



Request to Abundance Debenture holders to extend the Maturity Date and approve other amendments to the debentures

December 2023

SIMEC Atlantis Energy (SAE or the Company), with the support of Abundance investors, successfully issued three 5-year debentures in 2017, 2018 and 2019 to raise money to allow the Company to progress the development of new, low carbon energy solutions. The three debentures are as follows:

Investment	Amount due for repayment	Current Maturity date
Atlantis Ocean Energy (AOE 2017)	£4,950,000	30 June 2024
Atlantis Future Energy (AFE 2018)	£4,970,000	31 March 2024
Atlantis Future Energy (AFE 2019)	£3,785,935	30 September 2024

Delays to our pipeline mean we cannot meet the maturity dates above. Therefore, we are writing to all debenture holders to request a number of changes to the terms of the debentures including an extension for all three debentures to June 2029 with staggered repayments from 2025 and increased interest from 2027 (the AFE 2019 debentures will also see an increase in 2024 to bring it in line with the other debentures).

We will hold a webinar for debenture holders on Thursday 7 December 2023 which will be recorded, to provide an update on the business and to answer any questions you may have. Abundance will separately send you an invite email for this webinar – if possible, please send any questions you have to Abundance beforehand. We have also posted a general business update on our website today, which includes a summary of this proposal, which can be found [here](#).

Summary

We are very cognisant that the AOE 2017 and AFE 2018 debenture holders have already previously accepted requests to extend the term of their debentures to 2024; we were confident at the time of our last request in March 2023 that we would be able to repay all 3 debentures on the dates in the table above. This was based on the progress we had made with our first BESS (battery energy storage system) project, the revenues we had received and which we expected to receive.

This included the £4m balance of the £10m development premium that we announced on 23 February 2023. Following entry into a 30-year lease of the Uskmouth site, we expected to receive another large payment in the third quarter of this year by securitising the future rental income coming from the lease. This, together with another expected payment from our second BESS project and a working assumption that we would refinance some of the existing debentures, would have covered all the debenture repayments due in 2024.

The reality of the current uncertain market environment is that our expectations on timing have been too ambitious and as a consequence, it is clear we need to assume it could take much longer to deliver value from our pipeline than we previously planned. Given the extensions we have already asked for and relatively recently, we do not make these requests lightly and it is only following a thorough review of the circumstances of the SAE group that the Board is tabling these new proposals for your consideration and understanding.

We set out the changes we are proposing in summary below and our rationale. Further detail is in the subsequent sections.

- We received the development premium of £4m in July 2023 and have today agreed £9.8m for the sale of the land where our first BESS sits (sale of the land is instead of securitising the income and is delivering the same expected value). Both are good news, however, it has taken significantly longer than we expected – a further 18 months in respect of the final land sale receipts since the £9.8m will be staggered throughout 2024 and into Q1 2025 based on completion milestones for the project. We see a similar delay with the payment related to our second BESS project referenced above.
- We have a pipeline of new battery projects, as well as continuing to develop our tidal business. The battery projects have significant value but require funding to progress each and for the tidal projects it will be some years before they generate income for the group. Based on our experience with BESS 1, we have moved out our expectations on when the pipeline will bring in additional income.
- Therefore, we are proposing the following changes:
 1. An extension of all 3 debentures until 30 June 2029 to ensure there is no need for further extension requests
 2. The right to repay ahead of maturity together with any accrued interest, and incentivising us to do so by increasing interest rates on each debenture from 2027
 3. In any event, we will commit to a series of partial repayments starting in 2025 (see table below) – investors in AOE 2017 will receive more than those in AFE 2018 who will receive more than those in AFE 2019 in recognition of the longer investment period for each group of investors
 4. Interest will continue to be payable every 6 months on 30 June and 31 December including the next payment due on 31 December 2023
 5. Interest on the AFE 2019 debentures will increase to 10% from the day after the original maturity date of 30 September 2024 (the rate on AOE 2017 and AFE 2018 is already 10%)
 6. Interest on all 3 debentures will increase by 1% each year from 1 January 2027 until maturity (see table below).

While our proposal does represent a significant extension to the term of your investment, which we very much appreciate, we hope that you understand the reasons for our request. We hope our track record of always paying interest and our pipeline of projects, which we are confident will provide the income to repay you over time, gives you the reassurance you need to continue to support the business by accepting our proposal.

Rationale for the request to extend to 2029

During 2023 we have also been developing four other BESS projects - three at the Uskmouth site and one near our tidal energy site, MeyGen, in the north of Scotland - each of which are at different stages of development.

We are confident that the income from these projects will meet our working capital requirements and repay the full balance of all 3 debentures. However, as we have experienced with the first battery project, the timing of receipt of income is uncertain and dependent upon factors largely outside of our control. These have included:

- Adverse macro-economic conditions brought about by the war in Ukraine, high inflation and high interest rates which are reducing investment activity overall
- Incoming investors wanting certainty that the project will be built to ensure they will receive their lease income before they pay the lump sum, and
- Incoming investors mandating milestone payments linked to progress building the project
- Supply chain lead times to build battery projects becoming very unpredictable.

For these reasons, rather than requesting a short extension, we are requesting an extension to all the debentures until 2029. This will give us the time and certainty we need to complete more of our development projects, without the pressure of an impending repayment date which can cause disruption for the business and ultimately make it harder for us to repay you in full.

Our proposal to you

We are committed to repaying the capital belonging to all 3 investors groups as quickly as possible which also has the effect of reducing the annual interest burden on the group. To achieve this and safeguard the future of the group, we must ensure we retain sufficient working capital to progress the pipeline and allow it to deliver the income from our projects. The requested amendments are designed therefore to:

- Safeguard the future of the SAE group and give it sufficient time to progress its battery projects in order to repay all debenture holders in full
- Avoid further extension requests and the uncertainty that creates for both the business and debenture holders
- Bring the terms of all debenture holders into line, while acknowledging that debenture holders in our earlier debentures have been invested with us for longer
- Set out when we will be able to partially repay your investment in line with our expected receipt of income so you can start receiving some of your investment back starting in 2025
- In addition, give us the option to repay you further amounts earlier, and ensure we are incentivised to do so by increasing the interest rate over time (any early repayments will be made in the proportions below).

	Total scheduled repayment	AOE 17 allocation	AFE 18 allocation	AFE 19 allocation
Percentage of early repayment received		41%	36%	23%
31 December 2025	£1,000,000	£410,000	£360,000	£230,000
31 December 2026	£2,000,000	£820,000	£720,000	£460,000
31 December 2027	£3,000,000	£1,230,000	£1,080,000	£690,000
Total repayment received before maturity	£6,000,000	£2,460,000 (50% of total)	£2,160,000 (43% of total)	£1,380,000 (36% of total)

Current interest rate		10%	10%	8%
Rate from 1 October 2024		10%	10%	10%
Rate from 1 January 2027		11%	11%	11%
Rate from 1 January 2028		12%	12%	12%
Rate from 1 January 2029		13%	13%	13%

We will continue to make 6-monthly interest payments on 31 December and 30 June each year, including the upcoming interest payment due on 29 December 2023.

We do appreciate that these new extension requests may not be welcome, but since we do not expect to have the funds needed to repay all debentures on the current maturities in 2024, we are at high risk of going into default and then into administration. We cannot favour one group of creditors over another, and therefore, the required acceptance threshold for all three sets of debentures is needed. We understand this may lead to some concern, however we are confident that our pipeline of BESS projects, as discussed above, will deliver the income necessary to repay your debentures as set out. Your support will allow us to continue to develop our pipeline of new, low carbon energy solutions, in both battery storage and tidal energy.

Should our proposals be accepted, we will ask Abundance to re-open trading of the debentures on Abundance's marketplace as soon as possible, to allow investors to look to sell their debentures to other investors who may be more willing to hold them for a longer period.

Our proposed extension and changes to the terms of your investment can only be agreed with the approval of investors by voting on a special resolution. In order for all extensions to be accepted, investors holding at least 75% of the respective set of debentures must vote in favour and all three votes must pass.

The SAE Board would sincerely like to thank debenture holders for their continued support and patience and the time taken to consider our proposal.

Please place your vote on our extension proposal by 5pm 22 December 2023. You can place your vote using the link provided by Abundance. **Please note, if you are an investor in more than one of our debentures, please ensure you separately place your vote in relation to each debenture.**