

ALPHA PROSPECTS LIMITED

Active Energy Update

Acquisition of 100% interest in all joint venture lumber activities at Lumberton

Alpha Prospects Limited, the investment management company 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.

“Active Energy, the London quoted international biomass based renewable energy business, is pleased to announce that further to the Company's announcement of 24 July 2019, it has entered into an agreement (the "Acquisition Agreement") with its joint venture partner Renewable Logistics Systems LLC ("RLS"), whereby AEG will secure 100% control and ownership of the saw mill and saw log export activities based at AEG's industrial site in Lumberton, North Carolina ("Lumberton") (the "Transaction"), which are currently operating through a joint venture.

Pursuant to the terms of the Acquisition Agreement, AEG will acquire control of the joint venture, Renewable Energy Systems, LLC ("RES") and then consolidate all the existing lumber activities at Lumberton through Active Energy Renewable Power LLC, ("AERP") a wholly owned subsidiary which was incorporated in North Carolina in October 2018.

Overview and Key Terms of the Acquisition Agreement:

- All assets (including existing customer contracts) previously associated with AEG's existing joint venture, including plant and equipment, inventory and goodwill will be transferred to AERP.
- As consideration, AEG and RLS have agreed for AEG to pay US\$350,000 for the outstanding equity interest in RES. This is being executed by the issuance to RLS of 64,863,412 new ordinary shares of 1p in AEG ("Ordinary Shares") at their nominal value of 1p per Ordinary Share on the closing date (the "Consideration Shares"). The total consideration is subject to certain closing adjustments including the provision of additional consideration of either cash or additional Ordinary Shares. This will be finalised by no later than the Transaction's Long Stop Date of 30 April 2020.
- All former joint venture arrangements between AEG and RLS, including the long-term lease agreement and the rental agreement, details of which were announced by AEG on 26 June 2019, will be cancelled resulting in a simplified corporate structure.

- A new service agreement for logistics services at Lumberton will be entered into between RLS and AERP for the remainder of 2020 with a revised agreement to be reached thereafter to ensure that RLS continues to handle the logistics at Lumberton for all lumber activities and forthcoming CoalSwitch™ and second generation biomass activities.
- Roger Richardson Jr, a director and shareholder of RLS will be appointed as Chief Operating Officer of AERP. Roger's future activities will be focused on management of the lumber facilities at Lumberton and on developing AERP's current and future customer relationships.

Active Energy CEO, Michael Rowan, said "I am delighted to announce this value accretive Transaction. AEG will become the 100% owner and operator of the existing sawmill and saw log export activities at Lumberton. The initial joint venture with RLS was an important milestone and with their invaluable assistance, operations have commenced at Lumberton. These existing operations are already generating revenues for AEG and with the team, headed by Roger Richardson Jr, we believe this Transaction will provide a solid foundation for the Group's future growth at Lumberton. The Transaction will further complement our existing CoalSwitch™ and black pellet fuel business activities, generating additional customer access and greater market presence in North Carolina to ensure AEG benefits from low cost feedstock within the region."

Background to the Transaction

The rationale for this Transaction is to improve overall efficiency at Lumberton so AEG can optimise existing revenue streams and enhance future profitability, thereby creating additional value for shareholders:

- Saw mill operations at Lumberton commenced in late 2019 and, in spite of the current market conditions, this activity continues to produce and sell rail ties and lumber. This business is currently operating on a single shift per day basis and AEG's Directors hope to move to a double shift operation as soon as practicable.
- Current sawmill activities focus on domestic sales to US customers both for rail ties and board feet and saw log exports to South East Asia have already commenced. In the short term, AEG intends to continue all lumber activities to accommodate customer demand. In the medium term, AEG intends to increase production and this is likely include additional capital expenditure including installing additional sawmill capacity, adjacent to the existing operations and the forthcoming CoalSwitch™ facility.
- All these activities generate low value waste products which will be utilised as feedstock for the production of CoalSwitch™ and other black pellet fuels and will be used in the 5 tonne per hour CoalSwitch™ plant, once it is operational. The use of

these waste feedstocks will help AEG in its goal to turn the Lumberton facility into a carbon neutral site for all lumber activities and biomass production facilities.

- The Transaction will improve operational efficiency within AEG as all accounting, contracting and commercial negotiations will now be handled through a single entity, AERP in North Carolina.

COVID-19

In light of ongoing COVID-19 pandemic, AEG's number one priority is the health and wellbeing of our employees and partners. The Company's Board would like to thank them for their unwavering support during these uncertain and unprecedented times. The Group continues to address the rapidly evolving COVID-19 pandemic to ensure the safety of AEG's employees and partners.

Related Party Transaction

Mr Antonio Esposito, the Company's Chief Operations Officer and Executive Director, is a former director of RLS. In addition, when aggregated with his wife's holding, Mr Esposito is the beneficial holder of more than 30% of the shares in RLS, with voting rights. As such, the Acquisition Agreement between AEG and RLS, constitutes a related party transaction in accordance with AIM Rule 13.

Michael Rowan, James Leahy, Max Aitken and James Zimmermann are considered to be independent Directors for these purposes and, having consulted with the Company's Nominated Adviser, consider the terms of the Acquisition Agreement to be fair and reasonable insofar as the Shareholders of AEG are concerned.

Furthermore, Antonio Esposito has been excluded from any of AEG's commercial negotiations with RLS and is precluded from voting on any matters relating to this Transaction.

Admission of Consideration Shares & Total Voting Rights

Application has been made for the Consideration Shares, which will rank *pari passu* with the existing Ordinary Shares, to be admitted to trading on AIM and it is expected that this will take place on or around 3 April 2020 ("Admission").

Following the Admission of the Consideration Shares, AEG will have 1,273,539,063 Ordinary Shares in issue which will also represent the total number of voting rights in the Company. This figure may therefore be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or

a change in their interest in, the share capital of the Company under the FCA's Disclosure and Transparency Rules.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.”

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31st March 2020

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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, mainly within the energy sector. Typically the companies in which Alpha Prospects will invest are in the small and micro-cap sector and the Company's approach is to be proactive. Currently Alpha has 11 investments.

www.alphaprosects.com

The Directors are responsible for the contents of this announcement.

Ends