

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. It contains the Resolutions to be voted on at the General Meeting of the Company to be held at Chelsea Football Club, Stamford Bridge, London SW6 4HS at 11.00 a.m. on 3 March 2017. If you are in any doubt about what action you should take, you should consult your stockbroker, bank manager, solicitor or other independent financial adviser authorised under the Financial Services and Markets Act 2000 ("FSMA") immediately.**

Copies of this document will be available free of charge until 3 April 2017 at the Company's registered office, Finsgate, 5-7 Cranwood Street, London EC1V 9EE, during normal business hours.

If you have sold or otherwise transferred all of your Ordinary Shares, please forward this document, the Application Form and the accompanying Form of Proxy for use in relation to the General Meeting as soon as possible 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.

The total consideration under the Open Offer shall be less than €5 million (or an equivalent pounds sterling amount) in aggregate and so, in accordance with Section 85 and Schedule 11A of FSMA, the Open Offer does not require the issue of a prospectus for the purposes of the Prospectus Rules. The Placing Shares and the Subscription Shares are only available to qualified investors for the purposes of the Prospectus Directive or otherwise in circumstances not resulting in an offer of transferable securities to the public under Section 102B of FSMA. Therefore, neither the Placing, the Subscription nor the Open Offer constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and accordingly this document does not constitute a prospectus for the purposes of the Prospectus Rules made by the FCA pursuant to sections 73A(1) and (4) of FSMA and has not been pre-approved by the FCA pursuant to sections 85 and 87 of FSMA, the London Stock Exchange, any securities commission or any other authority or regulatory body and has not been approved for the purposes of Section 21 of FSMA.

The Directors, whose names appear on page 3 of this document, 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 is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made to the London Stock Exchange plc 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 will commence at 8.00 a.m. on 9 March 2017.



*(Incorporated and registered in England and Wales with registered no. 05668788)*

**Placing of 58,500,000 New Ordinary Shares,  
Subscription of 1,500,000 New Ordinary Shares and  
Open Offer of up to 20,684,262 New Ordinary Shares at 10 Pence Per Share  
to raise £8.1 million  
and  
Notice of General Meeting**

*Nominated Adviser and Broker:*



*Joint Broker:*

PEAT & CO

**Your attention is drawn to the letter from the Chairman of the Company which recommends that you vote in favour of the Resolutions to be proposed at the General Meeting.**

Notice of a General Meeting of AFC Energy plc to be held at Chelsea Football Club, Stamford Bridge, London SW6 4HS at 11.00 a.m. on 3 March 2017 is set out at the end of this document. A Form of Proxy for use in connection with the general meeting is also enclosed with this document. The Form of Proxy should be completed and returned to the Company's Registrars, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received no later than 48 hours prior to the General Meeting. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.

Cantor Fitzgerald Europe ("Cantor Fitzgerald"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as nominated adviser and broker to the Company. The responsibilities of Cantor Fitzgerald as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange plc and are not owed to the Company or to any Director, shareholder or any other person, in respect of his decision to acquire shares in the Company in reliance on any part of this document, or otherwise. Cantor Fitzgerald is not making any representation or warranty, express or implied, as to the contents of this document. Cantor Fitzgerald will not be offering advice and will not be responsible for providing customer protections to recipients of this document in respect of the Placing or any acquisition of shares in the Company.

MC Peat & Co LLP ("Peat") which is authorised and regulated in the United Kingdom by the Financial Conduct Authority is acting exclusively for the Company and no one else in relation to the Fundraising and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Fundraising 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 Fundraising or any other matter referred to herein.

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in it is correct as of any subsequent time.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document and/or the accompanying Form of Proxy comes should inform themselves about and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Applications under the Open Offer may only be made by the Qualifying Shareholders originally entitled thereto or by a person entitled by virtue of a bona fide market claim arising out of the sale or transfer of Existing Ordinary Shares prior to the date on which the relevant Existing Ordinary Shares are marked "ex" the entitlement by the London Stock Exchange. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purposes of calculating entitlements under the Open Offer.

If the Basic Entitlements and Excess Entitlements are for any reason not enabled by 16 February 2017 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 their Basic Entitlement and Excess Entitlement 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. The Application Form is personal to Qualifying Non-CREST Shareholders and cannot be transferred, sold, or assigned except to satisfy bona fide market claims.

The latest time for acceptance and payment under the Open Offer is 11.00 a.m. on 2 March 2017. The procedure for application is set out in Part 3 of this document and, in respect of the Qualifying Non-CREST Shareholders, the Application Form.

**Cautionary note regarding forward-looking statements**

This document contains statements about the Company that may be deemed to be "forward-looking statements".

All statements, other than statements of historical facts, included in this document may be forward-looking statements. Without limitation, any statements preceded or followed by, or that include, the words "targets", "plans", "believes", "expects", "aims", "intends", "will", "may", "should", "anticipates", "estimates", "projects", or words or terms of similar substance or the negative thereof, are forward-looking statements. Forward-looking statements may include, without limitation, statements relating to future capital expenditures, expenses, revenues, earnings, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects, etc.

These forward-looking statements are not guarantees of future performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual result, performance or achievements of any such person, or industry, to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. Investors should not place undue reliance on such forward-looking statements and, save as is required by law or regulation (including to meet the requirements of the AIM Rules, the City Code, the Prospectus Rules and/or FSMA), the Company does not undertake any obligation to update publicly or revise any forward-looking statements (including to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based). All subsequent oral or written forward-looking statements attributed to the Company or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements contained in this document are based on information available to the Directors at the date of this document, unless some other time is specified in relation to them, and the posting or receipt of this document shall not give rise to any implication that there has been no change in the facts set forth herein since such date.

## CONTENTS

|   | <i>Page</i> |
|---|-------------|
| DIRECTORS, COMPANY SECRETARY AND ADVISERS           | 3           |
| EXPECTED TIMETABLE OF PRINCIPAL EVENTS              | 4           |
| FUNDRAISING STATISTICS                              | 5           |
| DEFINITIONS   | 6           |
| PART 1 – LETTER FROM THE CHAIRMAN                   | 10          |
| PART 2 – RISK FACTORS                               | 17          |
| PART 3 – TERMS AND CONDITIONS OF THE OPEN OFFER     | 24          |
| PART 4 – QUESTIONS AND ANSWERS ABOUT THE OPEN OFFER | 47          |
| PART 5 – ADDITIONAL INFORMATION                     | 54          |
| PART 6 – NOTICE OF GENERAL MEETING                  | 57          |

## DIRECTORS, COMPANY SECRETARY AND ADVISERS

|  |   |
|--|---|
| <b>Directors</b>                                     | Tim Yeo, <i>Non-Executive Chairman</i><br>Adam Bond, <i>Chief Executive Officer</i><br>James Gibson, <i>Chief Operating Officer</i><br>Mitchell Field, <i>Non-executive Director</i><br>Eugene Shvidler, <i>Non-executive Director</i><br>Eugene Tenenbaum, <i>Non-executive Director</i> |
| <b>Company Secretary and Chief Financial Officer</b> | Richard Tuffill   |
| <b>Registered Office</b>                             | AFC Energy plc<br>Finsgate<br>5-7 Cranwood Street<br>London<br>EC1V 9EE   |
| <b>Nominated Adviser and Broker</b>                  | Cantor Fitzgerald Europe<br>One Churchill Place<br>Canary Wharf<br>London<br>E14 5RB  |
| <b>Joint Broker</b>                                  | M C Peat & Co LLP<br>118 Piccadilly<br>London<br>W1 7NW   |
| <b>Legal Advisers to the Company</b>                 | Memery Crystal LLP<br>44 Southampton Buildings<br>London<br>WC2A 1AP  |
| <b>Legal Advisers to Cantor Fitzgerald Europe</b>    | Eversheds LLP<br>1 Wood Street<br>London<br>EC2V 7WS  |
| <b>Registrars and Receiving Agent</b>                | Computershare Investor Services PLC<br>The Pavilions<br>Bridgwater Road<br>Bristol<br>BS13 8AE  |

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

|   |                                |
|---|--------------------------------|
| Record Date for entitlements under the Open Offer   | 6.00 p.m. on 10 February 2017  |
| Announcement of the Placing   | 14 February 2017               |
| Ex entitlement date for the Open Offer  | 15 February 2017               |
| Dispatch of this document, the Form of Proxy and, to Qualifying Non-CREST Shareholders only, the Application Form   | 15 February 2017               |
| Basic Entitlements and Excess Entitlements credited to stock accounts of Qualifying CREST Shareholders  | 16 February 2017               |
| Recommended latest time for requesting withdrawal of Basic Entitlements and Excess Entitlements from CREST  | 4.30 p.m. on 24 February 2017  |
| Latest time and date for depositing Basic Entitlements and Excess Entitlements into CREST   | 11.00 a.m. on 27 February 2017 |
| Latest time and date for splitting of Application Forms (to satisfy bona fide market claims only)   | 3.00 p.m. on 28 February 2017  |
| Latest time for receipt of Forms of Proxy   | 11.00 a.m. on 1 March 2017     |
| Latest time and date for receipt of completed Application Forms from Qualifying Non-CREST Shareholders and payment in full under the Open Offer or settlement of relevant CREST instructions (as appropriate) | 11.00 a.m. on 2 March 2017     |
| Announcement of the results of the Open Offer   | 2 March 2017                   |
| General Meeting   | 11.00 a.m. on 3 March 2017     |
| Announcement of the results of the General Meeting  | 3 March 2017                   |
| Issue of Placing Shares, Subscription Shares and Open Offer Shares  | 9 March 2017                   |
| Admission and commencement of dealings in the Enlarged Share Capital expected to commence on AIM  | 8.00 a.m. on 9 March 2017      |
| CREST accounts expected to be credited  | 9 March 2017                   |
| Definitive share certificates to be dispatched by   | 23 March 2017                  |

*Each of the times and dates above is subject to change. Any such change will be notified by an announcement on a Regulatory Information Service.*

## FUNDRAISING STATISTICS

|  |  |
|--|--|
| Closing price of Existing Ordinary Shares on 13 February 2017                          | 16.75 pence  |
| Basis of Open Offer  | 1 Open Offer Share for every 15 Existing Ordinary Shares |
| Issue Price  | 10 pence   |
| Number of Existing Ordinary Shares in issue on the Record Date                         | 310,263,943  |
| Number of New Ordinary Shares to be issued the Company pursuant to the Placing         | 58,500,000   |
| Number of New Ordinary Shares to be issued by the Company pursuant to the Subscription | 1,500,000  |
| Number of New Ordinary Shares to be issued pursuant to the Open Offer*                 | 20,684,262   |
| Number of New Ordinary Shares as a percentage of the Enlarged Share Capital*           | 20.6 per cent.   |
| Enlarged Share Capital*  | 390,948,205  |
| Gross proceeds of the Fundraising*   | £8.1 million   |
| Net proceeds of the Fundraising*   | £7.6 million   |
| ISIN of the Ordinary Shares  | GB00B18S7B29   |
| SEDOL of the Ordinary Shares   | B18S7B2  |
| ISIN for Open Offer Entitlements   | GB00BDFLHH43   |
| ISIN for Excess Open Offer Entitlements  | GB00BDFLHJ66   |

\* assuming full take-up under the Open Offer

## DEFINITIONS

The following definitions apply throughout this document and in the accompanying Form of Proxy unless the context requires otherwise:

|                              |   |
|------------------------------|---|
| “Admission”                  | admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules;   |
| “AIM”                        | the market of that name operated by the London Stock Exchange;  |
| “AIM Rules”                  | together, the AIM Rules for Companies and the AIM Rules for Nominated Advisers;   |
| “Application Form”           | the non-CREST Application Form;   |
| “Basic Entitlement(s)”       | the <i>pro rata</i> entitlement of Qualifying Shareholders to subscribe for 1 Open Offer Share for every 15 Existing Ordinary Shares registered in their name as at the Record Date, on and subject to the terms of the Open Offer;               |
| “Board” or “Directors”       | the directors of AFC Energy whose names are set out on page 3 of this document;   |
| “Business Day”               | any day on which banks are usually open in England and Wales for the transaction of business, other than a Saturday, Sunday or public holiday;  |
| “Cantor Fitzgerald” or “CFE” | Cantor Fitzgerald Europe, One Churchill Place, Canary Wharf, London E14 5RB, as Nominated Adviser and Broker to the Company;  |
| “Circular”                   | this document, posted to Shareholders on 15 February 2017;  |
| “City Code”                  | the City Code on Takeovers and Mergers;   |
| “Company” or “AFC Energy”    | AFC Energy Plc, a company incorporated and registered in England and Wales with company number 05668788;  |
| “CREST”                      | the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear UK & Ireland Limited;  |
| “CREST Manual”               | the compendium of documents entitled CREST Manual issued by Euroclear from time to time and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual and the CREST Glossary of Terms; |
| “CREST Member”               | a person who has been admitted to Euroclear as a member (as defined in the CREST Order);  |
| “CREST Participant”          | a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations);  |
| “CREST Regulations”          | the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended from time to time);   |
| “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;   |
| “De Nora”                    | Industrie De Nora S.p.A, with which the Company entered a joint development agreement as disclosed in an announcement on 5 August 2016;   |

|                                       |  |
|---------------------------------------|--|
| “Enlarged Share Capital”              | the Company’s issued ordinary share capital immediately following Admission;   |
| “Euroclear”                           | Euroclear UK & Ireland Limited;  |
| “Excess Application”                  | Open Offer Shares which may be applied for by Qualifying Shareholders under the Excess Application Facility;   |
| “Excess Application Facility”         | the arrangement pursuant to which Qualifying Shareholders may apply for additional Open Offer Shares in excess of their Open Offer Entitlement in accordance with the terms and conditions of the Open Offer;  |
| “Excess CREST Open Offer Entitlement” | in respect of each Qualifying CREST Shareholder, their entitlement (in addition to his Open Offer Entitlement) to apply for Open Offer Shares pursuant to the Excess Application Facility, which is conditional on him taking up his Open Offer Entitlement in full; |
| “Excess Shares”                       | Open Offer Shares applied for by Qualifying Shareholders under the Excess Application Facility;  |
| “Ex-entitlement Date”                 | the date on which the Existing Ordinary Shares are marked “ex” for entitlement under the Open Offer, being 15 February 2017;   |
| “Existing Ordinary Shares”            | the ordinary shares of 0.1 pence each in the capital of the Company as at the date of this document, being 310,263,943 Ordinary Shares;  |
| “FCA”                                 | the Financial Conduct Authority;   |
| “Form of Proxy”                       | the form of proxy attached to this document for use by Shareholders in connection with the GM;   |
| “FSMA”                                | Financial Services and Markets Act 2000, as amended;   |
| “Fundraising”                         | together, the Placing, Subscription and Open Offer;  |
| “Gen2”                                | the second generation of the Company’s fuel cell system which was completed in November 2016;  |
| “GM” or “General Meeting”             | the general meeting of AFC Energy to be held at Chelsea Football Club, Stamford Bridge, London SW6 4HS at 11.00 a.m. on 3 March 2017, notice of which is set out in Part 6 of this document;   |
| “HMRC”                                | Her Majesty’s Revenue & Customs;   |
| “Issue Price”                         | 10 pence per New Ordinary Share;   |
| “Listing Rules”                       | the listing rules of the FCA made in accordance with section 73A(2) of FSMA;   |
| “London Stock Exchange”               | London Stock Exchange plc;   |
| “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 80,684,262 new Ordinary Shares in the capital of AFC Energy to be issued in connection with the Fundraising;   |
| “Notice of GM”                        | the notice of General Meeting which forms part of this document;   |

|                                     |  |
|-------------------------------------|--|
| “Open Offer”                        | the invitation to Qualifying Shareholders to subscribe for the Open Offer Shares at the Issue Price on the terms and subject to the conditions set out in this document and in the case of Qualifying Non-CREST Shareholders only, the Application Form; |
| “Open Offer Entitlement”            | the entitlement of Qualifying Shareholders to subscribe for Open Offer Shares allocated to Qualifying Shareholders on the Record Date pursuant to the Open Offer;  |
| “Open Offer Shares”                 | the 20,684,262 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 with a registered address outside of 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;   |
| “Peel”                              | Peel Environmental Limited;  |
| “Placees”                           | the placees subscribing for Placing Shares pursuant to the Placing;  |
| “Placing Agreement”                 | the conditional placing agreement dated 14 February 2017 between Cantor Fitzgerald and the Company, details of which are set out in the letter from the Chairman;  |
| “Placing”                           | the proposed placing by Cantor Fitzgerald, as agent for the Company, of the Placing Shares;  |
| “Placing Shares”                    | the 58,500,000 New Ordinary Shares to be allotted on the terms of the Placing Agreement;   |
| “Prospectus Rules”                  | the prospectus rules of the Financial Conduct Authority made under Part VI of the Financial Services and Markets Act 2000;   |
| “Prospectus Directive”              | directive 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading;   |
| “Related Parties”                   | Howard White and Yady;   |
| “Qualifying CREST Shareholders”     | Qualifying Shareholders holding Ordinary Shares in uncertificated form in CREST at the Record Date;  |
| “Qualifying Non-CREST Shareholders” | Qualifying Shareholders holding Ordinary Shares in certificated form at the Record Date;   |
| “Qualifying Shareholders”           | holders of Ordinary Shares on the register of members of the Company at the Record Date with the exclusion of Shareholders with a registered address or who are resident in any Restricted Jurisdiction;   |
| “Record Date”                       | close of business on 10 February 2017;   |
| “Registrars” or “Receiving Agent”   | Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE;  |
| “Regulatory Information Service”    | has the meaning given under the AIM Rules;   |

|   |  |
|---|--|
| “Resolutions”                                       | the resolutions to be proposed at the GM, as set out in the Notice of GM;  |
| “Restricted Jurisdiction”                           | each and any of Australia, Canada, Japan, the Republic of Ireland, the Republic of South Africa, New Zealand and the United States and any other jurisdiction where the extension or the availability of the Open Offer would breach any applicable law; |
| “Securities Act”                                    | US Securities Act of 1933 (as amended);  |
| “Shareholders”                                      | holders of Existing Ordinary Shares in AFC Energy;   |
| “Subscription”                                      | the proposed subscription for New Ordinary Shares by certain existing investors;   |
| “Subscription Shares”                               | the 1,500,000 Ordinary Shares to be subscribed for pursuant to the Subscription;   |
| “UK” or “the United Kingdom”                        | the United Kingdom of Great Britain and Northern Ireland;  |
| “Uncertificated” or<br>“Uncertificated form”        | recorded on the relevant register or other record of the Shares or other security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;                 |
| “United States”, “United States of America” or “US” | the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all areas subject to its jurisdiction;   |
| “Yady”  | Yady Worldwide S.A., a company wholly owned by Ben White, son of Howard White;   |
| “2016 Strategic Milestones”                         | the strategic milestones of the Company as detailed in an announcement released by RIS on 1 March 2016;  |
| “£”, “Pounds Sterling” or “Pence”                   | UK pounds sterling, the lawful currency of the United Kingdom; and   |
| “€” or “Euro”                                       | single legal currency of Eurozone countries.   |

## PART 1

### LETTER FROM THE CHAIRMAN

#### **AFC Energy plc**

*(Incorporated and registered in England and Wales with registered no. 05668788)  
Registered office: Finsgate, 5-7 Cranwood Street, London, EC1V 9EE*

*Directors:*

Tim Yeo, *Non-Executive Chairman*  
Adam Bond, *Chief Executive Officer*  
James Gibson, *Chief Operating Officer*  
Mitchell Field, *Non-Executive Director*  
Eugene Shvidler, *Non-Executive Director*  
Eugene Tenenbaum, *Non-Executive Director*

15 February 2017

*To all Shareholders and, for information only, to the holders of options*

Dear Shareholder,

**Proposed Placing of 58,500,000 New Ordinary Shares,  
Subscription of 1,500,000 New Ordinary Shares,  
Open Offer of up to 20,684,262 New Ordinary Shares  
at 10 pence per share**

**and**

**Notice of General Meeting**

#### **1 Introduction**

The Company has announced today that it is proposing to raise up to £8.1 million (before the deduction of fees and expenses) through a Placing, Subscription and Open Offer comprising the issue of up to 80,684,262 New Ordinary Shares at 10 pence per New Ordinary Share.

Each of the Placing and Subscription are conditional, *inter alia*, on the passing of the Resolutions at the General Meeting, admission becoming effective by no later than 8.00 a.m. on 9 March 2017 (or such other time and/or date, being no later than 31 March 2017, as the Company and Cantor Fitzgerald may agree) and the Placing Agreement between the Company and Cantor Fitzgerald becoming unconditional and not being terminated prior to Admission (in accordance with its terms). It is expected that the New Ordinary Shares will be admitted to trading on AIM on or around 8.00 a.m. on 9 March 2017. The Open Offer is not conditional upon the Placing and Subscription.

The Board believes that raising equity finance through the Fundraising is the most appropriate method of financing the Company at this time. This allows both existing shareholders to participate in the Fundraising and new institutional investors to enter the Company's share register. The Fundraising avoids the need for a prospectus to be prepared and issued, which is a costly and time consuming process, whilst permitting Qualifying Shareholders to participate through the Open Offer. The Board believes that the potential value creation for the benefit of Shareholders arising from the Fundraising outweighs the dilutive effects of the Placing and Subscription. Although the costs associated with the Fundraising will be lower than if the Company had prepared and published a prospectus, in the event that the Fundraising does not complete, the Company will still have incurred significant costs.

The purpose of this document is to set out the reasons for, and provide further information on, the Fundraising, to explain why the Board considers the Fundraising to be in the best interests of the Company and its Shareholders as a whole and why the Directors unanimously recommend that you vote in favour

of the Resolutions, as they have irrevocably undertaken to do so in respect of their own beneficial holdings of Ordinary Shares, in aggregate representing approximately 6.86 per cent. of AFC Energy's issued share capital on 14 February 2017 (being the last Business Day prior to publication of this document).

At the end of this document you will find a notice convening the General Meeting at which the Resolutions will be proposed by the Directors. The General Meeting has been convened for 11.00 a.m. on 3 March 2017 and will take place at Chelsea Football Club, Stamford Bridge, London SW6 4HS.

## **2 Background to and reasons for the Fundraising**

AFC Energy's objective is to be a world class organisation that deploys low cost, high performance fuel cell technology to the global energy market. The Company, which was founded in 2006 and listed on the London Stock Exchange in 2007, was focused primarily on research and development and fuel cell system development. Adam Bond, previously a Non-Executive Director from 2012 to 2014, was appointed to the Board as Chief Executive Officer in December 2014 to lead the management team who have since announced, and then achieved, a series of milestone targets through 2015 and 2016.

During 2016, AFC Energy made significant technical progress. In November 2016, the Company announced the successful completion of testing and development of its second generation ("Gen2") fuel cell system and in so doing, delivered key technical milestones 1 and 2 of the 2016 Strategic Milestones.

The Gen2 design builds on the system commissioned in Stade, Germany in January 2016 and incorporates design changes to extend the operating life of the fuel cell stack, while increasing stack availability and reducing stack cost.

AFC Energy also announced in the second half of 2016 a significant Joint Development Agreement with De Nora, one of the largest manufacturers of electrolyzers, electrodes, coatings and electrochemical solutions. De Nora have been actively working with AFC Energy's technology teams in the latter half of 2016 with evidence which points to the potential for further material enhancement to the Company's fuel cell system in the near future. De Nora's collaboration with AFC Energy provides third party validation of the progress the Company has made in its technology development and lessens the business risks inherent in the Company's road to commercial revenues. Additionally, through collaboration with De Nora there is an opportunity for AFC Energy to better address the chlor-alkali sector (a significant producer of vented hydrogen), for which De Nora is a strong part of the supply chain. De Nora, together with AFC Energy's engineering partner, planting GmbH, are supporting the Company to make accelerated progress towards commercial revenues.

AFC Energy, in the second half of 2016, successfully trialled the integration of lower grade industry standard hydrogen in the Company's fuel cells. AFC Energy is now investigating further potential reductions in hydrogen grade which the Directors believe will further enhance the commercial opportunities available to the Company. Prior to the successful trial, AFC Energy had utilised high laboratory grade hydrogen in the development and trialling of its fuel cell systems. Financial modelling conducted by the Company identified hydrogen cost as one of the key drivers of economic performance in any fuel cell project and the Directors believe that the ability to utilise lower grade hydrogen allows the Company to demonstrate a key advantage relative to its competitors.

In November 2016, AFC Energy signed an agreement with Peel to assess a substantive fuel cell development opportunity at Peel's Protos Industrial Park located in Chester. The importance of this site for AFC Energy's fuel cell potential lies in a number of areas: firstly, there are a number of potential industrial hydrogen sources, some of which are currently venting hydrogen, in the Protos vicinity which lends itself to a scalable fuel cell opportunity. Secondly, as owner of the Protos site, Peel, together with its regional contacts and permitting and consenting capability, is an ideal partner for AFC Energy to explore this opportunity and collaborate in the assessment of the UK's largest fuel cell development project, in the UK's "Northern Powerhouse".

At the time of Adam Bond's appointment to the Board of Directors in December 2014, the Company set out a three year plan and identified 2017 as the year in which AFC Energy would have the requisite technological capabilities and project partners to deliver commercial revenues.

This Fundraising will help to institutionalise the Company's shareholder base and provide the Company with the resources to pursue a number of commercial contracts, some of which are currently in the process of detailed discussions, and will assist AFC Energy to fulfil its strategy to deliver commercial contracts by 2018. The Fundraising is necessary for the Company to continue as a going concern and will enable further investment to grow the business.

### 3 Current trading

2016 was a significant year for the Company with a number of milestones delivered which has moved the Company closer to achieving its stated goal of having 1GW of projects installed or under development by 2020.

In 2017, the Company's primary focus is on the deployment of its fuel cell systems in conjunction with project partners, as part of, or as final test units before, commercial power sales are made. 2017 will also see further focus on delivering the Company's commitments under the Joint Development Agreement with De Nora where ongoing advancements in the fuel cell system continue to be made. The Directors believe that given the modular nature of the fuel cell systems developed by AFC Energy, this is likely to be for unit sizes from 240KW's – such as the Company has deployed and successfully operated at Stade – up to 1MW in the first instance before larger orders are made.

In conjunction with the development of a commercial pipeline of projects, there will be a renewed emphasis on system and cartridge cost reductions to ensure the Company's fuel cell technology is able to operate in a competitive and efficient manner when compared to competing technologies. The Board expects that the Company will continue to make progress with its key partners, including De Nora, plantIng and Peel.

Furthermore, the Company is currently in detailed discussions with a number of potential commercial partners, any of which may or may not result in commercial contracts being entered into in the key markets identified and targeted by the Directors including Germany, the United Kingdom, Korea, Japan, Saudi Arabia, the United Arab Emirates and other Middle Eastern states.

### 4 Reasons for the Fundraising and use of proceeds

The Company is proposing to raise a total of £8.1 million (before deduction of fees and expenses) from the Fundraising. The Fundraising is considered by the Directors to be in the best interests of Shareholders as it will enable the Company to pursue its stated strategy more effectively. The Placing will also enable the Company to institutionalise its shareholder register.

The intended uses of the proceeds of the Fundraising, assuming full take up under the Open Offer, are set out below:

|   |           |
|---|-----------|
|   | <i>£m</i> |
| Product and project/business development                              | 4.3       |
| Operation of demonstration plant                                      | 1.1       |
| Working capital   | 2.7       |
| Proceeds from the Fundraising (before deduction of fees and expenses) | 8.1       |

### 5 Details of the Placing and Subscription

It was announced on 14 February 2017 that the Company proposes to raise, in aggregate, £6 million (approximately £5.5 million net of expenses) by way of a Placing and Subscription of 58,500,000 Placing Shares and 1,500,000 Subscription Shares with certain new and existing investors representing 15.35 per cent. of the Enlarged Share Capital, at an Issue Price of 10 pence per Ordinary Share.

The Issue Price of 10 pence per New Ordinary Share represents a discount of 40.3 per cent. to the closing price of 16.75 pence on 13 February 2017, being the last Business Day prior to the announcement of the Fundraising. The Board unanimously agrees that the level of discount and method of issue are appropriate to secure the investment necessary in order to pursue the stated strategy of the business and enable AFC Energy to institutionalise its shareholder register.

In connection with the Placing, the Company has entered into the Placing Agreement with Cantor Fitzgerald, pursuant to which Cantor Fitzgerald has agreed to use reasonable endeavours, as agent on behalf of the Company, to procure places for the Placing Shares at the Issue Price and have agreed to conditionally place the Placing Shares with certain new investors. The Placing and Subscription are conditional, *inter alia*, on:

- the passing of the Resolutions at the General Meeting;
- the conditions in the Placing Agreement being satisfied or (if applicable) waived and the Placing Agreement not having been terminated in accordance with its terms prior to Admission; and
- Admission becoming effective by no later than 8.00 a.m. on 9 March 2017 (or such later time and/or date, being no later than 8.00 a.m. on 31 March 2017, as the Company and Cantor Fitzgerald may agree).

Accordingly, if any of these conditions are not satisfied or, if applicable, waived, the Fundraising will not proceed.

Further details of the Placing Agreement are set out in Part 5 of this document.

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 will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid in respect of the Ordinary Shares following Admission. It is expected that Admission will become effective, and that dealings on AIM will commence, at 8.00 a.m. on 9 March 2017.

## **6 Details of the Open Offer**

Subject to the terms set out below and in Part 3 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:

### **1 Open Offer Share for every 15 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 on 9 March 2017 conditionally on Admission of the Open Offer Shares by 9 March 2017. The Open Offer is conditional only on Admission of the Open Offer Shares by 31 March 2017. It is not conditional on the passing of the Resolutions at the General Meeting, nor the Placing and Subscription becoming unconditional. The Open Offer is not underwritten.

Assuming full take-up under the Open Offer, the issue of Open Offer Shares will raise further gross proceeds of approximately £2.1 million for the Company.

The Open Offer Shares will, upon issue, rank *pari passu* with the Placing Shares, the Subscription 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 their 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.

### ***Excess Application Facility***

The Open Offer is structured so as to allow Qualifying Shareholders to subscribe for Open Offer Shares at the Issue Price *pro rata* to their holdings of Existing Ordinary Shares. Qualifying Shareholders may also make applications in excess of their *pro rata* initial entitlement. To the extent that *pro rata* entitlements to Open Offer Shares are not subscribed for by Qualifying Shareholders, such Open Offer Shares will be available to satisfy such Excess Applications where Qualifying Shareholders have taken up their full Basic Entitlement. Subject to the terms of the Placing Agreement, applications for Excess Shares may be allocated in such manner as the Directors and Cantor Fitzgerald may determine, and no assurance can be given that applications by Qualifying Shareholders will be met in full or in part or at all. Excess Applications will be rejected if and to the extent that acceptance would result in a Qualifying Shareholder, together with those acting in concert with him/her for the purposes of the City Code, holding 30 per cent. or more, or increasing an existing holding of 30 per cent. or more, of the Enlarged Share Capital immediately following Admission.

The Open Offer is not a rights issue. Qualifying CREST Shareholders should note that although the Basic Entitlements and Excess Entitlements will be admitted to CREST and be enabled for settlement, they will not be tradable and applications in respect of the Basic Entitlements and Excess Entitlements 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. Qualifying Non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded or otherwise transferred. Qualifying Shareholders who do not apply to take up their Basic Entitlements will have no rights under the Open Offer or receive any proceeds from it. If valid acceptances are not received in respect of all Basic Entitlements under the Open Offer, unallocated Open Offer Shares may be allotted to Qualifying Shareholders to meet any valid applications under the Excess Application Facility and the proceeds retained for the benefit of the Company. Qualifying Shareholders should be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders.

Application has been made for the Basic Entitlements and Excess Entitlements of Qualifying CREST Shareholders to be admitted to CREST. It is expected that such Basic Entitlements and Excess Entitlements will be admitted to CREST on 15 February 2017. The Basic Entitlements and Excess Entitlements will also be enabled for settlement in CREST on 15 February 2017 to satisfy bona fide market claims only. Applications through the CREST system may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim.

Further details of the Open Offer and the terms and conditions on which it is being made, including the procedure for application and payment, are contained in Part 3 of this document and for Non-CREST Qualifying Shareholders on the accompanying Application Form. To be valid, Application Forms or CREST instructions (duly completed) and payment in full for the Open Offer Shares applied for must be received by the Receiving Agent by no later than 11.00 a.m. on 2 March 2017. Application Forms should be returned to Computershare Investor Services plc, The Pavilions, Bridgwater Road, BS99 6AH or by hand to Computershare Investor Services plc, The Pavilions, Bridgwater Road, BS13 8AE (during normal business hours) by no later than 11.00 a.m. on 2 March 2017.

Qualifying CREST Shareholders should note that, although their 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 raised by Euroclear's Claims Processing Unit.

Qualifying Non-CREST Shareholders should note that their Application Form is not a negotiable document and cannot be traded. 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 3 of this document and, where relevant, on the Application Form.

It is expected that Qualifying CREST Shareholders will receive a credit to their appropriate stock accounts in CREST in respect of their Basic Entitlements and Excess Entitlements on 15 February 2017.

If Admission of the Open Offer Shares does not occur by 31 March 2017, the Open Offer will not become unconditional and application monies will be returned to applicants, without interest, as soon as practicable thereafter.

## 7 General Meeting

The Directors do not currently have authority to allot all of the New Ordinary Shares and, accordingly, the Board is seeking the approval of Shareholders to allot the New Ordinary Shares at the General Meeting.

A notice convening the GM to be held at Chelsea Football Club, Stamford Bridge, London SW6 4HS at 11.00 a.m. on 3 March 2017 is set out at the end of this document. The Resolutions to be proposed at that meeting are, *inter alia*, to:

- Resolution 1 which is an ordinary resolution to authorise the Directors to allot relevant securities up to an aggregate nominal amount of £80,685 being equal to 80,684,262 New Ordinary Shares (i.e. the maximum number of New Ordinary Shares available under the Placing, Subscription and Open Offer); and
- Resolution 2 which is conditional on the passing of Resolution 1 and is a special resolution to authorise the Directors to issue and allot 80,684,262 New Ordinary Shares pursuant to the Placing, Subscription and Open Offer on a non-pre-emptive basis.

The authorities to be granted pursuant to the Resolutions shall expire on the date falling six months from the date of the passing of the Resolutions (unless renewed varied or revoked by the Company prior to or on that date) and shall be in addition to the Directors' authorities to allot relevant securities and dis-apply statutory pre-emption rights granted at the Company's Annual General Meeting held on 28 April 2016.

The Directors do currently have sufficient authority to allot the Open Offer Shares and therefore the Open Offer is not conditional on the Resolutions being passed.

## 8 Directors' shareholdings

As part of the Open Offer, certain of the Directors' share holdings will increase.

The beneficial and non-beneficial interests of the Directors and persons closely associated with them in Ordinary Shares as at the date of this document and following the Fundraising are set out in the table below.

| Director         | Date of this document           |                                      | New<br>Ordinary<br>Shares       | Immediately following the<br>Fundraising |   |
|------------------|---------------------------------|--------------------------------------|---------------------------------|--|---|
|                  | Number of<br>Ordinary<br>Shares | Percentage<br>of ordinary<br>capital | Number of<br>Ordinary<br>Shares | Number of<br>Ordinary<br>Shares          | Percentage<br>of Issued<br>ordinary<br>share capital* |
| Tim Yeo          | 877,272                         | 0.28%                                | 50,000                          | 927,272                                  | 0.24%   |
| Adam Bond        | 3,000,000                       | 0.97%                                | Nil                             | 3,000,000                                | 0.77%   |
| James Gibson     | 90,000                          | 0.03%                                | Nil                             | 90,000                                   | 0.02%   |
| Mitchell Field   | 2,894,810                       | 0.93%                                | Nil                             | 2,894,810                                | 0.74%   |
| Eugene Shvidler  | 14,432,737                      | 4.65%                                | Nil                             | 14,432,737                               | 3.69%   |
| Eugene Tenenbaum | Nil                             | Nil                                  | Nil                             | Nil                                      | Nil   |

\* assuming full take up under the Open Offer

## 9 Related Party Transaction

Yady is a company that is wholly owned by Ben White, son of Howard White, and his relations and their investment vehicles, the Age of Reason Foundation and Eturab who currently hold over 10 per cent. of the Existing Share Capital. Yady and Howard White have together agreed with the Company to subscribe

for 1,500,000 Subscription Shares in the Subscription. As Yady and Howard White together are treated as a “substantial shareholder” of the Company, their participation in the Subscription constitutes a “related party transaction” under the AIM Rules.

Tim Yeo, Adam Bond, James Gibson, Mitchell Field, Eugene Tenenbaum and Eugene Shvidler consider, having consulted with the Company’s nominated adviser, Cantor Fitzgerald, that the terms of the Related Parties’ participation in the Subscription are fair and reasonable insofar as the Company’s Shareholders are concerned.

## **10 Irrevocable Undertakings**

The Company has obtained irrevocable undertakings, from certain Shareholders, including the Directors to vote in favour of the Resolutions in respect of, in aggregate, 60,905,313 Ordinary Shares, representing approximately 19.6 per cent. of AFC Energy’s issued share capital on 13 February 2017 (being the last Business Day prior to publication of this Circular).

As set out in section 8 above, certain of the Directors have irrevocably undertaken to take up their rights under the Open Offer to purchase Ordinary Shares.

## **11 Action to be taken in respect of the General Meeting**

Please check that you have received with this document:

- a Form of Proxy for use in respect of the General Meeting; and
- if you are a Shareholder based in the United Kingdom, a reply-paid envelope for use in conjunction with the return of the Form of Proxy.

**Whether or not you propose to attend the General Meeting in person, you are strongly encouraged to complete, sign and return your Form of Proxy in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received, by post to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE or by hand to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, during normal business hours only, by no later than 11.00 a.m. on 1 March 2017 (or, in the case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)).**

Appointing a proxy in accordance with the instructions set out above will enable your vote to be counted at the General Meeting in the event of your absence. The completion and return of the Form of Proxy will not prevent you from attending and voting at the General Meeting, or any adjournment thereof, in person should you wish to do so.

## **12 Recommendation**

**The Directors believe that the Resolutions to be proposed at the General Meeting are in the best interests of the Company and Shareholders as a whole and unanimously recommend that you vote in favour of the Resolutions. Each of the Directors who hold Ordinary Shares has irrevocably undertaken to vote in favour of the Resolutions in respect of, in aggregate, 21,294,819 Ordinary Shares, representing approximately 6.86 per cent. of the Ordinary Shares in issue on 13 February 2017 (being the last Business Day prior to publication of this Circular).**

Yours faithfully,

Tim Yeo  
*Chairman*

## PART 2

### RISK FACTORS

**An investment in Ordinary Shares involves a high degree of risk. Accordingly, prospective investors and Shareholders should carefully consider the risks set out below before making a decision to invest in the Company. The investment offered in this document may not be suitable for all of its recipients. Potential investors and Shareholders are accordingly advised to consult a professional adviser authorised under FSMA, who specialises in advising on the acquisition of shares and other securities, before making any investment decision. A prospective investor should consider carefully whether an investment in the Company is suitable in light of his or her personal circumstances and the financial resources available to him or her.**

**Prospective investors and Shareholders should carefully consider the risks described below before making a decision to invest in the Company. This Part 2 contains what the Directors believe to be the principal risk factors associated with an investment in the Company. However, the risks listed do not purport to be an exhaustive summary of the risks affecting the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors or which the Directors deem immaterial may also have an adverse effect on the Company. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements.**

**If any of the following risks were to materialise, the Company's business, financial condition, results or future operations could be materially adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of his or her investment.**

**This document contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Company which are described below and elsewhere in this document. Prospective investors and Shareholders should carefully consider the other information in this document.**

**There can be no certainty that the Company will be able to successfully implement its strategy. Additional risks and uncertainties not currently known to the Directors or which the Directors currently deem immaterial may also have an adverse effect on the Company.**

#### **1. Risks relating to the Ordinary Shares**

##### ***Investment risk***

An investment in a share which is traded on AIM, such as the Ordinary Shares, may be difficult to realise and carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in the Company and he/she may lose all of his/her investment.

Investors should be aware that the market price of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore be unable to recover their original investment and could lose their entire investment. This volatility could be attributable to various facts and events, including the availability of information for determining the market value of an investment in the Company, any regulatory or economic changes affecting the Company's operations, variations in the Company's operating results, developments in the Company's business or its competitors, or changes in market sentiment towards the Ordinary Shares. In addition, the Company's operating results and prospects from time to time may be below the expectations of market analysts and investors.

Market conditions may affect the Ordinary Shares regardless of the Company's operating performance or the overall performance of the sector in which the Company operates. Share market conditions are affected by many factors, including general economic outlook, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand and supply for capital. Accordingly, the market price of the

Ordinary Shares may not reflect the underlying value of the Company's net assets, or its trading performance and the price at which investors may dispose of their Ordinary Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Company while others of which may be outside the Company's control.

If the Company's revenues do not grow, or grow more slowly than anticipated, or if its operating or capital expenditures exceed expectations and cannot be adjusted sufficiently, the market price of its Ordinary Shares may decline. In addition, if the market for the securities of companies in the same sector or the stock market in general experiences a loss in investor confidence or otherwise falls, the market price of the Ordinary Shares may fall for reasons unrelated to the Company's business, results of operations or financial condition. Therefore, investors might be unable to resell their Ordinary Shares at or above the Issue Price.

#### ***Investment in publicly quoted securities***

Investments in securities traded on AIM is perceived to involve a higher degree of risk and be less liquid than investment in companies whose securities are listed on the "Official List" of the FCA in the UK and traded on the London Stock Exchange's main market for listed securities. An investment in the Ordinary Shares traded on AIM may be difficult to realise. AIM has been in existence since 1995 and is a market designed for small and growing companies, but its future success and liquidity as a market for Ordinary Shares cannot be guaranteed.

#### ***Potentially volatile share price and liquidity***

The share prices of companies quoted on AIM can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price at which investors may realise their investment in the Company may be influenced by a significant number of factors, some specific to the Company and its operations and some which affect quoted companies generally.

These factors could include the performance of the Company, large purchases or sales of Ordinary Shares, legislative changes and general economic, political or regulatory conditions.

## **2. General Risks**

#### ***Economic conditions and current economic weakness***

Any economic downturn, either globally or locally, in any area in which the Company operates may have an adverse effect on the demand for the Company's products. A more prolonged economic downturn may lead to an overall decline in the volume of the Company's sales, restricting the Company's ability to deliver a profit. In addition, although signs of economic recovery have been perceptible in certain countries, the sustainability of a global economic upturn is not yet assured and the Directors consider that the current level of market risk is higher than normal given geo-political unrest and a slowdown in the growth of emerging economies. If economic conditions remain uncertain, the Company might see lower levels of growth than in the past, which could have an adverse impact on the Company's operations and business results.

#### ***Changes in tax laws or their interpretation could affect the Company's financial condition or prospects***

The nature and amount of tax which the Company expects to pay and the reliefs expected to be available to the Company are each dependent upon a number of assumptions, any one of which may change and which would, if so changed, affect the nature and amount of tax payable and reliefs available. In particular, the nature and amount of tax payable is dependent on the availability of relief under tax treaties in a number of jurisdictions and is subject to changes to the tax laws or practice in any of the jurisdictions affecting the Company. Any limitation in the availability of relief under these treaties, any change in the terms of any such treaty or any changes in tax law, interpretation or practice could increase the amount of tax payable by the Company.

#### ***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.

### ***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.

## **3. Company Specific Risks**

### ***Technology Development***

The Company is targeting metrics relating to power output, availability, longevity, efficiency and cost (per kWh) which it believes are necessary to achieve commercialisation of the alkaline fuel cell system. While the Company has developed a 240kW fuel cell system and although this system has operated and undergone testing, further testing is planned to generate the additional operating data needed for design development purposes. Without this additional testing data, there is a risk that the technology or components within the Company's fuel cell degrade faster than anticipated or that the system does not function as anticipated. Further, this ongoing testing will also serve the purpose of validating, or not, the metrics required to meet expected criteria of commercialisation.

Further, unforeseen technical issues with the Company's technology may arise which could affect adversely the Company's ongoing technical development, growth and business performance. The Company may work in partnership with third parties to support development of aspects of the fuel cell system, and consequently there may be components within the Company's fuel cells which are not manufactured by the Company. The Company may be less able to manage the risks of third party component failures, or the effective integration of third party components with the Company's fuel cells, and there can be no guarantee that the Company will be able to secure effective warranties for any third party components.

The Company's technology, despite testing, may contain defects; problems may also be discovered from time to time in existing, new or enhanced products and services. Undetected defects could increase the Company's costs or reduce revenues; they may also divert resources from other purposes and potentially diminish the AFC Energy brand.

### ***Any failure of physical infrastructure or services of the Company could lead to significant costs and disruptions that could reduce revenues, harm the Company's reputation and have a material adverse effect on financial results***

The Company's business is dependent on its IT infrastructure. Service interruptions and equipment failures may expose AFC Energy to financial loss and damage its reputation, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's IT infrastructure is subject to failure from a variety of causes largely outside the Company's control, including human error, equipment failure, power loss, failure of services related to the internet and telecommunications provided by the Company, unauthorised physical or electronic security breaches, as well as factors out of the Company's control, such as sabotage, vandalism, system failures of network service providers, fire, earthquake, volcanic ash, flood and other natural disasters, water damage, fibre optic cable cuts, power loss not caused by the Company, improper building maintenance by the landlords of the buildings in which its operations are located and terrorism.

### ***The Company may experience accelerated demand for its products and services***

The Company expects to be able to meet its current expenditures from internal resources and the net proceeds of the Placing. In the event that the Company wins a large order then the Company may consider supporting the working capital requirements for such order(s) by way of an issue of new equity or debt finance or a combination of both. If the Company is unable to raise the necessary financing it could adversely affect the Company's ability to expand its business.

***If the Company is not able to effectively manage its growth, its operations could be damaged and profitability reduced***

If the Company fails to effectively manage its future growth, its operations could be harmed. This future growth could place significant demands on the Company's operational and financial infrastructure. If the Company is unable to effectively manage its growth its operations could be harmed and profitability reduced. The growth of the Company's sales and profits will depend, in part, on its ability to expand its operations through the roll-out of new products, procurement of new personnel with relevant expertise and the launching of its services into new markets and geographies. Furthermore, in order to manage its planned expansion, the Company will need to continually evaluate the adequacy of its management capability, operational procedures, financial controls and information systems. Accordingly, there can be no assurance that the Company will be able to achieve its expansion goals on a timely or profitable basis.

***The termination of the United Kingdom's membership of the European Union***

The Company receives income from grants from the EU. It is unclear whether an exit by Britain from the EU could lead to restrictions on opportunities for further funding.

***Dependency on third parties***

To be commercially useful, the Company's products and technologies may need to be integrated into products and processes of third parties. There can be no assurance that third parties will manufacture or implement appropriate products or processes or that such products or processes will achieve commercial success or be an attractive alternative to conventional products or processes. There is also no guarantee that such third parties will choose to use the Company's products and technologies. Any integration, design, manufacturing or marketing problems encountered by such third parties could adversely affect the market for the Company's products and technologies.

The Company has entered into, and intends to continue to enter into arrangements with third parties (for example commercial partners, manufacturers, suppliers and licensees) in respect of the development, production, marketing and commercialisation of its products and technology where appropriate. The variation or termination of or an inability to enter into such arrangements, or disagreements between the Company and any such third parties or failure by such third parties to fulfil such arrangements could lead to delays in or could inhibit or prevent the Company's development and/or commercialisation plans. In particular, the Company has, and will continue to put in place, agreements, letters of intent, memoranda of understanding with third parties for the purposes of its development and commercialisation strategies. The termination (or purported termination) of any such arrangement may inhibit or prevent the Company's plans and strategies and/or use of intellectual property.

It is anticipated that in the short to medium term the Company will have a relatively small number of key business relationships with actual or target customers. Loss of one or more of these key relationships or an inability to establish business relationships with new customers could inhibit or prevent the Company's development and/or commercialisation plans. Consequently, investors should not predict or anticipate the Company's future revenues based upon its target customer base or the number and size of its existing and prospective projects.

***Ability to attract and retain key executives, officers, managers and technical personnel***

Attracting, training, retaining and motivating technical and managerial personnel, including individuals with significant technical expertise is a critical component of the future success of the Company's business. The Company may encounter difficulties in attracting or retaining qualified personnel. Continued growth may therefore cause a significant strain on existing managerial, operational, financial and information systems resources. The departure of any of the Company's executive officers or core members of its business development team or technical service personnel could have a negative impact on its operations. In the event that future departures of employees occur, the Company's ability to execute its business strategy successfully, or to continue to provide services to its customers and users or attract new customers and users, could be adversely affected. The performance of the Company depends, to a significant extent, upon the abilities and continued efforts of its existing senior management. The loss of the services of any of the key management personnel or the failure to retain key employees could adversely affect the Company's ability to maintain and/or improve its operating and financial performance.

***The Company may in future rely on a limited number of large customers***

The future success of the Company's business is (and is expected to continue to be) dependent upon the continuation of commercial relationships with its customers. There is no guarantee that any of the Company's relationships will continue or that its customers will not seek alternative providers of fuel cells.

***AFC Energy's competitors may take actions which adversely affect its revenues, profits or financial condition***

The Company is targeting operation within competitive markets. The Board believes that it has adopted a competitive business strategy. The Directors believe that this strategy ensures that the Company will maintain its competitive position in targeted markets. However, the Company's business, results, operations and financial condition could be materially adversely affected by the actions of its competitors (including their marketing strategies and product and services development).

The Company's competitors could have greater financial resources or experience in particular sectors or markets where the Company intends to offer services. If the Company is not able to compete successfully against existing or future competitors, its competitive position, business, financial condition and results of operations may be adversely affected. There are a number of international companies that already provide hydrogen fuel cell systems and have the ability to offer an end-to-end solution to their customers and there are many competitive factors outside the control of the Company. These include technology obsolescence and the emergence of alternative technologies, fuel prices, feed-in-tariffs and changing regulations.

***Political, economic, regulatory and legislative considerations***

Adverse developments in the political, legal, economic and regulatory environment may materially and adversely affect the financial position and business prospects of the Company. Political and economic uncertainties include, but are not limited to, expropriation, nationalisation, changes in interest rates, retail prices index, and changes in taxation and changes in law or regulations. Whilst the Company strives to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political, economic, legal and regulatory factors will not materially and adversely affect the Company.

There may be a change in the regulatory environment which may materially adversely affect the Company's ability to implement successfully the strategy set out in this document.

***Intellectual property rights***

The Company's success will depend in part on its ability to protect its intellectual property. To the extent the Company does not have patents granted in respect of any of its products or technology, it relies on a portfolio of intellectual property rights, including trade secrets, contractual provisions and licences to protect its intellectual property. However, such intellectual property rights may be difficult to protect. Monitoring and defending the Company's intellectual property rights can entail significant expense, and the outcome is unpredictable. The Company may initiate claims or litigation against third parties for infringement of its proprietary rights or to establish the validity of its proprietary rights. Any such litigation, whether or not it is ultimately resolved in the Company's favour, could result in significant expense to the Company and divert the efforts of the Company's technical and management personnel. If the Company fails to protect its intellectual property rights adequately, its competitors might gain access to its technology and its business would be harmed.

Any of AFC Energy's intellectual property rights might be challenged by others or invalidated by administrative processes or litigation. Additionally, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective patent, trademark, copyright and trade secret protection may not be available to the Company in every country in which it markets products or services. The laws of some foreign countries may not be as protective of intellectual property rights as those in the United Kingdom, and domestic and international mechanisms for enforcement of intellectual property rights may be inadequate. Accordingly, despite the best efforts, it may be unable to prevent third parties from infringing upon or misappropriating its intellectual property or otherwise gaining access to the Company's technology.

### ***No diversification***

Generally, risk is reduced through diversification. However, the Company concentrates on one core area – the development and commercialisation of alkaline fuel cells.

### ***Environmental risks***

Hydrogen is a volatile compound and has a wide flammability range. The Company has extensive hydrogen sensing and safety equipment in place and supply fuel shut down systems are checked every month. The whole laboratory is equipped with hydrogen suitable equipment, such as explosion proof light fittings and anti-static mats and surfaces.

### ***Uninsured risks***

Although the Company maintains 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 AFC Energy will be able to maintain adequate insurance in the future at rates which the Directors consider reasonable. Therefore, AFC Energy 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 third party liability or other claims made against it.

### ***Technology commercialisation and scale up to larger fuel cell system***

The Company's future growth will be dependent on its ability to develop and evolve its products and services. There can be no guarantees that such enhanced or new products and services will be successfully developed or, if developed, successfully sold to customers. New technology, changing commercial circumstances and new entrants to the markets in which the Company operates may adversely affect the Company's value. This could affect the growth of the Company's future revenues and profits.

AFC Energy faces competitive and strategic risks that are inherent in a rapidly growing market. The technology market is subject to rapid and often unpredictable change. As a result of inappropriate technology choices, the Company's products and services might become unattractive to its customer base and, accordingly, have a material and adverse impact on the Company's revenues. There is also a risk that potential customers do not adopt the fuel cell system, whether for technical or competitive reasons.

The inability of the Company to overcome hurdles in the operation of the fuel cell's development, or the absence of market adoption of the Company's products, would detrimentally affect the prospects of the Company. Furthermore, the Company may develop further generations of its technology to ensure it remains competitively advantaged. There is a risk that if the Company scales up production of its fuel cells, issues with their operation may arise which have not been foreseen by the Company. An inability of the Company to scale up production of its fuel cells will have a negative impact on the viability of its technology on a commercial scale.

### ***Ability to reduce cost of system components***

The Company's fuel cell system, which is subject to ongoing development and testing, requires further material reductions in its cost to ensure its competitiveness in contract tenders and against the Company's competitors. There is no guarantee that such cost reductions are attainable and, in the event that the Company's fuel cell system remains comparatively expensive to that of similar fuel cell systems, the Company may find it harder to win commercial contracts, which will have a detrimental impact on the results of the Company and its pace of commercialisation.

### ***Ability to enter into commercial contracts on appropriate terms***

The Company is in discussions with a number of potential project partners. As AFC Energy is a relatively young business with relatively small operations, it faces challenges in negotiations with a large blue chip client base and there is no guarantee that commercial contracts will arise, or that such contracts will be on terms which are appropriate. Contract terms must also be negotiated with contractors, service providers, component providers and other third parties. There is no guarantee as to whether or not such contracts will be on favourable terms and the inability of the Company to negotiate contracts will have a detrimental impact on the operations and the results of the Company.

### ***Capital requirements to fund ongoing operations***

There is a risk the Company will need to raise further funds to carry out the implementation of its business plan and for the international deployment of fuel cell systems. Further, there is a risk the current Fundraising will not be sufficient to take the Company to development of a commercial product, profitability and/or any future acquisitions, expansion, activity and/or business development may require the Company to raise additional capital from equity or debt sources. In addition, there can be no assurance that the Company will be able to raise additional funds when needed or that such funds will be available on terms favourable to it.

Further equity financing may be dilutive to existing Shareholders or result in the issuance of securities whose rights, preference and privileges are senior to those of the owners of New Ordinary Shares. If any such future funding requirements are met through debt or project financing, the Company may be required to adhere to covenants restricting its future operational and financial activities. Debt funding may also require assets of the Company to be secured in favour of the lender, which security may be exercised if the Company were unable to comply with the terms of the relevant debt facility agreement.

If the Company is unable to secure additional funds when needed or cannot do so on terms it finds acceptable, the Company may be unable to continue to trade, expand its operations, take full advantage of future commercial opportunities or respond adequately to competitive pressures, any of which may have an adverse effect on its business and results of operations.

There is a risk that the amounts that the Company anticipates will be needed to fund the Company's growth will be insufficient, that the anticipated timing of such investment may prove incorrect, or that the Company may be unable to raise the amounts required (if at all). The Company may not be able to generate revenues at the times targeted. Costs may be greater than planned, or timings for deployment of fuel cell systems in commercial projects may vary from those targeted.

### **IMPORTANT:**

**THE RISKS ABOVE DO NOT NECESSARILY COMPRISE ALL THOSE FACED BY AFC ENERGY AND ARE NOT INTENDED TO BE PRESENTED IN ANY ASSUMED ORDER OF PRIORITY. THE INVESTMENT OFFERED IN THIS DOCUMENT MAY NOT BE SUITABLE FOR ALL OF ITS RECIPIENTS. INVESTORS ARE ACCORDINGLY ADVISED TO CONSULT AN INVESTMENT ADVISER, WHO IS AUTHORISED UNDER THE FSMA IF YOU ARE RESIDENT IN THE UNITED KINGDOM OR, IF NOT, FROM ANOTHER APPROPRIATE AUTHORISED INDEPENDENT FINANCIAL ADVISER AND WHO OR WHICH SPECIALISES IN INVESTMENTS OF THIS KIND BEFORE MAKING A DECISION TO APPLY FOR NEW ORDINARY SHARES.**

## PART 3

### TERMS AND CONDITIONS OF THE OPEN OFFER

#### Introduction

As explained in the letter from the Chairman set out in Part 1 of this document, the Company is proposing to raise up to £8.1 million before expenses by way of the Placing, Subscription and Open Offer, of which up to approximately £2.1 million will be raised from the offer of the Open Offer Shares at the Issue Price to Qualifying Shareholders under the Open Offer.

The purpose of this Part 3 is to set out the terms and conditions of the Open Offer. Up to 20,684,262 New Ordinary Shares will be issued through the Open Offer. Qualifying Shareholders are being offered the right to subscribe for Open Offer Shares in accordance with the terms of the Open Offer. The Open Offer has not been underwritten.

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 February 2017. Application Forms are expected to be posted to Qualifying Non-CREST Shareholders on or around 15 February 2017 and Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST by 16 February 2017.

Subject to availability, the Excess Application Facility will enable Qualifying Shareholders to apply for Excess Shares. Further details in relation to the Excess Application Facility are set out in Part 4 “Questions and Answers about the Open Offer” in this document and, for Qualifying Non-CREST Shareholders, the Application Form.

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 2 March 2017 with Admission and commencement of dealings in Open Offer Shares expected to take place at 8.00 a.m. on 9 March 2017.

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 3 “Terms and Conditions of the Open Offer” 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 New Ordinary Shares, and the 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 the date of their issue.

The Open Offer is an opportunity for Qualifying Shareholders to apply for up to 20,684,262 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.

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.

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 represents a discount of 40.3 per cent. to the closing middle market price of 16.75 pence per Existing Ordinary Share on 13 February 2017 (being the last practicable date before the announcement of the Fundraising).

Qualifying Shareholders have basic entitlements of:

### 1 Open Offer Share for every 15 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 and your Open Offer Entitlements in Box B.

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 16 February 2017. 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 Part 4 “Questions and Answers about the Open Offer” and, for Qualifying Non-CREST Shareholders, the Application Form. Qualifying CREST Shareholders will have their Open Offer Entitlement and Excess CREST Open Offer Entitlement credited to their stock accounts in CREST and should refer to paragraph 3.2 of this Part 3 “Terms and Conditions of the Open Offer” 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.

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.

Please refer to paragraphs 3.1(f) and 3.2(k) of this Part 3 “Terms and Conditions of the Open Offer” for further details of the Excess Application Facility.

**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 3.**

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.

**2. Conditions and further terms of the Open Offer**

The Open Offer is conditional on Admission of the Open Offer Shares by 8.00 a.m. on 31 March 2017 only. It is not conditional on the Resolutions being passed or the Placing and Subscription becoming unconditional.

If Admission of the Open Offer Shares does not occur, then all, application monies will be returned (at the applicant's sole risk), without payment of interest, as soon as practicable thereafter. Any Open Offer Entitlements admitted to CREST will thereafter be disabled.

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 10 business 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 9 March 2017.

Applications will be made for the Open Offer Shares to be admitted to trading on AIM. Admission is expected to occur on 9 March 2017, when dealings in the Open Offer Shares are expected to begin.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will notify the London Stock Exchange and make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

**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 in certified form at the Record Date. It will also show Qualifying Shareholders their Open Offer Entitlement that can be allotted in certificated form. Qualifying Shareholders who hold all their Existing Ordinary Shares in CREST will be allotted Open Offer Shares in CREST.

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 3 "Terms and Conditions of the Open Offer".

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 Part 3 “Terms and Conditions of the Open Offer” 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. It also shows the Open Offer Entitlement allocated to them set out in Box B. 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 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 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 28 February 2017. 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 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 should be posted to Computershare Investor Services Plc, The Pavilions, Bridgewater Road, Bristol BS99 6AH or returned by hand to Computershare Investor Services Plc, The Pavilions, Bridgewater Road, Bristol BS13 8AE (during normal business hours only) so as to be received by Computershare Investor Services Plc by no later than 11.00 a.m. on 2 March 2017. 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 2 March 2017. 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 2 March 2017; or
- (ii) Applications in respect of which remittances are received before 11.00 a.m. on 2 March 2017 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 made payable to CIS PLC RE: AFC Energy Plc – Open Offer A/C and crossed "A/C Payee Only". Cheques must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or the British Isles 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 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 where the building society or bank has confirmed the name of the account holder by stamping or endorsing the back of the cheque 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 will be presented for payment upon receipt. The Company reserves the right to instruct Computershare Investor Services Plc to seek special clearance of cheques 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 and cheques 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 is not honoured upon first presentation or such Qualifying Non-Crest Shareholder's application is subsequently otherwise deemed to be invalid, Computershare Investor Services Plc 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 Computershare Investor Services Plc, Cantor Fitzgerald 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 Computershare Investor Services Plc reserves the right:

- (i) to reject the application in full and return the cheque 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 Computershare Investor Services Plc in respect of Open Offer Shares will be held in a separate non-interest bearing 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. 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 20,684,262 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 and Cantor Fitzgerald 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 and Cantor Fitzgerald 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 and Cantor Fitzgerald 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 and Cantor Fitzgerald that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlement;
- (v) represents and warrants to the Company and Cantor Fitzgerald 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 to be issued to him on the terms set out in this document and the Application Form;
- (vii) represents and warrants to the Company and Cantor Fitzgerald that he is not, nor is he applying on behalf of any person who is, in the United States or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of the United States of America, 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 application in the United States or to, or for the benefit of, a person who 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(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;

- (viii) represents and warrants to the Company and Cantor Fitzgerald 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
- (ix) confirms that in making the application he is not relying and has not relied on the Company or Cantor Fitzgerald or any person affiliated with the Company or Cantor Fitzgerald 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, The Pavilions, Bridgewater Road, Bristol BS99 6AH, or you can contact them on 0370 707 1302 from within the UK or +44 370 707 1302 if calling from outside the UK. Lines are open between 8.30 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Open Offer nor 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.

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 Excess CREST Open Offer Entitlements are credited to your stock account in CREST in respect of your entitlement under the Open Offer***

(a) *General*

Subject to paragraph 6 of Part 3 “Terms and Conditions of the Open Offer” 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 the number of Excess Shares 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, 3.00 p.m. on 16 February 2017, 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 Computershare Investor Services Plc on 0370 707 1302 or +44 370 707 1302 if calling from outside the UK. 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 Open Offer or as to whether applicants should take up their Open Offer Entitlements or to apply for Excess CREST Open Offer Entitlements. 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) an USE instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of Computershare Investor Services Plc 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 Computershare Investor Services Plc 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 Computershare Investor Services Plc);
- (ii) the ISIN of the Open Offer Entitlement. This is GB00BDLHH43;

- (iii) the CREST 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 Computershare Investor Services Plc in its capacity as a CREST receiving agent. This is 3RA36;
- (vi) the member account ID of Computershare Investor Services Plc in its capacity as a CREST receiving agent. This is AFCENERGY;
- (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 Open Offer Shares referred to in (i) above;

- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 2 March 2017; 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 2 March 2017. 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 90.

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 2 March 2017 in order to be valid is 11.00 a.m. on that day. If Admission of the Open Offer Shares does not occur by 31 March 2017, the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and Computershare Investor Services Plc 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 being delivered to Computershare Investor Services Plc);
- (ii) the ISIN of the Excess CREST Open Offer Entitlement. This is GB00BDFLHJ66;
- (iii) the CREST 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 Computershare Investor Services Plc its capacity as a CREST receiving agent. This is 3RA36;
- (vi) the member account ID of Computershare Investor Services Plc in its capacity as a CREST receiving agent. This is AFCENERGY;

- (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 Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 2 March 2017; 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 2 March 2017.

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 contract name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 90.

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 2 March 2017 in order to be valid is 11.00 a.m. on that day.

In the event that the Placing, Subscription and Open Offer do not become unconditional by 8.00 a.m. on 9 March 2017 (or such later time and date as the Company and Cantor Fitzgerald determine being no later than 8.00 a.m. on 2 March 2017), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and Cantor Fitzgerald 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 2 March 2017. 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 Computershare Investor Services Plc.

In particular, having regard to normal processing times in CREST and on the part of Computershare Investor Services Plc, 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 27 February 2017 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 24 February 2017 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 2 March 2017.

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 Computershare Investor Services Plc 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 Computershare Investor Services Plc 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 Open Offer 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 2 March 2017 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 2 March 2017. 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.

(j) *Incorrect or incomplete applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company, through Computershare Investor Services Plc, 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. 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 3 in relation to Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with Excess CREST Open Offer 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 Entitlement 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 20,684,262 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 Computershare Investor Services Plc, The Pavilion, Bridgewater Road, Bristol, BS99 6AH, or can be contacted on 0370 707 1302 from within the UK or +44 370 707 1302 if calling from outside the UK. Lines are open between 8.30 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

(l) *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 Computershare Investor Services Plc 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 Computershare Investor Services Plc's 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 Computershare Investor Services Plc that all applications under the Open Offer and contracts resulting therefrom, and only 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 and Computershare Investor Services Plc 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 and Computershare Investor Services Plc 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 Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document, subject to the memorandum of association and articles of association of the Company from time to time;
- (viii) represents and warrants to the Company and Computershare Investor Services Plc that he is not, nor is he applying on behalf of any Shareholder who is, in the United States 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 the United States 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(s) 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 Computershare Investor Services Plc or any person affiliated with the Company or Computershare Investor Services Plc in connection with any investigation of the accuracy of any information contained in this document or his investment decision.

(m) *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 3 "Terms and Conditions of the Open Offer";
- (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 Computershare Investor Services Plc receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or Computershare Investor Services Plc 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 Computershare Investor Services Plc in connection with CREST.

(n) *Lapse of the Open Offer*

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 9 March 2017 or such later time and date as the Company and Cantor Fitzgerald may agree (being no later than 8.00 a.m. on 31 March), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and Computershare Investor Services Plc will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

## **4. Money Laundering Regulations**

### **4.1 Holders of Application Forms**

To ensure compliance with the Money Laundering Regulations, Computershare Investor Services Plc 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 Computershare Investor Services Plc. 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 Computershare Investor Services Plc 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 Computershare Investor Services Plc with such information and other evidence as they may require to satisfy the verification of identity requirements.

If Computershare Investor Services Plc 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. Computershare Investor Services Plc 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 Computershare Investor Services Plc 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, Computershare Investor Services Plc 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 was drawn.

Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company, Cantor Fitzgerald and Computershare Investor Services Plc 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));
- (ii) if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- (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; or
- (iv) if the aggregate subscription price for the Open Offer Shares is less than €15,000 (approximate £12,700).

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 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 “CIS PLC RE: AFC Energy Plc Open Offer A/C” 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 where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque 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 Computershare Investor Services Plc. If the agent is not such an organisation, it should contact Computershare Investor Services Plc, the Pavilion, Bridgwater Road, 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 Computershare Investor Services Plc on 0370 707 1302 or +44 370 707 1302 if calling from outside the UK. Calls may be recorded and randomly monitored for security and training purposes. Please note Computershare Investor Services Plc 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 €15,000 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 2 March 2017, Computershare Investor Services Plc has not received evidence satisfactory to it as aforesaid, Computershare Investor Services Plc 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 and 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, Computershare Investor Services Plc 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 Computershare Investor Services Plc 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 Computershare Investor Services Plc such information as may be specified by Computershare Investor Services Plc as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Computershare Investor Services Plc 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 2 March 2017. Applications will be made to the London Stock Exchange for the Open Offer Shares to be admitted to trading on AIM. 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 9 March 2017.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the Open Offer 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 2 March 2017 (the latest date for applications under the Open Offer). If the condition(s) 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 16 February 2017, Computershare Investor Services Plc 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 CREST 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 Computershare Investor Services Plc 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, Cantor Fitzgerald, 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, Cantor Fitzgerald, 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 and Cantor Fitzgerald 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 3 “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 and Cantor Fitzgerald 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 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 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 and Cantor Fitzgerald 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 US 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 Form 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, Cantor Fitzgerald and Computershare Investors Services Plc 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 Computershare Investor Services Plc 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 3 “Terms and Conditions of the Open Offer” represents and warrants to the Company and Cantor Fitzgerald 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 to 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 and Cantor Fitzgerald 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 with Cantor Fitzgerald 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. 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.

## **9. 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.

## **10. 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 4

### QUESTIONS AND ANSWERS ABOUT THE OPEN OFFER

The questions and answers set out in this Part 4 “Questions and Answers about the Open Offer” are intended to be in general terms only and, as such, you should read Part 3 “Terms and Conditions of the Open Offer” of this document for full details of what action to take. If you are in any doubt as to the 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 in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

This Part 4 deals with general questions relating to the Open Offer and more specific questions relating principally to 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 3 “Terms and Conditions of the Open Offer” 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 Entitlement. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read Part 3 “Terms and Conditions of the Open Offer” 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. If you do not know whether your Existing Ordinary Shares are in certificated or uncertificated form, please call the Shareholder helpline on 0370 707 1302 from within the UK or +44 370 707 1302 if calling from outside the UK. Lines are open between 8.30 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Fundraising nor give any financial, legal or tax advice.

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 usually do this by giving their existing Shareholders a right to acquire further shares at a fixed price in proportion to their existing shareholdings. In this instance Shareholders will also be offered the opportunity to apply for additional shares in excess of their entitlement to the extent that other Qualifying Shareholders do not take up their entitlement in full. The fixed price is normally at a discount to the market price of the existing ordinary shares prior to the announcement of the open offer.

This Open Offer is an invitation by the Company to Qualifying Shareholders to apply to acquire up to an aggregate of 20,684,262 New Ordinary Shares at a price of 10 pence per share. 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 a Restricted Jurisdiction, you will be entitled to buy Open Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 1 Offer Share for every 15 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 buy a fraction of an Offer Share and your entitlement will be rounded down to the nearest whole number. The Issue Price of 10 pence per Offer Share represents a discount to the closing middle-market price quotation as derived from the Daily Official List of the London Stock Exchange of 16.75 pence per Ordinary Share on 13 February 2017 (being the latest practicable date prior to the announcement of the Fundraising).

The Excess Application Facility allows Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement. Applications made under the Excess Application Facility will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility, if applications are received from Qualifying Shareholders for more than the available number of Open Offer Shares, and no assurance can be given that Excess Applications by Qualifying Shareholders will be met in full or in part or at all.

Unlike in a rights issue, Application Forms are not negotiable documents and neither they nor Open Offer Entitlements can themselves be traded. Shareholders will not be able to apply for any New Ordinary Shares which are the subject of the Placing or the Subscription.

**2. I hold my Existing Ordinary Shares in certificated form. How do I know I am eligible to participate in the Open Offer?**

If you receive an Application Form and, subject to certain exceptions, are not a holder with a registered address or located in the United States of America or any Restricted Jurisdiction, then you should be eligible to participate in the Open Offer as long as you have not sold all of your Existing Ordinary Shares before 15 February 2017 (the time when the Existing Ordinary Shares are expected to be marked “ex-entitlement” by the London Stock Exchange).

**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 any Restricted Jurisdiction, you will be sent an Application Form that shows:

- how many Existing Ordinary Shares you held at the close of business on the Record Date;
- 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 any of the Restricted Jurisdictions, you will not receive an Application Form.

If you would like to apply for any of or all of 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. Completed Application Forms should be returned, along with a cheque drawn in the appropriate form, by post to Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS99 6AH or by hand to Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS13 8AE (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 2 March 2017, after which time Application Forms will not be valid.

**4. I hold my Existing Ordinary Shares in certificated form and am eligible to receive an Application Form. What are my choices in relation to the Open Offer?**

**(a) *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. You will also not receive any money when the Open Offer Shares you could have taken up are sold, as would happen under a rights issue.

You cannot sell your Application Form or your Open Offer Entitlement to anyone else. If you do not return your Application Form subscribing for the Open Offer Shares to which you are entitled by 11.00 a.m. on 2 March 2017, the Company has made arrangements under which the Company has agreed to issue the Open Offer Shares to other Qualifying Shareholders under the Excess Application Facility.

If you do not take up your Open Offer Entitlement then following the issue of the Open Offer Shares pursuant to Open Offer, your interest in the Company will be significantly diluted. Even if a Qualifying Shareholder subscribes for the basic entitlement under the Open Offer, their proportionate economic interest would be diluted by the issue of New Ordinary Shares pursuant to the Excess Application Facility, the Placing and the Subscription.

(b) ***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 Boxes D and F of your Application Form; for example, if you are entitled to take up 45 shares but you only want to take up 25 shares, then you should write '25' in Boxes D and F. 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, '25') by £0.10, which is the price in pounds of each Offer Share (giving you an amount of £2.50 in this example). You should write this amount in Box G, rounding up to the nearest whole pence and this should be the amount your cheque is made out for. You should then return the completed Application Form, together with a cheque for that amount, by post to Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS99 6AH or by hand to Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS13 8AE (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 2 March 2017, after which time Application Forms will not be valid. If you post your Application Form by first class post, you should allow at least four Business Days for delivery.

All payments must be in pounds sterling and made by cheque made payable to "CIS PLC RE: AFC Energy Plc Open Offer A/C" and crossed "A/C Payee Only". Cheques 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 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 where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the cheque to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted (see paragraph 4 of Part 3).

Cheques will be presented for payment upon receipt. The Company reserves the right to instruct Computershare Investor Services Plc to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity. 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 sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

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 by no later than 10 business days from Admission.

(c) ***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 send the Application Form (ensuring that all joint holders sign (if applicable)), together with your cheque for the amount (as indicated in Box G of your Application Form), by post to Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS99 6AH or by hand to Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS13 8AE (during

normal office hours only) so as to be received by them by no later than 11.00 a.m. on 2 March 2017, after which time Application Forms will not be valid. If you post your Application Form by first-class post, you should allow at least four Business Days for delivery.

All payments must be in pounds sterling and made by cheque made payable to CIS PLC RE:AFC Energy Plc Open Offer A/C and crossed "A/C Payee Only". Cheques 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 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. Third party cheques will not be accepted with the exception of building society cheques where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the cheque to such effect. The account name should be the same as that shown on the application.

Post-dated cheques will not be accepted. Third party cheques (other than building society cheques where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted.

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 by no later than 10 business days from Admission.

(d) ***If you want to apply for more than your Open Offer Entitlement***

Provided you have agreed to take up your Open Offer Entitlement in full, you can apply for further Open Offer Shares under the Excess Application Facility. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement as at the Record Date. You should write the number of Open Offer Shares comprised in your Open Offer Entitlement (as indicated in Box B of the Application Form) in Box D and write the number of Excess Shares for which you would like to apply in Box E. You should then add the totals in Boxes D and E and insert the total number of Open Offer Shares for which you would like to apply in Box F. For example, if you have an Open Offer Entitlement for 45 Open Offer Shares but you want to apply for 75 Open Offer Shares in total, then you should write '45' in Box D, '30' in Box E and '75' in Box F. 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, '75') by £0.10, which is the price in pounds sterling of each Offer Share (giving you an amount of £7.50 in this example). You should write this amount in Box G. You should then return your Application Form by post to Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS99 6AH or by hand to Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS13 8AE (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 2 March 2017, after which time Application Forms will not be valid. If you post your application form by first class post, you should allow at least four Business Days for delivery.

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

A definitive share certificate will then 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, at your own risk, by no later than 10 business days from Admission.

**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 3 “Terms and Conditions of the Open Offer” of this document. Persons who hold Existing Ordinary Shares through a CREST member should be informed by the CREST member through which they hold their Existing Ordinary Shares of (i) the number of Open Offer Shares which they are entitled to acquire under their Open Offer Entitlement and (ii) how to apply for Open Offer Shares in excess of their Open Offer Entitlement under the Excess Application Facility provided they choose to take up their Open Offer Entitlement in full and should contact them 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, this probably means that you are not eligible to participate in the Open Offer. Some Non-CREST Shareholders, however, will not receive an Application Form but may still be eligible to participate in the Open Offer, namely:

- Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on 10 February 2017 and who have converted them to certificated form;
- Qualifying non-CREST Shareholders who bought Existing Ordinary Shares before 15 February 2017 but were not registered as the holders of those shares at the close of business on 10 February 2017; and
- certain Overseas Shareholders.

If you do not receive an Application Form but think that you should have received one or you have lost your Application Form, please contact the Shareholder helpline on 0370 707 1302 from within the UK or +44 370 707 1302 if calling from outside the UK. Lines are open between 8.30 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Fundraising nor give any financial, legal or tax advice.

**7. Can I trade my Open Offer Entitlement?**

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 Open Offer Entitlements will be admitted to CREST they will have limited settlement capabilities (for the purposes of market claims only), 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. Open Offer Shares for which an application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their Open Offer Entitlement will have no rights under the Open Offer or receive any proceeds from it. The Open Offer Shares are not underwritten.

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

If you are a Qualifying non-CREST Shareholder, once you have sent your Application Form and payment to Computershare Investor Services plc, you cannot withdraw your application or change the number of Open Offer Shares for which you have applied, except in the very limited circumstances which are set out in this document.

**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?**

If the number is not a whole number, you will not receive a fraction of an Offer 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 have sold some or all of my Existing Ordinary Shares?**

If you hold Existing Ordinary Shares in the Company directly and you sell some or all of your Existing Ordinary Shares before 15 February 2017, you should contact the buyer or the person/company through whom you sell your shares. The buyer may be entitled to apply for Open Offer Shares under the Open Offer. If you sell any of your Existing Ordinary Shares on or after 15 February 2017, you may still take up and apply for the Open Offer Shares as set out on your Application Form.

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

Completed Application Forms should be returned with a cheque drawn in the appropriate form. All payments must be in pounds sterling and made by cheque made payable to CIS PLC RE: AFC Energy Plc Open Offer A/C and crossed "A/C Payee Only". Cheques 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 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. Third party cheques will not be accepted with the exception of building society cheques where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the cheque to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted.

**12. 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.

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

You should send your completed Application Form together with the monies in the appropriate form, by post to Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS99 6AH or by hand to Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS13 8AE (during normal office hours only). If you post your Application Form by first-class post, you should allow at least four Business Days for delivery. If you do not want to take up or apply for Open Offer Shares then you need take no further action.

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

Computershare Investor Services Plc must receive the Application Form by no later than 11.00 a.m. on 2 March 2017, after which time Application Forms will not be valid. 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.

**15. 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 (contained in the Application Form), and ensure it is delivered to CCSS in accordance with the instructions in the Application Form. CREST sponsored members should arrange for their CREST sponsors to do this.

**16. I hold my Existing Ordinary Shares in certificated form. When will I receive my new share certificate?**

It is expected that Computershare Investor Services plc will post all new share certificates within 10 business days from Admission.

**17. 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 in respect of such Ordinary Shares.

**18. Will I be taxed if I take up my entitlements?**

Shareholders who are in any doubt as to their tax position should consult an appropriate professional adviser immediately.

**19. 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 any Restricted Jurisdiction are, subject to certain exceptions, not eligible to participate in the Open Offer. Your attention is drawn to the information in paragraph 6 of Part 3 “Terms and Conditions of the Open Offer” of this document.

**20. Further assistance**

Should you require further assistance please call the Shareholder helpline on 0370 707 1302 from within the UK or +44 370 707 1302 if calling from outside the UK. Lines are open between 8.30 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Fundraising nor give any financial, legal or tax advice.

## PART 5

### ADDITIONAL INFORMATION

#### 1 The Company

- a. The Company is incorporated and trades under the name AFC Energy Plc.
- b. The Company was incorporated and registered in England and Wales on 9 January 2006 as a private limited company. It was registered as a public limited company on 15 June 2006. The liability of its members is limited.
- c. The Company is governed by and its securities were created under the Companies Act 1985 and the Companies Act 2006.
- d. The Company's registered office is located at Finsgate, 5-7 Cranwood Street, London EC1V 9EE and its principal place of business is at Unit 71.4, Dunsfold Park, Stovolds Hill, Cranleigh, Surrey GU6 8TB.
- e. The Company has no administrative, management or supervisory bodies other than the Board of Directors, the remuneration committee, the audit committee and the AIM Rules Compliance Committee; all of whose members are Directors.

#### 2 Securities being offered/admitted

- a. The Ordinary Shares are ordinary shares of 0.1 pence each in the capital of the Company and were issued in British Pounds Sterling.
- b. The Ordinary Shares may be held in certificated form or under CREST. The Company's registrars, Computershare Investor Services plc are responsible for keeping the Company's register of members.

#### 3 Share Capital of the Company

- a. The issued share capital of the Company as at 13 February 2017:

*Issued and fully paid up share capital*

| <i>£</i> | <i>Number</i>               |
|----------|-----------------------------|
| 310,264  | 310,263,943 Ordinary Shares |

- b. The issued share capital of the Company following the Fundraising and Admission, assuming the Open Offer is subscribed in full will be as follows:

*Issued and fully paid up share capital*

| <i>£</i> | <i>Number</i>               |
|----------|-----------------------------|
| 390,948  | 390,948,205 Ordinary Shares |

#### 4 Directors' and Other Interests

- a. As at the date of this document and as expected to be immediately following the Admission, the holdings of the Directors and persons closely associated with them are as follows:

| <i>Name</i>      | <i>Number of Ordinary Shares prior to the Placing</i> | <i>% of the Ordinary Share Capital prior to the Fundraising</i> | <i>Number of Ordinary Shares following the Fundraising</i> | <i>% of issued Share Capital following the Fundraising*</i> |
|------------------|---|---|--|---|
| Tim Yeo          | 877,272   | 0.28%   | 927,272  | 0.24%   |
| Adam Bond        | 3,000,000   | 0.97%   | 3,000,000  | 0.77%   |
| James Gibson     | 90,000  | 0.03%   | 90,000   | 0.02%   |
| Mitchell Field   | 2,894,810   | 0.93%   | 2,894,810  | 0.74%   |
| Eugene Shvidler  | 14,432,737  | 4.65%   | 14,432,737   | 3.69%   |
| Eugene Tenenbaum | Nil   | Nil   | Nil  | Nil   |

\* assuming full take up under the Open Offer

- b. Save as disclosed in sub-paragraph 5(a) above and this sub-paragraph 5(b) the Company is not aware of any holding in the Company's ordinary share capital which amounts or would, immediately following the Placing and Admission, amount to 3 per cent. or more of the Company's issued ordinary share capital other than the following:

| <i>Name</i>                                | <i>Number of Ordinary Shares prior to the Fundraising</i> | <i>% of the Ordinary Share Capital prior to the Fundraising</i> | <i>Number of Ordinary Shares following the Fundraising</i> | <i>% of issued Share Capital following the Fundraising*</i> |
|--|---|---|--|---|
| Ervington Investments Ltd                  | 39,610,494  | 12.8%   | 39,610,494   | 10.1%   |
| Schroders plc                              | 0   | 0.0%  | 33,000,000   | 8.4%  |
| Barclayshare Nominees Ltd                  | 23,512,128  | 7.6%  | 23,512,128   | 6.0%  |
| Age of Reason Foundation                   | 22,602,420  | 7.3%  | 23,602,420   | 6.0%  |
| Yady Worldwide                             | 22,269,705  | 7.2%  | 22,769,705   | 5.8%  |
| TD Direct Investing Nominees (Europe) Ltd  | 18,600,916  | 6.0%  | 18,600,916   | 4.8%  |
| Eugene Shvidler                            | 14,432,737  | 4.7%  | 14,432,737   | 3.7%  |
| Hargreaves Lansdown (Nominees) Ltd <15942> | 12,422,972  | 4.0%  | 12,422,972   | 3.2%  |
| Hargreaves Lansdown (Nominees) Ltd <HLNOM> | 11,825,229  | 3.8%  | 11,825,229   | 3.0%  |
| Hargreaves Lansdown (Nominees) Ltd <VRA>   | 10,686,479  | 3.4%  | 10,686,479   | 2.7%  |
| HSDL Nominees Ltd                          | 10,062,914  | 3.2%  | 10,062,914   | 2.6%  |

\* assuming full take up under the Open Offer and including participation in the Subscription but excluding participation by the above investors in the Open Offer.

## **5 Directors' Service Agreements/Letters of Appointment**

- a. Tim Yeo's services as a Chairman and Non-Executive Director are provided under a service agreement with the Company dated 1 January 2012 for an indefinite term, subject to a minimum of six months' notice on either side, pursuant to which he is currently paid £16,375 per annum. He also provides business development, marketing and international relations advisory services pursuant to a consultancy agreement dated 1 January 2012. The consultancy agreement is terminable on 30 days' notice either way. Under the agreement, the Company pays Tim Yeo a fee of £40,200 per annum.
- b. Adam Bond entered into a service agreement with the Company under the terms of which he agreed to act as Chief Executive Officer of the Company for a fixed term expiring on 31 December 2016. The Company and Adam Bond have agreed pursuant to a letter dated 8 February 2017 to extend the term for an indefinite period at this stage. Under the terms of the service agreement the Company pays Adam Bond £300,000 per annum.
- c. On 18 October 2016 the Company entered into a consultancy agreement with James Gibson, pursuant to which James Gibson agreed to provide certain technical services to the Company for a daily fee of £925. The consultancy agreement terminates on 31 March 2017. It is the intention to negotiate a full contract of employment with James Gibson at the conclusion of the above agreement to reflect his recent appointment as Chief Operating Officer as announced on 6 February 2017.

- d. Mitchell Field's services as Non-Executive Director are provided under the terms of a Non-Executive letter date 17 October 2013, for an indefinite term, subject to a minimum of six months' notice, pursuant to which he is currently paid £13,600 per annum. He also provides business development, marketing and international relations advisory services pursuant to a consultancy agreement dated 17 October 2013. The consulting agreement is terminable on 30 days' notice either way. Under the agreement, the Company pays Mitchell Field a fee of £800 per day for a minimum of 14 days per year.
- e. Eugene Shvidler's services as Non-Executive Director are provided under the terms of a Non-Executive letter date 17 October 2013, for an indefinite term, subject to a minimum of six months' notice, pursuant to which he is currently paid £11,200 per annum. He also provides business development, marketing and international relations advisory services pursuant to a consultancy agreement dated 1 April 2013. The consulting agreement is terminable on 30 days' notice either way. Under the agreement, the Company pays Eugene Shvidler a fee of £800 per day for a minimum of 11 days per year.
- f. Eugene Tenenbaum's services as Non-Executive Director are provided under the terms of a Non-Executive letter date 17 October 2013, for an indefinite term, subject to a minimum of six months' notice, pursuant to which he is currently paid £11,200 per annum. He also provides business development, marketing and international relations advisory services pursuant to a consultancy agreement dated 17 October 2013. The consulting agreement is terminable on 30 days' notice either way. Under the agreement, the Company pays Eugene Tenenbaum a fee of £800 per day for a minimum of 14 days per year.
- g. Save as disclosed in sub-paragraphs 6(a) to 6(f) above, there are no service contracts, existing or proposed, between any Director and the Company.

## **6 Agreements relating to the Fundraising**

- a. On 14 February 2017 Cantor Fitzgerald (1) and the Company (2), entered into the Placing Agreement pursuant to which conditional upon, inter alia, Admission taking place on or before 8.00 a.m. on 9 March 2017 (or such later time and or date as Cantor Fitzgerald and the Company may agree being not later than 31 March 2017) Cantor Fitzgerald have agreed to use reasonable endeavours to procure subscribers for the Placing Shares at the Issue Price.

The Placing Agreement contains warranties and indemnities from the Company in favour of Cantor Fitzgerald together with provisions which enable Cantor Fitzgerald to terminate the Placing Agreement in certain circumstances prior to Admission including circumstances where any warranties are found to be untrue or inaccurate in any material respect.

Under the Placing Agreement the Company has agreed to pay Cantor Fitzgerald certain fees and commissions.

- b. Pursuant to an engagement letter dated 13 October 2016, Peat agreed to assist the Company to raise funds through an issue of, inter alia, equity. Pursuant to the Placing, Peat procured places for the Placing Shares, with certain fees and commissions being payable by the Company.

## **7 General**

- a. The gross proceeds of the Fundraising are expected to be £8.1 million, assuming the Open Offer is fully subscribed. The total costs and expenses relating to the Fundraising are payable by the Company and are estimated to amount to approximately £0.5 million (excluding Value Added Tax). The net proceeds of the Fundraising are expected to be £7.6 million, assuming the Open Offer is fully subscribed.
- b. Cantor Fitzgerald has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.
- c. Peat has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.

## PART 6

### NOTICE OF GENERAL MEETING

#### AFC Energy plc

(Incorporated in England and Wales with registered no. 05668788)  
(the "Company")

NOTICE IS HEREBY GIVEN that a General Meeting of AFC Energy Plc will be held at Chelsea Football Club, Stamford Bridge, London SW6 4HS on 3 March 2017 at 11.00 a.m. for the following purposes:

To consider, and if thought fit pass, the following resolutions of which resolution 1 will be proposed as an ordinary resolution and resolution 2 as a special resolution.

1. That the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "**2006 Act**") to allot ordinary shares of 0.1 pence each in the capital of the Company (the "**Ordinary Shares**") pursuant to the Placing, Subscription and Open Offer (as defined in the circular of which this notice forms part) up to an aggregate nominal amount of £80,685, provided that this authority shall, unless renewed, varied or revoked by the Company in general meeting expire on the date falling 6 months from the date of the passing of this resolution. This authority is in addition to all previous authorities conferred on the Directors in accordance with section 551 of the 2006 Act.
2. That the directors be generally empowered pursuant to section 570 of the 2006 Act to allot equity securities (as defined in section 560 of the 2006 Act) for cash as if section 561(1) of the 2006 Act did not apply to any such allotment pursuant to the authority conferred on them by Resolution 1 above (as varied from time to time by the Company in general meeting) PROVIDED THAT such power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £80,685 pursuant to the Placing, Subscription and Open Offer and the power hereby conferred shall operate in addition to any previous power given to the directors pursuant to section 570 of the 2006 Act and shall expire on the date falling 6 months from the date of the passing of this resolution.

*Registered Office*

Finsgate  
5-7 Cranwood Street  
London EC1V 9EE

*By Order of the Board*

Tim Yeo

*Chairman*

15 February 2017

#### Notes:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 5.30 p.m. on 1 March 2017 shall be entitled to attend and vote at the Meeting.
2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this circular. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's registrars at the address set out in note 6.
5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.  
To appoint a proxy using the proxy form, the form must be:
  - (a) completed and signed;
  - (b) sent or delivered to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY; and
  - (c) received by Computershare Investor Services PLC no later than 11.00 a.m. on 1 March 2017.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
7. You may not use any electronic address provided either:
  - (a) in this notice of general meeting; or
  - (b) any related documents (including the circular and proxy form), to communicate with the Company for any purposes other than those expressly stated.
8. As at 5.00 p.m. on the day immediately prior to the date of posting of this notice of General Meeting, the Company's issued share capital comprised 310,263,943 ordinary shares of 0.1p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.30 p.m. on the day immediately prior to the date of posting of this circular is 310,263,943.

