

## **ALPHA PROSPECTS LIMITED**

### **Active Energy Update**

#### **Operational Update & £800,000 Fundraising**

##### ***Proceeds to accelerate lumber operations at Lumberton, North Carolina***

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 international biomass based renewable energy business, is pleased to announce that it has completed a fundraise of £800,000 (before expenses) through the subscription of convertible loan notes (the “CLNs”) by new US and existing European investors. The CLNs are being issued as part of the Company’s existing Series B CLN Instrument.

#### **Highlights:**

- £800,000 raised through the issuance of CLNs with the proceeds immediately deployed to accelerate the development of and increase production volumes at AEG’s Lumberton facility (“Lumberton”)
- Existing sawmill’s 2<sup>nd</sup> production shift to start mid-July
- Additional saw-log export contract signed with a new South East Asian customer
- New sales & commercial opportunities being presented to the Company at Lumberton

#### **Lumberton Operations Update**

Operations at Lumberton have been accelerating since the announcement of the completion of the merger of all lumber operating activities into Active Energy Renewable Power (“AERP”) in early April 2020. Through the activities of Renewable Logistics Systems (“RLS”), first revenues from lumber operations were achieved in Q4 2019. The recent consolidation of AERP as an operating subsidiary of AEG has helped to build a profitable business and as a result AERP is seeing increasing levels of interest from potential industry partners, both in the US and internationally.

During the last 60 days, sawmill operations have been operating consistently on a one shift basis with production already reaching 70-80% of the sawmill capacity. Current weekly production targets are in the range of 850-950 rail ties, 25,000-30,000 board feet of lumber, and sawmill chips and residuals in excess of 200 tons are being achieved.

The Board of Active Energy believes that now is an appropriate time to increase production further, in anticipation of the sawmill operating at full capacity in the coming weeks. The Company is already implementing changes, in terms of wood handling and equipment automation, which will further increase production beyond the established targets of a single shift, although this will be insufficient to accommodate demand.

Accordingly, the training of core personnel for a 2<sup>nd</sup> production shift is now in progress and additional hiring is planned for the end of June 2020. Considering the necessary time needed to increase the raw material inventory and train the personnel, the management is aiming to start the 2<sup>nd</sup>

production shift at the sawmill by the middle of July 2020, effectively enabling sales from the sawmill to double through Q3 2020.

In May 2020, in spite of the market turmoil caused by the COVID-19 pandemic, the Company commenced the export of pine saw-logs. The initial orders were of small size approximately 1,000 tonnes per month, of which 50% has been delivered to date. Nonetheless, AERP has been able to quickly establish itself in the marketplace.

Having fulfilled the initial orders, AERP has now signed a contract with a South East Asian customer for the delivery of pine saw-logs to the region and these deliveries have now commenced from Lumberton. Under the terms of this agreement, AERP is expected to ship up 8,000 tonnes per month from ports near Lumberton, namely the Port of Wilmington, NC and Intermodal Container Port of Dillon SC.

Active Energy is also considering other complementary opportunities related to the current lumber activities which are aimed at accelerating AERP's growth via both the expansion of the current operations coupled with new opportunities beyond Lumberton.

The increase in lumber activities is also allowing the Company to accrue additional feedstock for future CoalSwitch™ production. Preparation work toward the production and manufacture of biomass pelletised fuels utilising the existing CoalSwitch™ technologies is continuing while the Company awaits the outcome of the Permit award.

### **Terms of the CLNs**

The newly issued Series B CLNs will rank *pari passu* to the existing issued CLNs and have a conversion price of 1p each, a maturity date of 12 March 2022 and accrue interest at 8% per annum, payable quarterly in arrears. The CLNs are listed on the International Stock Exchange and it is expected that the proceeds will be received by the end of June 2020.

### **Use of Proceeds**

The net proceeds raised through CLNs will enable the Company to take advantage of the market opportunities available by increasing production capacity at Lumberton to meet current levels of demand with the introduction of a second shift and the ability to increase of the production volumes of saw-log exports. These funds will also provide AEG with additional working capital to deploy new personnel crews and equipment on site and to secure additional feedstock.

### **Michael Rowan, CEO, Active Energy Group, said:**

*"The Board is grateful for the ongoing support we have received from the holders of our convertible loan notes and also welcomes our new US investors. The Board believes that this is the opportune moment to be investing in our lumber activities at Lumberton and that it must increase production to meet current levels of demand. We are pleased to be announcing the next offtake agreement with and look forward to taking advantage of the market opportunities that are currently being presented to Active Energy.*

*I am excited by these recent developments as they have helped accelerate the expansion of our core activities at Lumberton. In addition, we are establishing the essential building blocks (namely establishing lumber supplies) for the commercialisation and full-scale production of our future CoalSwitch™ technology in due course."*

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

[www.aegplc.com](http://www.aegplc.com)

22<sup>nd</sup> June 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](http://www.alphaprosects.com)

The Directors are responsible for the contents of this announcement.

**Ends**