Update to Abundance Debenture holders

February 2023

Background

SIMEC Atlantis Energy (SAE), with the support of Abundance, successfully issued three 5-year debentures in 2017 - 2019 to raise money to allow the Company to progress the development of new, low carbon energy solutions. The three debentures are as follows:

Investment	Amount due for repayment	Maturity date
Atlantis Future Energy (AFE 2018)	£4,950,000	31 March 2023
Atlantis Ocean Energy (AOE 2017)	£4,970,000	30 June 2023
Atlantis Future Energy (AFE 2019)	£3,785,935	30 September 2024

Following our update to debenture holders in December 2022 the group has continued its journey to become a sustainable energy and battery storage developer whilst retaining key development and generation assets. We are pleased to report great progress in both our tidal and battery divisions.

- In 2023, Battery Energy Storage System (BESS) projects triggers the payment of a £4m from the development premium alongside additional revenue from the securitisation of the lease. SAE have appointed Gerald Eve as agents to monetise the lease and they are seeking offers in the region of £11.8 million.
- The development of Phase 2 of the MeyGen tidal array is well underway with a forecast of late 2024 to deliver the financing milestone.
- We expect to repay the first two debenture offers during 2023 (see below on timing).
- A new debenture offer will be launched in the middle of the year for those who would like to continue to support our development of more BESS and tidal stream.

With the maturity date of AFE 2018 approaching, and the maturity of AOE 2017 following 3 months after, we are updating all debenture holders with our plans for repayment. The income mentioned above will come in two amounts and will allow us to repay both investments in 2023. They will not however come before the repayment date for AFE 2018, and we may need more time to repay AOE 2017. We set out below in more detail the income we expect to receive and when, and what this means for the repayment of debentures.

BESS#1 Update and our upcoming request for some debenture holders

BESS#1, the 230MW battery project we are developing at our Uskmouth site, received planning permission from Newport City Council on 7th December 2022. This was a key milestone which significantly de-risked the project.

The option agreement for the lease of the land at Uskmouth runs until May 2023 before which we expect the company that owns the battery project, Uskmouth Energy Storage Limited, (UES), to enter the 30-year lease . This triggers the payment of a £4m development premium to us approximately 30 days later (please refer to the December 2022 business update to debenture holders for further details). We then plan to securitise the annual lease income which will deliver a lump sum payment and support the repayment of both the AFE 2018 and AOE 2017 debentures.

These updated timings mean that in the opinion of the SAE Board there is a significant risk that the development premium will not be received by 31st March 2023 and therefore, SAE will be unable to repay the AFE 2018 capital on 31st March. However, the SAE Board is confident that UES will enter the 30-year lease in due course which will allow SAE to repay all debenture holders in 2023 and 2024.

We are therefore requesting the following:

AFE 2018 Debenture holders – repayment due 31 March 2023
First, we will shortly ask AFE 2018 debenture holders to agree to defer the repayment date of the debenture principal of £4.97m until such time as the income from securitising the annual lease income is received. Although this income may land in Q2 2023, it may not be until Q3 2023. In recognition of the goodwill shown by debenture holders, and the increase in interest rates during the past 12 months, Atlantis Future Energy will offer an enhanced interest rate of 10% to accrue from 1st April 2023 for the duration of the extension period.

We will pay the interest due for this current cash return period on 31st March.

AOE 2017 Debenture holders – repayment due 30 June 2023
Secondly, we are advising AOE 2017 debenture holders that there may be a short delay repaying the debenture principal of £4.95m – no action is required by debenture holders at this stage but we will provide a further update to AOE 2017 debenture holders by 30th May 2023. Repayment is contingent upon UES entering the 30-year lease and SAE completing the securitisation of the lease income, which we hope to complete in Q2 2023 but may take longer. If we do require an extension, in recognition of the goodwill shown by debenture holders and the increase in interest rates during the past 12 months Atlantis Ocean Energy will offer an enhanced interest rate of 10% to accrue from 1st July 2023 for the duration of the extension period.

AFE 2019 Debenture holders – repayment due 30 September 2024
With the maturity date for these debentures still over 18 months away, we do not expect the delays to the income already described to affect our plans to repay these debentures on their maturity date.

Business Area Update

Tidal Business Area

MeyGen Phase 1
The MeyGen operating array continues to generate electricity consistently with turbine availabilities of more than 90%. The array is generating 1GWh of electricity per month from the three installed turbines and has become the first tidal stream array in the world to generate 50GWh of electricity, this is more than 50% of the total global generation from all other tidal stream devices. This is a significant milestone in delivering tidal stream power at scale.

The maintenance work and the installation of the wet mate system onto the fourth turbine continues, on schedule, and we expect the turbine to be deployed in H1 2023. The wet mate connection system more than halves the cost of future turbine recoveries and deployments and is a key strategic deliverable for the project. With the return to full power of the array, once the fourth turbine is deployed, the Phase 1 array is a fantastic demonstration of the predictability and capability of tidal technology, which supports our plans to deliver the Phase 2 project.

MeyGen Phase 2
In November 2022 MeyGen successfully secured a Contract for Difference (CfD) in the Allocation Round 4 which guarantees MeyGen Phase 2 a power price of £178.54 (£/MWh) for 15 years and will allow SAE to deliver 28MW of clean, predictable power. During the past four months, the project team has been working hard with our stakeholders to develop the project with the aim of raising project finance in 2024 followed by first generation in 2027. Three work packages, consenting, turbine supplier selection and financial are being progressed in parallel, each crucial to the delivery of the project.

MeyGen Subsequent Phases

The government will be announcing the structure of the forthcoming Contracts for Difference Round 5 and the size of each technology budget at the end of March. SAE has been making the case for a continuation of a ring-fenced budget for tidal stream and a higher budget than that received in the previous round. We believe this will maximise the opportunity to build a tidal array at scale at the MeyGen site, benefitting the environment, generating investment and jobs both locally and nationally, and delivering vital, secure electricity.

Battery Business Area

Battery Energy Storage Systems (BESS) have a key part to play in ensuring homes and businesses can be powered by green energy, even when the sun isn't shining, or the wind has stopped blowing. SAE has an aspiration to develop c.1GW of BESS project capacity at the Uskmouth site.

Uskmouth

Following the decision to halt the development of the Uskmouth Power Station conversion from coal to waste-derived fuel pellets SAE has identified and developed alternative opportunities for the site and the transformation into a sustainable energy park. The site has a number of valuable features, including favourable planning status, a significant and upgradeable connection to the UK National Grid, land, rail and port access, proximity to major commercial and industrial power users, and a nearby gas pipeline. A key component of the Sustainable Energy Park is the development of battery energy storage projects and the first is already underway. There are several BESS opportunities under consideration or development at the site, described below.

- Uskmouth Energy Storage Project Status;
    - 230MW Project entry to lease before May 2023
    - £4m from the development premium payment made upon signing of the lease
    - 30-year lease income to be securitised, revenue expected Q3 2023
    - SAE have appointed Gearld Eve as agents to monetise the lease and they are currently seeking offers in the region of £11.8 million.
    - Opportunity for expansion of this project by up to 100MW being explored. Project upsizing would result in further premium and lease monetisation.
- Future Opportunities
    - Planning is being sought for a 120MW project reusing the site of the Uskmouth cooling towers. Award expected Q1 2024
    - SAE are freehold owners of the Uskmouth Power Station estate which is adjacent to a major National Grid 275kV and 132kV transmission substation. Given the ample developable land within this freehold and the opportunity to access significant additional grid capacity our aspiration is for Uskmouth to be home to 1GW+ of BESS capacity before the turn of the decade.

Scotland

Given our experience of project development, the site and success with the BESS project at Uskmouth, we are looking at the opportunity to demonstrate tidal and battery working in harmony. This would see us develop BESS projects that could complement the tidal energy development at our MeyGen site. MeyGen PLC have a 237MW transmission connection agreement due for connection on 1st April 2027. There is a huge demand for a large scale BESS in the North of Scotland and SAE are actively developing this BESS project to be co-located with the tidal array. Combining the only predictable source of renewable power with proven, flexible storage will provide a model for future deployment and address some of the significant grid challenges the UK energy market currently faces.