

**ALPHA PROSPECTS PLC  
("Alpha" or the "Company")**

**Active Energy Trading Update**

Alpha Prospects Plc, the investment management company listed on the GXG Exchange, focussed on companies with fast growth and/or recovery prospects, is pleased to inform shareholders of an update issued by its investee company Active Energy Group Plc (AIM: AEG.L). The international supplier of industrial wood chip for MDF manufacturing, Biomass for Energy (BFE) fuel products, and forestry management and development services, provided the following trading update:

- \* Growth in Trading Volumes and Revenues,
- \* Improvements in Operating Efficiencies and Reporting Systems,
- \* Agreement on Improved Financing Terms

The three months ended 30th September 2014 (Q3:2014) was the first quarter in which the positive effects of the Group's restructuring and upgrading of its production facilities subsequent to the acquisition of Nikofeso Holdings Limited were fully reflected in its trading performance at the core business operating level - its wood chip division.

The Board therefore felt it relevant to brief shareholders on the material improvements in the gross margin performance in this area of the business, which it believes will result in a break-even result for the full year to 31 December 2014, despite the logistical difficulties caused by the conflict in the east of Ukraine during the period.

**Operational Highlights:**

- In Q3:2014 the Group produced and traded over 63,000 metric tonnes of wood chip (Q2:2014 54,802 metric tonnes; Q1:2014 46,013 metric tonnes), the bulk of which was shipped from Ukraine via the Black Sea to Turkish MDF manufacturers. This further demonstrates the Group's steady growth in production and trading volumes.
- The Board had anticipated significantly higher volumes in Q3:2014 and Q4: 2014, which would have resulted in its first profitable full year, but due to the cessation of coal and iron ore shipments from the east of the country, the Ukrainian government implemented an importation programme for the first time, which caused port delays for all exporters. This limited export and delivery volumes to well below target levels, which has inevitably resulted in lower revenues and profitability than would

otherwise have been achieved. The Board had hoped to make good this shortfall in December, however it now considers this unlikely.

- Relocation of the Ukrainian operations to a dedicated portside facility at Yuzhny Port on the Black Sea has been successfully completed, and the new high-volume wood chipping equipment purchased earlier in the year is now fully operational.
- There is continued strong demand from the Turkish MDF manufacturing sector for wood chip products, and the Board has decided to focus its production resources on this market for the foreseeable future, with new higher volume contracts expected to be concluded by year-end for 2015/2016, deliveries to be subject to logistics capabilities.
- The supply chain and production operations in Ukraine, which are located far from the conflict zone, remain largely unaffected by the political situation in the country. However, as mentioned above, port operations were impacted by the prioritisation of coal imports to ensure adequate fuel supplies for the winter months.
- The Group has improved its financial reporting systems, having appointed a Finance Director and new Financial Controller to oversee all finance functions in-house, whilst simultaneously reducing administration overheads.

#### Financial Highlights:

- Revenues in Q3:2014 increased to US\$6.93 million; demonstrating continued growth over previous periods (Q2:2014: US\$5.89 million; Q1:2014: US\$4.88 million); and a substantial advance over the same period in 2013 (Q3:2013 US\$5.3 million).
- Gross Margin per metric tonne in Q3:2014 was some 300% higher than in H1:2014; and Gross Margin on the Black Sea trading operations now exceeds US\$20 per metric tonne.
- Gross Margin in Q3:2014 was US\$1.15 million; a considerable improvement over the H1:2014 figure of circa US\$0.55 million.
- As a result, the business has almost reversed the Adjusted Operating Loss on continued operations in H1:2014 of circa US\$500,000, which the Board expects will enable its core operations to, for the first time, achieve a break-even result for the full year.
- It is important to note that the Group has renegotiated its financing costs from their current level of \$5.00 per metric tonne of delivered product to \$1.00 per metric tonne with effect from 1 March 2015.
- To minimise the impact of currency fluctuations and to clarify its actual financial position, the Board has, in consultation with its auditors, decided that in future the

Group's financial reporting will be made in US Dollars (US\$); as the majority of its costs and sales are denominated in US\$.

Commenting on the results, Active Energy Group Plc CEO Richard Spinks said:

"Whilst I am delighted to report that AEG's Q3:2014 trading performance and financial results are very encouraging, they remain modest in terms of our overall aspirations and have been impacted by events outside of our control. We have already fixed the Gross Margin position, and with improved lower financing costs in place from 1st March 2015, the additional benefits are obvious. That having been said, it is critical that we improve our volumes of shipments and we are actively working on achieving this, something that I am confident we will achieve in 2015. All else being equal, this bodes well for the Group's overall financial position.

The results in Q3:2014 demonstrate that our investment in upgrading our production facilities, and in reducing our administration overheads while improving our financial reporting systems, is already reaping benefits, and together with the other new business activities that we are undertaking, this augurs well for the future of our business. It should be noted that we are utilising the funds from our profitable Ukrainian operations to fund our continued investment in the Group's Canadian forestry joint venture, about which the Board remains very positive.

The appointment of Brian Evans-Jones as Finance Director on 1st October 2014 has further strengthened our financial management and reporting capabilities, and I thank him for all his efforts."

Active Energy Group Plc Finance Director, Brian Evans-Jones, further commented:

"I am pleased that my first communication with AEG's shareholders is to report the Group's first-ever quarterly operating profit.

This justifies the Board's decision to focus on our profitable Black Sea trading operations, and proves that the improvements across our entire operations, allied to the significant cost reductions that we have implemented, have taken the Group beyond that vital tipping point into profitability in the quarter and into 2015, subject only to volumes being maintained at least as they are today."

Company website: [www.active-energy.com](http://www.active-energy.com)

11th December 2014

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Editors' Note

About Alpha Prospects

The Company's strategy is to make investments in companies with fast growth and /or recovery prospects. Typically the companies in which Alpha Prospects will invest are in the small and micro-cap sector and the Company's interest in its investments is proactive. Currently Alpha has 8 investments.

The Directors are responsible for the contents of this announcement.