

THIS DOCUMENT, THE ACCOMPANYING FORM OF PROXY AND, IF APPROPRIATE, THE APPLICATION FORM ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and/or as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant, or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

If you sell or have sold or otherwise transferred all of your Existing Ordinary Shares in AFC Energy plc before the date that the Existing Ordinary Shares are marked "ex-entitlement" to the Open Offer by the London Stock Exchange, please immediately forward this document, together with the accompanying Application Form (if appropriate) and the Form of Proxy, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you sell or have sold or otherwise transferred only some of your holding of Existing Ordinary Shares you should retain this document and the accompanying Application Form and the Form of Proxy and should immediately contact your stockbroker, bank or other agent through whom the sale or transfer was effected. This document and any accompanying documents should not be sent or transmitted in or into any jurisdiction where to do so might constitute a violation of local securities law or regulations including, but not limited to, any Restricted Jurisdiction.

The total consideration under the Open Offer will be less than €5 million (or an equivalent amount) in aggregate and the Placing Shares shall only be available to qualified investors for the purposes of the Prospectus Rules or otherwise in circumstances not resulting in an offer of transferable securities to the public under section 102B of FSMA. Therefore, in accordance with section 85 and Schedule 11A of FSMA, this document is not, and is not required to be, a prospectus for the purposes of the Prospectus Rules and has not been prepared in accordance with the Prospectus Rules. Accordingly, this document is not a prospectus or a prospectus equivalent document and it has not been, and will not be, reviewed or approved by the Financial Conduct Authority of the United Kingdom, pursuant to sections 85 and 87 of FSMA, the London Stock Exchange, any securities commission or any other authority or regulatory body. In addition, this document does not constitute an admission document drawn up in accordance with the AIM Rules for Companies.

AFC ENERGY PLC

(incorporated in England and Wales with registered number 05668788)

**Proposed Placing of 30,000,000 New Ordinary Shares
at a price of 10 pence per share to raise approximately £3 million**

**Proposed Open Offer of up to 38,847,810 New Ordinary Shares at a price
of 10 pence per share to raise up to approximately £3.88 million**

and

Notice of General Meeting

Zeus Capital

Nominated Adviser and Joint Broker

Peat & Co

Joint Broker

You should read this document in its entirety, together with the Application Form (if applicable) and the Form of Proxy. Your attention is drawn to the letter from the Chairman of the Company which is set out in Part I of this document and, in particular, to paragraph 13 which contains the unanimous recommendation from the Directors that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting referred to below. Your attention is also drawn to the Risk Factors contained in Part II of this document and the additional information on the Company contained in Part V of this document.

The latest time and date for acceptance and payment in full under the Open Offer is 11.00 a.m. on 29 October 2014. The procedure for acceptance and payment is set out in Part IV of this document and, where relevant, in the Application Form. There is also a section on Questions and Answers about the Open Offer in Part III of this document.

Notice of General Meeting of AFC Energy to be held at 11.30 a.m. on 30 October 2014 at the Clarke Suite, Chelsea Football Club, Stamford Bridge, Fulham Road, London SW6 1HS is set out at the end of this document. A Form of Proxy for use in connection with this General Meeting is enclosed. To be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed thereon to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible but in any event so as to arrive not later than 11.30 a.m. on 28 October 2014, together with any power of attorney or other authority (or a notarially certified copy thereof) under which it is signed. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they wish to do so.

Zeus Capital Limited (“**Zeus Capital**”), which is authorised by the FCA, is acting solely for the Company and no-one else in connection with the Placing or the Open Offer (together, the “**Capital Raising**”) and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Capital Raising and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Capital Raising or any other matter referred to herein. Its responsibilities as the Company’s nominated adviser and joint broker under the AIM Rules for Companies and the AIM Rules for Nominated Advisers are owed to the London Stock Exchange and the Company and not to any other person including, without limitation, in respect of any decision to acquire New Ordinary Shares in reliance on any part of this document. Zeus Capital has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Zeus Capital nor does it make any representation or warranty, express or implied, for the accuracy or completeness of any information or opinion contained in this document or for the omission of any information. Nothing in this document shall be relied upon as a promise or representation in this respect, whether as to the past or the future (without limiting the statutory rights of any person to whom this document is issued). Zeus Capital expressly disclaims all and any responsibility or liability, whether arising in tort, contract or otherwise which it might otherwise have in respect of this document.

MC Peat & Co LLP (“**Peat**”), which is authorised by the FCA, is acting exclusively for the Company and no-one else in connection with the Capital Raising and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Capital Raising and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Capital Raising or any other matter referred to herein. Its responsibilities as joint broker to the Company are owed to the London Stock Exchange and the Company and not to any other person including, without limitation, in respect of any decision to acquire New Ordinary Shares in reliance on any part of this document. Peat has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Peat nor does it make any representation or warranty, express or implied, for the accuracy or completeness of any information or opinion contained in this document or for the omission of any information. Nothing in this document shall be relied upon as a promise or representation in this respect, whether as to the past or the future (without limiting the statutory rights of any person to whom this document is issued). Peat expressly disclaims all and any responsibility or liability, whether arising in tort, contract or otherwise which it might otherwise have in respect of this document.

The Existing Ordinary Shares are 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 United Kingdom 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. Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the New Ordinary Shares to be issued pursuant to the Placing and the Open Offer will commence at 8.00 a.m. on 31 October 2014.

Qualifying Non-CREST Shareholders will find an Application Form accompanying this document. Qualifying CREST Shareholders (none of whom will receive an Application Form) will receive a credit to their stock accounts in CREST in respect of the Open Offer Entitlements on 14 October 2014, which will be enabled for settlement at 8.00 a.m. on 14 October 2014. Applications under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim arising out of a sale or transfer of Existing Ordinary Shares prior to the date on which the Existing Ordinary Shares were marked “ex-entitlement”.

If the Open Offer Entitlements are for any reason not enabled on 8.00 a.m. 14 October 2014 or such later time as the Company may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements credited to its stock account in CREST. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST Sponsors regarding the action to be taken in connection with this document and the Open Offer. Applications for Excess Shares pursuant to the Excess Application Facility may be made by the Qualifying Shareholder provided that their Open Offer Entitlement has been taken up in full and subject to being scaled back in accordance with the provisions of this document.

Holdings of Existing Ordinary Shares in certificated and uncertificated forms will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer.

Whether or not you intend to be present at the General Meeting, please complete the Form of Proxy enclosed with this document in accordance with the instructions printed thereon and return it to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY by no later than 11.30 a.m. on 28 October 2014 in order for it to be valid. Completion and return of the Form of Proxy will not preclude you from attending and voting at the General Meeting should you wish to do so.

No reliance may, or should, be placed by any person for any purpose whatsoever on the information contained in this document or on its completeness, accuracy or fairness.

Copies of this document are available free of charge from the Company’s registered address at Finsgate, 5-7 Cranwood Street, London EC1V 9EE, and from the Company’s website, www.afcenergy.com.

Notice to Overseas Shareholders

None of this document and/or the accompanying documents should be distributed, forwarded, or transmitted in, or into, any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to the Restricted Jurisdictions. In addition, the transfer of Open Offer Entitlements or Excess Open Offer Entitlements through CREST in jurisdictions other than the UK, including the Restricted Jurisdictions, may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe

any of those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

This document does not constitute, and may not be used for the purposes of, any offer or invitation to sell or issue or the solicitation of any offer to purchase or subscribe for New Ordinary Shares to or by anyone in any jurisdiction in which such offer, invitation or solicitation is unlawful or to any person to whom it is unlawful to make such offer or invitation or undertake such solicitation.

This document and the Application Form are not being sent, and do not constitute an offer of the New Ordinary Shares to any person with a registered address, or who is resident or located, in any of the Restricted Jurisdictions.

None of the New Ordinary Shares, the Open Offer Entitlements or the Excess Open Offer Entitlements has been or will be registered under the Securities Act or under the applicable state securities laws of the United States or any other Restricted Jurisdiction. Subject to certain exceptions, the New Ordinary Shares, the Open Offer Entitlements and the Excess Open Offer Entitlements may not be offered, sold, taken up, delivered or transferred in or into any of the Restricted Jurisdictions. In particular, none of the New Ordinary Shares, the Open Offer Entitlements or the Excess Open Offer Entitlements may be, directly or indirectly, offered, sold, taken up, delivered, renounced or transferred in or into the United States, except pursuant to an applicable exemption 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 of the United States. There will be no public offering of any of the New Ordinary Shares, the Open Offer Entitlements or the Excess Open Offer Entitlements in the United States.

Neither the SEC nor any state securities commission or other US regulatory authority has approved or disapproved of the New Ordinary Shares, the Open Offer Entitlements or the Excess Open Offer Entitlements or endorsed the merits of the Capital Raising or the adequacy or accuracy of this document. Any representation to the contrary is a criminal offence in the United States.

In addition, subject to certain exceptions, Application Forms are not being posted to and no Open Offer Entitlements or the Excess Open Offer Entitlements will be credited to a stock account of any person in any of the Restricted Jurisdictions. The attention of Overseas Shareholders and other recipients of this document who are residents or citizens of any country other than the United Kingdom is drawn to the section entitled "Overseas Shareholders" at paragraph 6 of Part IV of this document. This document and the New Ordinary Shares may not be redistributed or forwarded, directly or indirectly, into any Restricted Jurisdiction.

Forward-looking statements

This document contains statements that are, or may be deemed to be, "forward-looking statements". In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "anticipates", "believes", "could", "envisages", "estimates", "expects", "intends", "may", "plans", "projects", "should", "will" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs and current expectations of the Company or the Directors concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth and strategies of the Company and the industry in which the Group operates.

By their nature, forward-looking statements involve 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 guarantees of future performance. The actual results, performance or achievements of the Company or developments in the industry in which the Group operates may differ materially from the future results, performance or achievements or industry developments expressed or implied by the forward-looking statements contained in this document.

The forward-looking statements contained in this document speak only as at the date of this document. The Company undertakes no obligation to update or revise publicly the forward-looking statements contained in this document to reflect any change in expectations or to reflect events or circumstances occurring or arising after the date of this document, except as required in order to comply with its legal and regulatory obligations (including under the AIM Rules for Companies).

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DIRECTORS AND ADVISERS

Directors

Tim Yeo (*Non-executive Chairman*)
Ian Williamson (*Chief Executive*)
Gene Lewis (*Technical Director*)
Christopher Tawney (*Finance Director*)
Adam Bond (*Non-executive Director*)
Mitchell Field (*Non-executive Director*)
Sir John Sunderland (*Non-executive Director*)
Eugene Shvidler (*Non-executive Director*)
Eugene Tenenbaum (*Non-executive Director*)

all of:

Finsgate
5-7 Cranwood Street
London
EC1V 9EE

Company Secretary

Christopher Tawney

Nominated Adviser and Joint Broker

Zeus Capital Limited
23 Berkeley Square
London
W1J 6HE

and

82 King Street
Manchester
M2 4WQ

Joint Broker

M C Peat & Co LLP
118 Piccadilly
London
W1 7NW

Solicitors to the Company

Eversheds LLP
One Wood Street
London
EC2V 7WS

Solicitors to Zeus Capital

Rosenblatt
9-13 St Andrew Street
London
EC4A 3AF

Financial PR

Luther Pendragon
Priory Court
Pilgrim Street
London
EC4V 6DR

Registrars and Receiving Agent

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZY

CAPITAL RAISING STATISTICS

Number of Existing Ordinary Shares in issue on the Record Date	223,374,907
Number of new Ordinary Shares to be issued pursuant to: ⁽¹⁾	
(a) the Placing	30,000,000
(b) issuance of the Lanstead Placing Shares	22,000,000
(c) issuance of the Lanstead Value Shares	1,100,000
(d) the Open Offer ⁽²⁾	Up to 38,847,810
Issue Price	10 pence
Basis of the Open Offer	4 Open Offer Shares for every 23 Existing Ordinary Shares
Enlarged Share Capital following completion of the Placing, the issuance of the Lanstead Placing Shares, the Lanstead Value Shares and the Open Offer ⁽³⁾	Up to 315,322,717
Percentage of the Enlarged Share Capital represented by the New Ordinary Shares ⁽³⁾	Up to 21.83%
Gross proceeds of the Placing	£3 million
Gross proceeds of the issuance of the Lanstead Placing Shares	£2.2 million
Gross proceeds of the Open Offer ⁽²⁾	Up to £3.88 million
Estimated net cash proceeds of the Placing and the Open Offer ⁽²⁾ receivable by the Company	Up to £6.61 million

(1) The issuance of the Lanstead Placing Shares is expected to take place prior to the General Meeting.

(2) Assuming that the Open Offer is fully subscribed.

(3) Assuming that the Open Offer is fully subscribed and no options or warrants are exercised prior to Admission.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2014

Record Date and time for entitlements under the Open Offer	6.00 p.m. on 10 October 2014
Existing Ordinary Shares marked 'ex' by the LSE	8.00 a.m. on 13 October 2014
Posting of the document, the Form of Proxy and Application Form (if applicable)	13 October 2014
Open Offer Entitlements credited to stock accounts in CREST of Qualifying CREST Shareholders	14 October 2014
Recommended latest time for requesting withdrawal of Open Offer Entitlements and Excess Open Offer Entitlements form CREST	4.30 p.m. on 23 October 2014
Latest time for depositing Open Offer Entitlements and Excess Open Offer Entitlements into CREST	3.00 p.m. on 24 October 2014
Latest time and date for splitting of Application Forms (to satisfy bona fide market claims only)	3.00 p.m. on 27 October 2014
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instruction (as appropriate)	11.00 a.m. on 29 October 2014
Latest time and date for receipt of Forms of Proxy	11.30 a.m. on 28 October 2014
General Meeting	11.30 a.m. on 30 October 2014
Results of Open Offer announced through RNS	30 October 2014
Admission and commencement of dealings in New Ordinary Shares	31 October 2014
Open Offer Shares to be held in uncertificated form credited to CREST stock accounts	31 October 2014
Despatch of definitive share certificates for New Ordinary Shares to be held in certificated form	Within ten days of Admission

If you have any questions on the procedure for acceptance and payment, you should contact Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, or by telephone on 0870 707 1302 from within the UK or on +44 870 707 1302 if calling from outside the UK. Calls to the 0870 707 1302 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that Computershare Investor Services PLC cannot provide financial advice on the merits of the Capital Raising or as to whether or not you should take up your entitlement.

The dates and times set out in the Expected Timetable of Principal Events above and mentioned throughout this document are based on the Company's current expectations and may be subject to change, in which event details of the new dates will be notified to AIM and, where appropriate, to Shareholders.

All references to times are to the time in London, England.

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise or unless defined in Part IV of this document for the purposes of that part only:

2006 Act	the Companies Act 2006 (as amended)
Admission	the admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules for Companies
AIM	a market operated by the London Stock Exchange
AIM Rules for Companies	the AIM rules for companies and guidance notes, as published and amended from time to time by the London Stock Exchange
AIM Rules for Nominated Advisers	the rules for nominated advisers to AIM companies, as published and amended from time to time by the London Stock Exchange
applicant	a Qualifying Shareholder or a person entitled by virtue of a <i>bona fide</i> market claim who lodges an Application Form in connection with the Open Offer
Application Form	the application form which accompanies this document to be used by Qualifying Non-CREST Shareholders in connection with the Open Offer
Articles	the articles of association of the Company as at the date of this document
Benchmark Price	13.33 pence per share
Board or Directors	the directors of the Company as at the date of this document, whose names are set out on page 12 of this document
Business Day	any day (other than a Saturday, Sunday or public holiday) on which commercial banks are open in London, UK for normal banking business
Capital Raising	the Placing and the Open Offer, taken together
Chlor-Alkali	a facility where chlorine and sodium or potassium hydroxide are produced as co-products and hydrogen is produced as a by-product in an electrolytic process
Company or AFC Energy	AFC Energy plc
Computershare or Registrars	Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY
CREST	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear in accordance with the CREST Regulations which facilitates the transfer of title to shares in uncertificated form
CREST member	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations)
CREST member account ID	the identification code or number attached to a member account in CREST
CREST participant	a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations)
CREST payment	shall have the meaning given in the CREST Manual issued by Euroclear

CREST Regulations	the Uncertificated Securities Regulations 2001 (SI2001/3755) (as amended)
CREST Sponsor	a CREST participant admitted to CREST as a CREST sponsor
CREST sponsored member	a CREST member admitted to CREST as a sponsored member (which includes all CREST personal members)
Enlarged Share Capital	the entire issued share capital of the Company immediately following Admission (assuming the Open Offer is fully subscribed)
Equity Swap Agreements	the equity swap agreements between Lanstead and the Company described in section 5.4 of Part V of this document
Euroclear	Euroclear UK & Ireland Limited, the operator of CREST
Excess Application Facility	the arrangement pursuant to which Qualifying Shareholders may apply for additional Open Offer Shares in excess of their Open Offer Entitlements in accordance with the terms and conditions of the Open Offer
Excess CREST Open Offer Entitlements	in respect of each Qualifying CREST Shareholder, the entitlement to apply for Open Offer Shares in addition to his Open Offer Entitlement credited to his stock account in CREST, pursuant to the Excess Application Facility, which is conditional on him taking up his Open Offer Entitlement in full and which may be subject to scaling back in accordance with the provisions of this document
Excess Open Offer Entitlement	in respect of each Qualifying Shareholder, the entitlement to apply for Open Offer Shares in addition to his Open Offer Entitlement pursuant to the Excess Application Facility, which is conditional on him taking up his Open Offer Entitlement in full and which may be subject to scaling back in accordance with the provisions of this document
Excess Shares	the Open Offer Shares for which Qualifying Shareholders may apply under the Excess Application Facility in addition to their Open Offer Entitlement
Ex-entitlement Date	the date on which the Existing Ordinary Shares are marked “ex” for entitlement under the Open Offer, being 13 October 2014
Existing Ordinary Shares	the 223,374,907 Ordinary Shares in issue on the date of this document
FCA	the Financial Conduct Authority of the United Kingdom
Form of Proxy	the form of proxy which accompanies this document for use in connection with the General Meeting
FSMA	the Financial Services and Markets Act 2000 (as amended)
General Meeting	the general meeting of the Company to be held at the Clarke Suite, Chelsea Football Club, Stamford Bridge, Fulham Road, London SW6 1HS at 11.30 a.m. on 30 October 2014 (or any adjournment thereof), notice of which is set out at the end of this document
Group	the Company and its subsidiaries and subsidiary and associated undertakings at the date of this document
HAZOP	Hazard and Operability Study
ISIN	International Securities Identification Number
Issue Price	10 pence per New Ordinary Share

London Stock Exchange	London Stock Exchange plc
Lanstead	Lanstead Capital LP
Lanstead Placing Agreement	the conditional agreement entered into between the Company, the Directors, Zeus Capital and Peat in respect of the Lanstead Placing Shares dated 13 October 2014, further details of which are contained in paragraph 10 of Part I of this document
Lanstead Placing Shares	the 22 million new Ordinary Shares to be placed at an issue price of 10 pence per share with Lanstead
Member Account ID	the identification code or number attached to any member account in CREST
Money Laundering Regulations	the Money Laundering Regulations 2007 (as amended) and obligations in connection with money laundering under the Criminal Justice Act 1993 and the Proceeds of Crime Act 2002
New Ordinary Shares	the Placing Shares and the Open Offer Shares, or any part thereof
Notice of General Meeting	the notice convening the General Meeting which is set out at the end of this document
Official List	the daily official list maintained by the FCA
Open Offer	the conditional invitation made to Qualifying Shareholders to apply to subscribe for the Open Offer Shares at the Issue Price on the terms and subject to the conditions set out in Part IV of this document and, where relevant, in the Application Form
Open Offer Entitlement	the entitlement for Qualifying Shareholders to subscribe for Open Offer Shares on the basis set out in this document allocated to Qualifying Shareholders on the Record Date pursuant to the Open Offer
Open Offer Shares	up to 38,847,810 New Ordinary Shares being made available to Qualifying Shareholders pursuant to the Open Offer
Ordinary Shares	the ordinary shares of 0.1 pence each in the capital of the Company
Overseas Shareholder	a Shareholder who is resident, or who is a citizen of, or who has a registered address in a jurisdiction outside the United Kingdom
Participant ID	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
Peat	M C Peat & Co LLP, the Company's joint broker
Placees	the persons who have conditionally agreed to subscribe for the Placing Shares
Placing	the conditional placing of the Placing Shares, otherwise than on a pre-emptive basis, at the Issue Price by Zeus Capital and Peat, as described in this document
Placing and Open Offer Agreement	the conditional agreement entered into between the Company, the Directors, Zeus Capital and Peat in respect of the Placing and the Open Offer dated 13 October 2014, further details of which are contained in paragraph 10 of Part I of this document
Placing Shares	the 30,000,000 New Ordinary Shares to be issued pursuant to the Placing which have conditionally been placed firm with institutional and other investors by Zeus Capital and Peat

Prospectus Rules	the rules made by the UK Listing Authority under Part VI of FSMA in relation to transferable securities to the public and admission of transferable securities to trading on a regulated market
Qualifying CREST Shareholders	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company at the close of business on the Record Date were held in a CREST account (but excluding any Overseas Shareholders who are resident in, or who are citizens of, or who have a registered address in a Restricted Jurisdiction)
Qualifying Non-CREST Shareholders	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company at the close of business on the Record Date were held in certificated form (but excluding any Overseas Shareholders who are resident in, or who are citizens of, or who have a registered address in a Restricted Jurisdiction)
Qualifying Shareholders	holders of Existing Ordinary Shares on the register of members of the Company at the Record Date (but excluding any Overseas Shareholders who are resident in, or who are citizens of, or who have a registered address in a Restricted Jurisdiction)
Record Date	6.00 p.m. on 10 October 2014
Receiving Agents	Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH, registrars to the Company and receiving agents in connection with the Open Offer
Regulatory Information Service	has the meaning given in the AIM Rules for Companies
Resolutions	the resolutions to be proposed at the General Meeting, as set out in the Notice of General Meeting
Restricted Jurisdiction	each and any of the United States of America, Australia, Canada, Japan, New Zealand, Russia, the Republic of Ireland and the Republic of South Africa and any other jurisdiction where extension or availability of the Placing and/or the Open Offer would breach any applicable law or regulations
SEC	the US Securities Exchange Commission
Securities Act	US Securities Act of 1933 (as amended)
Shareholders	the holders of Existing Ordinary Shares
sterling, pounds sterling, £, pence or p	the lawful currency of the United Kingdom
stock account	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited
UK Listing Authority	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
US Person	a US person as defined in Regulation S promulgated under the Securities Act
Zeus Capital	Zeus Capital Limited, the Company's Nominated Adviser and joint broker

PART I: LETTER FROM THE CHAIRMAN

AFC ENERGY PLC

(incorporated in England and Wales with registered number 05668788)

Directors:

Tim Yeo (*Non-executive Chairman*)
Ian Williamson (*Chief Executive*)
Gene Lewis (*Technical Director*)
Christopher Tawney (*Finance Director*)
Adam Bond (*Non-executive Director*)
Mitchell Field (*Non-executive Director*)
Sir John Sunderland (*Non-executive Director*)
Eugene Shvidler (*Non-executive Director*)
Eugene Tenenbaum (*Non-executive Director*)

Registered Office:

Finsgate
5-7 Cranwood Street
London
EC1V 9EE

13 October 2014

Dear Shareholder,

Proposed Placing of 30,000,000 New Ordinary Shares at a price of 10 pence per share to raise approximately £3 million

Proposed Open Offer of up to 38,847,810 New Ordinary Shares at a price of 10 pence per share to raise up to approximately £3.88 million in aggregate

and

Notice of General Meeting

1. Introduction and summary

On 8 October 2014, your board announced that it had provisionally arranged a funding package with a maximum aggregate value of £9 million (before expenses). This comprises of a Placing of 30,000,000 Placing Shares at 10 pence per share with institutional and other investors and an additional placing 22 million new Ordinary Shares at 10 pence per share with Lanstead, the latter being for an aggregate consideration of £2.2 million.

In addition, on 10 October 2014 the Company has entered into equity swap agreements with Lanstead which will allow the Company to retain much of the economic interest in the Lanstead Placing Shares. The Equity Swap Agreements will enable the Company to secure much of the potential upside of future potential share price appreciation arising from the Company's development. The Company has agreed to make a value payment to Lanstead of the Lanstead Value Shares (as so defined in paragraph 5.3 of Part V of the Circular) in consideration for the Equity Swap Agreements.

The Equity Swap Agreements will provide that the Company's economic interest will be determined and payable in 18 monthly settlement tranches as measured against a benchmark price of 13.33 pence per share. If the measured share price exceeds the Benchmark Price, for that month, the Company will receive more than 100 per cent. of the monthly settlement due on a *pro rata* basis. There is no upper limit placed on the additional proceeds receivable by the Company as part of the monthly settlements. Should the measured share price be below the Benchmark Price, the Company will receive less than 100 per cent of the expected monthly settlement on a *pro rata* basis. Of the aggregate proceeds of £2.2 million (before expenses) from the issue of the Lanstead Placing Shares, the Company will use approximately £330,000 (15 per cent.) for investment in its continuing operations and £1.87 million (85 per cent.) for investment in the Equity Swap Agreements as described above. In no event would a decline in the Company's share price result in any increase in the number of Ordinary Shares received by Lanstead or any other advantage accruing to Lanstead.

The Directors intend to issue the Lanstead Placing Shares and the Lanstead Value Shares pursuant to their existing authorities to allot shares which were granted to the Directors at the Company's last annual general

meeting. The issuance of the Lanstead Placing Shares and the Lanstead Value Shares will not therefore be subject to Shareholder approval and it is anticipated that the Lanstead Placing Shares and the Lanstead Value Shares will be admitted to trading before the General Meeting.

In addition, the Company announced that up to a maximum of £3.88 million would be raised by way of the Open Offer to be made to Qualifying Shareholders of up to 38,847,810 Open Offer Shares. The Open Offer is being conducted on the basis of 4 Open Offer Shares at a price of 10 pence per share for each 23 Existing Ordinary Shares held as at the Record Date of 10 October 2014.

In addition the Excess Application Facility will allow excess applications for the Open Offer Shares over and above Qualifying Shareholders' Open Offer Entitlements to be accepted from such holders to the extent that other Qualifying Shareholders do not take up their full Open Offer Entitlements.

The Open Offer is not underwritten.

As the allotment and issue of the New Ordinary Shares will exceed the existing authorities to allot shares for cash on a non pre-emptive basis, the General Meeting is being convened to seek Shareholders' approval to grant new authorities to enable the Directors, *inter alia*, to complete the Placing and the Open Offer.

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. The New Ordinary Shares are expected to be admitted to AIM and commence trading at 8.00 a.m. on 31 October 2014.

Each of the Placing and the Open Offer are conditional upon, *inter alia*, the approval by Shareholders of Resolution 1 which will be sought at the General Meeting to be held at 11.30 a.m. on 30 October 2014, notice of which is set out at the end of this document. If this Resolution is not passed at the General Meeting, the Capital Raising as currently envisaged will not proceed.

The purpose of this letter is to explain to Shareholders the background to, and reasons for, the Capital Raising. To enable the Company, *inter alia*, to implement the Placing and the Open Offer, the Company is seeking the approval by Shareholders of Resolution 1 of the Resolutions which are to be put to the General Meeting of the Company to be held at the Clarke Suite, Chelsea Football Club, Stamford Bridge, Fulham Road, London SW6 1HS at 11.30 a.m. on 30 October 2014. The Notice convening the General Meeting is set out at the end of this document and a Form of Proxy is also enclosed for you to complete. This letter includes an explanation of the Resolutions.

2. Background to and reasons for the Capital Raising

AFC Energy has made considerable technical progress in the development of its fuel cell in the last two years. The key developments can be summarised as follows:

- in September 2012 the Company opened its pilot production plant for in-house production of up to 20,000 fuel cell electrodes per annum;
- in July 2013 the Company extended the electrode life in its laboratory to over twelve months; and
- the Company has subsequently migrated its Beta+ test system into its first commercial operating system ("**Kore**"), which is due to be installed and tested at Stade, Germany in 2015 as part of the "Power Up" project.

Throughout this period, the Company's progress has been aided by associating itself with and engaging global partners, as follows:

- Akzo Nobel N.V. – the Company has utilised their Chlor-Alkali facility at Bitterfeld, Germany for testing its systems in an industrial setting;
- Air Products Inc. – the Company's partner for its Power Up project; and
- Foster Wheeler AG – undertook the HAZOP review of AFC Energy's Kore system.

The Company has also pursued patent protection diligently since inception. The Company's patents demonstrate the novelty and uniqueness of the Company's fuel cell system as a whole. To date AFC Energy has 30 patent families with further growth expected by the Directors as it refines and optimises its offering.

In tandem with its technological progress, the Company has increasingly pursued the development of a commercial pipeline:

- in November 2013, under the Fuel Cells and Hydrogen Joint Undertaking (“**FCH-JU**”), through the EU’s Seventh Framework Programme (FP7), the Company and its partners were awarded a European Union grant of up to €6.1 million (£4.9 million) for the installation of the world’s largest alkaline fuel cell energy generation system at a Chlor-Alkali chemical plant in Essex, UK. AFC Energy’s partner in this project was subsequently changed to Air Products and the project – Power Up – was moved to Stade in Germany;
- in April 2013, under the same EU aegis, the Company and its partners were awarded a European Union grant of up to €1.96 million (£1.53 million) for the launch of its Alkammonia project to develop ammonia fed alkaline fuel cell systems;
- in February 2014 the Company signed a non-binding memorandum of understanding with Allied New Technologies Inc., a US chemicals manufacturer, to undertake a feasibility study for a fuel cell system to generate clean energy from surplus hydrogen produced at Allied’s plant in Florida;
- in April 2014, the Company announced that the first order for its Beta+ fuel cell test system from AIM-listed PowerHouse Energy Group plc for a sum of £150,000;
- in July 2014, the Company signed a memorandum of understanding with Chang Shin Chemical Co., Ltd a leading South Korean hydrogen supplier, for multiple fuel cell systems with a total potential generating capacity of up to 5MW. This is the first commercial agreement signed by the Company in South Korea, one of the world’s fastest growing markets for large scale, stationary fuel cell power generating systems; and
- also in July 2014, the Company announced that it has entered into a heads of agreement with Daniel Inc., a fuel cell focused power plant owner and development company in South Korea, for an initial 1MW fuel cell system with a follow-on option for a further 3MW project making a total potential sales value of approximately \$15 million.

Since its inception, AFC Energy has utilised under £29 million of equity funding through a combination of cost control and grant-based funding for certain projects in order to minimize annual cash burn. Whilst its production costs are being reduced, the Directors believe that the output will increase year on year as the Company now has a significant global prospect list in a growing market and is in the process of closing its first commercial deals. Accordingly, funding is being sought to scale up output and finalise the delivery of product to market. Further details of the proposed use of the proceeds of the Capital Raising are set out in paragraph 5 of this Part I.

3. Current trading and prospects

The Company continues to make strong progress in optimising the operation and automation of production of its fuel cells, whilst also preparing for the deployment of its initial KORE system via the EU funded Power-Up Programme to a site in northern Germany. This is expected to take place in mid-2015 and the Company has engaged a global project management services provider to deliver the planning, permitting and construction phase of the project. The clearing of the Stade site was completed in July 2014 and applications for planning permission and operation have been submitted.

AFC Energy will continue to seek to identify and obtain appropriate grants and financial support to allow it to maximise the use of its capital reserves.

Commercially the Company continues to hold discussions with a number of potential end users for its fuel cell technology, including several Korean companies and chlor-alkali facilities based in the United States and around the world. The Company appointed Foster Wheeler to carry out a feasibility study to consider the technical and financial viability of installing an AFC fuel cell system in the US at a site operated by Allied New Technologies in Florida. Having considered the findings, the Company is confident that such companies represent an attractive opportunity for its technology. In order for the Company to capitalise on this market, AFC Energy intends to establish a US presence by the end of this year.

4. Details of the Placing and the Open Offer

4.1 Details of the Placing

Zeus Capital and Peat have jointly raised approximately £3 million (before expenses) for the Company by way of a conditional placing of 30,000,000 Placing Shares at 10 pence per Placing Share with institutional and other investors and which, for the avoidance of doubt, are separate from the Lanstead Placing Shares.

The Issue Price of 10 pence is equal to the middle market closing price of the Company's shares on 10 October 2014 (being the latest practicable date before publication of this document).

The Placing is conditional upon, *inter alia*, the passing of Resolution 1 at the General Meeting and the Placing and Open Offer Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms prior to Admission.

The Placing Shares will, upon issue, rank *pari passu* with the Open Offer Shares and the Existing Ordinary Shares.

Further details of the Placing and Open Offer Agreement can be found in section 10 of this Part I.

4.2 Principal terms of the Open Offer

Subject to the fulfilment of the conditions set out below and in Part IV of this document, Qualifying Shareholders are being given the opportunity to subscribe for the Open Offer Shares at a price of 10 pence per Open Offer Share, pro rata to their holdings of Existing Ordinary Shares on the Record Date on the basis of:

4 Open Offer Shares for every 23 Existing Ordinary Shares

Open Offer Entitlements will be rounded down to the nearest whole number of Open Offer Shares.

Qualifying Shareholders are also being given the opportunity, provided that they take up their Open Offer Entitlements in full, to apply for Excess Shares through the Excess Application Facility.

The Open Offer Shares will be allotted and issued following and conditional upon, *inter alia*, the passing of Resolution 1 at the General Meeting and the Placing and Open Offer Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms prior to Admission.

The Open Offer is not underwritten.

Assuming full take-up under the Open Offer, the issue of the Open Offer Shares will raise further gross proceeds of approximately £3.88 million for the Company.

The Open Offer Shares will, upon issue, rank *pari passu* with the Placing Shares and the Existing Ordinary Shares.

Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating the Open Offer Entitlements.

It should be noted that the Open Offer is not a rights issue. Accordingly, the Application Form is not a document of title and cannot be traded. Any Open Offer Shares not applied for under the Open Offer will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not take up their rights to subscribe under the Open Offer.

4.3 Excess Application Facility

The Excess Application Facility will enable Qualifying Shareholders, provided that they take up their Open Offer Entitlement in full, to apply for Excess Shares.

Qualifying Non-CREST Shareholders who wish to apply to acquire more than their Open Offer Entitlements should complete the relevant sections of the Application Form. Qualifying CREST Shareholders will have Excess CREST Open Offer Entitlements credited to their stock account in CREST and should refer to paragraph 3.1(f) of Part IV of this document for information on how to apply for Excess Shares pursuant to the Excess Application Facility. Open Offer Shares will be available to satisfy Excess Open Offer Entitlements only and to the extent that applications by other Qualifying Shareholders are not made or are made for less than their Open Offer Entitlements. Once applications by Qualifying Shareholders for their respective Open Offer Entitlements have been satisfied, the Company shall, in its absolute discretion, determine whether to meet any applications under the Excess Application Facility in full or in part and no assurance can be given that applications by Qualifying Shareholders under the Excess Application Facility will be met in full, in part or at all.

Application will be made for the Open Offer Entitlements and Excess Open Offer Entitlements in respect of Qualifying CREST Shareholders to be admitted to CREST. It is expected that such Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST at 8.00 a.m. on 14 October 2014. Such Open Offer Entitlements and Excess Open Offer Entitlements will also be enabled for settlement in CREST at 8.00 a.m. on 14 October 2014. Applications through the means of the CREST system may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim.

Qualifying Non-CREST Shareholders will receive an Application Form with this document which sets out their entitlement to Open Offer Shares as shown by the number of Open Offer Entitlements allocated to them. Qualifying Non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded.

Qualifying CREST Shareholders will receive a credit to their appropriate stock accounts in CREST in respect of their Open Offer Entitlements as soon as possible after 8.00 a.m. on 14 October 2014. Qualifying CREST Shareholders should note that although the Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim.

If applications are made for less than all of the Open Offer Shares available, then the lower number of Open Offer Shares will be issued and any outstanding Open Offer Entitlements will lapse.

Further information on the Open Offer and the terms and conditions on which it is made, including the procedure for application and payment, are set out in Part IV of this document.

For Qualifying Non-CREST Shareholders, completed Application Forms, accompanied by full payment, should be returned by post or by hand (during normal business hours only) to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH so as to arrive as soon as possible and in any event so as to be received no later than 11.00 a.m. on 29 October 2014. For Qualifying CREST Shareholders the relevant CREST instructions must have been settled as explained in this document by no later than 11.00 a.m. on 29 October 2014.

4.4 **Conditions and other information relating to the Capital Raising**

The Placing and the Open Offer are both conditional, *inter alia*, upon:

- (a) the passing of Resolution 1 at the General Meeting; and
- (b) the Placing and Open Offer Agreement becoming unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms prior to Admission.

The Open Offer is also conditional upon:

- (a) the Placing having become unconditional in all respects (save for the condition relating to Admission); and
- (b) Admission of the New Ordinary Shares becoming effective by no later than 8.00 a.m. on 31 October 2014 (or such later time and/or date as Zeus Capital and Peat may agree, being not later than 30 November 2014).

The Placing is conditional upon Admission of the Placing Shares becoming effective by not later than 8.00 a.m. on 31 October 2014 (or such later time and/or date as Zeus Capital and Peat may agree, being not later than 30 November 2014).

Accordingly, if such conditions are not satisfied, or, if applicable, waived, the respective part or parts of the Capital Raising will not proceed. If the Open Offer does not proceed, any applications made by Qualifying Shareholders will be rejected and application monies will be returned without payment of interest as soon as practicable.

A summary of the principal terms of the Placing and Open Offer Agreement is set out in section 10 of this Part I.

The Capital Raising will result in the issue of 68,847,810 New Ordinary Shares in total, assuming full take up under the Open Offer (representing, in aggregate, approximately 21.83 per cent. of the Enlarged Share Capital, assuming full take up under the Open Offer). The New Ordinary Shares will be issued credited as fully paid, and will rank *pari passu* in all respects with the Existing Ordinary Shares and therefore rank equally for all dividends or other distributions declared, made or paid after the date of issue of the New Ordinary Shares. No temporary documents of title will be issued.

Following the issue of the New Ordinary Shares pursuant to the Capital Raising (and assuming that the Open Offer is taken up in full), Qualifying Shareholders who take up their full Open Offer Entitlements (excluding, for the avoidance of doubt, any New Ordinary Shares acquired through the Excess Application Facility) in respect of the Open Offer will undergo a dilution of up to 16.55 per cent. to their interests in the Company because of the Placing. Qualifying Shareholders who do not take up any of their Open Offer Entitlements in respect of the Open Offer will experience a more substantial dilution to their interests in the Company because of the Capital Raising.

5. Use of proceeds

The Company considers the principal areas of focus, in relation to which it proposes to utilise the proceeds of the Capital Raising, to be:

- the delivery of the Power Up commercial demonstration by mid 2015;
- the full automation of production with a doubling of the speed of electrode production and a doubling of fuel cell production output in the next 6 months;
- establishing a US presence by the end of 2014 and rapidly developing and delivering initial US market opportunities;
- continuing the delivery of initial commercial opportunities; and
- undertaking an independent review of the Company's structure.

6. Directors' participation in the Placing

The Directors listed in the table below have conditionally agreed to subscribe for a total of £78,500 in the Placing, representing 785,000 New Ordinary Shares, in the amounts set out next to their names.

	<i>No. of Ordinary Shares</i>
Tim Yeo	100,000
Ian Williamson	50,000
Christopher Tawney	50,000
Gene Lewis*	35,000
Mitchell Field	500,000
Sir John Sunderland	50,000

* Gene Lewis' participation in the Placing was funded in part by the withdrawal of certain funds retained in the Company's SAYE scheme. As a result, certain share options granted under that scheme have been cancelled. Further details of Directors holding share options are set out in section 3.3 of Part V of this document.

Further details of the Directors' interests in the share capital of the Company are set out in paragraph 3.2 of Part V of the Circular.

In addition, the major Shareholders listed in the table below conditionally agreed to subscribe for a total of 1,519,000 in the Placing, representing 15,190,000 New Ordinary Shares, in the amounts set out next to their names.

	<i>No. of Ordinary Shares</i>
Ervington Investments Ltd	13,190,000
Age of Reason	2,000,000

Further details of the major Shareholders' interests in the share capital of the Company are set out in paragraph 4 of Part V of the Circular.

7. General Meeting

A notice convening the General Meeting of the Company, to be held at the Clarke Suite, Chelsea Football Club, Stamford Bridge, Fulham Road, London SW6 1HS at 11.30 a.m. on 30 October 2014 is set out at the end of this document. The General Meeting will be held to consider and, if thought appropriate, pass the Resolutions summarised below.

Shareholders should be aware that if Resolution 1 is not approved by Shareholders at the General Meeting, the Capital Raising will not proceed as currently envisaged. The anticipated net proceeds of the Capital Raising will not become available to fund the proposed upcoming expenditure and achieve the objectives set by the Board. Accordingly, the Company's business plans and growth prospects may be materially adversely affected as a result.

It is therefore important that Shareholders vote in favour of Resolution 1, in order that the Capital Raising can proceed.

Resolution 1

Resolution 1 will be proposed as a special resolution of the Company. The Directors will be seeking authority to (i) allot up to 68,847,810 New Ordinary Shares pursuant to section 551 of the 2006 Act, being up to an aggregate nominal amount of £68,847.81; and (ii) disapply the statutory pre-emption rights contained in section 561(1) of the 2006 Act in respect of the allotment for cash of up to 68,847,810 New Ordinary Shares with an aggregate nominal amount of up to £68,847.81.

The authority and disapplication will be limited to the allotment of New Ordinary Shares pursuant to the Placing and the Open Offer and both will expire on the date of the next annual general meeting of the Company to be held in 2015 or, if earlier, on 30 April 2015.

Resolution 2

Resolution 2 will be proposed as an ordinary resolution of the Company. It is conditional on the Placing and Open Offer Agreement becoming wholly unconditional. This resolution is proposed to enable the Directors to allot further equity securities up to an aggregate nominal amount of £118,209.09 (such amount equating to 40 per cent. of the aggregate nominal value of the Enlarged Share Capital, assuming full take-up of the Open Offer).

This amount is beneath the ABI Guidelines which recommend that the directors' authority to allot share capital be limited to a sum equal to two-thirds of the issued ordinary share capital on condition that half of this amount (representing one third of the Enlarged Share Capital, assuming full take-up of the Open Offer) can only be allotted pursuant to a fully pre-emptive rights issue.

This authority will expire at the conclusion of the next annual general meeting of the Company to be held in 2015 or, if earlier, on 30 April 2015.

Resolution 3

The provisions of section 561(1) of the 2006 Act, to the extent that they are not disapplied, confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be paid up, wholly in cash. It is proposed that the level of the general disapplication of statutory pre-emption

rights previously available to the Directors (approximately 20 per cent. of the Company's existing issued share capital) be maintained following the Open Offer.

Resolution 3 will be proposed as a special resolution of the Company. The Directors will be seeking authority to allot equity securities for cash subject to statutory pre-emption rights in favour of Shareholders and to disapply statutory pre-emption rights on the allotment of a limited number of those equity securities. In the light of the ABI Guidelines described in connection with Resolution 2 above, this authority will permit the Directors to:

- (i) allot shares up to approximately four tenths of the Company's issued ordinary share capital on a pre-emptive offer to existing shareholders (subject to such adjustments or exclusions as are described in the Notice of General Meeting);
- (ii) grant or issue and allot up to 2,500,000 equity securities pursuant to the Company's EMI and/or SAYE share option schemes; and
- (iii) allot shares up to a maximum nominal amount of £59,104.54 such amount equating to 20 per cent. of the aggregate nominal value of the Enlarged Share Capital (assuming full take-up of the Open Offer).

The authorities under Resolutions 2 and 3 will not come into effect unless the Placing and Open Offer Agreement becomes wholly unconditional. If the Placing and Open Offer Agreement does not become wholly unconditional, the subsisting authorities granted at the last annual general meeting of the Company held on 4 April 2014 will continue.

8. Action to be taken

8.1 General Meeting

A Form of Proxy for use in connection with the General Meeting is enclosed within this document. Whether or not you intend to be present at the General Meeting, you are requested to complete, sign and return a Form of Proxy in accordance with the instructions printed thereon so as to be received by Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible and, in any event, not later than 11.30 a.m. on 28 October 2014. Completion and return of the Form of Proxy will not affect Shareholders' right to attend and vote in person at the General Meeting if they so wish.

In the case of non-registered Shareholders who receive these materials through their broker or other intermediary, the Shareholder should complete and send a letter of direction in accordance with the instructions provided by their broker or other intermediary.

8.2 Open Offer

Qualifying Non-CREST Shareholders

If you are a Qualifying Non-CREST Shareholder you should have received an Application Form which gives details of your entitlement under the Open Offer. If you wish to apply for the number of Open Offer Shares you are entitled to under the Open Offer (as shown by the number of Open Offer Entitlements allocated to you) or more or less Open Offer Shares than you are entitled to under the Open Offer, you should complete the enclosed Application Form in accordance with the procedure for application set out in paragraph 4.1 of Part IV of this document and on the Application Form itself.

Qualifying CREST Shareholders

If you are a Qualifying CREST Shareholder, no Application Form is enclosed and you will receive a credit to your appropriate stock account in CREST in respect of the Open Offer Entitlements representing your entitlement under the Open Offer. You should refer to the procedure for application set out in paragraph 4.2 of Part IV of this document.

The latest time for applications under the Open Offer to be received is 11.00 a.m. on 28 October 2014. The procedure for application and payment depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your Open Offer Entitlements or have your Open Offer Entitlements credited to your stock account in CREST. The procedures for application and payment are set out in Part IV of this document. Further details also appear in the Application Form which has been sent to Qualifying Non-CREST Shareholders.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

9. Overseas Shareholders

Information for Overseas Shareholders appears in section 6 of Part IV of this document, which sets out the restrictions applicable to such persons. If you are an Overseas Shareholder, it is important that you pay particular attention to that section of this document.

10. Placing and Open Offer Agreement

Pursuant to the Placing and Open Offer Agreement dated 13 October 2014 between (1) the Company, (2) the Directors, (3) Zeus Capital and (4) Peat, Zeus Capital and Peat have agreed to use their respective reasonable endeavours to procure placees for the Placing Shares at the Issue Price, as the Company's agents.

The Placing and Open Offer Agreement contains certain warranties and indemnities from the Company in favour of Zeus Capital and Peat and is conditional, *inter alia*, on:

- (a) the Placing and Open Offer Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms prior to Admission;
- (b) Admission occurring by not later than 8.00 a.m. on 31 October 2014 (or such other time and/or date as Zeus Capital and Peat may agree, being not later than 30 November 2014).

Zeus Capital and Peat may terminate the agreement in certain circumstances prior to Admission including, *inter alia*, if there shall have been a material adverse change, or a development involving a prospective material adverse change, in national or international political, military, diplomatic, terrorist, monetary, industrial, economic, financial or stock market conditions, or affecting the business, management, financial or trading position or prospects, shareholders' funds or results of the Company which in the opinion of Zeus Capital and Peat would be likely to prejudice materially the success of the Placing and/or the Open Offer or which would make it impracticable or inadvisable to proceed with the Placing, the Open Offer and/or with Admission, or if any of the Directors or the Company fail to comply in any material respect with any of their respective obligations under the Placing and Open Offer Agreement.

11. Lanstead Placing Agreement

Pursuant to the Lanstead Placing Agreement dated 13 October 2014 between (1) the Company, (2) the Directors, (3) Zeus Capital and (4) Peat, Zeus Capital and Peat have agreed to use their respective reasonable endeavours to procure placees for the 22,000,000 new Ordinary Shares at the Issue Price, as the Company's agents. The Lanstead Placing Agreement contains certain warranties and indemnities from the Company in favour of Zeus Capital and Peat and is conditional, *inter alia*, on:

- (a) the Lanstead Placing Agreement having become unconditional in all respects (save for the condition relating to admission of the 22,000,000 new Ordinary Shares to trading on AIM) and not having been terminated in accordance with its terms prior to such admission;
- (b) admission of the 22,000,000 new Ordinary Shares to trading on AIM occurring by not later than 8.00 a.m. on or around 15 October 2014 (or such other time and/or date as Zeus Capital and Peat may agree).

Zeus Capital and Peat may terminate the Lanstead Placing Agreement in certain circumstances prior to admission of the 22,000,000 new Ordinary Shares to trading on AIM including, *inter alia*, if there shall have been a material adverse change, or a development involving a prospective material adverse change, in national or international political, military, diplomatic, terrorist, monetary, industrial, economic, financial or stock market conditions, or affecting the business, management, financial or trading position or prospects, shareholders' funds or results of the Company which in the opinion of Zeus Capital and Peat would be likely to prejudice materially the success of the placing of the 22,000,000 new Ordinary Shares, the Placing and/or the Open Offer or which would make it impracticable or inadvisable to proceed with the placing of the

22,000,000 new Ordinary Shares, the Placing, the Open Offer and/or with admission of the 22,000,000 new Ordinary Shares to trading on AIM, or if any of the Directors or the Company fail to comply in any material respect with any of their respective obligations under the Lanstead Placing Agreement.

12. Additional information

Your attention is drawn to the Risk Factors set out in Part II of this document and the additional information set out in Part V of this document. Shareholders are advised to read the whole of this document and to not rely solely on the summary information presented in this Part I.

Details of the action to be taken if you wish to subscribe for Open Offer Shares are provided in Part IV of this document and a section dealing with some questions and answers about the Open Offer are set out in Part III of this document.

This document will be available for a period of twelve months from the date of this document on the Company's website www.afcenergy.com free of charge in accordance with the requirements of Rule 26 of the AIM Rules for Companies.

13. Related party transaction

A number of Related Parties (as defined in the AIM Rules for Companies) will be participating in the Placing.

<i>Related Party</i>	<i>Current holding</i>	<i>Subscription</i>	<i>Holding post subscription</i>
Tim Yeo	777,272	100,000	877,272
Ian Williamson	–	50,000	50,000
Chris Tawney	–	50,000	50,000
Mitchell Field	2,144,810	500,000	2,644,810
Gene Lewis	10,000	35,000	45,000
Sir John Sunderland	370,270	50,000	420,270
Ervington Investments Ltd	24,831,149	13,190,000	38,021,149
Age of Reason Foundation	22,602,420	2,000,000	24,602,420

Adam Bond, who is not participating in the Placing and is therefore independent, considers, having consulted with the Company's nominated adviser, Zeus Capital, that the terms of these parties' participation in the Placing are fair and reasonable insofar as the Company's Shareholders are concerned.

14. Directors' recommendation

Your Board considers the Capital Raising to be in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting.

Each of the Directors who holds Ordinary Shares has confirmed his intention to vote in favour of the Resolutions being proposed at the General Meeting in respect of his beneficial holdings which, in aggregate, total 15,345,985 Existing Ordinary Shares, representing 6.87 per cent. of the existing issued share capital of the Company as at the date of this document.

Yours faithfully,

Tim Yeo

Chairman

AFC Energy plc

PART II: RISK FACTORS

Before deciding whether to invest in the New Ordinary Shares, prospective investors should carefully consider the risk factors set out below in addition to the other information contained in this document. The Directors consider the following risks and other factors to be the most significant for potential investors in the Company, but the risks listed do not purport to comprise all those risks associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Company's business.

The Company's performance may be materially and adversely affected by changes in the market and economic conditions and by changes in the laws and regulations (including tax law and regulations) relating to, or affecting, the Company or the interpretation of such laws and regulations. If any of the following risks actually occur, the Company's business, financial condition, capital resources, results or future operations could be materially adversely affected. In this event, the price of the Ordinary Shares could decline and investors may lose all or part of their investment.

The investment offered in this document may not be suitable for all of its recipients. Before making an investment decision, prospective investors should consult a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities. A prospective investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her.

1. BUSINESS RISKS

1.1 Commercial risk

Return on investment is not just dependent upon the successful technical development of the Company's alkaline fuel cell technology, but also upon the Company being able to scale up its production and thereby reduce the cost of its fuel cells. Unforeseen problems with the mass manufacture of the Company's alkaline fuel cell could adversely affect the commercial success of the Company and the return on investment. The Company also needs to secure suitable terms to license or outsource the manufacture of the balance of plant or 'spine' of its Kore product.

1.2 Technical risk

New technology, changing commercial circumstances and new entrants to the markets in which the Company operates may adversely affect the Company's value. Unforeseen technical issues with the Company's alkaline fuel cell technology may arise which could affect adversely the Company's ongoing technical development, growth and business performance.

1.3 Competition

The Company's technology may face competition from other fuel cell technologies, both alkaline based and other technologies. In addition, the Company faces competition from existing hydrocarbon based technologies, such as the gas turbine, which currently dominate some of the markets that the Company is targeting. Many of the Company's competitors have financial resources, customer bases, businesses or other resources, which may give them a competitive advantage over the Company.

1.4 Intellectual property protection

The business of the Company is dependent on certain intellectual property rights. Many participants in the fuel cell industry have patents and patent applications and have demonstrated a readiness to pursue litigation based on allegations of patent or other intellectual property infringement. The Company could incur substantial costs in defending or bringing a claim, whether or not successful. A successful claim for infringement against the Company and its failure or inability to licence or develop the infringed intellectual property on acceptable terms and a timely basis, could harm the Company's business, operating results and/or financial performance.

No assurance is given that the Company will develop technology which is capable of being protected or that any protection gained will be sufficiently broad in its scope to protect the Company's intellectual

property rights and exclude competitors from similar technology. Further, there can be no assurance that:

- patent applications now existing or made in the future will be granted;
- patents granted to the Company will be sufficiently broad in scope to provide protection for the Company's intellectual property rights against third parties;
- the validity or scope of any patents which may in the future be granted to the Company, or that claims in relation to the patents, will not be questioned or asserted by other parties; or
- a third party will not claim prior rights in relation to intellectual property used by the Company.

1.5 **Force majeure**

The economics of the Company's projects may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities, sabotage, fires, floods, acts of God, explosions or other catastrophes or epidemics.

1.6 **Uninsured risks**

Although the Company proposes to maintain insurance which the Directors consider to be appropriate, there may be circumstances where the Company's insurance will not cover or be adequate to cover the consequences of certain events. Moreover, there can be no assurance that the Company will be able to maintain adequate insurance in the future at rates the Directors consider reasonable. Thus, the Company may become subject to liability for hazards which cannot be insured against or against which it may elect not to be insured because of high premium costs or other commercial reasons. There can be no assurance that the Company will be able to obtain insurance at reasonable rates (or at all) or that any coverage it obtains will be adequate and available to cover any such claims.

1.7 **Additional financing and future issues of shares may result in immediate dilution**

The Company may require further financing in addition to amounts proposed to be raised in the Placing and the Open Offer. Any additional equity financing may be dilutive to Shareholders. Furthermore, the issue of additional Ordinary Shares may be on more favourable terms than the Capital Raising. In addition, the issue of additional Shares by the Company, or the possibility of such issue or exercise, may cause the market 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.

Any debt financing, if available, may involve restrictions on other forms of financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be forced to reduce the scope of its operations, its anticipated expansion or ultimately cease to trade.

1.8 **Currency fluctuations could materially adversely affect the Company's results**

As the Company's revenue streams may come from abroad, exchange rate fluctuations could have a material adverse effect on the Company's profitability or the price competitiveness of its products. There can be no guarantee that the Company would be able to compensate for, or hedge against, such adverse effects and, therefore, adverse exchange rate movements could have a material adverse effect on the Company's business, results of operations and/or financial condition.

2. RISKS RELATING TO THE NEW ORDINARY SHARES

2.1 **Conditionality of the Placing and the Open Offer**

The Placing and the Open Offer are conditional upon, among other things, Admission. In the event that any condition to which Admission is subject is not satisfied or, if capable of waiver, waived, Admission will not be implemented.

2.2 **Investment risk and AIM**

The New Ordinary Shares will be quoted on AIM rather than the Official List. The rules of AIM are less demanding than those of the Official List and an investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success and the liquidity in the market for the Company's securities cannot

be guaranteed. Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may, therefore, not recover their original investment.

The market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets. It could be subject to significant fluctuations due to a change in investor sentiment regarding the Company's shares or in response to various facts and events, including variations in the Company's interim or full year operating results and business developments of the Company and/or its competitors. The price at which investors may dispose of their shares in the Company may be influenced by a number of factors, some of which may relate to the Company, and others of which are not specific to the Company. On any disposal investors may realise less than the original amount invested.

2.3 No guarantee that the Company's Ordinary Shares will continue to be traded on AIM

The Company cannot assure investors that the Company's Ordinary Shares will always continue to be traded on AIM or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded could decline.

Investors should therefore consider carefully whether investment in the Company is suitable for them, in light of the risk factors outlined above, their personal circumstances and the financial resources available to them.

These potential risks are not presented in any order of priority and do not necessarily comprise all those faced by the Company.

PART III: QUESTIONS AND ANSWERS ABOUT THE OPEN OFFER

The questions and answers set out in this Part III are intended to be in general terms only and, as such, you should read Part IV for full details of what action you should take. If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, fund manager, solicitor, accountant or other appropriate independent financial adviser, who is authorised under the FSMA if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

This Part III deals with general questions relating to the Open Offer and more specific questions relating principally to the Existing Ordinary Shares held by persons resident in the United Kingdom who hold their Existing Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 6 of Part IV of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your Open Offer Entitlements or apply for Excess Shares pursuant to the Excess Application Facility. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read Part IV of this document for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor.

The contents of this document should not be construed as legal, business, accounting, tax, investment or other professional advice. Each prospective investor should consult his, her or its own appropriate professional advisers for advice. This document is for your information only and nothing in this document is intended to endorse or recommend a particular course of action.

1. What is an open offer?

An open offer is a way for companies to raise money. Companies may do this by giving their existing shareholders a right to acquire further shares at a fixed price in proportion to their existing shareholdings (the “**open offer**”).

This Open Offer is an invitation by the Company to Qualifying Shareholders to apply to acquire an aggregate of up to 38,847,810 Open Offer Shares at the Issue Price. If you hold Existing Ordinary Shares on the Record Date or have a *bona fide* market claim, other than, subject to certain exceptions, where you are a Shareholder with a registered address or located in the United States or another Restricted Jurisdiction, you will be entitled to apply for Open Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 4 Open Offer Shares for every 23 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date. If your entitlement to Open Offer Shares is not a whole number, you will not be entitled to apply for an Open Offer Share in respect of any fraction of an Existing Ordinary Share and your entitlement will be rounded down to the nearest whole number. The resulting fractions of Open Offer Shares will be aggregated and made available to Qualifying Shareholders under the Excess Application Facility.

Open Offer Shares are being offered to Qualifying Shareholders at the Issue Price, which is equal to the closing middle market price of an Existing Ordinary Share of 10 pence on 10 October 2014, being the last business day prior to the announcement of the Placing and the Open Offer.

Applications by Qualifying Shareholders will be satisfied in full up to the amount of their individual Open Offer Entitlements. Qualifying Shareholders are also being given the opportunity, provided that they take up their Open Offer Entitlements in full, to apply for additional Open Offer Shares through the Excess Application Facility.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take-up of Open Offer Entitlements, such applications will be scaled back pro rata to the number of additional Open Offer Shares applied for by Qualifying Shareholders under the Excess Application Facility.

The number of available Open Offer Shares under the Excess Application Facility is dependent on the level of take-up of Open Offer Entitlements. Assuming that there is no Overseas Shareholder who has

a registered address in, or is a resident in or a citizen of, a Restricted Jurisdiction, and if every Qualifying Shareholder takes up their Open Offer Entitlements in full, there will be no Open Offer Shares available under the Excess Application Facility.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should also note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST, they will have limited settlement capabilities (for the purposes of market claims only), and the Open Offer Entitlements will not be tradable or listed, and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.

2. I hold my Existing Ordinary Shares in certificated form. How do I know whether I am able to acquire Open Offer Shares under the Open Offer?

If you receive an Application Form and, subject to certain exceptions, are not a holder with a registered address in or located in the United States or another Restricted Jurisdiction, then you should be eligible to acquire Open Offer Shares under the Open Offer, as long as you have not sold all of your Existing Ordinary Shares before the Ex-entitlement Date.

3. I hold my Existing Ordinary Shares in certificated form. How do I know how many Open Offer Shares I am entitled to take up?

If you hold your Existing Ordinary Shares in certificated form and, subject to certain exceptions, do not have a registered address and are not located in the United States or another Restricted Jurisdiction, you should have been sent an Application Form that shows:

- how many Existing Ordinary Shares you held at close of business on the Record Date for the Open Offer;
- how many Open Offer Shares are comprised in your Open Offer Entitlement; and
- how much you need to pay if you want to take up your right to buy all your entitlement to the Open Offer Shares.

Subject to certain exceptions, if you have a registered address in the United States or one of the Restricted Jurisdictions, you should not receive an Application Form.

If you would like to apply for any of, all of or more than the Open Offer Shares comprised in your Open Offer Entitlement, you should complete the Application Form in accordance with the instructions printed on it and the information provided in this document. Please return the completed form in the reply-paid envelope provided with the Application Form along with a cheque or banker's draft for the number of Open Offer Shares you want to apply for, and allow at least four Business Days for delivery if sent by first class post from within the United Kingdom. Please also see questions 5 and 11 for further help in completing the Application Form.

4. I hold my Existing Ordinary Shares in certificated form. What are my choices in relation to the Open Offer and what should I do with the Application Form?

4.1 If you want to take up all of your Open Offer Entitlement

If you want to take up all of the Open Offer Shares to which you are entitled, all you need to do is sign and send the Application Form, together with your cheque or duly endorsed banker's draft for the amount (as indicated in Box C of your Application Form), payable to "Computershare re AFC Energy plc" and crossed "A/C payee only", in the reply-paid envelope provided to Computershare Corporate Actions Projects, Bristol BS99 6AH to arrive by no later than 11.00 a.m. on 28 October 2014. Within the United Kingdom only, you can use the accompanying reply-paid envelope. You should allow at least four Business Days for delivery if using first-class post within the United Kingdom. If posting from outside the United Kingdom, postage will be payable when using the reply-paid envelope. Full instructions are set out in the Application Form. A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you within ten days of Admission.

4.2 ***If you want to take up some but not all of your Open Offer Entitlement***

If you want to take up some but not all of the Open Offer Shares to which you are entitled, you should write the number of Open Offer Shares you want to take up in Box D of your Application Form. For example, if you are entitled to take up 1,000 shares but you only want to take up 500 shares, then you should write '500' in Box D.

To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, 500) by the Issue Price, which is the price of each Open Offer Share. You should write the resulting amount in Box G, rounding down to the nearest whole penny and this should be the amount your cheque or banker's draft is made out for. You should then sign and return your Application Form together with your cheque or banker's draft for that amount, payable to "Computershare re AFC Energy plc" and crossed "A/C payee only", in the reply-paid envelope provided, by post to Computershare Corporate Actions Projects, Bristol BS99 6AH, United Kingdom, to arrive by no later than 11.00 a.m. on 29 October 2014, after which time the Application Form will not be valid. Within the United Kingdom only, you can use the accompanying reply-paid envelope. You should allow at least four Business Days for delivery if using first-class post or the reply-paid envelope within the United Kingdom. If posting from outside the United Kingdom, postage will be payable when using the reply-paid envelope. Full instructions are set out in Part IV of this document and will be set out in the Application Form.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you within ten days of Admission.

4.3 ***If you want to apply for more than your Open Offer Entitlement***

Provided that you have agreed to take up your Open Offer Entitlement in full, you can apply for further Open Offer Shares using the Excess Application Facility. You should write the number of Open Offer Shares you wish to take up in Box D which must be the number of Open Offer Shares shown in Box B. You should then write the number of Open Offer Shares you wish to apply for under the Excess Application Facility in Box E and then complete Box F by adding together the numbers you have entered in Boxes D and E.

To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares shown in Box F by the Issue Price, which is the price of each Open Offer Share. You should write this amount in Box G, rounding down to the nearest whole penny. You should then return your Application Form together with your cheque or banker's draft for that amount payable to "Computershare re AFC Energy plc" and crossed "A/C payee only", in the reply-paid envelope provided, by post to Computershare Corporate Actions Projects, Bristol BS99 6AH, United Kingdom, to arrive by no later than 11.00 a.m. on 29 October 2014, after which time the Application Form will not be valid. Within the United Kingdom only, you can use the accompanying reply-paid envelope. You should allow at least four Business Days for delivery if using first-class post or the reply-paid envelope within the United Kingdom. If posting from outside the United Kingdom, postage will be payable when using the reply-paid envelope. Full instructions are set out in the Application Form.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take-up of Open Offer Entitlements, such applications will be scaled back pro rata to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility. Therefore, applications under the Excess Application Facility may not be satisfied in full. In this event, Qualifying Shareholders will receive a pounds sterling amount equal to the number of Open Offer Shares applied and paid for by, but not allocated to, the relevant Qualifying Shareholder, multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable, without payment of interest and at the applicant's sole risk.

A definitive share certificate will be sent to you for the Open Offer Shares that you take up and otherwise successfully apply for using the Excess Application Facility. Your definitive share certificate for Open Offer Shares is expected to be despatched to you by no later than ten days after Admission.

4.4 ***If you do not want to take up your Open Offer Entitlement***

If you do not want to take up the Open Offer Shares to which you are entitled, you do not need to do anything. In these circumstances, you will not receive any Open Offer Shares. If you do not take up your Open Offer Entitlement then, following the issue of Open Offer Shares pursuant to the Open Offer, your interest in the Company will be diluted.

5. **I hold my Existing Ordinary Shares in uncertificated form in CREST. What do I need to do in relation to the Open Offer?**

CREST members should follow the instructions set out in Part IV of this document. Persons who hold Existing Ordinary Shares through a CREST member should be informed by such CREST member of the number of Open Offer Shares they are entitled to take up or apply for under their Open Offer Entitlement and their Excess CREST Open Offer Entitlement, respectively, and should contact their CREST member should they not receive this information.

6. **I acquired my Existing Ordinary Shares prior to the Record Date and hold my Existing Ordinary Shares in certificated form. What if I do not receive an Application Form or I have lost my Application Form?**

If you do not receive an Application Form but hold your Existing Ordinary Shares in certificated form, this probably means that you are not able to acquire Open Offer Shares under the Open Offer. Some Qualifying Non-CREST Shareholders, however, will not receive an Application Form but may still be eligible to acquire Open Offer Shares under the Open Offer, namely:

- Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on the Record Date and who have converted them to certificated form;
- Shareholders who bought Existing Ordinary Shares before 8.00 a.m. on the Ex-entitlement Date and who hold such ordinary shares in certificated form but were not registered as the holders of those shares at the close of business on the Record Date; and
- certain Overseas Shareholders.

If this applies to you, please contact the Receiving Agent using the details set out in the answer to question 21 below.

7. **If I buy Existing Ordinary Shares after the Record Date, will I be eligible to participate in the Open Offer?**

If you bought your Existing Ordinary Shares after the Record Date, you are unlikely to be able to participate in the Open Offer, as the Existing Ordinary Shares are expected to start trading ex-entitlement on the London Stock Exchange at 8.00 a.m. on the Ex-entitlement Date.

If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement. If you buy Existing Ordinary Shares at or after 8.00 a.m. on the Ex-entitlement Date, you will not be eligible to participate in the Open Offer in respect of those Existing Ordinary Shares.

8. **What if I change my mind?**

Once you have sent your Application Form and payment to the Receiving Agent, you cannot withdraw your application or change the number of Open Offer Shares you have applied for.

9. **What if the number of Open Offer Shares to which I am entitled is not a whole number? Am I entitled to fractions of Open Offer Shares?**

Your entitlement to Open Offer Shares will be calculated at the Record Date. If the result is not a whole number, you will not receive an Open Offer Share in respect of the fraction of each Existing Ordinary Share and your entitlement will be rounded down to the nearest whole number.

10. I hold my Existing Ordinary Shares in certificated form. What should I do if I want to spend more or less than the amount set out in Box C of the Application Form?

If you want to spend more than the amount set out in Box C, you should divide the amount you want to spend by the Issue Price. This will give you the number of Open Offer Shares for which you should apply. You can only apply for a whole number of Open Offer Shares. For example, if you wish to spend a certain amount of money on the Open Offer Shares, you should divide that amount by the Issue Price. If this is not a whole number, you should round it down to give you the number of Open Offer Shares for which you can apply without exceeding your chosen amount. Write the total number of Open Offer Shares in Box F. To get an accurate amount to put on your cheque or banker's draft, you should multiply the whole number of Open Offer Shares you want to apply for by the Issue Price and then fill in that amount rounded down to the nearest whole penny in Box G and on your cheque or banker's draft accordingly.

You should note that the number of available Open Offer Shares under the Excess Application Facility is dependent on the level of take-up of Open Offer Entitlements. If applications are received for more than the available number of Open Offer Shares, applications made under the Excess Application Facility will be scaled back pro rata to the number of Excess Shares applied for by Qualifying Shareholders. Assuming that there are no Overseas Shareholders who have registered addresses in, or are residents in or citizens of, a Restricted Jurisdiction, and if every Qualifying Shareholder takes up their Open Offer Entitlements in full there will be no Open Offer Shares available under the Excess Application Facility. Qualifying Non-CREST Shareholders whose applications under the Excess Application Facility are so scaled back will receive a pounds sterling amount equal to the number of Open Offer Shares applied and paid for by, but not allocated to, them multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable, without payment of interest and at the applicant's sole risk.

If you want to spend less than the amount set out in Box C, you should divide the amount you want to spend by the Issue Price (being the price of each Open Offer Share under the Open Offer). This will give you the number of Open Offer Shares you should apply for. You can only apply for a whole number of Open Offer Shares. For example, if you want to spend a certain amount of money on the Open Offer Shares, you should divide that amount by the Issue Price. You should round that down to the nearest whole number to give you the number of shares you want to take up. Write that number in Box F. To get an accurate amount to put on your cheque or banker's draft, you should multiply the whole number of Open Offer Shares you want to apply for by the Issue Price and then fill in that amount rounded down to the nearest whole penny in Box G and on your cheque or banker's draft accordingly.

11. I hold my Existing Ordinary Shares in certificated form. What should I do if I have sold some or all of my Existing Ordinary Shares?

If you hold shares in the Company directly and you sell some or all of your Existing Ordinary Shares before the Ex-entitlement Date, you should contact the buyer or the person/company through whom you sold your shares. The buyer may be entitled to apply for Open Offer Shares under the Open Offer.

12. I hold my Existing Ordinary Shares in certificated form. How do I pay?

You should return your Application Form with a cheque or banker's draft drawn in pounds sterling from a UK bank or building society account in the accompanying reply-paid envelope (from within the United Kingdom). You should allow at least four Business Days for delivery if using first-class post within the United Kingdom. Cheques should be drawn on a personal account of the Qualifying Shareholder who is applying for the Open Offer Shares or you may be required to supply additional documentation to satisfy Money Laundering Regulations. The funds should be made payable to "Computershare re AFC Energy plc". In each case, the cheque should be crossed "A/C Payee only". Third party cheques will not be accepted, except bankers' drafts or buildings society cheques which have been endorsed by the bank or building society on the back of the draft or cheque, as appropriate. Payments via CHAPS, BACS or electronic transfer will not be accepted.

13. Will the Existing Ordinary Shares that I hold now be affected by the Open Offer?

If you decide not to apply for any of the Open Offer Shares to which you are entitled under the Open Offer, or only apply for some of your entitlement, your proportionate ownership and voting interest in the Company will be reduced to a greater extent than if you apply.

14. I hold my Existing Ordinary Shares in certificated form. Where do I send my Application Form?

You should send your completed Application Form and payment in full in the accompanying reply-paid envelope (from within the United Kingdom) to: Computershare Corporate Actions Projects, Bristol BS99 6AH, United Kingdom. You should allow at least four Business Days for delivery if using first class post within the United Kingdom.

If you do not want to take up or apply for Open Offer Shares then you need take no further action.

15. I hold my Existing Ordinary Shares in certificated form. When do I have to decide whether I want to apply for Open Offer Shares?

The Receiving Agent must receive your completed Application Form and cheque or banker's draft by 11.00 a.m. on 29 October 2014. You should allow at least four Business Days for delivery if using first-class post or the reply-paid envelope included with the Application Form, within the United Kingdom.

16. I hold my Existing Ordinary Shares in certificated form. If I take up my entitlements, when will I receive the certificate representing my Open Offer Shares?

It is expected that the Registrar will post all new share certificates within ten days of Admission.

17. What should I do if I think my holding of Existing Ordinary Shares (as shown in Box A on page 1 of the Application Form) is incorrect?

If you bought or sold Existing Ordinary Shares shortly before the Record Date, your transaction may not have been entered on the register of members before the Record Date for the Open Offer. If you bought Existing Ordinary Shares before close of business on 10 October 2014 but were not registered as the holder of those shares on the Record Date for the Open Offer, you may still be eligible to participate in the Open Offer. If you are in any doubt, please contact your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure that you claim your entitlement.

You will not be entitled to Open Offer Entitlements in respect of any Existing Ordinary Shares acquired on or after 13 October 2014.

18. What should I do if I live outside the United Kingdom?

Your ability to apply to acquire Open Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Open Offer Entitlement.

Shareholders with registered addresses or who are located in the United States or another Restricted Jurisdiction are not eligible to participate in the Open Offer. Your attention is drawn to the information in paragraph 6 of Part IV of this document.

19. How do I transfer my entitlements into the CREST system?

If you are a Qualifying Non-CREST Shareholder, but are a CREST member and want your Open Offer Shares to be in uncertificated form, you should complete the CREST deposit form (Box O on page 4 of the Application Form), and ensure they are delivered to the CREST courier and sorting service to be received by 3.00 p.m. on 24 October 2014 at the latest. CREST sponsored members should arrange for their CREST sponsors to do this.

If you have transferred your rights into the CREST system, you should refer to Part IV of this document for details on how to apply for the Open Offer Shares.

20. Do I need to comply with the Money Laundering Regulations (as set out in paragraph 4 of Part IV of this document)?

If you are a Qualifying Non-CREST Shareholder, you may not need to follow these procedures if the value of the Open Offer Shares you are acquiring is less than €15,000 (or its pounds sterling equivalent) or if you pay for them by a cheque drawn on an account in your own name and that account is one which is held with an EU or United Kingdom regulated bank or building society. If you are a Qualifying CREST Shareholder, you will not generally need to comply with the Money Laundering Regulations unless you apply to take up all or some of your entitlement to Open Offer Entitlements as agent for one or more persons and you are not an EU or United Kingdom regulated financial institution.

Qualifying Non-CREST Shareholders should refer to paragraph 4.1 of Part IV of this document and Qualifying CREST Shareholders should refer to paragraph 4.2 of Part IV of this document for a fuller description of the requirements of the Money Laundering Regulations.

21. Further assistance

Should you require further assistance, please call the Receiving Agent on 0870 707 1302 (from inside the United Kingdom), or +44 870 707 1302 (from outside the United Kingdom), which is available between the hours of 9.00 a.m. to 5.00 p.m. on any Business Day. Calls to the 0870 707 1302 number cost approximately 10 pence per minute (including value added tax) plus your service provider's network extras. Calls to the +44 870 707 1302 number will be charged at applicable international rates. Different charges may apply to calls from mobile telephones. Please note that, for legal reasons, the Receiving Agent is only able to provide information contained in this document and is unable to give advice on the merits of the Open Offer or to provide legal, business, accounting, tax, investment or other professional advice.

PART IV: TERMS AND CONDITIONS OF THE OPEN OFFER

Introduction

As explained in the letter from the Chairman set out in Part I of this document, the Company is proposing to raise gross proceeds of up to approximately £9.08 million by way of the Placing, the issuance of the Lanstead Placing Shares and the Open Offer, of which up to approximately £3.88 million will be raised from the issue of the Offer Shares at the Issue Price to Qualifying Shareholders under the Open Offer.

The Open Offer is an opportunity for Qualifying Shareholders to apply for up to 38,847,810 Open Offer Shares pro rata (excepting fractional entitlements) to their current holdings at the Issue Price in accordance with the terms of the Open Offer. The Open Offer has not been underwritten.

Qualifying Shareholders are also being offered the opportunity to apply for additional Open Offer Shares in excess of their Open Offer Entitlement to the extent that other Qualifying Shareholders do not take up their Open Offer Entitlement in full. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement as at the Record Date. Further details in relation to the Excess Application Facility are set out in this Part IV and, for Qualifying Non-CREST Shareholders, the Application Form.

The Open Offer is not underwritten.

The purpose of this Part IV is to set out the terms and conditions of the Open Offer.

The Record Date for entitlements under the Open Offer for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders is expected to be 6.00 p.m. on 10 October 2014. Application Forms are expected to be posted to Qualifying Non-CREST Shareholders on or around 13 October 2014 and Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST by 14 October 2014.

The latest time and date for receipt of a completed Application Form and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is expected to be 11.00 a.m. on 29 October 2014 with Admission and commencement of dealings in Open Offer Shares expected to take place at 8.00 a.m. on 31 October 2014.

This document and, for Qualifying Non-CREST Shareholders only, the Application Form contains the formal terms and conditions of the Open Offer. Your attention is drawn to paragraph 3 of this Part IV which gives details of the procedure for application and payment for the Open Offer Shares and any Excess Shares applied for pursuant to the Excess Application Facility.

The Open Offer Shares will, when issued and fully paid, rank equally in all respects with Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after Admission.

Any Qualifying Shareholder who has sold or transferred all or part of his/her registered holding(s) of Ordinary Shares prior to the Ex-entitlement Date is advised to consult his or her stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him/her by the purchasers under the rules of the London Stock Exchange.

1. The Open Offer

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, in the Application Form), Qualifying Shareholders are being given the opportunity under the Open Offer to subscribe for Open Offer Shares at the Issue Price pro rata to their holdings, payable in full on application. The Issue Price is equal to the closing middle market price of 10 pence per Existing Ordinary Share on 10 October 2014 (being the last practicable date before publication of this document).

Qualifying Shareholders have basic entitlements of:

4 Open Offer Shares for every 23 Existing Ordinary Shares

registered in their name on the Record Date. Entitlements under the Open Offer will be rounded down to the nearest whole number of Open Offer Shares, with fractional entitlements being aggregated and made available under the Excess Application Facility.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer, as will holdings under different designations and in different accounts.

If you are a Qualifying Non-CREST Shareholder, the Application Form shows the number of Existing Ordinary Shares registered in your name on the Record Date (in Box A of the Application Form) and your Open Offer Entitlements (in Box B of the Application Form).

If you are a Qualifying CREST Shareholder, application will be made for your Open Offer Entitlement and Excess CREST Open Offer Entitlement to be credited to your CREST account. Open Offer Entitlements and Excess CREST Open Offer Entitlements are expected to be credited to CREST accounts on 14 October 2014. The Existing Ordinary Shares are already admitted to CREST. Accordingly, no further application for admission to CREST is required for the New Ordinary Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

Subject to availability, the Excess Application Facility will enable Qualifying Shareholders, provided they have taken up their Open Offer Entitlement in full, to apply for further Open Offer Shares in excess of their Open Offer Entitlement. Further details in relation to the Excess Application Facility are set out in paragraph 3.1(f) and 3.2(k) of this Part IV and, for Qualifying Non-CREST Shareholders, the Application Form. Qualifying CREST Shareholders should refer to paragraph 3.2 of this Part IV for information on the relevant CREST procedures and further details on the Excess Application Facility. Qualifying CREST Shareholders can also refer to the CREST Manual for further information on the relevant CREST procedures.

The Company may satisfy valid applications for Excess Shares of applicants in whole or in part but reserves the right not to satisfy any excess above any Open Offer Entitlement. The Board may scale back applications made in excess of Open Offer Entitlements on such basis as it reasonably considers to be appropriate.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying Non-CREST Shareholders should also note that their respective Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited through CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer. Any Open Offer Shares which are not applied for by Qualifying Shareholders under the Open Offer will not be issued by the Company as the Open Offer is not underwritten.

The attention of Overseas Shareholders is drawn to paragraph 6 of this Part IV.

The Open Offer Shares will when issued and fully paid, rank in full for all dividends and other distributions declared, made or paid after the date of this document and otherwise *pari passu* in all respects with the Existing Ordinary Shares. The Open Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.

The Open Offer is not underwritten.

2. Conditions and further terms of the Open Offer

The Open Offer is conditional, *inter alia*, upon the Placing and the Open Offer becoming or being declared unconditional in all respects (save for the Condition relating to Admission). The principal conditions to the Placing and the Open Offer are:

- (a) the passing of Resolution 1 at the General Meeting;
- (b) the Placing and Open Offer Agreement having become unconditional in all respects (save for the condition as to Admission) and not having been terminated in accordance with its terms prior to Admission;
- (c) in respect of the Open Offer, the Placing having become unconditional in all respects (save for the Condition as to Admission); and
- (d) Admission occurring not later than 8.00 a.m. on 31 October 2014 (or such later time and/or date as Zeus Capital and Peat may agree, being no later than 8.00 a.m. on 30 November 2014).

Accordingly, if these conditions are not satisfied or waived (where capable of waiver), the Open Offer will not proceed and any applications made by Qualifying Shareholders will be rejected. In such circumstances, application monies will be returned (at the applicant's sole risk), without payment of interest, as soon as practicable thereafter.

No temporary documents of title will be issued in respect of Open Offer Shares held in uncertificated form. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form within ten days of Admission.

In respect of those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in uncertificated form, the Open Offer Shares are expected to be credited to their stock accounts maintained in CREST by 31 October 2014.

Application will be made for the Open Offer Shares to be admitted to trading on AIM. Admission is expected to occur on 31 October 2014, when dealings in the Open Offer Shares are expected to begin.

If any of the details contained in the timetable above should change, the revised times and dates will be notified by means of an announcement through a Regulatory Information Service.

3. Procedure for application and payment

The action to be taken by you in respect of the Open Offer depends on whether, at the relevant time, you are sent an Application Form in respect of your Open Offer Entitlement under the Open Offer or your Open Offer Entitlement and Excess CREST Open Offer Entitlement is credited to your CREST stock account.

Qualifying Shareholders who hold all or part of their Existing Ordinary Shares in certificated form will receive the Application Form, enclosed with this document. The Application Form shows the number of Existing Ordinary Shares held at the Record Date. It will also show such Qualifying Shareholders their Open Offer Entitlement that can be allotted in certificated form.

Qualifying Shareholders who hold part of their Existing Ordinary Shares in uncertificated form will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 3.2(f) of this Part IV.

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

Qualifying Shareholders who do not want to apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form, or send a USE message through CREST.

3.1 **If you have an Application Form in respect of your Open Offer Entitlement under the Open Offer**

(a) *General*

Subject to paragraph 6 of this Part IV in relation to Overseas Shareholders, Qualifying Non-CREST Shareholders will receive an Application Form. The Application Form shows the number of Existing Ordinary Shares registered in their name on the Record Date in Box A of the Application Form. It also shows the Open Offer Entitlement allocated to them set out in Box B of the Application Form. Entitlements to Open Offer Shares are rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will be aggregated and made available under the Excess Application Facility. Box C of the Application Form shows how much they would need to pay if they wish to take up their Open Offer Entitlement in full. Qualifying Non-CREST Shareholders may apply for less than their entitlement should they wish to do so. Qualifying Non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim.

Under the Excess Application Facility, provided they have agreed to take up their Open Offer Entitlement in full, Qualifying Non-CREST Shareholders may apply for more than the amount of their Open Offer Entitlement should they wish to do so. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement as at the Record Date. The Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

The instructions and other terms set out in the Application Form form part of the terms of the Open Offer in relation to Qualifying Non-CREST Shareholders.

(b) *Bona fide market claims*

Applications to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer. Application Forms may not be sold, assigned, transferred or split, except to satisfy *bona fide* market claims up to 3.00 p.m. on 27 October 2014. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer, should contact his broker or other professional adviser authorised under FSMA through whom the sale or purchase was effected as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the purchaser(s) or transferee(s).

Qualifying Non-CREST Shareholders who have sold all or part of their registered holding should, if the market claim is to be settled outside CREST, complete Box J on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. The Application Form should not, however be forwarded to or transmitted in or into the United States of America, any Restricted Jurisdiction, nor in or into any other jurisdiction where the extension of the Open Offer would breach any applicable law or regulation. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedure set out in paragraph 3.2 below.

(c) *Application procedures*

Qualifying Non-CREST Shareholders wishing to apply to acquire Open Offer Shares (whether in respect of all or part of their Open Offer Entitlement or Excess Shares in addition to their Open Offer Entitlement under the Excess Application Facility) should complete the Application Form in accordance with the instructions printed on it. Qualifying Non-CREST Shareholders may only apply for Excess Shares if they have agreed to take up their Open Offer Entitlements in full. The Excess Shares may be allocated in such manner as the Directors may determine in their absolute

discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

Completed Application Forms, together with a cheque representing payment in full for the Open Offer Shares, should be posted to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH, or returned by hand (during normal business hours only) so as to be received by Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, by no later than 11.30 a.m. on 28 October 2014. The Company reserves the right to treat any application not strictly complying with the terms and conditions of application as nevertheless valid. The Company further reserves the right (but shall not be obliged) to accept either Application Forms or remittances received after 11.00 a.m. on 29 October 2014. Qualifying Non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged. Multiple applications will not be accepted. If an Application Form is being sent by first-class post in the UK, Qualifying Shareholders are recommended to allow at least four Business Days for delivery.

The Company may in its sole discretion, but shall not be obliged to, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either:

- (i) Application Forms received after 11.00 a.m. on 29 October 2014; or
- (ii) applications in respect of which remittances are received before 11.00 a.m. on 29 October 2014 from authorised persons (as defined in FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Application Form in due course but, in any event, within two Business Days.

All documents and remittances sent by post by, to, from or on behalf of an applicant (or as the applicant may direct) will be sent entirely at the applicant's own risk.

(d) *Payments*

All payments must be in pounds sterling and made by cheque or A/C banker's draft made payable to "Computershare RE: AFC Energy PLC Open Offer" and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque or draft to confirm that the relevant Qualifying Shareholder has title to the underlying funds. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted.

Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Registrars to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity (and withhold definitive share certificates (or crediting to the relevant member account, as applicable) pending clearance thereof). No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted. If the Open Offer does not become unconditional, no Open Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable following the lapse of the Open Offer.

If Open Offer Shares have already been allotted to a Qualifying Non-CREST Shareholder and such Qualifying Non-CREST Shareholder's cheque or banker's draft is not honoured upon first presentation or such Qualifying Non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, the Registrars shall be authorised (in its absolute discretion as to manner, timing and terms) to make arrangements, on behalf of the Company, for the sale of such Qualifying Non-CREST Shareholder's Open Offer Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of the Registrars, Zeus Capital, Peat or the Company nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholders.

(e) *Incorrect sums*

If an Application Form encloses a payment for an incorrect sum, the Company through the Registrars reserves the right:

- (i) to reject the application in full and return the cheque or banker's draft or refund the payment to the Qualifying Non-CREST Shareholder in question; or
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the Qualifying Non-CREST Shareholder in question, save that any sums of less than £1 will be retained for the benefit of the Company; or
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all of the Open Offer Shares referred to in the Application Form, refunding any unutilised sums to the Qualifying Non-CREST Shareholder in question, save that any sums of less than £1 will be retained for the benefit of the Company.

All monies received by the Registrars in respect of Open Offer Shares will be held in a separate account.

(f) *The Excess Application Facility*

Provided they choose to take up their Open Offer Entitlement in full, the Excess Application Facility enables a Qualifying Non-CREST Shareholder to apply for Excess Shares. Qualifying Non-CREST Shareholders wishing to apply for Excess Shares may do so by completing Box E of the Application Form.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, the Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all. Qualifying Non-CREST Shareholders who wish to apply for Excess Shares must complete the Application Form in accordance with the instructions set out on the Application Form.

Should the Open Offer become unconditional and applications for Open Offer Shares exceed 38,847,810 Open Offer Shares, resulting in a scale back of applications, each Qualifying Non-CREST Shareholder who has made a valid application for Excess Shares and from whom payment in full for the Excess Shares has been received will receive a pounds sterling amount equal to the number of Excess Shares applied and paid for but not allocated to the relevant Qualifying Non-CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable thereafter, without payment of interest and at the applicant's sole risk.

(g) *Effect of application*

All documents and remittances sent by post by, to, from, or on behalf of or to an applicant (or as the applicant may direct) will be sent entirely at the applicant's own risk. By completing and delivering an Application Form the applicant:

- (i) represents and warrants to the Company, Zeus Capital and Peat that he has the right, power and authority, and has taken all action necessary, to make the application under the Open

Offer and to execute, deliver and exercise his rights, and perform his obligations under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;

- (ii) agrees with the Company, Zeus Capital and Peat that all applications under the Open Offer and contracts resulting therefrom, and any non-contractual obligations related thereto, shall be governed by and construed in accordance with the laws of England;
- (iii) confirms to the Company, Zeus Capital and Peat that in making the application he is not relying on any information or representation in relation to the Company other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all information in relation to the Company contained in this document (including information incorporated by reference);
- (iv) represents and warrants to the Company, Zeus Capital and Peat that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlement;
- (v) represents and warrants to the Company, Zeus Capital and Peat that if he has received some or all of his Open Offer Entitlement from a person other than the Company he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (vi) requests that the Open Offer Shares, to which he will become entitled, are issued to him on the terms set out in this document and the Application Form subject to the Articles of Association of the Company;
- (vii) represents and warrants to the Company, Zeus Capital and Peat that he is not, nor is he applying on behalf of any person who is, in any Restricted Jurisdiction or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of any Restricted Jurisdiction or any other jurisdiction in which the application for Open Offer Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his application in any Restricted Jurisdiction or to, or for the benefit of, a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any other jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
- (viii) represents and warrants to the Company, Zeus Capital and Peat that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986; and
- (ix) confirms that in making the application he is not relying and has not relied on the Company, Zeus Capital or Peat or any person affiliated with the Company, Zeus Capital or Peat in connection with any investigation of the accuracy of any information contained in this document or his investment decision.

All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to, Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH, or you can contact them on 0870 707 1302 or +44 870 707 1302 if calling from outside the UK. Calls to the helpline number are typically charged at your service provider's standard rate. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and

training purposes. Please note the Registrars cannot provide advice on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlements or give any financial, legal or tax advice.

(h) *Proxy*

Qualifying Non-CREST Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form. However, you are encouraged to vote at the General Meeting by completing and returning the enclosed Form of Proxy in the enclosed envelope.

A Qualifying Non-CREST Shareholder who is also a CREST member may elect to receive the Open Offer Shares to which he is entitled in uncertificated form in CREST. Please see paragraph 3.2(f) below for more information.

3.2 If you have an Open Offer Entitlement and an Excess CREST Open Offer Entitlement credited to your stock account in CREST in respect of your entitlement under the Open Offer

(a) *General*

Subject to paragraph 6 of this Part IV in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his Open Offer Entitlement equal to the maximum number of Open Offer Shares for which he is entitled to apply under the Open Offer plus an amount equal to ten times the Record Date holding of Excess CREST Open Offer Entitlement. Should any Qualifying CREST Shareholder wish to apply for more Excess Shares than they receive Excess CREST Open Offer Entitlements they should contact Computershare to request additional Excess CREST Open Offer Entitlements for which he is entitled to apply under the Excess CREST Open Offer Entitlement. Entitlements to Open Offer Shares will be rounded down to the nearest whole number and any Open Offer Entitlements have therefore also been rounded down. Any fractional entitlements to Open Offer Shares arising will be aggregated and made available under the Excess Application Facility.

The CREST stock account to be credited will be an account under the Participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements and Excess CREST Open Offer Entitlements have been allocated.

If for any reason Open Offer Entitlements and/or the Excess CREST Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited by, 5.00 p.m. on 14 October 2014, or such later time and/or date as the Company may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlement and Excess CREST Open Offer Entitlement which should have been credited to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive an Application Form.

CREST members who wish to apply to acquire some or all of their entitlements to Open Offer Shares and their Excess CREST Open Offer Entitlements should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact the Registrars on 0870 707 1302 or +44 870 707 1302 if calling from outside the UK. Calls to the helpline number are typically charged at your service provider's standard rate. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Registrars cannot provide advice on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlements or apply for Excess CREST Open Offer Entitlements or give any financial, legal or tax advice. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Open Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

(b) *Market claims*

Each of the Open Offer Entitlements and Excess CREST Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements and Excess CREST Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement and Excess CREST Open Offer Entitlements will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) and Excess CREST Open Offer Entitlement(s) will thereafter be transferred accordingly.

(c) *Unmatched Stock Event (“USE”) instructions*

Qualifying CREST Shareholders who are CREST members and who want to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements and their Excess CREST Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a USE instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Registrars under the Participant ID and member account ID specified below, with a number of Open Offer Entitlements or Excess CREST Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of the Registrars in respect of the amount specified in the USE Instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 3.2(c)(i) above.

(d) *Content of USE instruction in respect of Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to the Registrars);
- (ii) the ISIN of the Open Offer Entitlement. This is GB00BRF15D48;
- (iii) the Participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (v) the Participant ID of the Registrars in its capacity as a CREST receiving agent. This is 8RA17;
- (vi) the member account ID of the Registrars in its capacity as a CREST receiving agent. This is AFCENERG;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of New Ordinary Shares referred to in (i) above at the Issue Price;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 29 October 2014; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 29 October 2014. In order to assist prompt settlement of the USE Instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE Instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 11.00 a.m. 29 October 2014 in order to be valid is 11.00 a.m. on that day. In the event that the Placing and Open Offer does not become unconditional by 8.00 a.m. on 31 October 2014 (or such later time and date as Zeus Capital and Peat may agree being no later than 8.00 a.m. on 30 November 2014), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Registrars will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

(e) *Content of USE Instruction in respect of Excess CREST Open Offer Entitlements*

The USE Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Excess Shares for which application is being made (and hence the number of Excess CREST Open Offer Entitlements being delivered to the Registrars);
- (ii) the ISIN of the Excess CREST Open Offer Entitlement. This is GB00BRF15M39;
- (iii) the Participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Excess CREST Open Offer Entitlements are to be debited;
- (v) the participant ID of the Registrars in its capacity as a CREST receiving agent. This is 8RA17;
- (vi) the member account ID of the Registrars in its capacity as a CREST receiving agent. This is AFCENERG;
- (vii) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of Excess Shares referred to in (i) above at the Issue Price;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 29 October 2014; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application in respect of an Excess CREST Open Offer Entitlement under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 29 October 2014.

In order to assist prompt settlement of the USE Instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE Instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 29 October 2014 in order to be valid is 11.00 a.m. on that day.

In the event that the Placing and Open Offer do not become unconditional by 8.00 a.m. on 31 October 2014 (or such later time and date as, Zeus Capital and Peat may agree, being no later than 8.00 a.m. on 30 November 2014), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Registrars will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

(f) *Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name

of a person entitled by virtue of a *bona fide* market claim), provided that such Qualifying Non- CREST Shareholder is also a CREST member. Similarly, Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer and entitlement to apply under the Excess Application Facility is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 29 October 2014. After depositing their Open Offer Entitlement into their CREST account, CREST holders will shortly thereafter receive a credit for their Excess CREST Open Offer Entitlement, which will be managed by the Registrars.

In particular, having regard to normal processing times in CREST and on the part of the Registrars, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST, is 3.00 p.m. on 24 October 2014 and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST is 4.30 p.m. on 23 October 2014 in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility, as the case may be, prior to 11.00 a.m. on 29 October 2014.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and the Registrars by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed "*Instructions for depositing entitlements under the Open Offer into CREST*" on page 2 of the Application Form, and a declaration to the Company and the Registrars from the relevant CREST member(s) that it/they is/are not in the United States or citizen(s) or resident(s) of any Restricted Jurisdiction or any other jurisdiction in which the application for New Ordinary Shares is prevented by law and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

(g) *Validity of application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 29 October 2014 will constitute a valid application under the Open Offer.

(h) *CREST procedures and timings*

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 29 October 2014. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(i) *Proxy*

If a Qualifying CREST Shareholder does not wish to apply for the Open Offer Shares under the Open Offer, they should take no action. They are however, encouraged to vote at the General Meeting by completing and returning the enclosed Form of Proxy in the enclosed envelope.

(j) *Incorrect or incomplete applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company, through the Registrars, reserves the right: (i) to reject the application in full and refund the payment to the CREST member in question (without interest); (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question (without interest); and (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction, refunding any unutilised sum to the CREST member in question (without interest).

(k) *The Excess Application Facility*

The Excess Application Facility enables Qualifying CREST Shareholders, who have taken up their Open Offer Entitlement in full, to apply for Excess Shares in excess of their Open Offer Entitlement as at the Record Date. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, the Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all. Excess CREST Open Offer Entitlements may not be sold or otherwise transferred. Subject as provided in paragraph 6 of this Part IV in relation to Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with Excess CREST Open Offer.

(l) *Entitlements to enable applications for Excess Shares to be settled through CREST*

Qualifying CREST Shareholders should note that, although the Open Offer Entitlement and the Excess CREST Open Offer Entitlements will be admitted to CREST, they will have limited settlement capabilities. Neither the Open Offer Entitlements nor the Excess CREST Open Offer Entitlements will be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.

To apply for Excess Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions above and must not return a paper form and cheque.

Should a transaction be identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement and the relevant Open Offer Entitlement(s) be transferred, the Excess CREST Open Offer Entitlements will not transfer with the Open Offer Entitlement(s) claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of his Existing Ordinary Shares as a result of one or more *bona fide* market claims, the Excess CREST Open Offer Entitlement credited to CREST and allocated to the relevant Qualifying Shareholder will be transferred to the purchaser. Please note that an additional USE Instruction must be sent in respect of any application under the Excess CREST Open Offer Entitlement.

Should the Open Offer become unconditional and applications for Open Offer Shares by Qualifying Shareholders under the Open Offer exceed 38,847,810 Open Offer Shares, resulting in a scale back of applications under the Excess Application Facility, each Qualifying CREST Shareholder who has made a valid application pursuant to his Excess CREST Open Offer Entitlement and from whom payment in full for the excess Open Offer Shares has been received, will receive a pounds sterling amount equal to the number of Open Offer Shares validly applied and paid for but which are not allocated to the relevant Qualifying CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable following the completion of the scale back, without payment of interest and at the applicant's sole risk by way of cheque or CREST payment, as appropriate. Fractions of Open Offer Shares will be aggregated and made available under the Excess Application Facility.

All enquiries in connection with the procedure for applications under the Excess Application Facility and your Excess CREST Open Offer Entitlement should be addressed to the Registrars, Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH. The Registrars can be contacted on 0870 707 1302 or +44 870 707 1302 if calling from outside the UK. Calls to the helpline number are typically charged at your service provider's standard rate. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note the Registrars cannot provide financial or taxation advice or comment on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlements.

(m) *Effect of valid application*

A CREST member who makes or is treated as making a valid application for some or all of his pro rata entitlement to the Open Offer Shares in accordance with the above procedures thereby:

- (i) represents and warrants to the Company and Zeus Capital and Peat that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Registrars' payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (iii) agrees with the Company and Zeus Capital and Peat that all applications under the Open Offer and contracts resulting therefrom, and any non-contractual obligations related thereto, under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (iv) confirms to the Company, Zeus Capital and Peat that in making the application he is not relying on any information or representation in relation to the Company other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all the information in relation to the Company contained in this document (including information incorporated by reference);
- (v) represents and warrants that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements;
- (vi) represents and warrants to the Company, Zeus Capital and Peat that if he has received some or all of his Open Offer Entitlements from a person other than the Company, he is entitled to apply under the Open Offer in relation to such Open Offer Entitlement by virtue of a *bona fide* market claim;
- (vii) requests that the New Ordinary Shares to which he will become entitled be issued to him on the terms set out in this document, subject to the Articles of Association of the Company;
- (viii) represents and warrants to the Company, Zeus Capital and Peat that he is not, nor is he applying on behalf of any Shareholder who is, in any Restricted Jurisdiction or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of any Restricted Jurisdiction or any other jurisdiction in which the application for Open Offer Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his application in any Restricted Jurisdiction or to, or for the benefit of, a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any other jurisdiction in which the application for Open Offer Shares is prevented by law (except where

proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor any person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;

- (ix) represents and warrants that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986; and
 - (x) confirms that in making the application he is not relying and has not relied on Zeus Capital and Peat or any person affiliated with the Company or Zeus Capital and Peat in connection with any investigation of the accuracy of any information contained in this document or his investment decision.
- (n) *Company's discretion as to the rejection and validity of applications*
- The Company may in its sole discretion:
- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part IV;
 - (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
 - (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "first instruction") as not constituting a valid application if, at the time at which the Registrars receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Registrars has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
 - (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Registrars in connection with CREST.

(o) *Lapse of the Open Offer*

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 31 October 2014 (or such later time and date as Zeus Capital and Peat may agree, being no later than 8.00 a.m. on 30 November 2014), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Registrars will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

(p) *Issue of Open Offer Shares in CREST*

Open Offer Entitlements and Excess Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 29 October 2014. If the conditions to the Open Offer described above are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures, and whose applications have been accepted by the Company on the day on which such conditions are satisfied. On this day, the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' Open Offer

Entitlements with effect from the next Business Day. The stock accounts to be credited will be accounts under the same Participant IDs and Member Account IDs in respect of which the USE instruction was given.

4. Money Laundering Regulations

4.1 Holders of Application Forms

To ensure compliance with the Money Laundering Regulations, the Registrars may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the “verification of identity requirements”). If the Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Registrars. In such case, the lodging agent’s stamp should be inserted on the Application Form.

The person lodging the Application Form with payment and in accordance with the other terms as described above (the “**acceptor**”), including any person who appears to the Registrars to be acting on behalf of some other person, accepts the Open Offer in respect of such number of Open Offer Shares as is referred to therein (for the purposes of this paragraph 4 the “**relevant Open Offer Shares**”) shall thereby be deemed to agree to provide the Registrars with such information and other evidence as they may require to satisfy the verification of identity requirements.

If the Registrars determines that the verification of identity requirements apply to any acceptor or application, the relevant Open Offer Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. The Registrar is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither the Registrars nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity, the Registrars has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the acceptor’s risk) without interest to the account of the bank or building society on which the relevant cheque or banker’s draft was drawn.

Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company, the Registrars, Zeus Capital and Peat from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

The verification of identity requirements will not usually apply:

- (i) if the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering (no.91/308/EEC)); or
- (ii) if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (iii) if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the applicant’s name.

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (a) if payment is made by cheque or banker’s draft in sterling drawn on a branch in the United Kingdom of a bank or building society which bears a UK bank sort code number in the top right hand corner the following applies. Cheques should be made payable to “Computershare Re: AFC Energy PLC Open Offer” in respect of an application by a Qualifying Shareholder and crossed

“A/C Payee Only”. Third party cheques will not be accepted with the exception of building society cheques or banker’s drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/banker’s draft to such effect. The account name should be the same as that shown on the Application Form; or

- (b) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (i) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force, the agent should provide with the Application Form written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Registrars. If the agent is not such an organisation, it should contact the Registrars at Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH.

To confirm the acceptability of any written assurance referred to in (b) above, or in any other case, the acceptor should contact the Registrars on 0870 707 1302 or +44 870 707 1302 if calling from outside the UK. Calls to the helpline number are typically charged at your service provider’s standard rate. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note the Registrars cannot provide financial or taxation advice or comment on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlement.

If the Application Form(s) is/are in respect of Open Offer Shares with an aggregate subscription price of £12,000 or more and is/are lodged by hand by the acceptor in person, or if the Application Form(s) in respect of Open Offer Shares is/are lodged by hand by the acceptor and the accompanying payment is not the acceptor’s own cheque, he or she should ensure that he or she has with him or her evidence of identity bearing his or her photograph (for example, his or her passport) and separate evidence of his or her address.

If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11.00 a.m. on 29 October 2014, the Registrars has not received evidence satisfactory to it as aforesaid, the Registrars may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the payee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

4.2 Open Offer Entitlements in CREST

If you hold your Open Offer Entitlement and Excess CREST Open Offer Entitlement in CREST and apply for Open Offer Shares in respect of some or all of your Open Offer Entitlement Excess CREST Open Offer Entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Registrar is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact the Registrar before sending any USE or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Registrars such information as may be specified by the Registrars as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Registrar as to identity, who may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

5. Admission, settlement and dealings

The result of the Open Offer is expected to be announced on 30 October 2014. Applications will be made to the London Stock Exchange for the Open Offer Shares to be admitted to trading on AIM. Subject to the

Placing and the Open Offer becoming unconditional in all respects (save only as to Admission), it is expected that Admission will become effective and that dealings in the Open Offer Shares, fully paid, will commence at 8.00 a.m. on 31 October 2014.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the New Ordinary Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 29 October 2014 (the latest date for applications under the Open Offer). If the condition(s) to the Open Offer described above are satisfied, New Ordinary Shares will be issued in uncertificated form to those persons who submitted a valid application for New Ordinary Shares by utilising the CREST application procedures and whose applications have been accepted by the Company.

On 31 October 2014, the Registrars will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Open Offer Shares with effect from Admission. The stock accounts to be credited will be accounts under the same Participant IDs and CREST member account IDs in respect of which the USE Instruction was given. Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with Open Offer Entitlements and Excess CREST Open Offer Entitlements, and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Registrars in connection with CREST.

No temporary documents of title will be issued and transfers will be certified against the UK share register of the Company. All documents or remittances sent by, to, from or on behalf of applicants, or as they may direct, will (in the latter case) be sent through the post and will (in both cases) be at the risk of the applicant. For more information as to the procedure for application, Qualifying Non-CREST Shareholders are referred to paragraph 3.1 above and their respective Application Form.

6. Overseas Shareholders

The comments set out in this paragraph 6 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

6.1 General

The distribution of this document and the making or acceptance of the Open Offer to or by persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the United Kingdom, may be affected by the laws or regulatory requirements of the relevant jurisdictions. It is the responsibility of those persons to consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement or other formalities to enable them to apply for Open Offer Shares under the Open Offer.

No action has been or will be taken by the Company, Zeus Capital, Peat, or any other person, to permit a public offering or distribution of this document (or any other offering or publicity materials or application form(s) relating to the Open Offer Shares) in any jurisdiction where action for that purpose may be required, other than in the United Kingdom. Receipt of this document and/or an Application Form and/or a credit of an Open Offer Entitlement or an Excess CREST Open Offer Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

Application Forms will not be sent to, and Open Offer Entitlements and Excess CREST Open Offer Entitlements will not be credited to stock accounts in CREST of, persons with registered addresses in the United States or a Restricted Jurisdiction or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use any such Application Form and/or credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her and such Application Form and/or credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for Open Offer Shares under the Open Offer to satisfy themselves as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory.

None of the Company, Zeus Capital, Peat, nor any of their respective representatives, is making any representation to any offeree or purchaser of the Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Open Offer Entitlements or Excess CREST Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by his or her custodian, agent, nominee or trustee, he or she must not seek to apply for Open Offer Shares in respect of the Open Offer unless the Company, Zeus Capital and Peat determine that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or an Application Form and/or transfers Open Offer Entitlements or Excess CREST Open Offer Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part IV "Terms and Conditions of the Open Offer" and specifically the contents of this paragraph 6.

The Company reserves the right to treat as invalid any application or purported application for Open Offer Shares that appears to the Company or its agents to have been executed, effected or dispatched from the United States or a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any other jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates of Open Offer Shares or in the case of a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, to a CREST member whose registered address would be, in the United States or a Restricted Jurisdiction or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

Notwithstanding any other provision of this document or the relevant Application Form, the Company, Zeus Capital and Peat reserve the right to permit any person to apply for Open Offer Shares in respect of the Open Offer if the Company, in its sole and absolute discretion, is satisfied that the transaction in

question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for Open Offer Shares should note that payment must be made in sterling denominated cheques or banker's drafts or where such Overseas Shareholder is a Qualifying CREST Shareholder, through CREST. Due to restrictions under the securities laws of the United States and the Restricted Jurisdictions, and subject to certain exceptions, Qualifying Shareholders in the United States or any Restricted Jurisdiction or who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements. No public offer of Open Offer Shares is being made by virtue of this document or the Application Forms into the United States or any Restricted Jurisdiction. Receipt of this document and/or an Application Form and/or a credit of an Open Offer Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

6.2 **United States**

The New Ordinary 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, accordingly, may not be offered or sold, re-sold, taken up, transferred, delivered or distributed, directly or indirectly, within the United States except in reliance on an exemption from the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Accordingly, the Company is not extending the Open Offer into the United States unless an exemption from the registration requirements of the Securities Act is available and, subject to certain exceptions, neither this document nor the Application Form constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any New Ordinary Shares in the United States. Subject to certain exceptions, neither this document nor an Application Form will be sent to, and no New Ordinary Shares will be credited to a stock account in CREST of, any Qualifying Shareholder with a registered address in the United States. Subject to certain exceptions, Application Forms sent from or postmarked in the United States will be deemed to be invalid and all persons acquiring New Ordinary Shares and wishing to hold such New Ordinary Shares in registered form must provide an address for registration of the New Ordinary Shares issued upon exercise thereof outside the United States.

Subject to certain exceptions, any person who acquires New Ordinary Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Application Form and delivery of the New Ordinary Shares, that they are not, and that at the time of acquiring the New Ordinary Shares they will not be, in the United States or acting on behalf of, or for the account or benefit of a person on a non-discretionary basis in the United States or any state of the United States.

The Company reserves the right to treat as invalid any Application Form that appears to the Company or its agents to have been executed in, or despatched from, the United States, or that provides an address in the United States for the receipt of New Ordinary Shares, or which does not make the warranty set out in the Application Form to the effect that the person completing the Application Form does not have a registered address and is not otherwise located in the United States and is not acquiring the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares in the United States or where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements.

The Company will not be bound to allot or issue any New Ordinary Shares to any person with an address in, or who is otherwise located in, the United States in whose favour an Application Form or any New Ordinary Shares may be transferred. In addition, the Company, Zeus Capital and Peat reserve the right to reject any USE instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the New Ordinary Shares. In addition, until 45 days after the commencement of the Open Offer, an offer, sale or transfer of the New Ordinary Shares within the United States by a dealer (whether or not participating in the and Open Offer) may violate the registration requirements of the Securities Act.

6.3 **Restricted Jurisdictions**

Due to restrictions under the securities laws of the Restricted Jurisdictions and subject to certain exemptions, Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements or Excess CREST Open Offer Entitlements. The Open Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.

No offer or invitation to apply for Open Offer Shares is being made by virtue of this document or the Application Forms into any Restricted Jurisdiction.

6.4 **Other overseas territories**

Application Forms will be sent to Qualifying Non-CREST Shareholders and Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited to the stock account in CREST of Qualifying CREST Shareholders. Qualifying Shareholders in jurisdictions other than the United States or the Restricted Jurisdictions may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and the Application Form. Qualifying Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, countries other than the United Kingdom should, however, consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any Open Offer Shares in respect of the Open Offer.

6.5 **Representations and warranties relating to Overseas Shareholders**

(a) *Qualifying Non-CREST Shareholders*

Any person completing and returning an Application Form or requesting registration of the Open Offer Shares comprised therein represents and warrants to the Company, Zeus Capital, Peat and the Registrars that, except where proof has been provided to the Company's satisfaction that such person's use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction: (i) such person is not requesting registration of the relevant Open Offer Shares from within the United States or any Restricted Jurisdiction; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares in respect of the Open Offer or to use the Application Form in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within any Restricted Jurisdiction (except as agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) such person is not acquiring Open Offer Shares with a view to offer, sale, resale, transfer, deliver or distribute, directly or indirectly, any such Open Offer Shares into any of the above territories. The Company and/or the Registrars may treat as invalid any acceptance or purported acceptance of the allotment of Open Offer Shares comprised in an Application Form if it: (i) appears to the Company or its agents to have been executed, effected or dispatched from the United States or a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or (ii) provides an address in the United States or a Restricted Jurisdiction for delivery of the share certificates of Open Offer Shares (or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates); or (iii) purports to exclude the warranty required by this sub-paragraph (a).

(b) *Qualifying CREST Shareholders*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part IV represents and warrants to the Company, Zeus Capital and Peat that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) he or she is not within the United States or any Restricted Jurisdiction; (ii) he or she is not in any territory in which it is unlawful to make or accept an offer to acquire Open Offer

Shares; (iii) he or she is not accepting on a non-discretionary basis for a person located within any Restricted Jurisdiction (except as otherwise agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) he or she is not acquiring any Open Offer Shares with a view the offer, sale, resale, transfer, delivery or distribute, directly or indirectly, any such Open Offer Shares into any of the above territories.

6.6 **Waiver**

The provisions of this paragraph 6 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company, Zeus Capital and Peat in their absolute discretion. Subject to this, the provisions of this paragraph 6 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 6 to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 6 shall apply to them jointly and to each of them.

7. **Times and dates**

The Company shall, in agreement Zeus Capital and, if relevant, Peat and after consultation with its financial and legal advisers, be entitled to amend the dates that Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall notify the London Stock Exchange, and make an announcement on a Regulatory Information Service but Qualifying Shareholders may not receive any further written communication.

If a supplementary circular is issued by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Open Offer specified in this document, the latest date for acceptance under the Open Offer shall be extended to the date that is three Business Days after the date of issue of the supplementary circular (and the dates and times of principal events due to take place following such date shall be extended accordingly).

8. **Admission, settlement and dealings**

- 8.1 The result of the Open Offer is expected to be announced on 29 October 2014. Application will be made to AIM for Admission to trading of the Open Offer Shares, which is expected to become effective and dealings in such shares, fully paid, to commence at 8.00 a.m. on 31 October 2014.
- 8.2 The Existing Ordinary Shares are already admitted to CREST and applications will be made for the Open Offer Shares to be admitted to CREST. All such Ordinary Shares, when issued and fully paid, may be held and transferred by means of CREST.
- 8.3 Open Offer Entitlements and Excess Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 29 October 2014 (being the latest practicable date for applications under the Open Offer). If the conditions to the Open Offer described above are satisfied, the Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for the Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company. On 31 October 2014, the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Open Offer Shares with effect from Admission (expected to be on 31 October 2014). The stock accounts to be credited will be accounts under the same Participant IDs and CREST member account IDs in respect of which the USE instruction was given.
- 8.4 Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Holders an Application Form instead of crediting the relevant stock account with Open Offer Entitlements, and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

- 8.5 For Qualifying Non-CREST Shareholders who have applied by using an Application Form, share certificates in respect of the Open Offer Shares validly applied for are expected to be dispatched by post by within ten days of Admission. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the register of members of the Company. All documents or remittances sent by or to applicants, or as they may direct, will be sent through the post at their own risk.
- 8.6 The result of the Open Offer will be announced and made public through an announcement on a Regulatory Information Service as soon as reasonably practicable after the results are known.

9. Warranties

Each Qualifying Shareholder applying for Open Offer Shares represents, warrants, covenants, undertakes, agrees and acknowledges as follows:

- 9.1 the Company and others will rely upon its representations, warranties, covenants, agreements and acknowledgements set forth herein, and it agrees to notify the Company promptly in writing if any of its representations, warranties, covenants, agreements or acknowledgements ceases to be accurate and complete;
- 9.2 it has read and understood and accepted the terms and conditions of the Open Offer contained in this document and its application for Open Offer Shares shall be on and subject to the terms and conditions of this document and, if it is a Qualifying Non-CREST Shareholder, the Application Form;
- 9.3 it agrees that all applications, and contracts resulting therefrom, and all non-contractual claims under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- 9.4 it is a Qualifying Shareholder originally entitled to Open Offer Entitlements or if it has received some or all of its Open Offer Entitlements from a person other than the Company, it is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- 9.5 it may lawfully acquire the Open Offer Shares to be subscribed by it pursuant to the Open Offer and has the capacity and authority and is entitled to enter into and perform its obligations as a subscriber for Open Offer Shares and will honour such obligations;
- 9.6 it agrees that its obligations under the Open Offer shall not be capable of rescission or termination by it in any circumstance;
- 9.7 in agreeing to acquire the Open Offer Shares, it is relying on the information contained in this document and any announcement made by or on behalf of the Company through a Regulatory Information Service and it is not relying on any information given or representation, warranty, undertaking, agreement or statement made at any time by the Company, Zeus Capital, Peat or any of their respective officers, directors, agents, employees or advisers, or any other person in relation to the Company or its subsidiary undertakings, the Open Offer or the Open Offer Shares, and neither the Company, Zeus Capital, Peat nor any other person will be liable for any Qualifying Shareholder's decision to participate in the Open Offer based on any other information, representation, warranty, undertaking, agreement or statement which Qualifying Shareholders may have obtained or received. In addition, it has neither received nor relied on any confidential price-sensitive information. Nothing in this paragraph shall exclude the liability of any person for fraud;
- 9.8 it is entitled to acquire the Open Offer Shares under the terms of the Open Offer and the laws of all relevant jurisdictions which apply to it (the "**Applicable Securities Laws**") and it has fully observed such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has not taken any action or omitted to take any action which will or may result in the Company or any of their officers, directors, agents, employees or advisers acting in breach of any law or regulatory requirement of any territory or jurisdiction in connection with the Open Offer or its entitlement;
- 9.9 it is not, nor is it applying on behalf of any person who is, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that it is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome) and the Qualifying Shareholder is not applying with a view to re-offering, re-selling,

transferring or delivering any of the Open Offer Shares which are the subject of its application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is or may be prevented by law (except where proof satisfactory to the Company has been provided to the Company that the Qualifying Shareholder is able to accept the invitation by the Company pursuant to an applicable exemption and free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor such person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;

- 9.10 it irrevocably appoints any director of the Company as its agent for the purpose of executing and delivering to the Company and/or the Receiving Agent any documents on its behalf necessary to enable it to be registered as the holder of Open Offer Shares;
- 9.11 it is not, and nor is it applying for Open Offer Shares as nominee or agent for, a person who is or may be liable to notify and account for stamp duty or stamp duty reserve tax at any of the increased rates referred to in sections 67 to 72 inclusive and sections 93 to 97A inclusive of the Finance Act 1986 (Depositary Receipts and Clearance Services) and, in the event of any breach of this warranty, it agrees that neither the Company nor any other person will have any liability to it or other persons in respect of such duty or tax;
- 9.12 the Applicable Securities Laws do not require the Company to make any filings or seek any approvals of any kind whatsoever from any regulatory authority of any kind in connection with the Open Offer in the jurisdiction in which it is resident;
- 9.13 the purchase by it of Open Offer Shares does not trigger in the jurisdiction in which it is resident: (a) any obligation to prepare or file a prospectus or similar document or any other report with respect to such purchase; or (b) any disclosure reporting obligation of the Company; or (c) any registration or other obligation on the part of the Company; or (d) the requirement for the Company to take any other action;
- 9.14 the offer and sale to it of Open Offer Shares was not made through an advertisement of the Open Offer Shares in printed media of general and regular paid circulation, radio or television or any other form of advertisement;
- 9.15 it and any person acting on its behalf is aware of the obligations in connection with money laundering under the Money Laundering Regulations to the extent applicable to it and, if it is making payment on behalf of a third party, it has obtained and recorded satisfactory evidence to verify the identity of the third party as required by the Money Laundering Regulations;
- 9.16 it agrees to be bound by the terms of the articles of association of the Company in force immediately following Admission of the Open Offer Shares;
- 9.17 it will not deal or cause or permit any other person to deal in all or any of the Open Offer Shares unless and until Admission of the Open Offer Shares becomes effective;
- 9.18 the Company is relying on one or more exemptions from the registration requirements of the Securities Act and, as a consequence of acquiring the Open Offer Shares pursuant to such exemption(s), certain protections, rights and remedies provided by applicable securities laws will not be available to it, including an obligation on the Company to provide it with a prospectus or other disclosure document, and, save for this document, no offer document, admission document or prospectus has been, or is required to be, prepared in connection with the Open Offer;
- 9.19 it has not received a prospectus or admission document or, save for this document, any other offering document in connection with the Open Offer, and no United States federal or state agency or any other government or governmental agency has passed on or made any recommendation or endorsement of the Open Offer Shares or the fairness or suitability of the investment in the Open Offer Shares nor have such authorities passed upon or endorsed the merits of the offering of the Open Offer Shares;
- 9.20 it acknowledges that the Ordinary Shares are admitted to trading on AIM and the Company is therefore required to publish certain business and financial information in accordance with the rules of AIM (the “**Exchange Information**”), and that it is able to obtain or access the Exchange Information without undue difficulty;
- 9.21 neither the Company nor Zeus Capital nor Peat nor any person acting on their behalf nor any of their respective affiliates nor any of their respective directors, officers, employees, agents, partners or

professional advisers has or shall have any liability for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement contained in the Exchange Information, any other information made available by or on behalf of the Company or made publicly available by the Company on its website, by press release, by public filing or otherwise or any other information, provided that nothing in this paragraph excludes the liability of any person for fraud made by that person;

- 9.22 if it is acquiring any Open Offer Shares as a fiduciary or agent for one or more accounts, it has sole investment discretion with respect to each such account and full power and authority to make such foregoing representations, warranties, covenants, agreements and acknowledgements on behalf of each such account;
- 9.23 it acknowledges that the Open Offer 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, or under any relevant securities laws of any Restricted Jurisdiction;
- 9.24 it has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document (or any part thereof) to or within the United States or any Restricted Jurisdiction, nor will it do any of the foregoing;
- 9.25 it is purchasing the Open Offer Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Open Offer Shares in any manner that would violate the Securities Act or any other applicable securities laws, and it does not have a present arrangement to effect any distribution of the Open Offer Shares to or through any person or entity;
- 9.26 it is not acquiring any Open Offer Shares for resale in the United States or any Restricted Jurisdiction and it has not and will not deliver or forward any advertisement or other offering material in relation to the Open Offer Shares in or into the United States or any Restricted Jurisdiction;
- 9.27 it will indemnify and hold the Company and its respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, agreements and covenants in this document. All representations, warranties, agreements and covenants given by it in this document are given to the Company and will survive completion of the Open Offer;
- 9.28 it is acquiring the Open Offer Shares in an offshore transaction meeting the requirements of Regulation S under the Securities Act;
- 9.29 at the time it received the offer to purchase the Open Offer Shares it was not in the United States or any Restricted Jurisdiction;
- 9.30 it: (i) understands and acknowledges that the offering and sale of the Open Offer Shares are not being, and will not be, made, directly or indirectly, in or into, or by the use of the mails or any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States or any Restricted Jurisdiction; and (ii) acknowledges that no Application Form will be accepted by any such use, means, instrumentality or facility or from within the United States or any Restricted Jurisdiction, and doing so may render such Application Form invalid;
- 9.31 its receipt and execution of the Application Form each occurred outside the United States or any Restricted Jurisdiction;
- 9.32 it is not acquiring the Open Offer Shares as a result of or due to, and will not engage in, any "directed selling efforts" (as defined in Regulation S under the Securities Act) in the United States or any Restricted Jurisdiction in respect of the Open Offer Shares, which would include any activities undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States or any Restricted Jurisdiction for the resale of the Open Offer Shares, including placing an advertisement in a publication with a general circulation in the United States or any Restricted Jurisdiction, nor has it seen or been aware of any activity that, to its knowledge, constitutes directed selling efforts in the United States or any Restricted Jurisdiction; and
- 9.33 it understands and acknowledges that Zeus Capital and Peat are acting for the Company and not any other person in connection with the Open Offer and will not be responsible to any other person for providing the protections afforded to the clients of Zeus Capital and Peat or for affording advice in relation the Open Offer. Nothing in this paragraph shall serve to exclude or limit any responsibilities

which Zeus Capital and/or Peat may have under FSMA or the regulatory regime established thereunder. Zeus Capital and Peat are not making any representation or warranty, express or implied, as to the contents of this document.

10. Taxation

Shareholders who are in any doubt as to their tax position in relation to taking up their entitlements under the Open Offer, or who are subject to tax in any jurisdiction other than the United Kingdom, should immediately consult a suitable professional adviser.

11. Further information

Your attention is drawn to the further information set out in this document and also, in the case of Qualifying Non-CREST Shareholders and other Qualifying Shareholders to whom the Company has sent Application Forms, to the terms, conditions and other information printed on the accompanying Application Form.

12. Governing law and jurisdiction

The terms and conditions of the Open Offer as set out in this document, the Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, English law.

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document or the Application Form. By taking up Open Offer Shares, by way of their Open Offer Entitlement and the Excess Application Facility (as applicable), in accordance with the instructions set out in this document and, where applicable, the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART V: ADDITIONAL INFORMATION

1. Responsibility

The Directors (whose names are set out in paragraph 3.1 below) accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Share capital and options

2.1 Issued share capital

The issued share capital of the Company as at the date of this document and as it is expected to be immediately following Admission (assuming that the Open Offer is fully subscribed and no options or warrants are exercised prior to Admission) is set out below:

	<i>As at the date of this document</i>	<i>Immediately following Admission</i>
Number of fully paid Ordinary Shares	223,374,907	315,322,717

2.2 Options

The Company has granted options over the Ordinary Shares of the Company to various persons. The share options that have been granted are as follows:

<i>Date of grant</i>	<i>Exercise price (pence)</i>	<i>Number of Ordinary Shares under option</i>
5 July 2006	10.00	840,000
17 April 2009	3.13	975,000
12 March 2010	17.50	440,000
13 April 2010	24.00	220,000
7 July 2010	20.75	2,300,000
7 November 2011	32.00	1,225,000
7 November 2012	35.75	730,000
3 May 2013	22.00	471,265
2 December 2013	34.00	1,375,000
30 July 2014	18.60	617,928
Total		<u>9,273,102</u>

3. Directors' interests

3.1 The name of the Directors and their respective functions are as follows:

Tim Yeo (*Non-executive Chairman*)
Ian Williamson (*Chief Executive*)
Gene Lewis (*Technical Director*)
Christopher Tawney (*Finance Director*)
Adam Bond (*Non-executive Director*)
Mitchell Field (*Non-executive Director*)
Sir John Sunderland (*Non-executive Director*)
Eugene Shvidler (*Non-executive Director*)
Eugene Tenenbaum (*Non-executive Director*)

3.2 The interests (all of which are beneficial unless stated otherwise) of the Directors and of persons connected with them (within the meaning of section 252 of the 2006 Act) in the issued ordinary share capital of the Company and the existence of which is known to, or could with reasonable due diligence

be ascertained by, any Director as at the date of this document and as they are expected to be immediately following Admission are as follows:

	<i>As at the date of this document</i>		<i>Immediately following Admission*</i>	
	<i>No. of Ordinary Shares</i>	<i>% of Existing Ordinary Shares</i>	<i>No. of Ordinary Shares</i>	<i>% of Enlarged Share Capital*</i>
Tim Yeo	777,272	0.35%	877,272	0.28%
Ian Williamson	–	–	50,000	0.02%
Gene Lewis	10,000	0.00%	45,000	0.01%
Christopher Tawney	–	–	50,000	0.02%
Adam Bond	–	–	–	–
Mitchell Field	2,144,810	0.96%	2,644,810	0.84%
Eugene Shvidler	12,043,633	5.39%	12,043,633	3.82%
Eugene Tenenbaum	–	–	–	–
John Sunderland	370,270	0.17%	420,270	0.13%

*Assuming that the Open Offer is fully subscribed, the Directors do not participate in the Open Offer, the Lanstead Placing Shares and the Lanstead Value Shares are issued, and no options or warrants are exercised prior to Admission.

- 3.3 The interests (all of which are beneficial unless stated otherwise) of the Directors and of persons connected with them (within the meaning of section 252 of the 2006 Act) in options over the Ordinary Shares and the existence of which is known to, or could with reasonable due diligence be ascertained by, any Director as at the date of this document are as follows:

<i>Directors holding share options</i>	<i>Exercise price (pence)</i>	<i>Number of Ordinary Shares under option</i>
Ian Williamson	32.00	1,000,000
	34.00	200,000
	22.00	40,909
	18.60	48,387
Gene Lewis	34.00	100,000

- 3.4 The interests (all of which are beneficial unless stated otherwise) of the Directors and of persons connected with them (within the meaning of section 252 of the 2006 Act) in warrants in respect of Ordinary Shares and the existence of which is known to, or could with reasonable due diligence be ascertained by, any Director as at the date of this document are as follows:

<i>Directors holding warrants</i>	<i>Exercise price (pence)</i>	<i>Number of Ordinary Shares under warrant</i>
Tim Yeo	3.13	1,100,000
	24.00	1,000,000
Mitchell Field	3.13	350,000
	24.00	750,000
Gene Lewis	24.00	1,954,000

- 3.5 Save as disclosed above, no Director nor their immediate family nor any person connected with a Director within the meaning of section 252 of the 2006 Act has any interests (beneficial or non-beneficial) in the share capital of the Company or any of its subsidiaries.

4. Major Shareholders

Insofar as has been notified to the Company, and in addition to the holdings of the Directors disclosed in paragraph 3.2 above, the following persons hold, as at the date of this document, and are expected to hold immediately following Admission, directly or indirectly, 3 per cent. or more of the Enlarged Share Capital:

	<i>As at the date of this document</i>		<i>As at the date of this document</i>	
	<i>No. of Ordinary Shares</i>	<i>% of Existing Ordinary Shares</i>	<i>No. of Ordinary Shares</i>	<i>% of Enlarged Share Capital</i>
Ervington Investments Ltd	24,831,149	11.12	38,021,149	12.06%
Age of Reason Foundation	22,602,420	10.12	24,602,420	7.80%
Linc Energy	22,000,705	9.85	22,000,705	6.98%
TD Direct Investing Nominees (Europe) Ltd	14,143,085	6.33	14,143,085	4.49%
Mr Eugene Shvidler	12,043,633	5.39	12,043,633	3.82%
Barclayshare Nominees Ltd	13,120,730	5.87	13,120,730	4.16%
Eturab Trade Corporation	8,500,000	3.81	8,500,000	2.70%
Hargreaves Lansdown (Nominees) Ltd	7,534,337	3.37	7,634,337	2.42%
HSDL Nominees Ltd	6,909,140	3.09	6,909,140	2.19%
Mr Harry Epstein	6,900,000	3.09	6,900,000	2.20%
Lanstead Capital LP	–	–	23,100,000	7.33%

*Assuming that the Open Offer is fully subscribed, the Shareholders listed above do not participate in the Open Offer, no options or warrants are exercised prior to Admission, and the Issuance of the Lanstead Placing Shares and Lanstead Value Shares takes place as anticipated.

5. Material contracts

5.1 **Placing and Open Offer Agreement**

The Company, the Directors, Zeus Capital and Peat have entered into the Placing and Open Offer Agreement the summary of which is contained in paragraph 11 of Part I of this document.

5.2 **Lanstead Placing Agreement**

The Company, the Directors, Zeus Capital and Peat have entered into the Lanstead Placing Agreement the summary of which is contained in paragraph 10 of Part I of this document.

5.3 **Agreements with Lanstead**

On 10 October 2014, the Company entered into a subscription agreement with Lanstead Capital LP pursuant to which Lanstead agreed to subscribe for 22,000,000 new Ordinary Shares at a price of 10 pence per share for an aggregate consideration of £2.2 million. The subscription agreement contains customary warranties from the Company in favour of Lanstead and is subject to an escrow arrangement to completion, in respect of which the sole condition is admission of the Lanstead Placing Shares. In addition, on 10 October 2014, the Company entered into the Equity Swap Agreements with Lanstead which allow the Company to retain much of the economic interest in the Lanstead Placing Shares. The Equity Swap Agreements, which relate to 75 per cent. of the Lanstead Placing Shares, take the form of an ISDA Master Agreement and associated confirmations and are designed to enable the Company to secure much of the potential upside of future potential share price appreciation arising from the Company's development. The Company will issue 1,100,000 new Ordinary Shares to Lanstead in part consideration for the Equity Swap Agreements (the "**Lanstead Value Shares**").

The Equity Swap Agreements provide that the Company's economic interest will be determined and payable in 18 monthly settlement tranches as measured against the Benchmark Price. If the measured share price exceeds the Benchmark Price, for that month, the Company will receive more than 100 per cent. of the monthly settlement due on a pro rata basis. There is no upper limit placed on the additional proceeds receivable by the Company as part of the monthly settlements. Should the measured share price be below the Benchmark Price, the Company will receive less than 100 per cent. of the expected monthly settlement on a pro rata basis. In no event would a decline in the Company's share price result

in any increase in the number of new Ordinary Shares received by Lanstead or any other advantage accruing to Lanstead.

5.3 **Grant Agreement relating to the Alkammonia project**

On 30 April 2013 the Company entered into a grant agreement with the Fuel Cells and Hydrogen Joint Undertaking (“**FCH JU**”). Pursuant to this grant agreement the FCH JU decided to grant a financial contribution of up to €1,962,548 for the implementation of the project called ‘Alkammonia: Ammonia-fuelled alkaline fuel cells for remote power applications’ (“**Alkammonia**”), the actual contribution to be calculated in accordance with the terms and conditions of the grant agreement. The duration of the Alkammonia project is 36 months commencing on 1 May 2013.

The Company is one of six beneficiaries under the grant agreement, the others being ACTA SPA, Universitaet Duisburg-Essen, Zentrum Fur Brennstoffzellen-Technik GmbH, UPS Systems Plc, Paul Scherrer Institut and FAST-Federazione Delle Associazioni Scientifiche E Tecniche. As coordinator under the grant agreement, AFC Energy may request budget transfers between different activities and between the consortium partners. Such transfers are likely to be agreed by the FCH JU, provided the work is carried out as foreseen in the grant agreement.

AFC's share of the total financial contribution to the Alkammonia project is €636,743, of which a pre-financing of €125,000 has already been paid to the Company.

5.5 **Grant agreement relating to the Power Up project**

On 21 November 2013 the Company entered into another grant agreement with the Fuel Cells and Hydrogen Joint Undertaking (“**FCH JU**”). Pursuant to this grant agreement the FCH JU decided to grant a financial contribution of up to €6,916,963 to the power up project titled ‘Demonstration of 500 kWe alkaline fuel cell system with heat capture’ (“**Power Up**”), the actual contribution to be calculated in accordance with the terms and conditions of the grant agreement. The duration of the power up project is 51 months commencing on 1 April 2013.

The Company is one of six beneficiaries under the grant agreement, the others being Air Products plc, G.B. Innomech Ltd, Zentrum Fur Brennstoffzellen-Technik GmbH, Paul Scherrer Institut and FAST-Federazione Delle Associazioni Scientifiche E Tecniche. As coordinator under the grant agreement, AFC Energy may request budget transfers between different activities and between the consortium partners. Such transfers are likely to be agreed by the FCH JU, provided the work is carried out as foreseen in the grant agreement.

AFC's share of the total financial contribution to the Power Up is €3,916,963, of which a pre-financing of €125,000 has already been paid to the Company.

6. **General**

- 6.1 Neither the Company nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings and, so far as the Directors are aware, there are no governmental, legal or arbitration proceedings pending or threatened against them or being brought by the Company or any of its subsidiaries, during the previous 12 months, which may have, or had in the recent past, a significant effect on the financial position or profitability of the Company.
- 6.2 Zeus Capital and Peat have both given and not withdrawn their written consent to the issue of this document with the inclusion herein of references to their names in the form and context in which they appear.
- 6.3 The total costs and expenses of, and incidental to, the Capital Raising payable by the Company (including professional fees, commissions, the cost of printing and the fees payable to the registrars) are estimated to amount to approximately £270,546 (excluding value added tax).
- 6.4 The net proceeds of the Capital Raising are expected to be approximately £8.73 million, assuming the Open Offer is fully subscribed.

6.5 The Ordinary Shares are in registered form and are capable of being held in uncertificated form. Settlement of the New Ordinary Shares will, at the option of Placees or Qualifying CREST Shareholders (as the case may be), be within CREST and New Ordinary Shares will be delivered into the CREST accounts of Placees and Qualifying CREST Shareholders on 31 October 2014. No temporary documents of title will be issued. Definitive share certificates for Placees not settling through CREST and Qualifying Non-CREST Shareholders will be despatched within ten days of Admission. Prior to the despatch of such certificates, transfers will be certified against the register of members of the Company.

7. Availability of documents

Copies of this document are available free of charge at the Company's registered office during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted), and shall remain available for at least one month following Admission. Copies of the material contracts listed in paragraph 6 of this Part V will be available for review until the end of the Open Offer period at the Company's registered office. In addition, this document will be available on the Company's website www.afcenergy.com for a period of 12 months from the date of this document.

AFC ENERGY PLC

(incorporated in England and Wales with registered number 05668788)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of AFC Energy plc (“**AFC Energy**” or the “**Company**”) will be held at the Clarke Suite, Chelsea Football Club, Stamford Bridge, Fulham Road, London SW6 1HS at 11.30 a.m. on 30 October 2014 for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolution 2 will be proposed as an ordinary resolution and Resolutions 1 and 3 will be proposed as special resolutions.

Unless the context requires otherwise, words and expressions defined in the circular dated 13 October 2014, of which this notice forms part, have the same meanings when used in this notice.

SPECIAL RESOLUTION

Resolution 1

THAT the Directors be and they are hereby:

- (i) generally and unconditionally authorised in accordance with section 551 of the 2006 Act, in addition to and not in substitution for all previous powers granted thereunder, to exercise all powers of the Company to allot up to 68,847,810 Ordinary Shares of an aggregate nominal amount of £68,847.81 pursuant to the Placing and the Open Offer; and
- (ii) empowered pursuant to section 570 of the 2006 Act to allot equity securities (within the meaning of section 560 of the 2006 Act) for cash pursuant to the authority conferred by paragraph (i) of this resolution above, as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to the allotment of up to 68,847,810 Ordinary Shares of an aggregate nominal amount of £68,847.81 pursuant to the Placing and the Open Offer,

in each case, provided such powers shall expire on the date of the next annual general meeting of the Company or, if earlier, on 30 April 2015 (unless renewed, varied or revoked by the Company prior to or on that date), save that the Company may before such expiry make an offer or agreement which would or might require shares in the Company or rights to be allotted or granted after these authorities expire and that the Directors may allot shares in the Company or grant rights pursuant to such an offer or agreement as if the authorities conferred by this resolution had not expired.

ORDINARY RESOLUTION

Resolution 2

THAT, subject to and conditional upon the Placing and Open Offer Agreement becoming unconditional in all respects, the Directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the 2006 Act to exercise all powers of the Company to allot equity securities (within the meaning of section 560 of the 2006 Act) in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company:

- (i) up to an aggregate nominal amount of £59,104.54; and
- (ii) up to a further aggregate nominal amount of £59,104.54 provided that they are equity securities offered by way of a fully pre-emptive rights issue only to holders of Ordinary Shares on the register of members at such record date as the Directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them on any such record date and to other holders of equity securities entitled to participate therein, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter,

provided that this authority shall expire on the date of the next annual general meeting of the Company or, if earlier, on 30 April 2015, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors are hereby authorised to allot such securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired, and provided that the authorities under this resolution have become effective all unexpired and unexercised authorities previously granted to the Directors to allot relevant securities (other than pursuant to Resolution 1 above in relation to the Capital Raising) be and are hereby revoked.

SPECIAL RESOLUTION

Resolution 3

THAT, conditional upon the passing of Resolution 2, the Directors be and they are hereby empowered pursuant to section 570 of the 2006 Act to allot equity securities (within the meaning of section 560 of the 2006 Act) for cash pursuant to the authority conferred by Resolution 2 as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to:

- (i) the allotment of equity securities in connection with an issue or offer of securities (but, in the case of the authority granted under paragraph (ii) of Resolution 2, by way of a fully pre-emptive rights issue only) to the holders of Ordinary Shares on the register of members at such record date as the Directors may determine where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them on any such record date, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates, or legal or practical problems under the laws of, or the requirements of any regulatory authority or stock exchange in, any territory or any other matter;
- (ii) the grant or issue and allotment of up to 2,500,000 equity securities pursuant to the Company's EMI and/or SAYE share option schemes; and
- (iii) the allotment (other than pursuant to paragraphs (i) and (ii) of this resolution above) to any person or persons of equity securities up to an aggregate nominal amount of £56,604.54,

and provided that this power shall expire upon the expiry of the general authority conferred by Resolution 2 above, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors are hereby authorised to allot such securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

Explanatory Notes:

Resolution 1 is proposed to enable the Directors to allot the New Ordinary Shares and to disapply Shareholders' pre-emption rights in respect of the New Ordinary Shares, in each case, to be issued in connection with the Placing and the Open Offer.

Resolution 2 is conditional on the Placing and Open Offer Agreement becoming wholly unconditional. This resolution is proposed to enable the Directors to allot further equity securities up to an aggregate nominal amount of £118,209.09 (such amount equating to 40 per cent. of the aggregate nominal value of the Enlarged Share Capital assuming full take-up of the Open Offer). This amount is in line with the ABI Guidelines which recommend that the directors' authority to allot share capital be limited to a sum equal to two-thirds of the issued ordinary share capital on condition that half of this amount (representing one third of the Enlarged Share Capital, assuming full take up of the Open Offer) can only be allotted pursuant to a fully pre-emptive rights issue.

Resolution 3 is proposed to authorise the Directors to allot equity securities for cash subject to statutory pre-emption rights in favour of Shareholders and to disapply statutory pre-emption rights on the allotment of a limited number of those equity securities. In the light of the ABI Guidelines described in connection with Resolution 2 above, this authority will permit the Directors to:

- (i) allot shares up to approximately four-tenths of the Company's issued ordinary share capital on a pre-emptive offer to existing shareholders. However, unless the shares are allotted pursuant to a rights issue, the Directors may only allot shares up to approximately one-fifth of the Company's issued ordinary share capital (in each case, subject to such adjustments or exclusions as are described in the Notice of General Meeting);

- (ii) *grant or issue and allot up to 2,500,000 equity securities pursuant to the Company's EMI and/or SAYE share option schemes; and*
- (iii) *allot shares up to a maximum nominal amount of £59,104.54, such amount equating to 20 per cent. of the aggregate nominal value of the Enlarged Share Capital (assuming full take-up of the Open Offer).*

Registered Office
Finsgate
5-7 Cranwood Street
London
EC1V 9EE

By Order of the Board

Tim Yeo
Chairman

13 October 2014

NOTES:

1. Any member entitled to attend and vote at the Meeting may appoint one or more proxies (who need not be a member of the Company) to attend and, in the event of a poll, to vote instead of the member. Shareholders will receive a Form of Proxy with this document. Completion and return of a Form of Proxy will not preclude a member from attending and voting at the meeting, or any adjournment thereof, in person.
2. In order to be valid, any Form of Proxy and a power of attorney or other authority under which it is signed must reach Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not less than 48 hours (excluding any part of a day which is a non-working day) before the time of the General Meeting and in default may not be treated as valid. Shareholders requiring any assistance should call Computershare's shareholders' helpline on 0870 707 1302 (calls cost 10p per minute plus network extras, lines are open 9.00 a.m. – 5.00 p.m. Monday to Friday).
3. In the case of joint holders, the signature of only one of the joint holders is required on the Form of Proxy but the vote of the first named on the register of members of the Company will be accepted to the exclusion of the other joint holders.
4. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those Shareholders registered in the register of members of the Company as at 11.30 a.m. on 28 October 2014 (or if the General Meeting is adjourned, Shareholders registered in the register of members of the Company not later than 48 hours before the time fixed for the adjourned General Meeting) shall be entitled to attend or vote at the General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after the relevant times shall be disregarded in determining the rights of any person to attend or vote at the meeting.