entry to the meeting, Shareholders are requested to bring with them the attendance card which is attached to the proxy card.
10. Shareholders should note that the doors to the General Meeting will be open at 10.00 a.m.
11. Mobile phones may not be used at the meeting venue, and cameras, tape or video recorders are not permitted at the meeting venue.

### **Questions**

12. Any Shareholder or holder of Depositary Interests attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

### **Website information**

13. A copy of this Notice of General Meeting can be found at [www.atlantisresourcesltd.com](http://www.atlantisresourcesltd.com).

### **Voting rights and results**

14. As at 16 May 2018 (being the last practicable date prior to the publication of this Notice of General Meeting), the Company's issued share capital consists of 125,956,617 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 16 May 2018 are 125,956,617.
15. As soon as practicable following the General Meeting, the results of the voting at the General Meeting and the numbers of proxy votes cast for and against and the number of votes withheld in respect of each of the Resolutions will be announced via a Regulatory Information Service and will also be placed on the Company's website at [www.atlantisresourcesltd.com](http://www.atlantisresourcesltd.com).



## DIRECTIONS TO THE GENERAL MEETING



Ashurst LLP  
Broadwalk House  
5 Appold Street  
London EC2A 2HA  
Tel: +44 (0)20 7638 1111

**By car:** Satellite navigation users, please use EC2A 2AG

**Nearest tube and mainline train station:** London Liverpool Street (5 minute walk)

**Airport Information:** London has five international airports:

*London Heathrow:* for travel from Heathrow to the office, you should take the Heathrow Express train to Paddington Station and then the underground or a taxi.

*London Gatwick:* for travel from Gatwick to the office, you should take the Gatwick Express train to Victoria Station and then the underground or a taxi.

*London Stansted:* for travel from Stansted to the office, you should take the Stansted Express train to Liverpool Street Station.

*London City:* for travel from City airport to the office, there is a bus service to Liverpool Street Station or take a taxi.

*London Luton:* for travel from Luton airport to the office, you should take the shuttle bus to the train station and then the Thameslink train to King's Cross, Farringdon or Moorgate.

**Note:** If you are travelling from Heathrow or Gatwick airports to the office, a taxi will cost up to £120 and take approx. an hour and a half depending on traffic. It is quicker and cheaper to catch the Express trains from the airports into the city and then take a taxi from the station once in central London.

