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Clean Power Hydrogen plc (the “Company” or “CPH2”), and the Directors, whose names, business addresses and functions appear on page 8 of this document, accept responsibility, individually and collectively, in accordance with the AIM Rules for Companies, for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (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. To the extent that information has been sourced from a third party, this information has been accurately reproduced and, as far as the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which may render the reproduced information inaccurate or misleading. In connection with this document, no person is authorised to give any information or make any representation other than as set out in this document.

This document, which comprises an admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with the proposed admission of the issued and to be issued Ordinary Shares to trading on AIM, a market operated by the London Stock Exchange plc (“AIM”). This document does not contain an offer or constitute any part of an offer to the public within the meaning of sections 85 and 102B of FSMA or otherwise. This document is not an approved prospectus for the purposes of section 85 of FSMA and a copy of it has not been, and will not be, delivered to the Financial Conduct Authority (the “FCA”) in accordance with the Prospectus Regulation Rules or delivered to or approved by any other authority which could be a competent authority for the purposes of the EU Prospectus Regulation.

Clean Power Hydrogen plc

(Incorporated and operating under the laws of England and Wales with company registration number 13574281)

Placing of 66,666,667 New Ordinary Shares of 1 pence each and 1,051,151 Sale Shares of 1 pence each at 45p per Ordinary Share

Admission to trading on AIM



Nominated Adviser and Broker

Share Capital immediately following the Placing and Admission Ordinary Shares of 1p each, issued and fully paid

Amount	Number
£2,654,199.67	265,419,967

A copy of this document will be available, free of charge, during normal business hours on any weekday (except Saturdays, Sundays and public holidays), at Unit D, Parkside Business Park, Spinners Road, Doncaster, United Kingdom DN2 4BL for a period of one month from the date of Admission. Neither the delivery of this document nor any subscription made pursuant to this document will, under any circumstances, create any implication that there has been any change in the affairs of the Company since the date of this document or that the information in this document is correct at any time subsequent to its date. Application will be made to the London Stock Exchange for the issued and to be issued Ordinary Shares to be admitted to trading on AIM (“Admission”). It is expected that Admission will take place and that dealings in Ordinary Shares will commence on 16 February 2022.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority (the "Official List"). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. In particular, it should be remembered that the price of securities and the income (if any) from them can go down as well as up. The AIM Rules are less demanding than those of the Official List.

All subsequent written and oral forward-looking statements attributable to the Company, its directors or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this document.

Each AIM company is required pursuant to the AIM Rules to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. It is emphasised that no application is being made for the Ordinary Shares to be admitted to the Official List or to any other recognised investment exchange. Further, neither the London Stock Exchange nor the FCA has examined or approved the contents of this document.

The Placing is conditional, *inter alia*, on Admission taking place on or before 16 February 2022 (or such later date as the Company and Cenkos Securities plc ("Cenkos") may agree). The Placing Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends or other distributions declared, paid or made after Admission.

IMPORTANT INFORMATION

General

The Company does not accept any responsibility for the appropriateness, accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media or any other person regarding the Placing, or the Company. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

As required by the AIM Rules for Companies, the Company will update the information provided in this document by means of a supplement to it if a significant new factor that may affect the evaluation by prospective investors of the Placing occurs prior to Admission or if it is noted that this document contains any mistake or substantial inaccuracy. This document and any supplement thereto will be made public in accordance with the AIM Rules for Companies.

The contents of this document are not to be construed as investment, accounting, legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser and/or tax adviser for legal, financial and/or tax advice in relation to any purchase or proposed purchase of Ordinary Shares. Each prospective investor should consult with such advisers as needed to make its investment decision and to determine whether it is legally permitted to hold shares under applicable legal investment or similar laws or regulations. Prospective investors should be aware that they may be required to bear the financial risks of an investment in Ordinary Shares for an indefinite period of time.

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 representation must not be relied upon as having been authorised by or on behalf of the Company, the Directors or Cenkos. Without prejudice to any legal or regulatory obligation on the Company to publish a supplementary admission document pursuant to the AIM Rules for Companies, neither the delivery of this document nor any sale made under this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company taken as a whole since the date hereof or that the information contained herein is correct as of any time subsequent to the earlier of the date hereof and any earlier specified date with respect to such information. This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, Cenkos or any of their representatives that any recipient of this document should subscribe for or purchase any of the Placing Shares.

Prior to making any decision as to whether to subscribe for or purchase any Ordinary Shares, prospective investors should read the entirety of this document and, in particular, the section headed "Risk Factors" in Part II of this document. Investors should ensure that they read the whole of this document and not just

rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this document, including the risk involved. Any decision to acquire Ordinary Shares should be based solely on this document.

No representation or warranty, express or implied, is made by Cenkos as to the accuracy or completeness of such information, and investors who subscribe for or purchase Placing Shares in the Placing will be deemed to have acknowledged that: (i) they have not relied on Cenkos or any person affiliated with Cenkos in connection with any investigation of the accuracy of any information contained in this document for their investment decision; and (ii) they have relied only on the information contained in this document, and no person has been authorised to give any information or to make any representation concerning the Company or the Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by or on behalf of the Company, the Directors or Cenkos.

Cenkos, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and broker to the Company in connection with the proposed Placing and Admission and will not be responsible to any person (including any recipient of this document) other than the Company for providing the protections afforded to its customers or for advising any other person on the proposed Placing and Admission or the contents of this document or any transaction or arrangement referred to herein. Cenkos has not authorised the contents of any part of this document for the purposes of the FSMA. The responsibilities of Cenkos as the Group's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or any Director, Shareholder or any other person in respect of such person's decision to acquire shares in the Company in reliance on any part of this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Cenkos by the FSMA or the regulatory regime established thereunder, Cenkos does not accept any responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Placing and Admission. Cenkos accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) in respect of this document or any such statement.

None of the Company, the Directors, Cenkos or any of their representatives is making any representation to any subscriber or purchaser of Ordinary Shares regarding the legality of an investment by such subscriber or purchaser.

In connection with the Placing, Cenkos and any of its affiliates, acting as investors for their own accounts, may acquire Ordinary Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of the Company or related investments in connection with the Placing or otherwise. Accordingly, references in this document to the Ordinary Shares being offered, subscribed, acquired, placed or otherwise dealt with should be read as including any offer to, or subscription, acquisition, dealing or placing by, Cenkos and any of its affiliates acting as investors for their own accounts. Cenkos and any of its respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to the Company, for which they would have received customary fees.

Cenkos and/or any of its affiliates may have in the past engaged, and may in the future, from time to time, engage in transactions with, and provided various investment banking, financial advisory and other services in the ordinary course of their business to the Company, for which they would have received, and may in the future receive, customary fees and commissions. As a result of these transactions, these parties may have interest that may not be aligned, or could possibly conflict, with the interests of investors.

No Prospectus

This Admission Document is not a prospectus for the purposes of the EU Prospectus Regulation or the UK Prospectus Regulation. This Admission Document has been prepared on the basis that all offers of the Placing Shares will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to produce a prospectus. Accordingly, any person making or intending to make any offer within the United Kingdom of Placing Shares which is the subject of the offering contemplated in this Admission Document should only do so in circumstances in which no obligation arises for the Company or Cenkos to produce a prospectus for such offer. Neither the Company nor Cenkos has authorised, nor will any of them authorise, the making of any offer of the Placing Shares through any financial intermediary, other than offers made by Cenkos which constitute the final placing of the Placing Shares contemplated in this Admission Document.

Notice to Prospective Investors in the United Kingdom

This document is being distributed in the United Kingdom where it is directed only at persons who are (a) both “qualified investors” within the meaning of article 2(e) of the UK Prospectus Regulation and either (i) persons having professional experience in matters relating to investments, i.e., investment professionals within the meaning of Article 19(5) of the Financial Promotion Order; (ii) high net-worth companies, unincorporated associations and other bodies within the meaning of Article 49 of the Financial Promotion Order; or (iii) persons to whom it is otherwise lawful to distribute it without any obligation to issue a prospectus approved by competent regulators. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of person and in any event, and under no circumstances should persons of any other description rely on or act upon the contents of this document.

For the purpose of Section 21 of FSMA, this Admission Document constitutes a financial promotion which has been issued by the Company, but the content of which is exempt by virtue of article 67 of the Financial Promotion Order. Use of this Admission Document other than in accordance with this restriction is not permitted and may contravene FSMA. No representation or warranty, express or implied, is made by Cenkos or the Company to prospective purchasers of Ordinary Shares as to the contents of this Admission Document (without limiting the statutory rights of any person to whom this Admission Document is issued). The information contained in this Admission Document is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly, to the extent permitted by law, no duty of care is accepted by Cenkos or the Company in relation to them.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area (“EEA”) (each, a “Member State”), no Ordinary Shares have been offered or will be offered pursuant to the Placing to the public in that Member State prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that Member State, all in accordance with the EU Prospectus Regulation, except that offers of Ordinary Shares to the public may be made at any time under the following exemptions under the EU Prospectus Regulation:

- (i) to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;
- (ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) in such Member State; or
- (iii) in any other circumstances falling within Article 3(2) of the EU Prospectus Regulation,

provided, that no such offer of Ordinary Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the EU Prospectus Regulation or any measure implementing the EU Prospectus Regulation in a Member State, and each person who initially acquires any Ordinary Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of the EU Prospectus Regulation.

For the purposes of this provision, the expression “an offer to the public” in relation to any offer of Ordinary Shares in any Member State means a communication in any form and by any means presenting sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Ordinary Shares, as the same may be varied in that Member State by any measure implementing the EU Prospectus Regulation in that Member State, and the expression “EU Prospectus Regulation” means Regulation 2017/1129/EU (as amended), and includes any relevant implementing measure in each Member State.

Restrictions on Sales in the United States

The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the “Securities Act”), or with any securities regulatory authority of any State or other jurisdiction of the United States and, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, may not be offered, delivered or sold in, into or from the United States. Subject to certain exemptions, this document does not constitute an offer of Ordinary Shares to any person with a registered address, or who is resident in, the United States. There will be no public offer in the United States. The Ordinary Shares are being offered outside of the United States in “offshore transactions” in reliance on Regulation S under the Securities Act (“Regulation S”).

The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, or any other securities commission or regulatory authority of the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares nor have they approved this document or confirmed the accuracy or adequacy of the information contained in this document. Any representation to the contrary is a criminal offence in the US.

Rounding

Certain figures and percentages in this document have been subject to rounding adjustments. Accordingly, any apparent discrepancies in tables between the totals and the sums of the relevant amounts are due to rounding.

Currencies

Unless otherwise indicated in this document, all references to “pounds Sterling” or “£” are to the lawful currency of the UK.

Unless otherwise indicated, the financial information contained in this document has been expressed in pounds Sterling. For all members of the Company, the functional currency is pounds Sterling and the Company presents its financial statements in pounds Sterling.

Notice to Overseas Shareholders

This document does not constitute an offer to sell or issue, or the solicitation of an offer to subscribe for or buy, securities in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for publication or distribution in or into the United States, Canada, Australia, the Republic of South Africa, New Zealand or Japan. The Ordinary Shares have not been and will not be registered under the Securities Act nor under the applicable securities laws of any State thereof, or any province or territory of Canada, Australia, the Republic of South Africa, New Zealand or Japan nor in any country or territory where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not be offered or sold directly or indirectly in or into or from the United States, Canada, Australia, the Republic of South Africa, New Zealand or Japan or to any resident of the United States, Canada, Australia, the Republic of South Africa, New Zealand or Japan. The distribution of this document in other jurisdictions may be restricted by law and, therefore, persons into whose possession this document comes should inform themselves about and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.

Forward-Looking Statements

Some of the statements in this document include statements which are, or may be deemed to be, “forward looking statements” and which reflect the Directors’ current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Group’s products and services). These statements include forward-looking statements both with respect to the Company and the sectors and industries in which the Company operates. Statements which include the words “expects”, “intends”, “plans”, “believes”, “projects”, “anticipates”, “will”, “targets”, “aims”, “may”, “would”, “could”, “continue” and similar statements are of a future or forward looking nature.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group’s actual results to differ materially from those indicated in these statements. These factors include but are not limited to those described in Part II of this document entitled “Risk Factors”, which should be read in conjunction with the other cautionary statements that are included in this document. Any forward-looking statements in this document reflect the Directors’ current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group’s operations, results of operations and growth strategy.

These forward-looking statements speak only as of the date of this document. The Company undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Company or individuals acting on behalf of the Company are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

Presentation of Market, Economic and Industry Data

This document contains information regarding the Group's business and the industry in which it operates and competes, which the Company has obtained from various third-party sources. Such third-party information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by the relevant third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Company has obtained the third-party data in this document from industry studies, forecasts, reports, surveys and other publications.

No Incorporation of Website Information

The contents of any website of the Company, any website mentioned in this document or any website directly or indirectly linked to these websites have not been verified and do not form part of this document, and prospective investors should not rely on such information.

Interpretation

Certain terms used in this document are defined and certain technical and other terms used in this document are explained at the section of this document under the heading "Definitions".

All times referred to in this document are, unless otherwise stated, references to London time.

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation or regulation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

Information for Distributors

Solely for the purposes of the product governance requirements contained within of Chapter 3 of the FCA Handbook Production Intervention and Product Governance Sourcebook (the "UK Product Governance Requirements"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the UK Product Governance Requirements) may otherwise have with respect thereto, the Placing Shares have been subject to a product approval process, which has determined that such securities are: (i) compatible with an end target market of investors who meet the criteria of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in paragraph 3 of the FCA Handbook Conduct of Business Sourcebook; and (ii) eligible for distribution through all distribution channels (the "Target Market Assessment"). Notwithstanding the Target Market Assessment, distributors (for the purposes of UK Product Governance Requirements) should note that: (a) the price of the Placing Shares may decline and investors could lose all or part of their investment; (b) the Placing Shares offer no guaranteed income and no capital protection; and (c) an investment in the Placing Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Cenkos will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of Chapter 9A or 10A respectively of the FCA Handbook Conduct of Business Sourcebook; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Placing Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Placing Shares and determining appropriate distribution channels

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Directors, Secretary and Advisers

Directors	Christopher (Chris) Train Jonathan (Jon) Richard Duffy Clive Matthew Brook Natalie Jayne Fortescue Ricki (Rick) Brent Smith all of:	Non-Executive Chairman Chief Executive Officer Chief Financial Officer Non-Executive Director Non-Executive Director
Registered Office	Unit D, Parkside Business Park, Spinners Road, Doncaster, United Kingdom, DN2 4BL	
Company Secretary	City Group P.L.C. 1 Ely Place London EC1N 6RY	
Nominated Adviser and Broker	Cenkos Securities plc 66 Hanover Street Edinburgh EH2 1EL and 6.7.8 Tokenhouse Yard London EC2R 7AS	
Auditors to the Company	PKF Littlejohn LLP 15 Westferry Circus Canary Wharf London E14 4HD	
Solicitors to the Company	Browne Jacobson LLP 15 th Floor, 6 Bevis Marks Bury Court London EC3A 7BA	
Reporting Accountants	Mazars LLP Two Chamberlain Square Birmingham B3 3AX	
Solicitors to the Nomad and Broker	Pinsent Masons LLP 30 Crown Place London EC2A 4ES	
Registrars	Computershare Investor Services Plc The Pavilions Bridgwater Road Bristol BS13 8AE	

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Placing Statistics

Placing Price	45 pence
Number of Existing Ordinary Shares in issue prior to the Placing	198,753,300
Number of New Ordinary Shares being issued pursuant to the Placing	66,666,667
Number of VCT Placing Shares to be issued pursuant to the VCT Placing	21,000,000
Number of General Placing Shares to be issued or sold pursuant to the General Placing	46,717,818
Number of Ordinary Shares being sold pursuant to the Placing	1,051,151
Enlarged Issued Share Capital on Admission	265,419,967
Number of Options in issue on Admission	24,035,420
Percentage of the Enlarged Issued Share Capital represented by New Ordinary Shares	25.12 per cent.
Estimated gross proceeds of the Placing receivable by the Company	£30.0 million
Estimated net proceeds of the Placing receivable by the Company	£27.48 million
Market capitalisation immediately following completion of the Placing at the Placing Price	£119.4 million
AIM 'ticker'	CPH2
SEDOL	BP371R6
LEI	9845009D2AB08E5BF491
ISIN Number	GB00BP371R64

Expected Timetable of Principal Events

Publication of this document	11 February 2022
Issue of the VCT Placing Shares*	15 February 2022
Issue or sale of the General Placing Shares*	16 February 2022
Admission effective and dealings in the Enlarged Issued Share Capital commences on AIM	8.00 a.m. on 16 February 2022
CREST accounts (where relevant) expected to be credited	16 February 2022
Share certificates (where relevant) expected to be despatched no later than	2 March 2022

References to time are to London time unless otherwise stated. Each of the dates in the above timetable is subject to change at the absolute discretion of the Company and Cenkos and without further notice.

*The VCT Placing Shares will be allotted and issued to the VCT Placees on 15 February 2022 and will be delivered on the same day to the CREST accounts of the VCT Placees. As soon as possible after 8.00 a.m. on 16 February 2022, being the date of Admission, the General Placing Shares will be delivered to the CREST accounts of all other Placees.

Part I | Information Relating to the Company

1. Introduction

CPH2 is a rapidly-growing UK-based technology and manufacturing company which is focussed on the commercial production of “green” hydrogen in a simple, safe, and sustainable manner using its IP-protected Membrane-Free Electrolyser™ (“MFE”) technology.

A decade of dedicated research and product development has resulted in the creation of a technology which is designed to deliver a modular solution to the hydrogen production market in a cost-effective, scalable, reliable and long-lasting way.

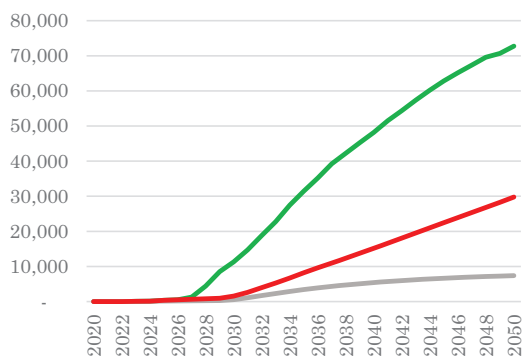
CPH2’s strategic objective is to deliver the lowest Levelised Cost of Hydrogen (“LCOH”) in the market in relation to the production of green hydrogen. The Group’s MFE technology is already commercially available and demonstrating cost efficiencies and technological advantages.

As a fast follower in a rapidly-developing market place, the Directors believe CPH2 is well placed to benefit from the favourable commercial and regulatory drivers as hydrogen becomes increasingly central to the delivery of global ‘net zero’ commitments. The Directors believe that the drive towards decarbonisation is changing the way that electricity is generated, stored and managed, and CPH2 aims to be a leader in the technology required to facilitate this transition.

Operating from its new 29,000 sq ft Doncaster facility, the Group has an existing blue-chip customer base and a contracted orderbook of 4MW of unit production for delivery in 2022. Beyond this, the Group has an established pipeline of new opportunities at varying stages of development, including active discussions with current and quoted customers in respect of potential orders in excess of 160MW. The Group aims to become a globally recognised and highly-profitable designer, manufacturer and licensor of its MFE technology and is targeting 4GW production capacity by 2030.

The development of the hydrogen economy is forecast to lead to a 650x increase in European demand for electrolyzers by 2030, with an EU electrolysis capacity target equivalent to 40GW requiring investment of up to c. €47bn towards electrolyzers. The addressable global green hydrogen market is predicted to be worth €10 trillion by 2050, with Europe accounting for in excess of €2 trillion of the total market, by which time green hydrogen is expected to supply 24 per cent. of the world’s energy needs and to become the largest electricity customer.

FIGURE 1: Hydrogen consumption under different energy policy scenarios, 2020-2050 (TWh)



Green scenario is a clean-electricity and green-hydrogen net-zero pathway. Here, hydrogen produced from water using electrolyzers powered by wind and solar is applied in sectors such as industry and heavy transport, as well as in power generation to complement electrification.

Red scenario is a clean-electricity and nuclear power net-zero pathway. This follows a similar trajectory to the Green Scenario except that it deploys small, modular nuclear to complement wind, solar and battery technology in the power sector, and adds so-called ‘purple hydrogen’ which is manufactured using electrolysis as in the Green Scenario, but this time powered by dedicated nuclear power plants.

Grey scenario is a clean-electricity and carbon capture and storage net-zero pathway. In addition to growth in electricity use and renewable power, emissions from fossil fuels in some sectors are abated using post-combustion Carbon capture, utilisation and storage “CCUS” technology. It also includes small amounts of so called ‘blue hydrogen’ produced from natural gas with CCUS technology for use in non-stationary energy applications and greater use of bioenergy.

Source: Bloomberg NEF

2. Group structure and history

CPH2 was incorporated on 19 August 2021 and is the principal holding company within the Group which currently comprises four further legal entities across the UK and Republic of Ireland, all of which are subsidiaries of CPH2, including Clean Power Hydrogen Group Limited (“CPHGL”), the Group’s main operating entity, which was incorporated on 19 July 2016.

The Group is headquartered in Doncaster, UK, which is the site of its manufacturing facilities.

Further details of each of the Company’s subsidiaries are provided in Part V of this document.

The Group’s business began with the establishment of Clean Power Hydrogen Limited (“CPH2 Ireland”) in the ROI in 2012. CPHGL was incorporated in the UK in 2016 as the parent company for CPH2 Ireland and most development activity was then relocated to CPHGL.

CPH2 Ireland remains an active company, retaining some intellectual property and is a potential sales channel to ROI and EU markets, should the UK’s exit from the EU result in barriers to entry to those markets from the UK.

The key dates in the development of the Group include:

2012 Founded by Dr Nigel Williamson and Joe Scott with the incorporation of CPH2 Ireland.

2016 CPHGL incorporated in the UK and operations commenced.

The Group successfully completed a demonstration to evidence proof of concept showing that hydrogen and oxygen could be separated by using a simple liquid nitrogen-cooled cryogenic system.

2017 The Group raised its first round of external investment to fund ongoing research and development work as well the proof of concept and working capital.

2018 MFE01 Technology Demonstrator built to demonstrate the merits of the technology and was capable of producing 6kg of hydrogen per twenty-four hours from a 20kW input power.

The Group established its Doncaster base.

2019 The Group was awarded a Smart Grant from Innovate UK, rewarding the research and development work that the Group had undertaken on the MFE and its potential contribution to the UK’s climate change agenda.

The Group raised further external investment to further fund research and development and general working capital requirements.

2020 Delivery of the first electrolyser to a customer in Northern Ireland as part of a demonstrator project, which was the first non-grant funded order for an MFE02.

Further external funding was raised to supplement the Group’s existing resources with the aim of finalising the design of its MFE220 model and increasing headcount in production and engineering in anticipation of the first commercial orders being received.

2021 The Group achieved 1,600 hours of commercial gas production on the electrolyser unit in Northern Ireland, providing a significant data output and commercial confidence through technology validation of the product.

The Group won a competitive tender for the delivery of an MFE220 electrolyser to Northern Ireland Water, as part of a consortium led by Lagan Meica.

Commercial production of the Group’s MFE220 model commenced.

The Group received orders for further MFE220 deliveries from:

- Octopus Hydrogen, based in the UK;
- AFCryo, based in New Zealand; and
- GHFG Ltd, based in the ROI.

The Group moved to new, larger premises in Doncaster with space to manufacture up to 200 units per annum.

3. The Group's Products and Services

The Group designs and manufactures hydrogen production units that incorporate its MFE technology which, in combination with cryogenic gas separation, delivers hydrogen and oxygen in separate streams. When the MFE is supplied by renewable electricity it delivers green hydrogen with a purity of up to 99.999% and medical grade oxygen.

The Group's products have the potential to deliver:

- hydrogen as an energy source;
- pure hydrogen;
- hydrogen as a process enhancer; and
- medical grade oxygen.

The MFE uses a cryogenic heat exchanger and is designed to be simple, robust and to have a 25-year lifespan, to match that of wind turbines and solar PV. The Group aims to have a manufacturing process of approximately 16-20 weeks from receipt of order to factory acceptance.

The MFE has no membranes to degrade or fail. The MFE's simple design also means that the stack does not need to be assembled in a sterile environment and removes the need for membrane sealing, thus making the process more conducive to robotic assembly.

As well as producing green hydrogen when powered by renewable electricity sources, the MFE also uses no platinum group metals in its design, and the components that are used are up to 98 per cent. recyclable or reusable. This decouples the cost of manufacturing the stack from the volatile price of precious metals, providing greater certainty in the cost to the Group in production. The Directors believe that the removal of the membrane, and therefore precious metals, from the MFE also reduces its lifetime maintenance cost and simplifies maintenance procedures.

The MFE is designed to be scalable through its modular design with anything from sub-1MW to multi-GW electrolyzers technically possible.

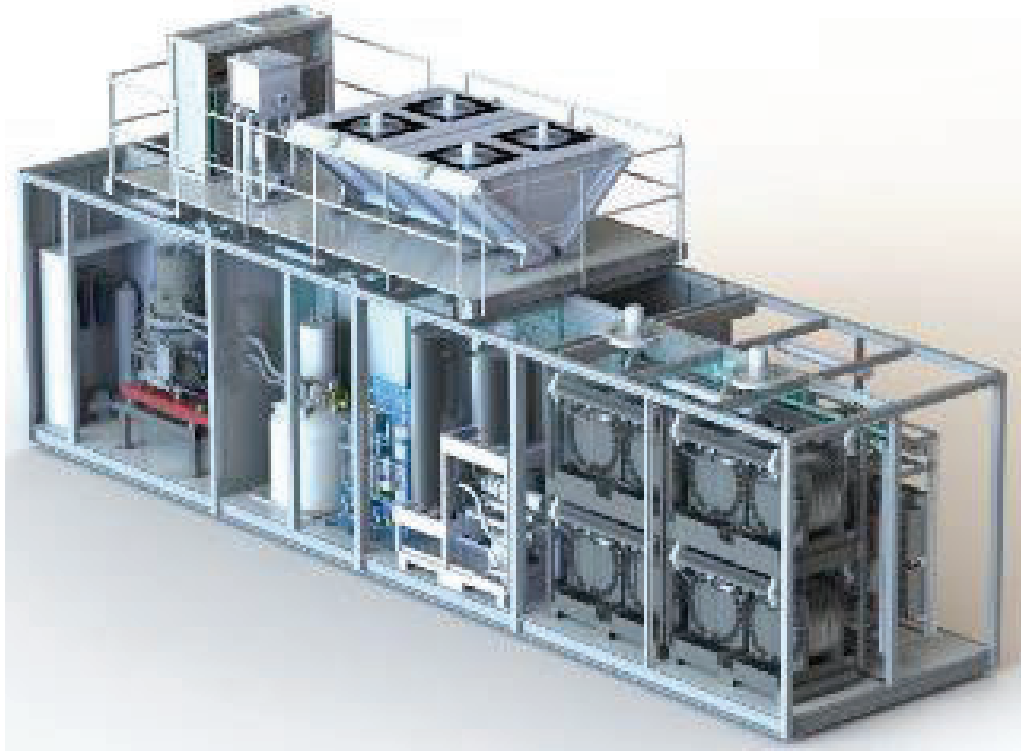
MFE220 Overview

The MFE220 runs with 1MW of input power with eight stacks and is capable of producing 450kg/day of high purity hydrogen output. The stack is made of ubiquitous materials and generates a mixed wet gas. The wet gas then passes through a series of driers before entering the separation unit where the oxygen is cryogenically separated from the hydrogen through a process of distillation at c.70 kelvin. The cold energy from this cryogenic process is captured via a heat exchanger and used to super-cool the incoming mixed gas, thereby improving the efficiency of the process. The entire process is housed within a 40-foot customised ("ISO intermodal container") that also contains the power conversion units and control panels in separate ATEX rated areas. For safety purposes, the unit can only operate when the external doors are closed and locked.

The source water that is used is normal potable water, meaning there is no requirement for a water purification system to avoid impurities which are damaging to PEM and Alkaline electrolyzers. A benefit of the design is that the system does not produce any waste or 'grey' water and therefore no specific site permitting is required in advance of installing the electrolyser units.

The MFE220 is designed to be 'plug and play' with any end user required only to provide the relevant hard standing pad, electricity, and water supply. The MFE220 is designed around the principle of being simple to build, operate and maintain. As further described below, prior to full commercial sales being completed and handover of the units to customers, the Group is required to complete additional testing and analysis to ensure conformity with the relevant regulations.

FIGURE 2: Design Layout of the MFE220 (1MW unit)



Source: CPH2

MFE440 overview

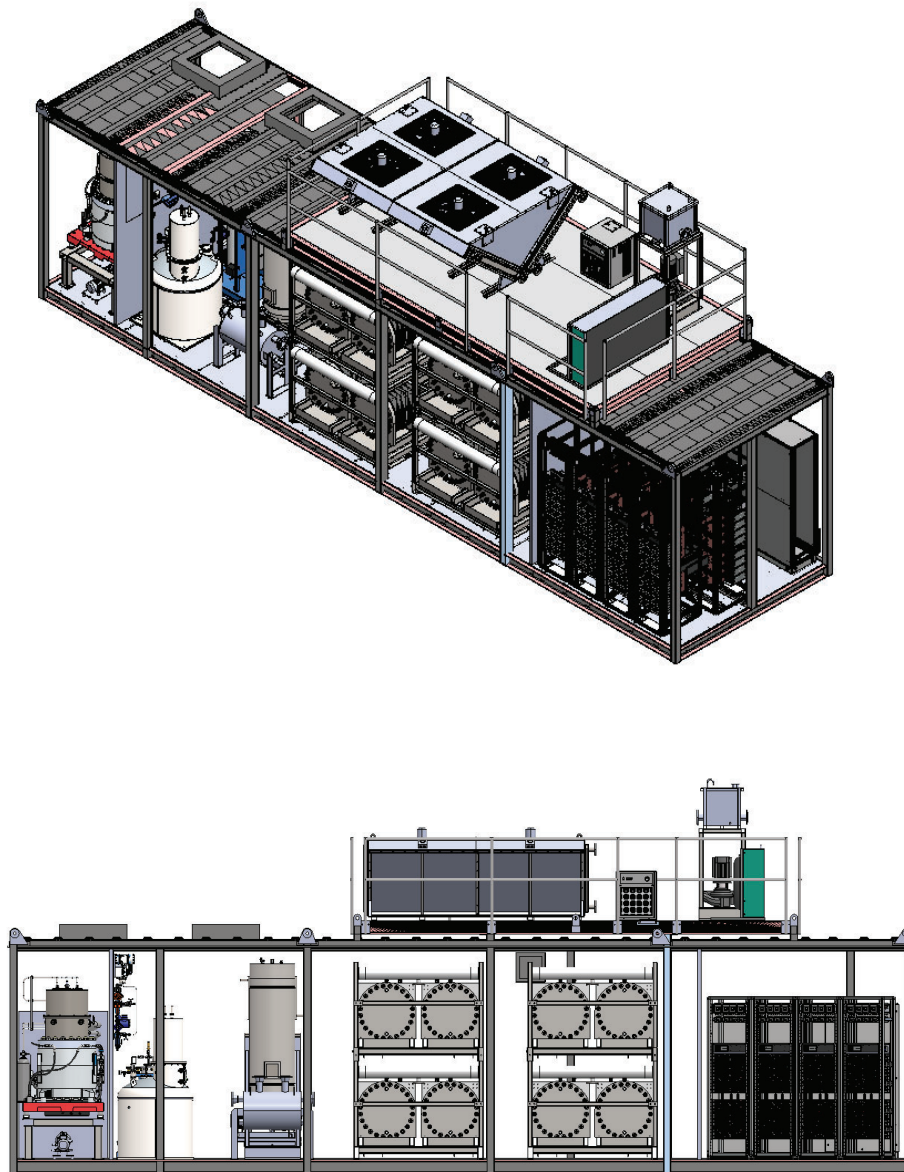
The concept design and layout for the MFE440 are currently in the final stages of design, with development continuing in three core areas: stack current density; power suppliers; and power distribution. These development activities are aimed at enabling the MFE440 to have greater end-to-end system efficiency of a targeted 49kWh/kg of hydrogen produced, whilst reducing capital costs.

The fundamental principles of the MFE440 are the same as the MFE220, with the MFE440 being a 2MW input capable membrane-free electrolyser that is designed to produce 900kg/day of high purity hydrogen gas produced at a pressure of up to 35 bar. Much of the balance of plant is similar to the MFE220 and scaled up accordingly, with the design utilising the same stack design and cryogenic subsystem.

The design uses the same modular approach to its design as the MFE220.

This model is in the final stages of design that may require the power units to be housed in a separate 20-foot container.

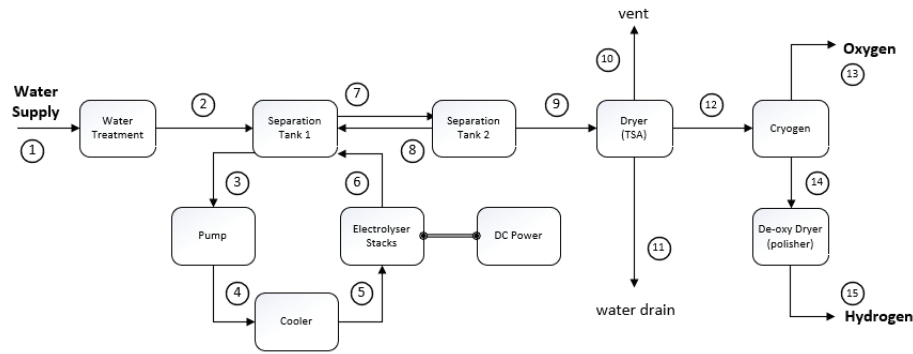
FIGURE 3: Design Layout of the MFE440 (2MW unit)



Source: CPH2

The MFE440 design is comprised of three compartments housing: the cryogenic compressor and water treatment equipment; the balance of plant equipment and 16 stacks of the same specification as the MFE220; and the power distribution and supply units. As the MFE440 has been designed to minimise the footprint required, the heat rejection equipment is mounted on the roof area.

FIGURE 4: Process Flow Diagram



Source: CPH2

Testing and Regulatory Approvals

The Group has undertaken internal detonation and stress analysis to confirm the suitability of the design and the pressure vessels utilised in the production of the MFE220. Whilst no concerns were raised and the analysis proved adequate to proceed, the methodology used in conducting this analysis is currently in the process of undergoing third-party verification by an expert provider. This third-party assessment will include the external completion of blast modelling to confirm that the design complies with relevant design standards.

Prior to full commercial sales being completed, blast modelling will be required alongside a complete conformity assessment of the entire system to demonstrate compliance with the Pressure Equipment (Safety) Regulations and UK Conformity Assessed (“UKCA”) certification of this position is expected to be received upon satisfactory completion of the assessment.

In addition, the Group has undertaken initial hazard and operability analysis (HAZOP), layers of protection analysis (LOPA) and dangerous substances and explosive atmospheres regulations (DSEAR) risk assessments on the design of the MFE. All of these initial risk assessments have been satisfactory and the Group will undertake a final risk assessment on each of these areas prior to the handover of any commercial units. Prior to the commercial handover of any of the Group’s products to third parties a final HAZOP, LOPA and DSEAR risk assessment will be completed.

4. Competitive Landscape and Key Strengths

Alternative Technologies

Within the ‘green hydrogen’ space, there are three established electrolyser technologies which the Group has identified as being currently in operation.

CPH2’s membrane-free technology is an alternative to these and is targeting delivering the lowest levelised cost of hydrogen (“LCOH”) in the green hydrogen market.

The three technologies are:

1. Alkaline electrolyzers

Alkaline technology has been in existence from an electrolyser perspective since the 1920s and is mainly used in the production of hydrogen for the fertiliser and chlorine industries. The operating range of alkaline electrolyzers goes from a minimum load of 10 per cent. to full design capacity. The larger alkaline electrolyzers that have been installed in the world, up to 165MW, are now largely decommissioned as a result of the implementation of natural gas and steam methane technology in the 1970s.

As a result of the crossover of gases in alkaline electrolyser technology, the systems have an inability to operate at low loads and high differential pressure, limiting their efficiency potential. The removal of the membrane in the MFE eradicates the issue of gas crossover through the membrane and therefore the MFE can operate at elevated pressures of up to 34 bar(g).

2. *Proton Exchange Membrane electrolyzers (“PEM”)*

PEM electrolyzers operate utilising a solid proton-conducting membrane comprised of polymers and require high purity water as the membranes and catalysts required to drive the reaction are highly sensitive to water impurities. PEM systems avoid the recovery and recycling of the potassium hydroxide electrolyte solution necessary for the use of alkaline electrolyzers. In comparison to alkaline electrolyzers, PEM technology is more compact and therefore more suited for dense urban areas. The operating range of a PEM electrolyser can be from zero load to 160 per cent. of the design capacity, albeit for a limited time range. PEM electrolyzers are capable of producing highly compressed hydrogen for decentralised production and storage at refuelling stations, although the product design requires the incorporation of a compressor to obtain refuelling pressures. In practice, this complicates the process and forms a further hurdle in the creation of an efficient and effective electrolyser technology. They also offer flexible operation, including the capability to provide frequency reserve and other grid services. However, this technology is reliant on expensive electrode catalysts, including platinum and iridium, and membrane materials. Platinum and iridium are considered two of the scarcest, most energy-intensive and emission-intensive metals available, and therefore, significantly add to the cost and complexity of PEM technology. Fluorocarbon membranes, such as those used in PEM technology, are polyfluorinated alkyl substances which are persistent in the environment and can build up to toxic levels. As a result the EU Chemical Strategy for Sustainability is looking to phase out all use of these substances.

In addition, the lifetime of a typical PEM unit is shorter than that of its alkaline peers. Overall costs are high from an initial capital and ongoing maintenance perspective.
3. *Solid Oxide Electrolysis Cells (“SOECs”)*

SOECs utilise ceramics as the electrolyte and have low material costs from an initial and ongoing basis. SOECs typically operate at high temperatures and with a high degree of electrical efficiency, but as they are reliant on steam they are therefore reliant on a heat source being available. It is possible to operate SOECs in reverse, as a fuel cell, converting hydrogen back to electricity, offering the ability to provide balancing services to the grid in combination with hydrogen storage facilities. A key drawback, and hindrance to widespread commercial adoption, is the high degradation of materials utilised that results from the high operating temperatures which means maintenance costs are high and the downtime for replacement is significant.

Key Strengths of CPH2's MFE technology

CPH2's proprietary MFE technology has six key characteristics that the Directors believe differentiate it from these alternative technologies and which should underpin its commercial success.

1. *Increased Uptime and Efficiency*

By removing the need for a membrane in the electrolyser unit, MFE units have (a) a reduced risk of failure and downtime for maintenance purposes and (b) reduced production costs. Both these factors combine to contribute to a lower anticipated LCOH for the end customer and increase the economic viability of hydrogen as an alternative power source. In addition, whilst electrolyser efficiency typically reduces over time due to membrane and catalyst poisoning resulting in the reaction sites becoming blocked, this degradation risk is avoided by CPH2's membrane-free design. Consequently, the MFE design has the potential for lower lifetime costs than membrane-based designs.

By removing the membrane, the stack efficiency is also improved and the Group's small-scale stacks have achieved 74-80 per cent. efficiency without a catalyst.
2. *Absence of rare materials*

Alternative electrolyser technologies commonly utilise platinum group catalysts, which have been designed out of the MFE. The design of the MFE is based on the use of ubiquitous materials and means high value, platinum group metals are not used in the production. This feature decouples the materials costs of the electrolysers from the volatile precious metals market with its limited supply and reduces the LCOH for the end customer by reducing the unit cost price. It also aids in the contribution of the MFE in meeting net zero targets by reducing the initial impact on the environment through the mining, refining and sourcing of platinum products.
3. *Cryogenic separation*

It is market practice that, in order to produce hydrogen, it is necessary to avoid mixed gases at all stages for safety purposes. However, the MFE design has challenged this view on the basis that the mixed gas can be made safe by removing all potential sources of combustion, including heat, dynamic pressure fluctuations and friction, and separation of the gases can then follow utilising cryogenic separation. This secondary process is an established technology used in other industries and has a number of benefits when used in the electrolyser products. By cryogenically separating gases, the end products of hydrogen and oxygen have improved purities, with effectively zero catalytic impurities or contaminants. As a result, the oxygen produced through electrolysis is of medical grade and therefore has an increased market for sale. Furthermore, the liquification of the hydrogen is easier because the end product is produced at a lower temperature, reducing the level of cooling, and associated cost, required to achieve liquification.

Liquid nitrogen cryogenic systems, such as the one used in the design of the MFE, are a relatively mature technology and are capable of operating at low temperature (~70-77K) at which point the oxygen is in a liquid state and the hydrogen remains as a gas.
4. *Feed source flexibility*

Traditional electrolysis technology has been heavily dependent on the availability of specific water sources to feed the electrolyser and can result in the production of grey or wastewater, which has environmental and planning implications. The CPH2 electrolyser is capable of utilising potable water, also known as drinking water, as its feed product, removing the requirement for any pre-treatment and creating a potential cost saving. By removing the grey or wastewater

end product, the CPH2 electrolyser removes the need for certain planning requirements and improves the environmental benefits.

5. *Enhanced protection* The MFE uses a simplified stack which enables a simple and shortened production process, resulting in a reduced cost of spare parts and maintenance. As a result, the Group is able to offer a 25-year warranty on the stack, in conjunction with a service and maintenance contract, and produce the initial product at a lower cost and lead time.
6. *Scalable* The modular design of the MFE products allow for all components to be built on modular process skids and for the units to be more easily transported and assembled in the required scale and specification for the end customer.

All of these features assist CPH2 in its ambition to offer end customers the lowest LCOH available on the green hydrogen market, and to help establish hydrogen as a viable source of power in the future. When coupled with renewable electricity as a power source, the CPH2 electrolyser is capable of producing cheap, green hydrogen and medical grade oxygen.

In summary, the CPH2 MFE has a low initial production cost, a low ongoing operating cost, a high stack efficiency of 74-80 per cent., a long lifetime and removes the need for a catalyst. The outputs of the CPH2 MFE are high purity hydrogen and high purity oxygen combined with high levels of operational flexibility.

5. Business Model

CPH2's business model is focused on becoming a fast follower in the hydrogen production sector and taking advantage of anticipated increasing demand for electrolyser capacity through the development and production of its disruptive technology. Through the perceived strengths of the product design outlined in section 4 above, the Group is aiming to deliver a lower cost, lower maintenance product than the existing alternative technology offerings in the sector.

The IP protection developed by the Group enables it to pursue two sales channels; a straight product sale for end users potentially combined with ongoing maintenance contracts, or a licensing model.

Product sales

At a current average selling price of over £1.2m/MW, sales of MFE220 individual units are expected to generate potential gross margins of greater than 30 per cent. per unit with potential ongoing revenue streams from service and maintenance contracts also to be negotiated on each product sale.

CPH2's strategy is to be a developer and seller of the MFE technology. Potential customers are spread globally with anticipated demand ranging from multiple 1MW units to gigawatt scale.

Timescales for converting initial enquiries into final orders will vary from a matter of weeks to a number of months depending on the nature of the counterparty and the scale of the project. By operating across the end-user market, the Group aims to capitalise on and be able to respond to customer enquiries in a timely fashion and service both private and public bodies.

Customers to date in the product sales channel include:

- **Octopus Hydrogen**
Octopus Hydrogen is an Octopus Energy Group company and has ordered a 1MW MFE220. Octopus Hydrogen has positioned itself to supply green hydrogen as a service for heavy goods transportation, energy storage, industrial applications and aviation in the UK, Europe and Australia. The Directors believe this offers a significant potential opportunity to the Group as an existing relationship is in place.
- **Northern Ireland (NI) Water**
Procuring through its main contractor, Lagan Meica JV, NI Water has placed an order for a 1MW MFE220, whilst at the same time putting in place a 15-year strategic partnering agreement with the Group providing the potential for further similar orders to follow.

The NI Water contract is a significant contract in that it demonstrates the market for a CPH2 MFE220 where the principal end product is oxygen for use in improving the efficiency of processing wastewater.

NI Water has released its hydrogen strategy which includes a targeted strategy for the delivery of 120MW of electrolysis capacity across the top 30 wastewater sites in Northern Ireland. The Group considers that its current position with NI Water as a customer, via the LaganMEICA JV, places it as a strong candidate to deliver this projected demand.

- **AFCryo**

The Group has established a working relationship with AFCryo and utilises the AFCryo cryogenic cooling system in the Group's MFEs. In addition, AFCryo has placed an order for an MFE220 for delivery from CPH2, with delivery anticipated in 2022.

To date, the Group has a contracted orderbook of four 1MW units and is in active discussions with current and quoted customers in relation to potential orders in excess of 160MW in the short- to medium-term. The Group has had only a minimal sales and marketing department to date and therefore the majority of this pipeline has been established by way of incoming interest.

International Joint Ventures & Licensing

The prospect of licensing the CPH2 proprietary technology offers the possibility of a low-cost business model with the potential to scale in the short term.

The proposed licensing structure being considered by the Group will be based upon an upfront one-off licence payment followed by a further fee payable per unit manufactured. In addition, there is potential further income to be earned from contracted component sales at a c.40 per cent. margin. This option offers the Group a potential 100 per cent. gross margin operating structure. Given the potential low cost and short lead time nature of this model, the Directors believe it is an ideal opportunity to establish market share and improve market penetration.

A licence would allow licencees to have access to the MFE technology whilst having the flexibility to oversee their own production and delivery schedules. It is anticipated that licencees could also benefit from a reduced capital cost than when compared a product sales channel.

The potential joint venture and licensing model is a developing opportunity for the Group. A memorandum of understanding has been entered into with a European vertically-integrated independent power producer to explore the potential working model and the economics of delivering a licensing agreement. Whilst this MoU is non-binding in nature, it provides the framework for developing a working relationship and is a critical first step in developing this revenue stream.

Further discussions are actively taking place with other potential licencees on both a geographical and sector specific basis.

The main benefit of this model for CPH2 will be the potential to scale production quickly and in territories with the greatest demand. The Group's competitors are utilising technology that has existed for decades and in respect of which it is more difficult to secure registered IP protection, making licensing of that technology a significant challenge.

On 14 January 2022, CPH2 entered into a non-binding letter of intent with Kenera Energy Solutions Limited ("**Kenera**"), part of the KCA Deutag group, pursuant to which Kenera indicated its intention to participate in the Placing and to subscribe for or acquire such number of Placing Shares at the Placing Price as will equate, in aggregate, to the amount of US\$10 million.

In parallel, CPH2 and Kenera entered into a letter which confirmed the parties' non-binding objective to negotiate and agree the terms of a global technical cooperation agreement (the "**Technical Cooperation Agreement**") to enable Kenera to assemble CPH2's proprietary products at any of its manufacturing facilities on terms to be agreed. Pursuant to the binding terms of the letter, CPH2 has (i) granted Kenera a period of exclusivity in respect of the matters to be covered by the Technical Cooperation Agreement until 30 April 2022 or, thereafter, whilst negotiations are continuing between the parties, and (ii) agreed to establish an advisory committee composed of representatives from both CPH2 and Kenera, if Kenera does participate in the Placing for an amount not less than US\$7.5 million.

The KCA Deutag group is a leading drilling, engineering and technology company headquartered in Aberdeen. KCA Deutag has over 130 years of experience, with roughly 9,300 skilled employees operating across 20 countries worldwide. In 2020, the KCA Deutag group generated revenue of US\$1,169 million and EBITDA of US\$253 million.

6. Strategy and Future Prospects

The Group aims to become a globally recognised and highly profitable designer, manufacturer and licensor of the membrane free electrolyser with at least a 4GW production capacity by 2030. Meeting this target would be equivalent to a 10 per cent. market share of the projected EU market, albeit the Group is aiming for traction with customers across the global marketplace.

The Group is focussed on the continual investment in its technology to ensure that the platform already put in place is incrementally improved to help establish and maintain the Group's market position and rapidly service the growth in demand for hydrogen electrolysers.

In order to deliver this ambition, the Company has an array of development channels that they are pursuing:

Product Development

CPH2 are in the process of designing the MFE440, which has the same principal characteristics as the MFE220 but with double the scale of daily production. CPH2 anticipates that the Group will be in a position to start accepting the first purchase orders for the MFE440 in 12 to 18 months from Admission, with first revenues being recognised in 2023.

The Group's design pipeline also includes developing 250kW self-contained platforms to fit pallet racking; thus, enabling large multi-MW systems to be quickly constructed and brought online.

The Directors believe that CPH2 has a market-leading product with a potential for expansion globally. Critical to the development of new opportunities is the consistent development of the product offering.

The specific objectives of the Group's research and development strategy are to continue with the cost reduction for the production of the MFE units coupled with increasing system efficiencies. The Group is targeting achieving the following efficiency objectives by the end of 2023:

- increasing current density to 0.4A/cm²;
- increasing system efficiency to 51 kWh/kg of hydrogen; and
- decreasing voltage per cell to 1.75V /cell.

Growing the Pipeline

Whilst the Group's pipeline is already well-established, the Directors are targeting a 4GW production capacity by 2030. The existing pipeline includes existing and potential customers who are globally diverse, with a variety of utility suppliers, government-owned entities and large publicly-listed companies.

The Group has developed the existing pipeline from incoming enquiries with minimal investment in the sales and marketing team. The Directors believe that, with the correct investment in sales and marketing channels, the opportunity to substantially grow the pipeline and convert that pipeline into orders is significant.

The current pipeline of 160MW includes 72MW of identified, follow on projects with the current customer base, 36.5MW of capacity with new customers for which quotes have been submitted and 46.5MW of capacity in follow on projects with those potential new customers.

Specifically, the pipeline contains the following projects:

- NI Water, an existing customer with a 15-year government backed contract for electrolyser capacity ranging from 27 – 50MW targeted at water treatment facilities to enhance the efficiency and capacity of these facilities in the period to 2036;
- an existing customer which is a UK based seller of hydrogen to transport and industry with an initial demand for 5MW of capacity potentially rising to 40MW in the period from 2022 – 2025;

- an existing customer implementing a renewable energy system with an initial demand for 50MW of capacity potentially rising to 1GW, which has leased a pilot plant and is considering options for an appropriate factory site for potential licenced production; and
- a tender that has been submitted to an Australian mining company looking to develop and utilise a fleet of hydrogen-fuelled trucks to cover a distance of 2,000km with a pilot project in place requiring an initial 5MW and a final end project in excess of 100MW.

As the adoption of hydrogen technology becomes more widespread, further opportunities are expected to emerge and the Group is positioning itself to respond to product requests and convert opportunities into contracts by maintaining a broad sector and geographical offering and high technical capability.

By maintaining the active ROI subsidiary within the Group, CPH2 has retained a potential direct sales channel to Irish and EU markets, aimed at mitigating the risk of any potential barriers to trade that the UK's exit from the European Union may pose.

Diversifying Revenue Streams

The principal revenue stream in the short term will be focused on product sales, with each unit targeting a gross margin above 30 per cent. However, as the business develops and establishes itself it is anticipated more focus will be on the revenues realised through licensing agreements and from servicing and maintenance contracts.

Capability Expansion

The Group has recently opened its 29,000 sq ft facility in Doncaster, offering the potential to deliver up to 200MW per annum in electrolyser stack production. Beyond this, the Group will consider expanding its current footprint in Doncaster to neighbouring industrial units.

The Group has ambitions to further develop its research and development facility within the existing Doncaster site to become a centralised hub for product and technology development and, which in time, could lead to the expansion of the existing intellectual property portfolio that the Group holds.

CPH2 is also considering the further possibility of expanding the production capability with the establishment of a new production facility in Northern Ireland. CPH2 is a client of Invest Northern Ireland and has submitted a business case to open a new 1GW factory in Northern Ireland. Subject to agreement, there is potential for funding of circa £1.8m in employment grants and further funding for training. There is also the possibility of funding from the Michelin Fund (established to promote employment within the old Michelin factory site and surrounding area) and the Group is in early-stage discussions with the Michelin Fund. Subject to commercial agreement the Group's aim is that a Northern Ireland factory could be established late 2023. Further support for this proposal has been received in the recent 'Power of Water' report in which NI Water publicly notes that discussions have begun about the possibility of building an electrolyser factory in Northern Ireland with the capacity to supply both the domestic and international markets.

Acquisitions

The Group is considering a specific vertically-integrated acquisition which could improve its supply chain efficiency and security of supply in the short to medium-term.

Any such acquisition would need to be located within a related or adjacent sector and be viewed as improving the Group's current technical offering or provide new access to market share, and will need to meet stringent investment criteria.

CPH2's ability to fund future acquisitions is constrained at present and Admission could provide the Group with the potential to raise capital, or issue shares as consideration (or part consideration), when and if appropriate.

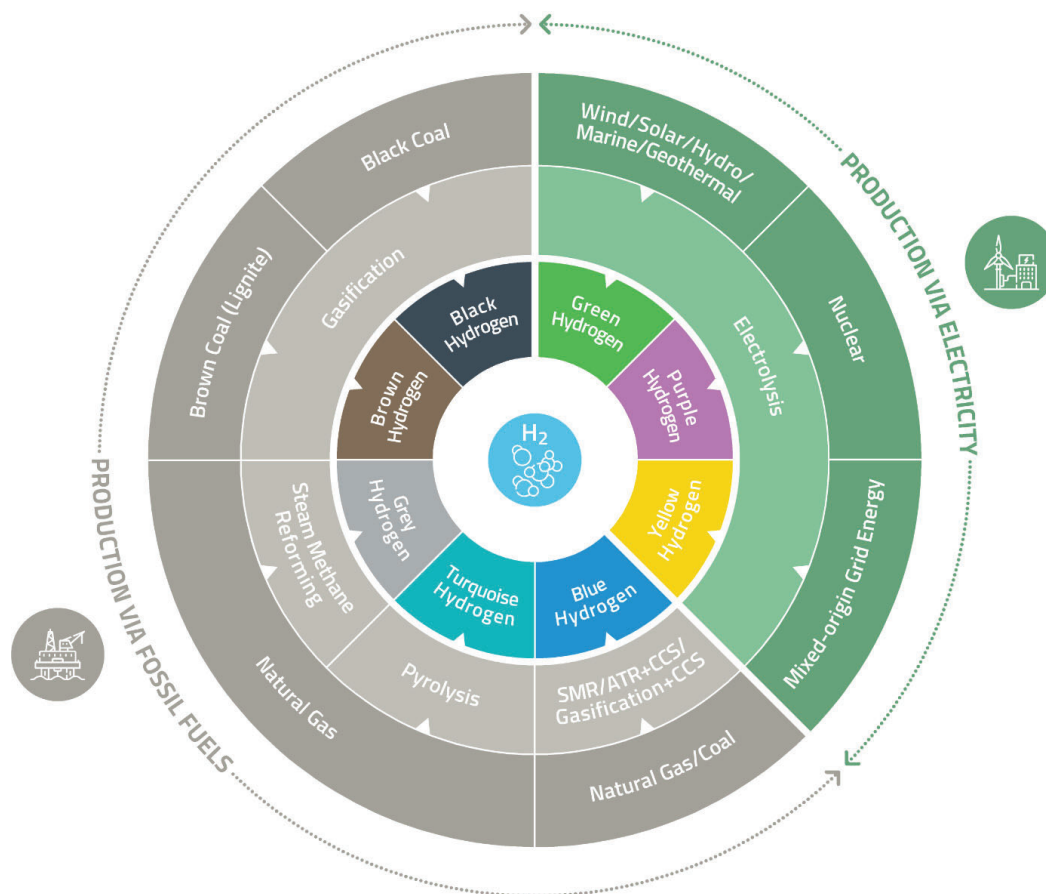
7. Industry and market overview

The hydrogen rainbow

Hydrogen is the most abundant element in the universe, three times more abundant than helium, the next most widely occurring element, and is most commonly found in the forms of water where it is bonded to oxygen to form H₂O and hydrocarbons where it is bonded to carbon and oxygen to form most living matter and, of course, fossil fuels. It is the hydrogen in hydrocarbons which provides the

energy. In order to utilise the properties of hydrogen as a ‘green’ gas or liquid for the purposes of an energy carrier, it is necessary to split the hydrogen from the oxygen element in water using renewable sources of electricity.

FIGURE 5: Hydrogen Production Methods



Source: Arup

According to the International Energy Agency, 96 per cent. of hydrogen produced worldwide is made using fossil fuels (coal, oil and natural gas) in a process known as reforming. This involves a catalytic steam-hydrocarbon process, in which gaseous or vaporized hydrocarbons are treated with steam at high pressure over a nickel catalyst at 650 – 950°C to produce carbon oxides and hydrogen. Typically using natural gas, and without any form of carbon capture technology, the resultant hydrogen is typically used as a component in the manufacture of other chemicals, such as ammonia, or in refineries to convert crude oil into a range of end products.

The vast majority of hydrogen produced at present can be deemed to be a high carbon product, which typically falls into the category of ‘black’, ‘grey’ or ‘brown’ hydrogen. These terms refer to hydrogen produced from coal, natural gas or lignite, respectively, and given the reliance on fossil fuels cannot be reasonably factored into a hydrogen-based decarbonisation strategy.

‘Blue’ hydrogen involves the same reforming process that is used to create grey, brown and black hydrogen but also utilises carbon capture, utilisation and storage (“CCUS”) processes to sequester and store resultant CO₂ and so is commonly cited as an alternative for low-emissions hydrogen production. However, blue hydrogen does not prevent methane from entering the atmosphere and, as reported by the US Environmental Protection Agency, methane is a much more potent global warming gas than CO₂ over shorter timescales. Furthermore, CCUS is expensive and utilises high levels of energy to separate and store the hydrogen. Blue hydrogen may be a viable short-term option in reaching net zero emissions with hydrogen as part of the energy mix; however, due to the cost and limitations of the process it is not expected to be sufficient to meet the ambitious net zero targets in isolation.

An alternative method of producing hydrogen is through a process of electrolysis where electricity is used to split water into the constituent elements of hydrogen and oxygen. When this process is powered through electricity generated by renewable sources such as solar or wind generation the gas is commonly referred to as 'green' hydrogen. In this form, the hydrogen is deemed to be zero-carbon and has the potential to significantly contribute to the global drive to net zero through its use across sectors where electrification is typically difficult to achieve.

Where alternative low carbon technologies are unsuitable (either from an electrification or economic viability standpoint) green hydrogen can offer a practical option and is expected to become more important to the global energy mix over the next three decades. The flexibility offered by hydrogen is a function of the properties of the gas itself which can be used for a range of end purposes, for instance; as a fuel cell or combusted in a boiler, turbine or engine to generate heat or electricity. At the point of use, green hydrogen has zero CO₂ (or other harmful emissions), offering great potential to reduce global carbon outputs in the coming decades.

There is considerable market anticipation that the potential for green hydrogen is not only in the scope to be a low carbon source of power, but also in that it has the potential to be the cheapest form of hydrogen produced globally. This is driven by the increasing prevalence of onshore and offshore wind and solar generation offering the cheapest method to produce a megawatt-hour of electricity in most major economies, with costs only expected to decrease as the technologies continue to improve and the efficiency and utilisation of renewable energy sources increases. The International Energy Agency ("IEA") estimates that the cost of producing hydrogen from renewable electricity could fall by 30 per cent. by 2030, whilst mass manufacturing of the technology involved will reduce this further.

The widespread availability and economically viable pricing of hydrogen is central to its broad adoption as a key component in the decarbonisation of economies. Once these key considerations are met, investment in the technology from an end user and intermediary perspective is expected to follow.

Future hydrogen applications

Looking forward, the potential uses for green hydrogen are abundant. Potential end uses span sectors including; power, industry, transport and commercial / retail.

Chemical energy, such as hydrogen, can be stored and transported in a stable manner, as is currently the case with oil, coal, biomass and natural gas. Accordingly, hydrogen can be put to use in a variety of processes, such as being burnt to produce high temperatures (ie. for the production of steel) or used in existing natural gas infrastructure and transportation via shipping. The transportation of hydrogen by ship requires the gas to be liquefied, transported as ammonia or in specific liquid organic hydrogen carriers. These processes add additional costs of conversion to the total LCOH which emphasises the opportunity for scalable, modular electrolyser units which can generate hydrogen on site in varied geographical locations.

Market research anticipates that a key future use of hydrogen will revolve around filling the gap between supply and demand of electricity derived from renewable energy sources. As wind and solar depend on natural resources to produce electricity they are forced to operate where these resources are abundant and when they are available. This production will not always be incurred at peak demand points and there will potentially be a gap between demand and supply. Hydrogen can be utilised to contribute to the balancing of the energy system through the storage of the excess production and its subsequent utilisation at times of low supply.

Bloomberg estimate that the future use of green hydrogen in the global economy for the purposes of power generation and end-use economic purposes such as fuel for transport and domestic boilers, could result in a contribution of a 23 per cent. to the reduction in total carbon emissions.

It is estimated by Bloomberg that hydrogen could meet up to 24 per cent. of global energy needs by 2050. In order to achieve this position, an anticipated \$11 trillion of investment is required into the production, storage and transportation infrastructure of the sector in the intervening period.

The low carbon hydrogen market is expected to develop over the next decade, with an initial movement likely to be projects of up to 20MW electrolytic hydrogen production. These projects need to be deployed at pace, with production and end use closely linked. As the industry understanding and experience grows, larger projects are expected to emerge with demand for 100MW of electrolytic

hydrogen production. It is forecast that as these projects emerge, the end users that they are serving will expand to cover transport, industry and power generation.

The Paris Agreement & Net Zero targets

There is broad global acceptance, and regulatory support, for the reduction in carbon emissions to safeguard the future of the environment and the planet. Following the adoption of the Paris Agreement by 196 parties at COP 21 in Paris in 2015, governments and regions have been formalising their specific plans and regulation for the delivery of net zero greenhouse gas emissions. The ambition of the Paris Agreement was to strengthen the global response to the threat of climate change by keeping a global temperature rise this century to well below two degrees Celsius above pre-industrial levels and pursue efforts to limit the temperature even further to 1.5 degrees Celsius. The Paris Agreement requires all signatories to put forward their best efforts through nationally determined contributions.

There is a growing consensus that green hydrogen can materially contribute to the decarbonisation of a broad spectrum of sectors. With the International Energy Agency estimating that only 2 per cent. of the hydrogen produced globally today is derived from electrolysis and the remaining 98 per cent. being produced by high carbon methods, there is a significant contribution expected to be realised from the implementation of further green hydrogen technology.

The EU introduced new targets for hydrogen usage in 2020. It is now projected that hydrogen could deliver approximately 14 per cent. of Europe's energy requirements by 2050. In the shorter term, and in order to deliver on the long term targets, the EU is supporting the installation of a minimum of 6GW of renewable hydrogen electrolysers across member states by 2024, which represents a CAGR of 116 per cent. to this point. The EU has a view to producing one million tonnes of renewable hydrogen in this period. Following on from this, between 2025 and 2030, the EU expects hydrogen to become intrinsic in the integrated energy system, with the CAGR being maintained at 37 per cent. through this period. In order to realise this latter ambition, the EU expects the implementation of at least 40GW of renewable hydrogen electrolysers and the production of up to 10 million tonnes of renewable hydrogen within the EU. In order to achieve these targets and embed hydrogen as a key component of the power infrastructure of the EU by 2030, an approximate €400 billion of investment will be required through to 2030, with €47 billion of this being directly attributable to electrolysers.

Supporting the Paris Agreement, the UK has developed and is implementing the world-leading Sixth Carbon Budget ("CB6"). CB6 is designed to be the most ambitious climate change target globally, cutting emissions by 78 per cent. by 2035 when compared to 1990 levels. A core constituent of CB6 is a stated UK target of 5GW of low carbon hydrogen production capacity by 2030 for use across the economy. The growing interest in the widespread use of hydrogen for low carbon energy systems is largely drawn from two core attributes of hydrogen, namely; 1) hydrogen can be used with no direct emissions of air pollutants or greenhouse gases; and, 2) it can be made from a diverse range of low-carbon energy sources.

UK Government support for the hydrogen economy is strong, with analysis conducted by the Department of Business, Energy and Industrial Strategy ("BEIS") concluding that 250-460TWh of hydrogen power could be required by 2050, which would constitute 20-35 per cent. of the UK's final energy consumption at this time. To put this in context, the UK Hydrogen Strategy estimates that current hydrogen production in the UK is 10-27TWh. The same paper estimates that, at a minimum, there is a requirement for a tenfold increase in the hydrogen production capacity of the UK by 2050.

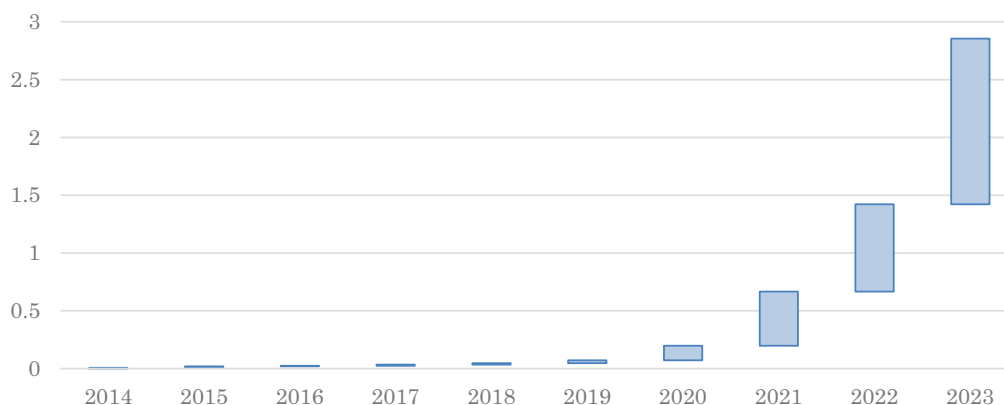
Current & future supply and demand

Global demand for hydrogen is set to soar in the coming decades. It is estimated that in 2019 global hydrogen production stood at 75 MtH₂ (or 215 Mtoe), with only around two per cent. of this production being from low carbon sources.

It is estimated that global hydrogen demand will reach close to 1,318 MtH₂ by 2050 and that the contribution of low carbon technologies to this production will increase from the current two per cent. to around 99 per cent. over that timeframe. This low carbon hydrogen supply will be met by a combination of electrolysis and fossil fuel production with CCUS, with over half of the total supply expected to be generated through electrolysis.

As such, the global demand for electrolyser production capacity is expected to increase significantly, with estimates of a required 13.1 TW of production capacity by 2050. Electrolyser production capacity in 2019 was estimated at 170MW. Whilst investment horizons will vary, there is a clear, industry shifting increase in demand for capacity.

FIGURE 6: Global electrolysis capacity becoming operational annually, 2014-2023 (GW)



Source: IEA

Globally, the total addressable hydrogen market is estimated to reach €10 trillion by 2050. With regards to specific markets, the EU has a stated ambition to reach 500GW of hydrogen production capacity by 2050, with a total estimated addressable market worth €2.2 trillion, whilst the USA is estimated to have a total addressable market of €2.9 trillion by 2050 and the Asia Pacific will contribute a further €4.4 trillion.

In the shorter term, the EU has a current target to implement 40GW of electrolyser capacity by 2030 and the UK has committed to 5GW of low carbon hydrogen capacity by 2030, with an intermediate target of 1GW by 2025. It is currently estimated that the UK has approximately 4.524MW of installed low carbon hydrogen capacity.

Bloomberg forecast that hydrogen could meet up to 24 per cent. of the world's energy needs by 2050 which would require over \$11 trillion of investment in production, storage and transport infrastructure. The most likely end use for hydrogen is in the power generation sector with the introduction of hydrogen-fired turbines that complement wind and solar PV, with an estimated 553Mt of demand, or 42 per cent. of the total demand, by 2050. Within industry there is a forecast demand of 341Mt, with 39 per cent. of this demand forecast to come from the steel production sector. The transport sector is forecast to demand 161Mt, largely driven by aviation and medium to heavy commercial vehicles.

In consideration of the longer term product mix, electrolytic hydrogen offers greater carbon production reduction potential and cost reduction, making it cost-competitive with CCUS-enabled hydrogen.

8. Key end markets

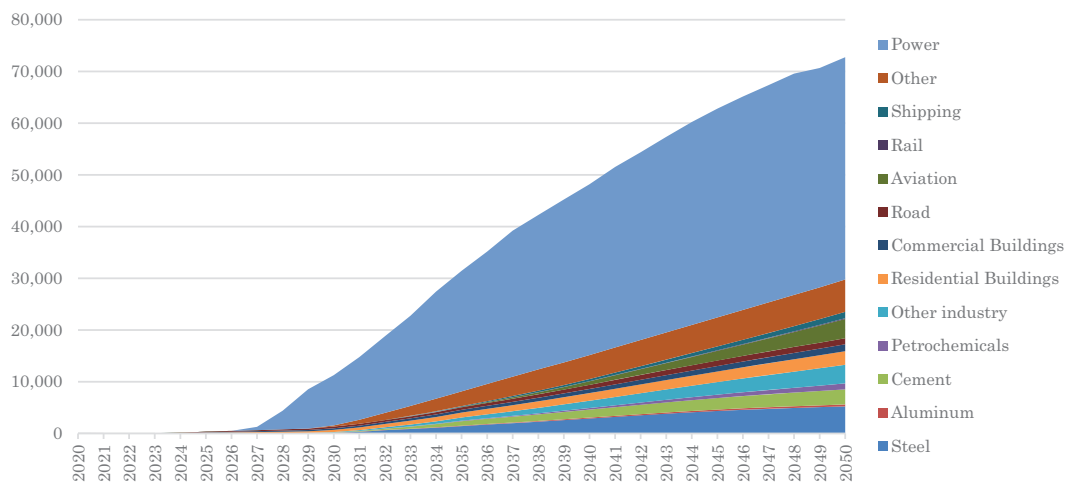
Hydrogen use today is dominated by **industry**, namely: oil refining, ammonia production, methanol production and steel production. Virtually all of this hydrogen currently produced using fossil fuels, so there is significant potential for emissions reductions from clean hydrogen.

In **power generation**, hydrogen is one of the leading options for storing renewable energy, and hydrogen and ammonia can be used in gas turbines to increase power system flexibility. Ammonia could also be used in coal-fired power plants to reduce emissions.

In **transport**, the competitiveness of hydrogen fuel cell cars depends on fuel cell costs and refuelling stations while for trucks the priority is to reduce the delivered price of hydrogen. Shipping and aviation have limited low-carbon fuel options available and represent an opportunity for hydrogen-based fuels.

In **buildings**, hydrogen could be blended into existing natural gas networks, with the highest potential in multifamily and commercial buildings, particularly in dense cities while longer-term prospects could include the direct use of hydrogen in hydrogen boilers or fuel cells.

FIGURE 7: Hydrogen consumption by subsector, 2020-2050 (TWh)



Source: Bloomberg NEF

A. Industry & Manufacturing

Large manufacturing plants are energy-intensive and organisations can benefit from using hydrogen production technology. In 2018, industry was responsible for the production of 16 per cent. of UK emissions. As such, hydrogen offers a crucial opportunity for industry to decarbonise processes that would be hard to abate through CCUS or electrification. The Industrial Decarbonisation Strategy published in March 2021 by the UK Government identifies that the journey of switching away from fossil fuel combustion to low carbon alternatives will utilise hydrogen as a key enabler. Driven by this plan to decarbonise, it is likely that the largest demand for large scale, low carbon hydrogen technology will initially come from industry.

Low carbon hydrogen provides an alternative to natural gas and other high carbon fuels currently utilised in industry, specifically heating processes, both direct (furnaces utilised for glass melting) and indirect (steam boilers and combined heat and power systems). The Government’s Industrial Decarbonisation Strategy identifies a minimum requirement of 20TWh per year of fossil fuels to be replaced by low carbon alternatives, including hydrogen, electrification and biofuels, in 2030. This demand is expected to continue to increase through to 2035, with a forecast requirement for 45TWh by this point, in order to meet the objectives of CB6. Should there be widespread access to low carbon hydrogen across the UK by 2050, consumption by industry could be as high as 105TWh.

There are several key barriers to industry switching to low carbon hydrogen, one of which is the higher cost that would be incurred in comparison to fossil fuel use. The CPH2 MFE offers a lower cost, higher efficiency solution to this that can be scaled to the required size through its modular technology. However, the capital cost to be hydrogen ready remains high in relation to the retrofitting of equipment, or replacement. This will need to be addressed to make the widespread adoption of the low carbon hydrogen technology viable.

B. Power

Decarbonisation of global energy systems, including both the electricity and gas grids, is high on the worldwide agenda for addressing a sustainable future. Hydrogen has the potential to replace carbon-emitting coal and gas fired power plants and the production and storage of hydrogen will also help to grid-balance when consumer demand dictates. Currently, power generation is the largest source of energy emissions globally; it accounts for approximately

33 per cent. of the total CO₂ emitted, with the majority of this being generated by coal-fired power stations.

As of 2019, hydrogen contributed less than one per cent. of the final energy consumption mix, however in achieving net-zero the Bloomberg New Energy Outlook forecasts this to increase to 22 per cent. by 2050.

The UK Government is looking to produce a fully decarbonised, reliable and low-cost power system by 2050, as set out in the Energy White Paper. The delivery of this ambitious target will be reliant on the rapid growth in renewables which has been the key driver of emissions reductions to date. Energy storage solutions are expected to experience growing demand as the UK becomes more reliant on wind and solar energy, resulting in an increase in variable and intermittent power generation. Therefore, energy storage solutions will be necessary to smooth the gaps between supply and demand for power. It is expected that there are two key roles that hydrogen could perform in the power system of the future.

Flexible power generation

Low carbon hydrogen can be utilised in the management of peaks and troughs in power demand through methods such as rapid operating ‘peaker’ plants and larger scale but less flexible Combined Cycle Gas Turbines (“CCGTs”). Effectively using hydrogen gas to meet power demands. Low carbon hydrogen could be supplied by pipeline or through access to storage methods, and could be used as a blend or as 100 per cent. fuel. Utilising the potential of low carbon hydrogen in this way would play a role in establishing secure offtake for hydrogen production projects in the near term.

Hydrogen could be produced utilising excess renewable power generated at times when supply outweighs demand, transported by pipeline to storage underground in existing salt or rock caverns, and then reconverted back to power at times when renewable energy generation is outstripped by demand. Therefore, providing balance to a flexible power network.

In the short term, hydrogen blends are expected to be the primary use of hydrogen in the power sector. This is expected to shift towards the first 100 per cent. hydrogen turbines later in the 2020s. At a smaller scale, diesel generators and their equivalent small power generation devices could be replaced by hydrogen powered fuel cells or ICE generators. This smaller scale offering adds flexibility to power generation for off grid locations and in cities. In the medium term, these hydrogen solutions provide the possibility to manage peaking capacity on the grid and ensuring security of supply. Effectively replacing natural gas in the role that it currently plays, with gas turbines able to burn a range of fuels, including hydrogen.

System flexibility through electrolysis and storage

Hydrogen generated from electrolytic methods, such as CPH2’s MFE, can also provide grid flexibility by drawing on ‘excess’ renewable or low carbon electricity that would otherwise be constrained or curtailed and where there is economic viability in doing so. Commonly referred to a ‘sector coupling,’ this use of electrolytic hydrogen can facilitate the flow of excess electricity generated by renewable sources to other parts of the broader system, from power to gas, to industry or transport. Utilising this approach can provide a range of system benefits and can provide an additional route to market for new and existing renewables capacity. Coupling electrolytic hydrogen with storage, including long duration storage where hydrogen is the lead option, can help in integrating hydrogen further into the broader power system by helping to balance the grid when generation from renewables is higher or lower than demand.

C. Transport & Machinery

Hydrogen in transport and machinery means zero-emissions. Suitably adapted cars, buses, trucks and trains can use hydrogen. In this same way, off-road vehicles and equipment such as forklift trucks, airport ground support equipment, agricultural machinery and generators can all be hydrogen fuelled in the future thereby eliminating carbon and, in the case of fuel cells, noise pollution.

The transport sector is the largest single contributor to UK domestic greenhouse gas emissions, and was responsible for 27 per cent. of the UK’s emissions in 2019. This places

future hydrogen use in transport as one of the biggest components of the hydrogen economy of the future, with an estimated demand of 140TWh by 2050.

It is generally expected that hydrogen will compliment electrification of transport methods, such as buses, trains and heavy goods vehicles (“HGVs”). Separately to this complimentary technology, it is expected that hydrogen has the potential to facilitate the decarbonisation of specific transports niches that could not fully decarbonise otherwise, such as aviation and shipping.

Low carbon hydrogen offers a direct replacement to current fuel methods of petrol, diesel and kerosene, in that it can be used directly in combustion engines, fuel cells and turbines or as feedstock for production of transport fuels, such as sustainable aviation fuels, by reacting it with sequestered CO₂ (e.g.).

D. Commercial & Retail (buildings)

Supermarkets, shops, data centres, offices, hospitals and many other buildings can become eco-friendly by powering their environment and back-up power systems with hydrogen.

Emissions generated by buildings are responsible for 23 per cent. of all UK emissions, whilst heating of buildings comprises 74 per cent. of these building emissions in the UK. At present, natural gas is the fuel source relied on by the vast majority of buildings to power space heating, hot water demands and cooking facilities. There are an estimated 30 million residential, commercial, industrial and public sector buildings in the UK which will require decarbonisation in order for the UK to meet its net zero target by 2050.

The UK Government’s aim is to move the heating economy towards installing only low carbon heat systems that will facilitate the net zero ambitions for 2050. In order to deliver this the Government has released the Heat and Buildings Strategy which sets out a plan on decarbonising heat in the buildings in the UK.

It is anticipated that hydrogen offers a like for like replacement for natural gas, albeit there is further testing required to ensure the feasibility of this approach. The 2020s will be critical for the industry developing a better understanding of hydrogen’s potential role in decarbonising the UK’s building emissions.

9. Intellectual Property

The Group has sought to protect its intellectual property through a combination of formal and informal methods including granted patents, patent applications, trademarks, trade secrets, contractual provisions and proprietary know-how.

The Group’s current patent portfolio comprises two patent families (with granted patents in the USA, India and across a number of European countries) and three further patent applications in process. In total, the patent portfolio currently consists of 22 granted patents, providing a broad protection for the Group’s existing technology. The Group intends to further develop its IP strategy as the business and its products develop and to apply for similar patent protection for any future technology. Part of this strategy will be focused on enhancing the intellectual property protection that the Group currently has in place to ensure that, as the exact specifications of the end product is tailored to specific customer requirements, the patent protection is sufficiently flexible to provide ongoing cover.

As part of the IP strategy, the Group will continually review its position with regards to third party patent rights to mitigate any risk that its activities are infringing on third parties rights.

It is the intention of the Group to extend its formal intellectual property portfolio through extended applications to the relevant bodies internationally at the appropriate time.

In addition to registered protection of intellectual property, the Group has looked to implement an array of informal, unregistered protections arounds its technical experience and trade secrets which are embedded within the operations of the Group through its employees and systems. The Company has actively sought not to formalise any intellectual property protection around these areas to avoid the publication of this information.

The Directors believe that the combination of the Group’s formal and informal intellectual property, employment contracts and non-disclosure agreements entered into with third parties provides the Group with appropriate protection for its technology.

10. Environmental, Social and Governance (“ESG”)

As a Group targeting high-growth ambitions by pursuing the decarbonisation of the energy system, the Group’s intention is that ESG considerations will be embedded across the business and products.

As set out above, green hydrogen is viewed as a critical element of the future energy system due to its near-zero emissions when produced and consumed. The Group is targeting the lowest LCOH for green hydrogen in the market place, helping to encourage the widespread adoption of hydrogen as a means of power supply and storage. Environmental considerations are taken into account by the Group in the design, sourcing, production and delivery of the MFE.

The Group’s MFE technology is membrane-free and does not use precious platinum group metals. There is no requirement for purified water to feed the electrolyser, as with traditional electrolysis technology, removing the requirement for any pre-treatment. Traditional electrolysis technology can result in the production of grey or wastewater with consequent environmental and planning implications. By removing the grey or wastewater end product, the CPH2 electrolyser removes the need for certain planning requirements and improves the environmental benefits.

As a commercially young business, the Group is enthusiastic about laying the right foundations to empower its employees and building a business with a diverse and engaged team. Identifying, nurturing and retaining the right balance of skills and talent will be central to delivering on the ambitions of the Group. Regular communication with the team is essential to building an understanding of the Group’s strategy and encouraging the delivery of the Group’s objectives. Part of this communication and responsibility to staff is to manufacture the MFE in a safe and secure manner. To this end, the Group is accredited to ISO9001 standard for quality management and health and safety is a key priority of the Group.

The Group has implemented supply chains with the aim of sourcing of components and materials from local suppliers where possible, such as the steel used in the MFE, in an effort to reduce the carbon footprint of the supply chain. The MFE is designed to be manufactured using close to up to 98 per cent. recyclable or reusable materials.

The Board is committed to investing in skills for the future. The Group works with local providers to bring apprentices and placement students into the business, whilst also entering into arrangements with Queen’s University Belfast to encourage academic research in the hydrogen economy.

Following Admission, the Group intends to regularly disclose key non-financial performance indicators aligned to their approach to ESG and to the expectations of stakeholders and which will include metrics on carbon emissions, health and safety, diversity and community investment.

11. Green Economy Mark

The Group is expected to qualify for London Stock Exchange’s Green Economy Mark at Admission, which recognises companies that derive 50 per cent. or more of their total annual revenues from products and services that contribute to the global green economy. The underlying methodology incorporates the Green Revenues data model developed by FTSE Russell, which helps investors understand the global industrial transition to a green and low carbon economy with consistent, transparent data and indexes.

12. Reasons for Admission and Use of Proceeds

The Directors consider that Admission is an important step in the Group’s development enabling it to raise its profile within its markets, which is expected to be beneficial for future negotiations with counterparties on significant contracts. Admission will also enable the Group to access a broad investor base, liquidity and further support the achievement of its development plans and strategic objectives.

The Placing will raise up to approximately £27.5 million (net of expenses) for the Group. The Directors believe that the funds available to CPH2 from the Placing will enable it to:

- Undertake capital investment in the Group at two key levels:
 - Build out manufacturing operation including assembly, logistics and stack automation;
 - and

- Complete the identification of a potential site for a Northern Ireland factory and complete the fit out of the identified site and implement operations at the new factory.
- Continue investment in the Group's research and development for the completion of the MFE440 in addition to completing the stack development, identifying system efficiency improvements and commercialising ancillary technologies;
- Enhance the intellectual property protection of the Group through new patent applications, implementation of a Group wide IP strategy and providing investment to facilitate licensing arrangements;
- Providing working capital for the Group and to establish a stock of completed units and key, long-lead items to reduce the lead times from order to delivery;
- Provide the Group with capital available for investment in potential acquisitions to complement current Group operations;
- Put in place a global marketing programme through growing the global sales team to support product and licensing sales, attendance at trade events and delivering on sponsorship opportunities to enhance the industry awareness of the Group; and
- Provide contingency funding.

13. Summary Financial Information

The following information has been extracted from the historical consolidated financial information of CPHGL, which is set out in Part III of this document.

	Year ended 31 December 2018 £'000	Year ended 31 December 2019 £'000	Year ended 31 December 2020 £'000	Unaudited Six months ended 30 June 2021 £'000
Revenue	—	—	107	—
Cost of sales	—	—	(158)	—
Gross loss	—	—	(51)	—
Other operating income	—	—	107	36
Administrative expenses	(175)	(666)	(1,859)	(2,128)
Operating loss	(175)	(666)	(1,803)	(2,092)
Finance income	—	3	4	6
Finance expense	(6)	(6)	(4)	(3)
Loss before taxation	(181)	(669)	(1,803)	(2,089)
Taxation	—	—	144	5
Loss for the year	(181)	(669)	(1,659)	(2,084)
Other comprehensive (expense)/ income				
Foreign currency differences	(3)	21	(20)	19
Total comprehensive expense for the year	(184)	(648)	(1,679)	(2,065)
Loss per share (pence)				
Basic and diluted	(2.93)	(8.43)	(19.25)	(22.74)

14. Current Trading and Prospects

The financial information relevant to the year ended 31 December 2020 and the six-month period ended 30 June 2021 for CPHGL is set out in Part IV of this document. Since 30 June 2021, the Group has continued to operate in line with the Board's expectations and to implement the planned

expansion of its operations in response to successful tenders and customer orders, with four MFE220 units currently in production. As the sales of these units are recognised at the point of delivery the loss of the current financial year is expected to increase from that reported in the year ended 31 December 2020. This expansion has resulted in an expected increase in administrative costs during the second half of 2021, reflecting the Group's transition from a pre-revenue and research-based enterprise to a fully-commercial, revenue-generating production and licensing business.

The Company's decision to seek admission to AIM to enable it to attract further investment in the Group to support its continued growth is closely aligned to the expansion of the green hydrogen market globally. The Group is in active discussions with current and quoted customers in relation to potential orders in excess of 160MW in the short- to medium-term. In addition, in recent months, the Group has received incoming interest from potential customers in respect of over 500MW of production, notwithstanding the limited sales and marketing resource at its disposal to date.

The Group is targeting the delivery of its first MFE220 unit to NI Water in the first quarter of 2022 and to secure its first licence agreement in the first half of 2022. The Group also continues to explore opportunities to outsource the manufacture of some MFE units to a leading industrial European engineering company, thereby further expanding the Company's production capacity.

The Board believes that the Group's growth strategy is aligned with the rapid pace of change within the overall energy sector, as more and more countries and companies seek to decarbonise and switch to some form of hydrogen-based alternative. Given the strength of the potential order pipeline and their assessment of the strengths of the Group's growth strategy and business model, the Directors have confidence in the Group's prospects for the financial years ahead.

15. Dividend Policy

The declaration and payment by the Group of any future dividends on the Ordinary Shares and the amount thereof will depend on the results of the Group's operations, its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time. Given the Group's early stage of development, for the foreseeable future the Directors do not envisage that the Company will pay dividends and intend to re-invest surplus funds in the development of the Group's business.

16. Directors, Senior Management and Employees

A. The Board

On Admission, the Board of the Group shall comprise two executive Directors and three non-executive Directors whose biographical details are as follows:

Christopher (Chris) Train (Independent Non-Executive Chair) (age 61)

Chris is an experienced board member and chief executive officer with a demonstrated track record of delivery working in the energy and utilities industry. Chris has previously been the CEO of Cadent Gas Limited and National Grid Gas Distribution Limited and the Chair to the NetGas Health Safety and Environment Committee and is an Executive Director of CT Energy. Chris was formerly a director of Southern Gas Networks Plc and Scotland Gas Networks plc. Chris has extensive experience of working in the energy infrastructure industry having spent nine years at National Grid in various senior positions. In addition, Chris holds an MBA from the University of Hertfordshire.

Jonathan (Jon) Richard Duffy (Chief Executive Officer) (age 57)

Jon's background includes agriculture, food, drink, and he is currently a Non-Executive Director for UniBio, a biotechnology company with core competencies in fermentation technologies. He has worked to improve the performance of SME's, multi-national and FTSE 100 companies. Jon took up a full-time role at the Company in 2020 and is tasked with taking CPH2 from a start-up green technology company through to full commercialisation.

Clive Matthew Brook (Chief Financial Officer) (age 71)

A chartered accountant and former board director at 3i plc, Clive has advised the UK government and other public sector bodies on SME development and venture capital. Clive

also runs a FCA-regulated corporate finance business and is a Director of the North West Fund, a £155m venture capital fund which utilises ERDF and EIB money to be invested in the North West of England. Clive has been involved with CPH2 since 2016.

Natalie Jayne Fortescue (Independent Non-Executive Director) (age 51)

A chartered accountant and experienced capital markets professional, Natalie has a background in corporate finance and investor relations. Natalie had a long investment banking career at Investec and as a corporate partner at Oriel Securities (now Stifel Europe) prior to joining Genel Energy plc as their Head of Investor Relations. Following this, Natalie spent six years at Premier Oil Plc in various corporate finance roles. Natalie was appointed as a Non-Executive Director of Serinus Energy Plc in March 2021. She has spent over 20 years advising companies on corporate finance transactions, fundraising, strategy, debt refinancing and restructurings, investor relations and the impact of corporate transactions on stakeholders.

Ricki (Rick) Brent Smith (Non-Executive Director) (age 53)

An accountant by profession, Rick's background includes textiles, packaging, and recently consulting with Private Equity Houses, advising on their M&A activity across Europe and North Africa. Early in his career, he held various MD roles integrating and turning around business. As CFO of Chesapeake, a multi-national packaging company, along with the CEO, he led a significant turnaround of the business, including numerous acquisitions, commercial development, and extensive pension scheme restructuring, leading to the secondary sale to Carlyle in 2013 for £460 million, raising £290 million in the process to support the sale. Subsequently, he was EVP on the Board of Multi Packaging Solutions ("MPS") responsible for integrating their Asian Operations, Corporate Development, and the innovation group. The MPS board listed the business on the NYSE in 2015 following a successful merger with Chesapeake in a \$1.8bn listing.

B. Senior Management and Employees

In addition to the Board, the Group is supported by, amongst others, the following senior personnel:

Nigel Williamson (Technology Director)

Nigel is responsible for the research and development of the Group's hydrogen technology. Nigel's early career was spent developing fluid seal technologies for Dunlop in Sheffield and the USA. His client's included NASA, General Dynamics, Alstom and Rolls Royce. During his time in the USA, he established NWD International Inc. Michigan. Latterly, Nigel established and ran (as MD) an Automotive Industry Tier-1 fuel system supply company in the Netherlands. Nigel spent 5 years as Chief Engineer at ITM Power Plc and in 2012, alongside the other CPH2 founding member Joe Scott, established CPH2.

Ian Pillay (Development Director)

Ian heads up the design and engineering function within CPH2. As an apprentice mechanical artificer in the chemical industry, Ian draws on his experience and skills gained over 25 years in engineering. With an MSc in Advanced Engineering, an undergraduate in Mechanical and Computer Engineering, he is also ISOH qualified. His skills, knowledge, and experience are extensive. Previous roles include being the senior development engineer alongside Nigel Williamson at ITM Power plc, developing PEM electrolyser systems and focusing on the safety and integrity of the systems.

Joe Scott (Managing Director CPH2 Ireland)

Joe is a qualified production engineer and specialises in R&D of advanced machining technology. Having started his career with Ford, his entrepreneurial drive led him to establish his tool and mould-making company in Ireland where he developed the first CAD/CAM-based paperless tool-making processes. Being able to cost effectively reduce lead times from 16 weeks to 6 weeks, Joe attracted customers including Motorola, Apple and Intel.

17. Share Option Schemes

The Company has adopted the Share Option Schemes details of which are set out in paragraph 9 of Part V of this document.

Unexercised options granted at Admission under the Share Option Schemes represent approximately 9 per cent. of the Enlarged Issued Share Capital at Admission. The balance of the authority to grant options, up to 10 per cent. of the issued share capital of the Company, is expected to be utilised in future to attract, incentivise and retain current employees and directors, senior management and staff to be recruited in the future.

18. Lock-In and Orderly Market Arrangements

The Company has entered into lock-in agreements with Cenkos, each of the Directors, Joe Scott, Nigel Williamson, Ian Pillay and Henry Price (who are all related parties and applicable employees (each as defined in the AIM Rules for Companies) pursuant to which each individual has agreed, in accordance with Rule 7 of the AIM Rules, not to, and to procure that their related parties will not (subject to certain exceptions), (i) dispose of any of their interests in Ordinary Shares prior to the first anniversary of Admission and (ii) thereafter for the following 12 months only to dispose of them through the Group's broker at the relevant time.

The Company has also entered into lock-in agreements with Cenkos, Rodney Brook and Charles Munroe pursuant to which each individual has agreed, not to, and to procure that their related parties will not (subject to certain exceptions), (i) dispose of more than 20 per cent. of their interests in Ordinary Shares held at the date of Admission prior to the first anniversary of Admission and (ii) thereafter for the following 12 months only to dispose of them through the Group's broker at the relevant time.

Details of the Lock-in and Orderly Market Agreements are set out in paragraph 11.3 of Part V of this document.

19. Corporate Governance

The Directors acknowledge the importance of establishing and maintaining high standards of corporate governance.

The Quoted Companies Alliance Corporate Governance Code 2018 (the "**QCA Code**"), published by the Quoted Companies Alliance (the "**QCA**"), sets out a standard of minimum best practice for small and mid-size quoted companies. The Company intends, given its size and the constitution of the Board to comply with the principles set out in the QCA Code from Admission.

The Board on Admission will comprise two executive directors and three non-executive directors, reflecting a blend of different experience and backgrounds. The QCA Code states that a company should have at least two independent non-executive directors and the Group intend to comply with this advice. The Board considers Christopher Train and Natalie Fortescue as independent for the purposes of the QCA code. The Board believes that the composition of the Board brings a desirable range of skills and experience in light of the Group's challenges and opportunities following Admission, whilst at the same time ensuring that no individual (or a small group of individuals) can dominate the Board's decision making. The Company will appraise the structure of the Board on an ongoing basis.

The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate activity. The Directors intend to hold meetings of the Board no less than four times in each financial year following Admission with additional meetings as and when required. Conditional on Admission, CPH2 plc has established audit and remuneration committees with formally delegated duties and responsibilities. Given the current size and nature of the Group, the Board has not appointed a nomination committee. It is intended that nominations will be managed by the Board as a whole.

A. Audit Committee

The Audit Committee will have the primary responsibility of monitoring the quality of internal controls and ensuring that the financial performance of CPH2 plc is properly measured and reported on. It will receive and review reports from the executive management team and external auditors relating to the interim and annual accounts and the accounting and

internal control systems in use throughout CPH2 plc. The Audit Committee will meet not less than three times in each financial year and will have unrestricted access to the Group's external auditors.

At Admission, the Audit Committee shall consist of the following persons:

Name	Position
Natalie Fortescue	Chairman
Ricki Smith	Member

B. Remuneration Committee

The Remuneration Committee will review the performance of the executive directors and make recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time. The Remuneration Committee will meet not less than two times in each financial year. In exercising this role, the Directors shall have regard to the recommendations put forward in the QCA Code.

At Admission, the Remuneration Committee shall consist of the following persons:

Name	Position
Ricki Smith	Chairman
Natalie Fortescue	Member
Christopher Train	Member

The Board notes that the position of Ricki Smith as Chairman of the Remuneration Committee is inconsistent with the requirements of the QCA Code as he is currently regarded as a non independent non-executive director. As outlined in paragraph 16.A above, Ricki Smith has substantial experience as a senior executive within a number of large organisations and as a consultant to private equity firms. The Board believes that this experience makes him an ideal Remuneration Committee chairman. The Remuneration Committee will also comprise two independent non-executive directors, Natalie Fortescue and Chris Train.

C. Share Dealing Code

The Board intends to comply, and to procure compliance, with the Market Abuse Regulation and Rule 21 of the AIM Rules for Companies relating to dealings in the Group's securities by the Directors and other applicable employees. To this end, the Company has adopted the Share Dealing Code and will take all reasonable steps to ensure compliance by the Directors and all relevant employees.

D. The Bribery Act

The Bribery Act 2010, which prescribes criminal offences for businesses engaged or allowing others to engage in bribery or corrupt practices came into force 1 July 2011 and applies to CPH2 plc and to the Directors by virtue of it being incorporated in the UK.

The Directors intend to have regard to the impact of such legislation and intend to establish appropriate procedures in order to comply with the same. To this end, the Group's employees will be trained on the impact of the legislation and procedures will be put in place to allow for reporting and communication by the employees and to the Board of any matters which may or may not be relevant in ensuring that the daily operations are maintained in light of such legislation.

20. The Placing and Admission

Under the Placing, the Group is issuing 66,666,667 New Ordinary Shares representing 25.1 per cent. of the Enlarged Issued Share Capital of the Group following the Placing. At the Placing Price, the

Placing of New Ordinary Shares will raise approximately £27.5 million (net of expenses) for the Company.

Cenkos has agreed, pursuant to the Placing Agreement and conditional *inter alia* on Admission, to use its reasonable endeavours to place the New Ordinary Shares with institutional and other investors.

Secondary proceeds of the Placing of approximately £0.45 million, net of expenses, will be payable to the Selling Shareholders.

Cenkos has agreed, pursuant to the Selling Shareholder Agreements and conditional *inter alia* on Admission, to use its reasonable endeavours to place the Sale Shares with institutional and other investors.

The General Placing, which is not being underwritten, is conditional, *inter alia*, upon:

- the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and
- Admission becoming effective not later than 16 February 2022, or such later date as Cenkos and the Company may agree, being not later than 2 March 2022.

The issue of the VCT Placing Shares is conditional on compliance by the Group in all material respects with its obligations under the Placing Agreement as at their date of issue but is not conditional on Admission or on the issue of any of the General Placing Shares and is not conditional on the Placing Agreement becoming wholly unconditional. The Placing will be conducted in two tranches over two business days to assist investors in the VCT Placing to claim VCT Relief (as applicable). The VCT Placing Shares are expected to be issued to relevant Placees on 15 February 2022, being one business day prior to the expected issue of the General Placing Shares on the anticipated date of Admission.

The New Ordinary Shares rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared, paid or made after the date of issue.

None of the New Ordinary Shares has been marketed to or will be made available in whole or in part to the public in conjunction with the application for Admission.

The market capitalisation of the Company immediately following the Placing, at the Placing Price, will be approximately £119.4 million. Application has been made to the London Stock Exchange for the Ordinary Shares, issued and to be issued, to be admitted to trading on AIM. Admission is expected to become effective and dealings in the issued Ordinary Shares are expected to commence on 16 February 2022.

Further details of the Placing Agreement are set out in paragraph 11.1 of Part V of this document.

Further details of the Selling Shareholder Agreements and a list of the Selling Shareholders are set out in paragraph 11.2 of Part V of this document.

21. Settlement and CREST

Application has been made for all of the Ordinary Shares to be eligible for admission to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place in CREST if the relevant Shareholder so wishes. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a share certificate and transferred otherwise than by written instrument. The Articles permit the holding and transfer of Ordinary Shares under the CREST system. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. Persons acquiring shares as a part of the Placing may elect to receive Ordinary Shares in uncertificated form if, but only if, that person is a “system-member” (as defined in the CREST Regulations) in relation to CREST.

It is expected that, subject to the satisfaction of the conditions of the Placing, the New Ordinary Shares will be registered in the names of the placees subscribing for them and issued either: in certificated form, where the placee so elects, with the relevant share certificate expected to be dispatched by post, at the placee’s risk, by/or in CREST, where the placee so elects and only if the placee is a “system member” (as defined in the CREST Regulations) in relation to CREST, with delivery (to the designated CREST account) of the Ordinary Shares subscribed for expected to take

place on 16 February 2022. Notwithstanding the election by placees as to the form of delivery of the New Ordinary Shares, no temporary documents of title will be issued. All documents or remittances sent by or to a placee, or as they may direct, will be sent through the post at their risk. Pending the dispatch of definitive share certificates (as applicable), instruments of transfer will be certified against the Group's register of members.

22. VCT Taxation Relief

The VCT Placing Shares will be offered to those investors who may seek VCT Relief, as appropriate. The remaining Placing Shares will be offered to other investors. The Placing (other than the placing of the VCT Placing Shares) is conditional, *inter alia*, upon the VCT Placing Shares having been allotted, Admission becoming effective and the Placing Agreement becoming unconditional in all other respects by no later than 16 February 2022, or such later date (being no later than 2 March 2022) as the Group and Cenkos may determine.

The VCT Placing Shares will be issued to Placees regardless of whether Admission occurs.

VCTs

The qualifying status for VCT purposes will be contingent upon certain conditions being met by the Group and the relevant VCT investor. Neither the Group nor the Group's advisers give any warranties or undertakings that VCT qualifying status will be available or that, if initially available, such status will not be subsequently withdrawn. Should the law change, then any qualifying status previously obtained may be lost. Circumstances may arise (which may include the sale of the Group) where the Directors believe that the interests of the Group are not best served by acting in a way that preserves VCT qualifying status. In such circumstances, the Group cannot undertake to conduct its activities in a way designed to secure or preserve any such status claimed by any Shareholder.

Your attention is drawn to the further taxation information set out in Part III of this Admission Document.

23. Taxation

The attention of potential investors is drawn to Part III of this document headed "Taxation". The tax rules and their interpretation relating to an investment in the Company may change during its life. Any change in the Group's tax status or in taxation legislation or its interpretation could affect the value of the investments held in the Company or the Group's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Representations in this document concerning the taxation of the Company and its investors are based upon current tax law and practice which is, in principle, subject to change. Current and potential investors are strongly recommended to consult an independent financial adviser authorised under FSMA who specialises in investments of this nature before making any investment decision in respect of Ordinary Shares.

24. The Takeover Code

The Group has its registered office in the UK and its Ordinary Shares will be admitted to trading on AIM. Therefore, the Takeover Code applies to the Group and all Shareholders are entitled to the protections afforded by it.

The Takeover Code governs, amongst other things, transactions which may result in a change of control of a company to which the Takeover Code applies. Under Rule 9 of the Takeover Code any person who acquires (whether by a series of transactions over a period of time or not) an interest in shares (as defined in the Takeover Code) which (taken together with shares in which that person is already interested or in which persons acting with him are interested) carry 30 per cent. or more of the voting rights is required to make a cash offer for the shares not already owned by the acquirer and its concert parties (if any) at a price not less than the highest price paid for shares by the acquirer or its concert parties (if any) during the previous 12 months.

A similar obligation to make such a mandatory cash offer would also arise on the acquisition of shares by a person who, together with its concert parties (if any), is interested in shares carrying at least 30 per cent. of the voting rights, but does not hold shares carrying more than 50 per cent., of the voting rights in the Company if the effect of such acquisition were to increase the percentage of the aggregate voting rights in which the acquirer and its concert parties (if any) are interested.

The Takeover Code defines persons “acting in concert” as comprising persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. “Control” means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interests give *de facto* control. A person and each of its affiliated persons will be deemed to be acting in concert with each other.

The Group has agreed with the Takeover Panel that there is a concert party comprising:

Name	Role	Number of Ordinary Shares held at the date of this Admission Document	Number of Ordinary Shares being sold as part of this Placing	Number of Ordinary Shares held at Admission	Percentage of the Enlarged Share Capital held at Admission	Number of Options Granted over Ordinary Shares	Maximum potential controlling interest in Ordinary Shares	Percentage maximum potential controlling interest
Dr Nigel Williamson	Founder	24,410,500	0	24,410,500	9.2	0	24,410,500	9.2
Joe Scott	Founder	2,023,340	0	2,023,340	0.8	0	2,023,340	0.8
Joe Scott	Direct family							
Mouldings Limited	of Joe Scott	37,288,380	0	37,288,380	14.1	0	37,288,380	14.1
Total		63,772,220	0	63,772,220	24.1	0	63,772,220	24.1

On Admission, the Concert Party will hold 63,772,220 Ordinary Shares, in aggregate, representing 24.1 per cent. of the Enlarged Share Capital. If the Concert Party increased their interest in Ordinary Shares to 30 per cent. or more in aggregate they would have to make a mandatory offer under Rule 9 of the Takeover Code except with the consent of the Takeover Panel.

25. Further Information

Your attention is drawn to Part II of this document which contains risk factors relating to CPH2 and its operations and to Part V which contains additional information on CPH2.

Part II | Risk Factors

Investing in the Company is speculative and involves a high degree of risk. You should carefully consider the entire contents of this document, including, but not limited to, the risk factors described below, before you decide to invest in the Company. As at the date of this document, the Directors consider the following risks to be the material risks of which they are aware and the most significant risks for shareholders and potential investors. Such risks have not been set out in any order of priority. In addition, you should note that the risks described below are not the only risks faced by the Group. In particular, there may be additional risks that the Directors currently consider not to be material or of which they are not presently aware.

1. General Risks

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result. A prospective investor should consider with care whether an investment in the Company is suitable for him/her in light of his/her personal circumstances and the financial resources available to him/her.

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Group's investments will occur or that the investment objectives of the Company will be achieved. Investors may not get back the full or any amount initially invested.

The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future.

Changes in economic conditions including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, the continued impact of the COVID-19 pandemic, tax laws and other factors can substantially and adversely affect equity investments and the Group's prospects.

2. Risks Relating to CPH2 plc and its Business

(a) The Group may not expand or operate as envisaged

The Group's success depends on its ability to expand, operate, and manage successfully its operations. Its ability to expand successfully will depend upon a number of factors, including the continued development of its business and products, the successful performance of its products, the successful testing and securing of all relevant regulatory approvals, the development of its supply chain, the production of its products in commercial quantities at an economic price, the hiring, training, and retention of additional personnel, the ability to enhance its operational, financial, and management systems, the availability of adequate financing, competitive factors, general economic and business conditions and the ability to implement methods for revenue generation.

(b) Limited period of operating history

The Group was founded in 2016 and therefore has a comparatively short operating history, which makes an evaluation of the Group's business and prospects difficult. During this time the Group has incurred trading losses due to its investment in capex and development and has relied on equity funding to maintain its cash position. The Group's development programme and growth plans, in relation to its commercial activities, including the proposed expansion of staffing levels, together with anticipated general administrative expenses, could result in the Group continuing to sustain significant losses for the foreseeable future. In addition, there are risks associated with such expansion, not least because of the need to control the operating expenses in the period when significant income is starting to be generated.

(c) Supply chain maintenance and development

The Group's success depends on its ability and future ability to secure raw materials and components on commercially acceptable terms; however, this ability may be impacted by numerous factors, including global demand or other factors limiting the availability, cost or quality of supply, which would impact upon the Group's performance. In addition, the Group is reliant on third parties to ship its products to end customers. Both suppliers and other third-party relationships are subject to operational risks, including, among other things, mechanical and IT

system failure, work stoppages, increases in transportation costs and the impact of global shortages and supply chain issues. Such disruption could have an adverse effect on the ability of the Group to manufacture its products and meet the contractual timescales required by end customers. Manufacturing the Group's products is dependent on the timely delivery of components by third parties, including the transportation of those components to and from the Group's facilities. If the Group encounters problems with its supply chain, its ability to meet customer expectations, manage inventory, complete sales and achieve operating efficiencies could be adversely affected. If any of these events occur, the Group could incur significantly higher costs and longer lead times to the dissatisfaction of its customers, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

(d) Intellectual property and know-how

The Group's success depends in part on its ability to protect its rights in its intellectual property. The Group relies upon various formal and informal intellectual property protections, including trade secrets, patents, trademarks and contractual provisions, including with current and former employees and contractors, to preserve its intellectual property rights. Despite these precautions, it may be possible for third parties to obtain and use the Group's intellectual property without its authorisation.

The Group currently has a number of pending patent applications and, whilst the Directors are confident that these applications will lead to granted patents, there can be no guarantee that any of these applications will be granted. Only a granted patent right can be enforced and it is not currently possible to predict the scope of any future granted rights with any certainty. The following risks should be noted as to why the pending patent applications may not result in granted patents:

- Separate patentability searches are performed nationally after applications are filed in the various desired countries. If relevant new prior art is found, a national patent office may raise new objections to the national application, which could impact the other national applications. The Group has received no such notifications as at the date of this Document;
- Most patent offices provide a mechanism for third parties to file objections against pending patent applications. The patent office will usually require the applicant to address the issues raised in order to grant or maintain a patent; and
- Once a patent is granted it can still be challenged by third parties.

There may not be adequate protection for the intellectual property in every country in which the Group sells its products and policing unauthorised use of proprietary information is difficult and expensive. Due to the Group's current size and limited cash resources, it may not be able to adequately detect and prevent infringement of its intellectual property. Should a third party successfully demonstrate priority over any of these rights, it could inhibit the Group from selling products in certain territories.

Whilst the Group has actively taken appropriate steps to protect its intellectual property, due to possible variations in the Group's final product, based in part on end user requirements, and how the scope of the Group's granted patents would be interpreted by national courts, the scope of protection provided by the Group's granted patents may not align with their end product. Therefore, it may not always be possible to use the Group's granted patents and other forms of formal intellectual property to prevent third parties from copying their product. If this eventuality were to occur then it may have a negative impact on the Group's reputation, operational or financial performance.

The steps which the Group has taken and intends to take to protect its intellectual property may be inadequate to prevent the misappropriation of its proprietary technology. Any misappropriation of the Group's intellectual property could have a negative impact on the Group's business and its operating results. Furthermore, the Group may need to take legal action to enforce its intellectual property, to protect trade secrets or to determine the validity or scope of the proprietary rights of others. Litigation relating to the Group's intellectual property, whether instigated by the Group to protect its rights or arising out of alleged infringement of third-party rights, may result in substantial costs and the diversion of resources and management attention and there can be no guarantees as to the outcome of any such litigation, or that it can be effectively used to enforce the Group's rights.

(e) Cost reduction & competitive environment

The Director's believe that the Group currently enjoys a competitive cost of production position. There is a risk that this could be eroded over time as other manufacturers are able reduce their production costs at a faster rate than the Company. There is also a risk that aggressive market share behaviour from competitors or national suppliers could undercut the Group's cost of production and subsequent selling price. There can be no assurance that new entrants will not have a more competitive offering.

(f) Technology advancement risks

As the green hydrogen market is still relatively young it is inevitable that new technologies will become available. The Group can give no assurances that such advances will not put the Group in an uncompetitive position.

(g) Technology risk

The Group is at an early stage of commercial availability of its products. Performance data is taken from research-based production units and an early field based unit. As the first commercial units are commissioned there is a risk that their performance will not match the extrapolated performance from the early smaller units and that modifications and upgrades will be required to meet the performance criteria. The Directors acknowledge that scaling up to fully commercial units is not guaranteed but that every effort has been made to provide an accurate assessment of potential performance.

Given the early commercial nature of the Group's products, the Group has carried out specific internal detonation and stress analysis to confirm the suitability of the pressure vessels and are currently in the process of undertaking third party validation of this analysis to confirm the outputs. Prior to full commercial sales being completed, blast modelling will require to be completed alongside a conformity assessment of the entire system in line with the Pressure Equipment (Safety) Regulations. These assessments are being undertaken by third parties. In addition, initial HAZOP, LOPA and DSEAR risk assessments have been completed by the Group. Prior to the commercial handover of any of the Group's products to third parties a final HAZOP, LOPA and DSEAR risk assessment will be completed. It cannot be guaranteed that any of these required assessments will be completed successfully. Should there be a failure or delay in obtaining any of these assessments the Group could be impacted in a commercial, operational or financial regard. Failure of any of these assessments may result in the redesign of the Group's product being required which could have a negative impact on the future commercial application of the product.

(h) Dependence on retaining existing and winning new clients

The Group's success is partly dependent on retaining existing customers and winning new customers. Were a material number of customers to cease to use the Group's products and services then this could have a material adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations. The Group currently has an active pipeline from potential customers of approximately 160MW of unit production, with 4MW currently commercially agreed and contracted. Should any of the third party assessments required prior to commercial sale, as outlined above, not be adequately completed the ability to win new clients and retain existing clients could be materially impacted. The Group will be dependent on converting the identified, active pipeline into commercial, contracted orders. Should the conversion of these opportunities into contracted orders not occur this could have a material adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations.

Should the Group be successful in obtaining contracted orders, it will need to achieve substantially greater manufacturing volumes in order to fully capitalise on the commercial opportunity relating to its products. As a result, the Group's growth is dependent on, in part, its ability to scale production of its products to the maximum potential of the current and any future manufacturing facility, either owned or via a licensee. To the extent that the Group is unable to adequately scale manufacturing volume, due to factors such as an increase in customer demand that cannot be met, its business, growth and financial performance may be adversely affected.

The Group intends to further expand its current manufacturing footprint and to automate certain aspects of the manufacturing process in order to enhance capacity and reduce lead times. There is a risk that implementing these strategic objects takes longer than expected. Delays could result from the sourcing and installation of new equipment, the conversion of potential factory sites into operating facilities, and the equipment not working as expected. Any delays could hinder the future capacity of the Group and could negatively affect the ability of the Group to meet the conditions of future sales. If the volume requirements are not met, it could have a material adverse effect on the Group's business, revenue, financial condition, profitability and prospects.

(i) Policy and regulatory uncertainty

The energy markets in many countries rely, to a large degree, on national and international regulatory policy. While the EU, the UK and the USA have, in recent years, adopted policies and mechanisms actively supporting renewable energy and Net Zero commitments, it is possible that this approach could be modified or changed in the future, including as a result of a change in government or a change in government policy, relating to renewable energy directly or to energy policy more generally. These changes could, in some circumstances, materially affect the Group's business and growth plans.

Although the Group is in a sector that currently enjoys strong policy and regulatory support (both nationally and globally) there is no guarantee that this will continue to be the case.

(j) Infrastructure requirement

The successful deployment of green hydrogen will require infrastructure change in many areas of the world (for example the deployment of hydrogen re-fuellers and the upgrade of national grid pipelines to become hydrogen approved). There is a risk that if such infrastructure change were to be slowed, or even stopped, then the demand for electrolyzers could also slow or stop. This would have a material adverse effect on the Group's forward business, revenue, and financial prospects.

(k) Green hydrogen sector development

The Group is focused on selling electrolyzers into the green hydrogen sector. There is a risk that non-green hydrogen producers (so called blue and grey hydrogen) could enjoy a continued price and market advantage over green hydrogen that could slow or limit the deployment of electrolyzers that produce green hydrogen. There is also a risk, albeit small, that traditional hydrocarbon fuels sources will continue to be used at their current rate thus limiting the demand for hydrogen.

(l) Exposure to commodity prices

Unlike competitive technologies which make use of precious platinum group metal catalysts which will become increasingly expensive as take-up demand increases, the Group has a limited exposure to commodity prices, predominately being the price of steel and steel-based products and also the price of electricity. Although these are currently factored into the selling price of any unit sold there is a risk that severe commodity price increases in these areas could affect the margins and / or the profitability of each unit sold.

(m) Actions of third parties, including partners and contractors

The Group is reliant to an extent on third parties for various products and services which the business requires in order to deliver its products and services. There can be no assurance that these business relationships will continue to be maintained or that new ones will be successfully formed. A breach or disruption in these relationships or failure to engage contractors could be detrimental to the future business, operating results and/or profitability of the Group. In certain circumstances, the Group may be liable for the acts or omissions of its partners. If a third party pursues claims against the Group as a result of the acts or omissions of the Group's partners, CPH2's ability to recover from such partners may be limited.

(n) The Group may be subject to risks related to Brexit

On 31 January 2020, the United Kingdom left the European Union. There are significant uncertainties in relation to the terms and time frame within which the UK's future trading, regulatory and other relationships with European Union countries and countries with which the European Union has established trading relationships will be affected. There are significant uncertainties as to what the impact will be on the fiscal, monetary and regulatory landscape in

the UK, including, *inter alia*, the UK's tax system, the conduct of cross-border business and export and import tariffs between the UK and the EU. There is also uncertainty in relation to how these developments will impact on the economy in the UK and the future growth of its various industries and on levels of investor activity and confidence, on market performance and on exchange rates. Although it is not possible to predict the effect of the UK's exit from the European Union, any of these risks could have a material adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations. Leaving the EU may also change the trading terms with other countries that the UK currently trades with under EU agreements which could impact the Group's business.

There has not been any impact on supplier relationships resulting from Brexit, however, it cannot be guaranteed that any future disruption as a result of Brexit will not occur. Should Brexit result in disruption to supply chains, the Group may require alternative arrangements to be put in place which may have a negative impact on the Group's financial and operational performance.

(o) Contractual relationships with customers

The Group recognises the need for tight contractual relationships, but there is a risk that these can break down and can lead to litigation and or contractual disputes. Both of these can be costly and time consuming and the Group recognises that such a situation is a risk. Whilst the Group will have in place procedures and controls these may not always be effective against the actions of clients and or third parties.

(p) Reliance on key individuals

The Group's business, development and prospects are dependent on a small number of key management personnel. The loss of the services of one or more of such key management personnel may have an adverse effect on the Group. The Directors believe that the experience, technical know-how and commercial relationships of the Group's key management personnel help provide the Group with strategic focus and a competitive advantage. The Group's ability to develop its business and achieve future growth and profitability will depend in large part on the efforts of these individuals and the Group's ability when required to attract new key management personnel of a similar calibre. The Directors believe that the loss of the services of any key management personnel, for any reason, failure to attract and retain necessary additional personnel, or the failure to embed adequate succession plans could adversely impact on the business, development, financial condition, results of operations and prospects of the Group. The Directors believe the Group operates a progressive and competitive remuneration policy which includes share incentives and that the future development and implementation of this policy will play an important part in retaining and attracting key management personnel.

(q) Reliance on key suppliers

The Group's technology is dependent on the ability to source cryogenic coolers to be incorporated into the end product. At present, the Group has entered an exclusive supply agreement with a New Zealand based company, AFCryo, for a period of three years, ending 23 September 2024, with the Group able to request subsequent three year extensions to the terms subject to future minimum orders. Under the terms of this agreement and subject to AFCryo meeting required performance and price criteria included within the agreement, the Group may not acquire cryocoolers from any other third party and must ensure that its electrolyzers are fitted with a AFCryo cryocooler. Should AFCryo not be able to supply this product in the future for any reason then it is likely there will be a significant impact on the Group's ability to meet its production deadlines. In addition, the Group's products may require an element of redesign to replace this part which could impact on the Group's ability to deliver on its contracted pipeline and secure future orders.

(r) Achievement of strategic aims

The value of an investment in the Group is dependent on the Group achieving its strategic aims. The Group's strategy is outlined in Part I of this document. While the Directors are optimistic about the prospects for the Group, there is no certainty that it will be capable of achieving its strategy or the anticipated revenues or growth or that it will ultimately become profitable on a sustainable basis. The Group's future operating results will be highly dependent upon how well it manages its planned expansion strategy and the timeframe within which that strategy is executed.

(s) Impact on the Group of Mergers & Acquisition Activity

As part of its business strategy, the Group may undertake appropriate mergers or acquisition activity or divestments of, or significant investments in, companies or projects (including by way of joint ventures, direct project acquisitions or direct equity participation). Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions or divestments of companies or resource projects.

Any such activity is aimed to complement or enhance the Group's capabilities, product portfolio or addressable markets. Prior to undertaking or proposing any such activity, the Group intends to undertake due diligence on potential targets to a level considered reasonable and appropriate by the Group on a case by case basis. However, these efforts may not reveal all facts or circumstances that would be important to take account of before making a decision to proceed. In undertaking due diligence, the Group will need to utilise its own resources and may be required to rely upon third parties to conduct certain aspects of the due diligence process. Further, the Group may not have the ability to review all documents relating to the target company and assets. Any due diligence process involves subjective analysis and there can be no assurance that due diligence will reveal all material issues related to a potential transaction. Any failure to identify all material facts or circumstances relating to a potential transaction may have a material adverse effect on the business, revenue, financial condition, profitability, prospects and results of operations of the Group.

Furthermore, the Group's success will partially depend upon the Group's ability to integrate acquired businesses without significant disruption to its existing business. The integration of acquired businesses may divert management's attention from the ordinary course operation of the Group and raise unexpected issues and may take longer or prove more costly than anticipated. Although the Directors believe that such disruption is unlikely, issues that were not anticipated may come to light during the course of integrating businesses into the Group.

There can be no assurance that the Group will realise the potential benefits of any acquisitions made including, without limitation, potential synergies and cost savings to the extent and within the time frame contemplated.

If the Group is unable to integrate new operations successfully into the Group or if there were customer losses following a transaction then this could have a material adverse effect on the business, revenue, financial condition, profitability, prospects and results of operations of the Group.

(t) Changing markets and requirement for the Group's services

In a rapidly developing and changing hydrogen market place there can be no assurances that the market will still require the type and scale of electrolyzers currently produced by the Group. Every effort has been made to make accurate forecasts of the market size going forward but these must be seen as forecasts and are subject to change that is beyond the Group's control

(u) Competitive position

The Group operates in the hydrogen industry and the Group's competitors are, in many cases, larger enterprises with greater financial and marketing resources and a longer track record. There may also be new entrants to the market who are well funded. In response to competitive activity the Group may be forced to make changes to its products and / or reduce the margins it currently enjoys on each unit sold. There can be no assurance that the Group's current competitors or new entrants will not bring superior technology and products to the market or equivalent products at lower prices which may have a material adverse effect on the Group's business, revenue, financial condition, profitability, prospects and operations.

(v) COVID-19, etc

A high degree of uncertainty exists around the impact of the COVID-19 pandemic on the economy and the Group. The full economic impact of COVID-19 is unknown. It has been suggested that the economic fall-out from COVID-19 could trigger a deep, long lasting recession which could significantly impact the Group. The impact of COVID-19 or similar pandemics could result in a number of employees being subject to quarantine affecting the ability of the Group's personnel to carry out their work. The Group or third parties on which the Group relies for the delivery of key components may suffer an impact on the productivity of their workforce. The global economy has already suffered an economic impact from the COVID-19 pandemic and

with the potential duration of the pandemic being uncertain the potential economic impact on the Group cannot be accurately assessed. A continued widespread pandemic could result in further significant disruption of the global financial markets, reducing the Group's ability to access capital, which could in the future negatively affect its liquidity. In addition, a recession or market correction resulting from a pandemic may adversely and materially affect the Group's business and the value of the Ordinary Shares.

The current global pandemic continues to rapidly evolve. The ultimate impact of the pandemic or a similar health epidemic is highly uncertain and subject to change. The full extent of potential delays or impacts on the Group's business or the global economy as a whole is not yet known with any certainty. Such effects could have a material impact on the Group's business, prospects, result of operations or financial condition.

(w) Pricing

The Group is operating in a competitive marketplace. Whilst it believes it has a price competitive product currently there is no guarantee that this will always be the case. There is a risk of loss leading pricing from other competing companies and or states.

(x) Damage to the Group's reputation or brand

The Directors believe that the reputation and the quality of CPH2's brand will over time play an increasingly important role in the success of the Group. Further, the Directors believe that the Group's brand has and will continue to be built on the high quality of its service offering and client service. Therefore any incident that negatively affects client loyalty towards the CPH2 brand could materially adversely affect the Group's business, revenue, financial condition, profitability, prospects and results of operations. The CPH2 brand may be negatively affected by any negative publicity, regardless of accuracy. This includes any negative commentary on social media platforms, including weblogs, social media websites and other forms of internet based communications that provide individuals with access to a broad audience of consumers and other interested parties.

(y) The Group's counterparties may become insolvent

There is a risk that parties with whom the Group trades or has other business relationships (including partners, clients, suppliers, subcontractors and other parties) may become insolvent. This may be as a result of general economic conditions or factors specific to that company. In the event that a party with whom the Group trades becomes insolvent, this could have an adverse impact on the revenues and profitability of the Group.

(z) Geopolitical or Economic instability

The Group has ambitions to become a global player. It will take a risk-based approach to where sales are made and where production factories could be sited. Part of the risk analysis will be the geopolitical and economic stability of the region. There is a risk that investments and sales could be jeopardised from activity in countries or areas that become unstable.

(aa) Legislative changes which affect CPH2's markets

Regionally and nationally, the green hydrogen market and the electrolysis industry is exposed to the political and regulatory framework surrounding renewable energy and the general green transition. The specific regulatory initiatives that directly affect the green hydrogen market generally comprise various subsidy schemes, CO₂ abatement requirements and the tariff and tax regimes applicable to renewable energy which can also have significant impact on the electrolysis industry. However, many regulatory efforts remain in their early stages and have not been implemented. Often, their exact contents and scope remain subject to ongoing political debate and adjustments, with consequential uncertainties.

In the majority of jurisdictions, the construction of hydrogen plants, facilities and associated infrastructure require regulatory approval, and in some cases government financial support. It is not possible to guarantee that the relevant permits and/or licences will be obtained for all proposed projects in the sector. In addition, relevant authorities may impose conditions or alter legislation relevant to the sector that limit the potential future growth or construction of hydrogen plants. Governments may, in the future, change their level of legislative or financial support for hydrogen plants and infrastructure. As a result, the profitability of the Group may be impaired leading to reduced returns to Shareholders.

(bb) Insurance

There can be no certainty that the Group's insurance cover is adequate to protect against every eventuality. The occurrence of an event for which the Group did not have adequate insurance cover could have a materially adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations.

(cc) Financial controls and internal reporting procedures

The Group currently has systems and controls in place in order to allow it to produce accurate and timely financial statements and to monitor and manage risks. If any of these systems or controls were to fail the Group may be unable to produce financial statements accurately or on a timely basis or expose the Group to risk. Any concerns investors may have over the potential lack of available and current financial information and the controls the Group has in place could adversely affect the Group's share price.

(dd) The costs of compliance with AIM corporate governance and accounting requirements are significant

In becoming an AIM-quoted public company, the Group will be subject to enhanced requirements in relation to disclosure controls and procedures and internal control over financial reporting. The Group may incur significant costs associated with its public company reporting requirements, including costs associated with applicable AIM corporate governance requirements. The Group expects to incur significant legal and financial compliance costs as a result of these rules and regulations and if the Group does not comply with all applicable legal and regulatory requirements, this may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

3. Risks Relating to the Ordinary Shares

(a) General

An investment in Ordinary Shares is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment, or other investors who have been professionally advised with regard to the investment, and who have sufficient resources to be able to bear any losses that may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as complementary to existing investments in a wide spread of other financial assets and should not form a major part of an investment portfolio. Prospective investors should not consider investing in the Ordinary Shares unless they already have a diversified investment portfolio. Prospective investors should be aware that the value of an investment in the Group may go down as well as up and investors may therefore not recover their original investment.

(b) Investment in AIM-traded securities

Investment in shares traded on AIM involves a higher degree of risk, and such shares may be less liquid, than shares in companies which are listed on the Official List. The AIM Rules are less demanding than those rules that govern companies admitted to the Official List. It is emphasised that no application is being made for the admission of the Group's securities to the Official List. An investment in the Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of an investment in the Group may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Group. Investors may therefore realise less than, or lose all of, their investment.

(c) No prior market

Before Admission, there has been no prior market for the Ordinary Shares. Although application has been made for the Ordinary Shares to be admitted to trading on AIM, an active public market may not develop or be sustained following Admission.

(d) Share price volatility and liquidity

The share price of quoted companies can be highly volatile and shareholdings can be illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to CPH2 plc and its operations and others which may affect quoted companies generally. These

factors could include the performance of CPH2 plc, large purchases or sales of the Ordinary Shares, currency fluctuations, legislative changes and general economic, political, regulatory or social conditions.

(e) Access to further capital

CPH2 plc may require additional funds to respond to business challenges, enhancing existing products and services and further developing its sales and marketing channels and capabilities. Accordingly, CPH2 plc may need to engage in equity or debt financings to secure additional funds. If the Group raises additional funds through further issues of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities could have rights, preferences and privileges superior to those of current shareholders. Any debt financing secured by CPH2 plc in the future could involve restrictive covenants relating to its capital raising activities and other financial and operational matters, which may make it more difficult for CPH2 plc to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, the Group may not be able to obtain additional financing on terms favourable to it, if at all. If CPH2 plc is unable to obtain adequate financing or financing on terms satisfactory to it, when required, its ability to continue to support its business growth and to respond to business challenges could be significantly limited or could affect its financial viability.

(f) Dilution

If available, future financings to provide required capital may dilute shareholders' proportionate ownership in the Group. The Group may raise capital in the future through public or private equity financings or by raising debt securities convertible into Ordinary Shares, or rights to acquire these securities. Any such issues may exclude the pre-emption rights pertaining to the then outstanding shares. If the Group raises significant amounts of capital by these or other means, it could cause dilution for the Group's existing shareholders. Moreover, the further issue of Ordinary Shares could have a negative impact on the trading price and increase the volatility of the market price of the Ordinary Shares. The Group may also issue further Ordinary Shares, or create further options over Ordinary Shares, as part of its employee remuneration policy, which could in aggregate create a substantial dilution in the value of the Ordinary Shares and the proportion of the Group's share capital in which investors are interested.

(g) Future sale of Ordinary Shares

The Group is unable to predict when and if substantial numbers of Ordinary Shares will be sold in the open market following Admission. In particular there can be no assurance that the relevant shareholders will not elect to sell their Ordinary Shares following the expiry of their lock-in arrangements, details of which are set out in paragraph 11.3 of Part V of this document or otherwise. Any such sales, or the perception that such sales might occur, could result in a material adverse effect on the market price of the Ordinary Shares. CPH2 plc may require additional capital in the future which may not be available to it.

(h) Dividends

There can be no assurance as to the level of future dividends. Subject to compliance with the Companies Act and the Articles, the declaration, payment and amount of any future dividends are subject to the discretion of the Directors, and will depend on, *inter alia*, the Group's earnings, financial position, cash requirements, availability of profits and the Group's ability to access, and repatriate within the Group, cash flow and profits generated outside of the UK. A dividend may never be paid and, at present, there is no intention to pay a dividend in the short to medium term.

In forming their dividend policy the Directors have taken into account *inter alia* the trading outlook for the foreseeable future, recent operating results, budgets for the following financial year, financial gearing, banking covenants and current capital requirements of the Group. Any material change or combination of changes to these factors may require a revision of this policy.

(i) No guarantee that the Ordinary Shares will continue to be traded on AIM

The Group cannot assure investors that the Ordinary Shares will always continue to be traded on AIM or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares which would have an adverse impact on the price of the Ordinary Shares.

Additionally, if in the future the Group decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

(j) Forward-looking statements

All statements other than statements of historical facts contained in this document, including (without limitation) statements regarding the Group's future financial position, business strategy and plans, business model and approach and objectives of management for future operations, are forward-looking statements, assessments, estimates or projections (collectively, "forward-looking statements"). Generally, the forward-looking statements in this document use words like "anticipate", "believe", "target", "aim", "could", "would", "should", "estimate", "expect", "future", "intend", "may", "opportunity", "plan", "potential", "project", "seek", "will" and similar terms, or may be identified by context or perspective. Any such forward-looking statements are subject to numerous assumptions, and involve numerous known and unknown risks and uncertainties and other factors, many of which are beyond the Group's ability to control, that may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expected or anticipated or expressed or implied by such forward-looking statements. These forward-looking statements speak only as at the date of this document and the forward looking events discussed in this document might not occur. Therefore, prospective investors should not place any reliance on any forward-looking statements. The Group expressly disclaims any obligation or undertaking to release or disseminate any updates or revisions to any forward-looking statement contained herein, save as required to comply with any legal or regulatory obligations, to reflect any change in the Group's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statement is based. Although all forward looking statements in this document regarding the Group or the Placing are based on current beliefs, assumptions and expectations, the forward-looking statements have been made in good faith by the Group, and are believed to be reasonable under the circumstances and at the time made. The Group makes no representation or warranty, and gives no promise or assurance, regarding any forward looking statement. The inclusion of any item in a risk factor shall not be deemed an admission of liability.

The risks noted above do not necessarily comprise all of the risks potentially faced by CPH2 plc and are not intended to be presented in any assumed order of priority.

Although the Directors will seek to minimise the impact of the Risk Factors, investment in CPH2 plc should only be made by investors able to sustain a total loss of their investment. Potential investors are strongly recommended to consult an investment adviser authorised under FSMA who specialises in investments of this nature before making any decision to invest.

Part III | Taxation

The comments in this section are intended as a general guide for UK resident Shareholders as to their tax position under United Kingdom law and HMRC practice as at the date of this document. Such law and practice (including, without limitation, rates of tax) is in principle subject to change at any time. The comments apply to Shareholders who are resident and domiciled for tax purposes in the UK (except in so far as express reference is made to the treatments of non-UK residents) who will hold Ordinary Shares as an investment and will be the absolute beneficial owners of them.

Non-UK resident and non-UK domiciled shareholders should consult their own tax advisers.

The position of Shareholders who are officers or employees of the Company is not considered in this section; such Shareholders may be subject to an alternative tax regime and should therefore seek tax advice specific to their individual circumstances. The position of UK resident but nondomiciled individuals claiming the remittance basis of taxation is not considered in this section.

The tax position of certain Shareholders who are subject to special rules, such as dealers in securities, broker-dealers, insurance companies and collective investment schemes is not considered in this section. Any shareholder who has any doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult a professional adviser without delay.

1. Taxation of chargeable gains

For the purpose of UK tax on chargeable gains, the purchase of Ordinary Shares on a placing will be regarded as an acquisition of a new holding in the share capital of the Company. To the extent that a shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so acquired will, for the purpose of tax of chargeable gains, be treated as acquired on the date of the purchase becoming unconditional.

The amount paid for the Ordinary Shares will constitute the base cost of a Shareholder's holding.

A disposal of all or any of the Ordinary Shares may, depending on the circumstances of the relevant shareholder give rise to a liability to UK taxation on chargeable gains. Shareholders will normally be subject to UK taxation of chargeable gains, unless such holders are not resident.

Individuals

Where an individual Shareholder disposes of Ordinary Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds the annual exemption and after taking account of any capital losses available to the individual.

For individuals, capital gains tax will be charged at 10 per cent. where the individual's income and gains are less than the upper limit of the income tax basic rate band. To the extent that any chargeable gains, or part of any chargeable gain, aggregated with income arising in a tax year exceed the upper limit of the income tax basic rate band, capital gains tax will be charged at 20 per cent.

For trustees and personal representatives of deceased persons, capital gains tax on gains in excess of the current annual exempt amount will be charged at a flat rate of 20 per cent.

Companies

Where a Shareholder is within the charge to corporation tax, a disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate applicable to that company.

2. Taxation of dividends

Under current UK legislation, the Company will not be required to withhold tax when paying a dividend (whether in cash or in the form of a stock dividend).

A Shareholder's liability to tax on dividends will depend on the individual circumstances of the Shareholder.

Individuals

An individual Shareholder who is resident for tax purposes in the UK is entitled to a tax-free annual dividend allowance of £2,000 (for the 2021/2022 tax year) (“the Nil Rate Amount”). If such an individual Shareholder receives dividends in excess of the Nil Rate Amount, the excess will be subject to income tax (for the 2021/2022 tax year) at the dividend ordinary rate of 7.5 per cent. for dividend income within the basic rate band, the dividend upper rate of 32.5 per cent. for dividend income within the higher rate band and the dividend additional rate of 38.1 per cent. for dividend income within the additional rate band. In working out the rate at which an individual pays tax, dividends are treated as the top slice of income and dividend income that is within the dividend allowance will count towards determining the marginal rate. From 6 April 2022, the tax rate applied to dividend income will increase by 1.25 per cent., resulting in the rates becoming 8.75 per cent., 33.75 per cent. and 39.35 per cent. accordingly.

Companies

Shareholders within the charge to UK corporation tax which are “small companies” for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will generally not be subject to UK corporation tax on any dividend received provided certain conditions are met (including an anti-avoidance condition).

A UK resident corporate Shareholder (which is not a “small company” for the purposes of the UK taxation of dividends legislation in Part 9A of the Corporation Tax Act 2009) will be liable to UK corporation tax (for which the full rate is currently at a rate of 19 per cent. and increasing to 25 per cent. from 1 April 2023.) unless the dividend falls within one of the exempt classes set out in Part 9A. Examples of exempt classes (as defined in Chapter 3 of Part 9A of the Corporation Tax Act 2009) include dividends paid on shares that are “ordinary shares” (that is shares that do not carry any present or future preferential right to dividends or to the Group’s assets on its winding up) and which are not “redeemable”, and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital in respect of which the distribution is made). However, the exemptions are not comprehensive and are subject to anti-avoidance rules.

Non-UK Residents

Shareholders tax resident outside of the UK should generally not have any UK tax liability on dividends paid from the Company. Where a non-UK resident Shareholder carries on a trade, profession or vocation in the UK and the dividends are a receipt of that trade or, in the case of corporation tax, the Ordinary Shares are held by or for a permanent establishment through which the trade is carried on, there may be a liability to UK tax.

A Shareholder resident outside of the UK may be subject to foreign taxation on dividend income under the law of the relevant foreign jurisdiction and should consult their own tax adviser regarding their tax liability on dividends received from the Company.

3. Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

Stamp duty and SDRT do not apply to transfers of shares which have been admitted to trading on a recognised growth market, such as AIM, but are not listed on that or any other market. Being admitted to trading on AIM will not constitute a listing for these purposes.

4. VCT

The Directors believe that the VCT Placing Shares should be eligible (subject to the circumstances of investors) for tax relief as a qualifying holding for VCTs. The Group has received professional advice that the VCT Placing Shares are expected to be capable of being a qualifying holding for VCTs. There is no guarantee that HMRC will agree with this advice and such advice does not guarantee VCT qualification for an investor, whose claim for relief will be conditional upon his or her own circumstances. The Directors are not aware of any subsequent change in the qualifying conditions or the Group’s circumstances that would prevent the VCT Placing Shares from being eligible VCT investments on this occasion. However, neither the Directors nor the Group gives any warranty or undertaking that relief will be available in respect of any investment in VCT Placing Shares pursuant to this document or the Placing, nor do they warrant or undertake that the Group will conduct its activities in a way that qualifies for or preserves its status.

Investors considering making a qualifying VCT investment are recommended to seek their own professional advice in order that they may fully understand how the relief legislation may apply in their individual circumstances. Any Shareholder who is in any doubt as to his taxation position under the VCT legislation, or who is subject to tax in a jurisdiction other than the UK, should consult an appropriate professional adviser.

The Group has not received professional advice nor has it sought advanced assurance from HMRC as to whether the New Ordinary Shares would rank as “eligible shares” for the purposes of EIS and investors seeking to take advantage of the tax benefits of EIS are recommended to seek their own professional advice before investing. Neither the Group nor any of the Group’s advisers give any warranty or undertaking that EIS Relief will be available to the prospective investors

5. Summary

The above is a summary of certain aspects of current law and practice in the UK. A Shareholder who is in any doubt as to his or her tax position and/or who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser.

Part IV | Historical Financial Information Relating to CPHGL

Section A: Accountant's report on the historical financial information of CPHGL



Mazars LLP
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B3 3AX

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Clean Power Hydrogen PLC
Unit 4 Parkside Business Park
Spinners Road
Doncaster
DN2 4BL

Cenkos Securities plc
6.7.8 Tokenhouse Yard
London
EC2R 7AS

11 February 2022

Dear Sir or Madam

Clean Power Hydrogen Group Limited (“CPHGL”)

Introduction

We report on the financial information set out in Section B of Part IV of the AIM admission document dated 11 February 2022 (the “Admission Document”) of Clean Power Hydrogen PLC (“the Company”).

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of financial affairs of CPHGL as at 31 December 2018, 2019 and 2020 and of its losses, cash flows and changes in equity for the years then ended in accordance with the basis of preparation set out in note 1 to the financial information.

Responsibilities

The directors of the Company are responsible for preparing the financial information in accordance with the basis of preparation set out in note 1 to the financial information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of preparation

This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in note 1 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent of the Company and CPHGL in accordance with the Financial Reporting Council's Revised Ethical Standard 2019 as applied to Investment Circular

Reporting Engagements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Conclusions relating to Going Concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on CPHGL's ability to continue as a going concern for a period of at least twelve months from the date of the Admission Document. Accordingly the use by the directors of the Company of the going concern basis of accounting in the preparation of the financial information is appropriate.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and makes no omission likely to affect its import.

This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

Mazars LLP

Section B: Historical consolidated financial information of CPHGL for three years ended 31 December 2020
Consolidated Statement of Comprehensive Income

		Year ended 31 December 2018 £'000	Year ended 31 December 2019 £'000	Year ended 31 December 2020 £'000
	Notes			
Revenue	2	—	—	107
Cost of sales		—	—	(158)
Gross loss		—	—	(51)
Other operating income	3	—	—	107
Administrative expenses	3	(175)	(666)	(1,859)
Operating loss	3	(175)	(666)	(1,803)
Finance income	5	—	3	4
Finance expense	5	(6)	(6)	(4)
Loss before taxation		(181)	(669)	(1,803)
Taxation	6	—	—	144
Loss for the year		(181)	(669)	(1,659)
Other comprehensive (expense)/income				
Foreign currency differences		(3)	21	(20)
Total comprehensive expense for the year		(184)	(648)	(1,679)
Loss per share (pence)				
Basic and diluted	7	(2.93)	(8.43)	(19.25)

Consolidated Statement of Financial Position

		1 January 2018 £'000	31 December 2018 £'000	31 December 2019 £'000	31 December 2020 £'000
	Notes				
ASSETS					
Non-current assets					
Intangible assets	8	126	306	437	769
Right-of-use assets	9	—	114	86	58
Property, plant and equipment	10	8	60	78	96
		134	480	601	923
Current assets					
Inventories	11	—	—	6	8
Trade and other receivables	12	30	18	44	130
Other financial asset at amortised cost	16	—	—	—	400
Cash and cash equivalents		263	19	1,005	2,937
		293	37	1,055	3,475
Total assets		427	517	1,656	4,398
LIABILITIES					
Current liabilities					
Trade and other payables	13	(69)	(138)	(98)	(802)
Loan from a related party	20	(395)	(403)	(382)	(405)
Lease liabilities	14	—	(28)	(29)	(31)
		(464)	(569)	(509)	(1,238)
Non-current liabilities					
Accruals and deferred income	13	—	—	—	(931)
Lease liabilities	14	—	(94)	(65)	(34)
		—	(94)	(65)	(965)
Total liabilities		(464)	(663)	(574)	(2,203)
Net (liabilities)/assets		(37)	(146)	1,082	2,195
EQUITY					
Share capital	18	6	6	8	9
Share premium account		373	448	2,275	4,995
Currency differences reserve		(14)	(17)	4	(16)
Accumulated loss		(402)	(583)	(1,205)	(2,793)
Total equity		(37)	(146)	1,082	2,195

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Foreign currency reserve £'000	Accumulated loss £'000	Total equity £'000
At 1 January 2018	6	373	(14)	(402)	(37)
Loss for the year	—	—	—	(181)	(181)
Other comprehensive expense: Foreign currency differences	—	—	(3)	—	(3)
Total comprehensive expense for the year	—	—	(3)	(181)	(184)
Issue of share capital	—	75	—	—	75
Total contributions by owners	—	75	—	—	75
At 31 December 2018	6	448	(17)	(583)	(146)
Loss for the year	—	—	—	(669)	(669)
Other comprehensive income: Foreign currency differences	—	—	21	—	21
Total comprehensive expense for the year	—	—	21	(669)	(648)
Share based payment	—	—	—	47	47
Issue of share capital	2	1,827	—	—	1,829
	2	1,827	—	47	1,876
At 31 December 2019	8	2,275	4	(1,205)	1,082
Loss for the year	—	—	—	(1,659)	(1,659)
Other comprehensive expense: Foreign currency differences	—	—	(20)	—	(20)
Total comprehensive expense for the year	—	—	(20)	(1,659)	(1,679)
Share based payment	—	—	—	71	71
Issue of share capital	1	2,720	—	—	2,721
	1	2,720	—	71	2,792
At 31 December 2020	9	4,995	(16)	(2,793)	2,195

Consolidated Statement of Cash Flows

		Year ended 31 December 2018 £'000	Year ended 31 December 2019 £'000	Year ended 31 December 2020 £'000
	Notes			
Cash flow from operating activities				
Loss for the financial year		(181)	(669)	(1,659)
<i>Adjustment for:</i>				
Depreciation of property, plant and equipment	10	14	21	31
Depreciation of right-of-use assets	9	22	28	28
Amortisation of intangible assets	8	2	4	6
Loss on disposal of fixed assets		—	3	3
Share based payment		—	47	71
Net finance costs	5	6	3	—
Taxation credit		—	—	(144)
<i>Changes in working capital:</i>				
(Increase) in inventories	11	—	(6)	(2)
Decrease/(increase) in trade and other receivables	12	12	(26)	(86)
Increase/(decrease) in trade and other payables	13	69	(40)	895
		<u>(56)</u>	<u>(635)</u>	<u>(857)</u>
Cash used in operations		(56)	(635)	(857)
Income tax received		—	—	144
		<u>(56)</u>	<u>(635)</u>	<u>(713)</u>
Net cash used in operating activities				
Cash flow from investing activities				
Purchase of property, plant and equipment		(66)	(45)	(57)
Proceeds of disposals		—	3	5
Government capital grants received		—	—	193
Purchase of intangible assets	8	(182)	(135)	(338)
		<u>(248)</u>	<u>(177)</u>	<u>(197)</u>
Net cash used in investing activities				
Cash flow from financing activities				
Issue of share capital (net of costs)		75	1,829	2,321
Interest received		—	3	4
Share subscription received in advance		—	—	550
Loan from related party advanced		5	—	—
Interest paid		(6)	(6)	(4)
Payment of lease liabilities		(14)	(28)	(29)
		<u>60</u>	<u>1,798</u>	<u>2,842</u>
Net cash generated from financing activities				
(Decrease)/increase in cash and cash equivalents				
		<u>(244)</u>	<u>986</u>	<u>1,932</u>
Net cash and cash equivalents at beginning of the year		<u>263</u>	<u>19</u>	<u>1,005</u>
Net cash and cash equivalents at end of year (all cash balances)		<u>19</u>	<u>1,005</u>	<u>2,937</u>

Notes on the Financial Information

1. Corporate information

Clean Power Hydrogen Group Limited (“CPHGL”) is a company incorporated in the United Kingdom. The registered address of CPHGL is Unit D Parkside Business Park, Spinners Road, Doncaster, England, DN2 4BL. The principal activity of CPHGL and its subsidiaries (“the CPHGL Group”) is the development of a patented method of hydrogen and oxygen production together with the development of a gas separation technique which enables hydrogen to be produced as ‘Green Hydrogen’ and oxygen to medical grade purity.

Accounting policies

1.1. Basis of preparation

This historical financial information for the three years ended 31 December 2020 has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the United Kingdom and in accordance with the applicable provisions of the Companies Act 2006. The historical financial information has been prepared for the purpose of admission to the Alternative Investment Market (“AIM”) operated by the London Stock Exchange. IFRS has been applied with a transition date of 1 January 2018.

The accounting policies applied by the CPHGL Group and disclosed below are consistent with those to be used by the Clean Power Hydrogen PLC group in its next financial statements. These policies have been applied consistently to all periods presented, unless otherwise stated.

This financial information does not constitute the CPHGL Group’s statutory accounts for the three years ended 31 December 2020 but is derived from those accounts. Statutory accounts for 2018, 2019 and 2020 have been delivered to the Registrar of Companies. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006.

These are the first period of financial statements prepared under IFRS and the impact of transition is set out in note 21. IFRS 1 First-Time Adoption of International Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain IFRSs and no significant exemptions have been applied.

The historical financial information has been prepared under the historical cost convention unless otherwise specified within these accounting policies. The historical financial information and the notes to the historical financial information are presented in thousands of pounds sterling (£’000), the functional and presentation currency of the CPHGL Group, except where otherwise indicated.

Consolidation

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree’s identifiable assets (both tangible and intangible), liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. Goodwill arising on the acquisition of the Irish subsidiary company in an earlier period was fully impaired with a nil goodwill balance at transition to IFRS.

The consolidated financial statements present the results of CPHGL and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Subsidiaries are all entities over which the CPHGL Group has control. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group.

Going concern

The directors have considered the principal risks and uncertainties facing the business, along with CPHGL’s objectives, policies and processes for managing its exposure to financial risk. In making this assessment the directors have prepared cash flows for the foreseeable future, being a period of at least 12 months from the expected date of approval of the financial information and which allow for the AIM listing not being successful.

CPHGL has successfully raised substantial equity funds at increasing valuations per share as the Group has developed its technology, sold an initial prototype and commenced production of full commercial plant to meet customer orders. The cost base has been increased to provide production capacity whilst continuing development of the technology and the orders involve stage payments utilised to fund work in progress.

These forecasts show that, whilst cash is therefore expected to fall to less than £100,000 for a month in the near term as a result of the current cost base, sales income and payments on account from further orders will then result in cash generation and increasing cash balances to enable CPHGL and the CPHGL Group to meet their liabilities as they fall due. The forecasts are, in particular, sensitive to short term delays in production or orders which would require careful cash management. The CPHGL Group however, currently has no bank or similar borrowings and the directors are aware that additional funds could be raised from existing or new private equity investors and consider that, if required, additional short term working capital facilities could be put in place.

In the event of a successful listing, there is a significant net cash inflow which increases the amount of cash headroom with no additional committed expenditure.

Based on the above factors, the directors consider that the level of uncertainty is not significant and have prepared the financial information on a going concern basis.

Use of estimates and judgments

The preparation of the financial information in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share based payments

The CPHGL Group uses the Black-Scholes option-pricing model where applicable for equity-settled arrangements, with inputs, in particular volatility, requiring significant judgement in application.

In respect of cash-settled arrangements the value at each balance sheet date involves a critical estimate of the share price, made using the information from new investors subscribing for or purchasing shares at a similar date.

Right of use assets

The application of IFRS16 involves a degree of estimation in respect of the applicable discount rate and judgement in respect of any lease options or variable payments. The discount rate is reviewed in conjunction with the rates on similar borrowings and lease extension periods by reference to business plans and the most likely outcome.

Intangible assets

The capitalisation of development costs set out in note 8 is also subject to a degree of judgement in respect of the viability of new technology and know-how, supported by the results of testing, and by forecasts for the overall value and timing of sales which may be impacted by other future factors which could impact the assumptions made.

Amortisation commences once management consider that the asset is in use, i.e. when it is judged to be at a stage capable of application to commercial revenue streams and the cost is amortised over the estimated useful life of the know-how based on the expected life of the technology and related revenue.

1.2. Revenue

Revenue comprises income from the sale of equipment for the electrolytic production of clean hydrogen and oxygen. Revenue is recognised to the extent that the performance obligations, being the agreement to transfer the product is satisfied, which is when the customer obtains control of the equipment. The transfer

takes place in accordance with the terms agreed with each customer, either at the point in time the goods are despatched to or received by the customer.

1.3. Government grants

Government grants are recognised in the statement of comprehensive income on a systematic basis over the periods in which the group recognises the related costs as an expense for which the grants are intended to compensate as follows:

Income based grants

Income based government grants are recognised in other operating income based on the specific terms related to them as follows:

- A grant is recognised in other operating income when the grant proceeds are received (or receivable) provided that the terms of the grant do not impose future performance-related conditions.
- If the terms of a grant do impose performance-related conditions then the grant is only recognised in income when the performance-related conditions are met.
- Any grants that are received before the revenue recognition criteria are met are recognised in the statement of financial position as an other creditor within liabilities.

Capital grants

Government grants received relating to tangible and intangible fixed assets are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned.

1.4. Share based payment

The CPHGL Group operates an equity-settled share-based compensation plan in which the group receives services from employees as consideration for share options. Warrants have also been issued as part of the compensation for professional services received. The fair value is established at the point of grant using an appropriate pricing model and then the cost is recognised as an expense in administrative expenses in the statement of comprehensive income, together with a corresponding increase directly in equity over the period in which the services are fulfilled. This is when the professional services are received or over the estimated period to vesting in respect of employees. The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the CPHGL Group's best estimate of the number of equity instruments that will ultimately vest.

The CPHGL Group also has a long term incentive plan ('LTIP') in place with a bonus payable after 3 years, linked to the CPHGL Group value and share price. Under the accounting standard this is treated as cash settled although it may, by mutual agreement of employee and employer, be settled by the issue of equity. The potential value is calculated at each balance sheet date using the estimated share price at that date, and this amount, including any related national insurance, is accrued in liabilities.

1.5. Income tax

Current income tax assets and/or liabilities comprise obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid/due at the reporting date. Current tax is payable on taxable profits, which may differ from profit or loss in the financial information. Calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

1.6. Software

Software assets are capitalised at the purchase cost. Subsequent to initial recognition it is stated at cost less accumulated amortisation and accumulated impairment. Software is amortised in the Statement of Comprehensive Income on a straight line basis over its estimated useful life of 3 years. These costs are recognised in administrative expenses.

1.7. Research and development costs

An internally generated intangible asset arising from development (or the development phase) of an internal project is recognised if, and only if, all of the following have been demonstrated:

- It is technically feasible to complete the development such that it will be available for use, sale or licence;
- There is an intention to complete the development;
- There is an ability to use, sell or licence the resultant asset;
- The method by which probable future economic benefits will be generated is known;
- There are adequate technical, financial and other resources required to complete the development;
- There are reliable measures that can identify the expenditure directly attributable to the project during its development.

The amount recognised is the expenditure incurred from the date when the project first meets the recognition criteria listed above. Expenses capitalised to date consist of direct and subcontract costs including materials or testing overheads. Employee costs have not been capitalised as the time has not been reliably captured and measured in respect of the element spent on specific projects, other research or operational time.

Where the above criteria are not met, research and development expenditure is charged to the income statement in the period in which it is incurred.

Capitalised development costs are initially measured at cost. After initial recognition, they are recognised at cost less any accumulated amortisation and any accumulated impairment losses.

The depreciable amount of a development cost intangible asset with a finite useful life is allocated on a systematic basis over its useful life, currently expected to range from 3 to 6 years. Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The amortisation period and the amortisation method for the assets with a finite useful life is reviewed at least each financial year-end. If the expected useful of the asset is different from previous estimates, the amortisation period is changed accordingly.

1.8. Patent costs

Patent cost assets are initially measured at cost. After initial recognition, they are recognised at cost less any accumulated amortisation and any accumulated impairment losses. The costs are amortised over a 10 year estimated useful life.

1.9. Property plant and equipment

Property, plant and equipment is recognised as an asset only if it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. Cost of an item of property, plant and equipment comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

After recognition, all property, plant and equipment (including plant, computer equipment and fixtures) is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided at rates calculated to write down the cost of assets, less estimated residual value, over their expected useful lives on the following basis:

Leasehold improvements	20% straight line
Plant and machinery	20% straight line
Office equipment	33% straight line

The residual value and the useful life of an asset is reviewed at least at each financial year-end and if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying value of the asset and are recognised in profit or loss.

1.10. Right-of-use assets and leases

Assets and liabilities arising from a lease with a duration of more than one year are initially measured at the present value of the lease payments and payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease or the incremental borrowing rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal, presented as a separate category, and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received and any initial direct costs and are presented as a separate category.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Associated costs of all leases, such as maintenance, service charges and insurance, are expensed as incurred.

1.11. Impairment of intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash flows. As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset or cash-generating unit is impaired when its carrying amount exceed its recoverable amount. The recoverable amount is measured as the higher of fair value less cost of disposal and value in use. The value in use is calculated as being net projected cash flows based on financial forecasts discounted back to present value.

The impairment loss is allocated to reduce the carrying amount of the asset pro-rata on the basis of the carrying amount of each asset in the unit. Assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

1.12. Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and an appropriate proportion of fixed and variable overheads incurred in bringing the inventories to their present location and condition. Net realisable value being the estimated selling price less costs to complete and sell. Where necessary, provision is made to

reduce cost to no more than net realisable value having regard to the nature and condition of inventory, as well as its anticipated utilisation and saleability.

1.13. Financial instruments

Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the group becomes a party to the contractual provisions of the instrument. These comprise trade and other receivables and cash and cash equivalents.

Financial assets are initially recognised at fair value, which is usually the cost, plus directly attributable transaction costs.

Financial assets are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

The CPHGL Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. The group measures loss allowances at an amount equal to lifetime ECL, which will be estimated using past experience of the historical credit losses. Historical loss rates, where applicable, are then adjusted for current and forward-looking information on macroeconomic factors affecting the group's customers, such as inflation rates. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

The group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost to the extent that these are material. The CPHGL Group has determined that there is no material impact of ECLs on the historical financial information.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and reward are transferred.

Financial liabilities

Financial liabilities include borrowings, lease liabilities, trade and other payables.

Financial liabilities are obligations to pay cash or other financial assets and are recognised in the statement of financial position when, and only when, the group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognised at fair value adjusted for any directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

1.14. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

1.15. Foreign currencies

Transactions entered into by the group in a currency other than the functional currency of sterling are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the statement of comprehensive income in administrative expenses.

The results of overseas subsidiaries are translated into the group's presentational currency of sterling weighted average exchange rate for the year. The weighted average exchange rate is used, as it is considered to approximate the actual exchange rates on the date of the transactions. The assets and liabilities of such undertakings are translated at the year-end exchange rate. Exchange differences arising on translating

the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in a separate equity reserve.

1.16. Equity and reserves

Share capital represents the nominal value of shares that have been issued. Share premium represents the excess consideration received over the nominal value of share capital upon the sale of shares, less any incidental costs of issue.

The accumulated loss reserve represents all current and prior period trading losses.

The cumulative currency differences reserve represents translation differences in respect of the net assets of overseas subsidiaries.

1.17. Standards, amendments and interpretations in issue but not yet effective

There are no new standards, interpretations and amendments which are not yet effective in this financial information, expected to have a material effect on the CPHGL Group's future financial statements.

2. Segmental reporting

IFRS 8, Operating Segments, requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the CPHGL Group's chief operating decision maker. The chief operating decision maker is considered to be the executive Directors.

The CPHGL Group at this stage comprises only one operating segment for the development and sale of equipment for the electrolytic production of clean hydrogen and oxygen. The operating segments are monitored by the chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results.

All material assets, liabilities, revenues and expenses are located in, or derived in, the United Kingdom with the exception of capitalised patent costs and the related party loan liability in the Irish subsidiary of CPHGL which are denominated in Euros.

All revenue to date arises from one customer, reflecting the stage of development of the CPHGL Group and commencement of revenue in 2020.

3. Operating loss

	Year ended 31 December 2018 £'000	Year ended 31 December 2019 £'000	Year ended 31 December 2020 £'000
Operating profit is stated after charging/(crediting):			
Government grant income (in other operating income)	—	—	(107)
Exceptional employee related costs (see below)	—	—	738
Amortisation of intangible assets	2	4	6
Depreciation of property, plant and equipment	14	21	31
Depreciation of right-of-use assets	22	28	28
Cost of inventory sold	—	—	(158)
Foreign exchange (gains)/loss	1	2	1
Auditor's remuneration			
For audit	7	12	16
For taxation compliance	1	1	1
For tax advisory services	6	—	—
For other assurance services	4	3	3

An exceptional expense of £738,000 arises in the year ended 31 December 2020 as a result of a cash settled LTIP arrangement (2019 and 2018: £nil).

4. Staff and key management personnel

	Year ended 31 December 2018 Number	Year ended 31 December 2019 Number	Year ended 31 December 2020 Number
Average monthly number of employees	6	8	13
Payroll costs	£'000	£'000	£'000
Gross salaries	29	251	475
Social security costs	2	26	56
Other pension contributions	1	6	8
Share based payment	—	16	720
	32	299	1,259

The CPHGL Group contributes to personal pension plans for the benefit of certain employees. The pension contribution charge represents contributions payable by the group to the fund.

In view of the size and nature of the CPHGL Group, the Key Management Personnel in the three year period is considered to comprise only the directors of CPHGL. The directors' (and key management) remuneration was as follows.

	Year ended 31 December 2018 £'000	Year ended 31 December 2019 £'000	Year ended 31 December 2020 £'000
Remuneration for qualifying services	—	82	225
Pension contributions	—	—	1
Consultancy fees	29	102	96
Cash settled share based payment	—	—	649
Equity settled share based payment	—	16	71
	29	200	1,042

The highest paid director received remuneration of £69,000 for 2020 and a £649,000 potential bonus cost was accrued in respect of their LTIP entitlement.

Retirement benefits were accruing to 2 directors in respect of defined contribution schemes (2019: 2018: nil).

The consultancy fees paid to directors or companies controlled by them are also included in the disclosures in note 20.

5. Finance income and expense

	Year ended 31 December 2018 £'000	Year ended 31 December 2019 £'000	Year ended 31 December 2020 £'000
Interest receivable	—	3	4
Interest payable:			
Lease finance charges	(6)	(6)	(4)

6. Income tax

	Year ended 31 December 2018 £'000	Year ended 31 December 2019 £'000	Year ended 31 December 2020 £'000
<i>Current tax:</i>			
UK corporation tax	—	—	—
Adjustment for prior periods	—	—	144
Total tax credit	—	—	144

Tax credits in respect of research and development expenditure have recognised on receipt to date whilst experience of initial claims being collated and accepted is gained. The tax rate used for the reconciliation is the corporate tax rate of 19% (2019: 19%, 2018: 19%) payable by corporate entities in the UK on taxable profits under UK tax law. Changes to reduce the corporation tax rate to 19% from 1 April 2017 and to 17% from 1 April 2020 were substantively enacted. The Finance Act 2020 enacted in March 2020 maintained the rate of UK corporation tax rate at 19% and, as the enacted rate, is accordingly applied to deferred taxation balances at 31 December 2020. In May 2021 an increase to 25% from April 2023 was substantively enacted. The tax rate used to calculate deferred tax is 19% (2019: 17%, 2017 19%), being the rate at which the timing differences were expected to unwind based on enacted rates at each balance sheet date.

The credit for the year can be reconciled to the loss for the year as follows:

	Year ended 31 December 2018 £'000	Year ended 31 December 2019 £'000	Year ended 31 December 2020 £'000
Loss before taxation	(181)	(669)	(1,803)
Income tax calculated at 19% (2019: 19%, 2018: 19%)	(34)	(127)	(343)
Expenses not deductible	—	9	14
Enhanced research and development allowances	(29)	(72)	(77)
Deferred tax not recognised (note 16)	63	190	406
Adjustment for prior periods	—	—	(144)
Total tax credit	—	—	(144)

7. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	31 December 2018 £'000	31 December 2019 £'000	31 December 2020 £'000
Loss for the purpose of basic earnings per share being net loss attributable to the shareholders	(181)	(669)	(1,659)
Number of shares	31 December 2018	31 December 2019	31 December 2020
Weighted average number of ordinary shares for the purposes of basic earnings per share	6,178,131	7,934,024	8,617,174

There were potentially dilutive warrants and options in place at 31 December 2020 over 1,245,597 (2019: 296,509, 2018: 206,557) ordinary shares which are not dilutive in respect of a loss.

8. Intangible assets

	Development costs £'000	Patent costs £'000	Computer software £'000	Total £'000
Cost				
At 1 January 2018	88	33	6	127
Additions	163	19	—	182
As at 31 December 2018	251	52	6	309
Additions	92	33	10	135
As at 31 December 2019	343	85	16	444
Additions	313	25	—	338
As at 31 December 2020	656	110	16	782
Amortisation or impairment				
At 1 January 2018	—	—	1	1
Charge for the year	—	—	2	2
As at 31 December 2018	—	—	3	3
Charge for the year	—	—	4	4
As at 31 December 2019	—	—	7	7
Charge for the year	—	1	5	6
As at 31 December 2020	—	1	12	13
Net book value				
As at 1 January 2018	88	33	5	126
As at 31 December 2018	251	52	3	306
As at 31 December 2019	343	85	9	437
As at 31 December 2020	656	109	4	769

The CPHGL Group has received grants from UK government research and development initiatives amounting to £193,000 in respect of capitalised development expenditure (2019: £nil, 2018: £nil). These grants are deferred within liabilities and amortised in line with depreciation or impairment of the related development asset.

9. Right-of-use assets

	Property leasehold assets £'000
Cost	
At 1 January 2018	—
Additions	136
As at 31 December 2018	136
Additions	—
As at 31 December 2019	136
Additions	—
As at 31 December 2020	136
Depreciation	
At 1 January 2018	—
Charge	(22)
As at 31 December 2018	(22)
Charge	(28)
As at 31 December 2019	(50)
Charge	(28)
As at 31 December 2020	(78)
Net book value	
As at 1 January 2018	—
As at 31 December 2018	114
As at 31 December 2019	86
As at 31 December 2020	58

The financing charges in respect of right-of-use assets are disclosed in note 5 and the lease liabilities in note 14. Right-of-use assets and lease liabilities relate principally to property leases. The CPHGL Group leases its main operating premises, typically on a five year lease, subject to periodic rent reviews and potential breaks, with the intention and assumption made in measuring assets and liabilities that the extended period will be utilised. Total cash outflows in respect of leases are £33,000 for the year ended 31 December 2020 (2019: £34,000, 2018: £20,000).

10. Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2018	—	7	1	8
Additions	37	26	3	66
As at 31 December 2018	37	33	4	74
Additions	2	34	9	45
Disposals	—	(8)	—	(8)
As at 31 December 2019	39	59	13	111
Additions	8	31	18	57
Disposals	—	(11)	—	(11)
As at 31 December 2020	47	79	31	157
Depreciation				
At 1 January 2018	—	—	—	—
Charge for the year	7	6	1	14
As at 31 December 2018	7	6	1	14
Charge for the year	8	10	3	21
Disposals	—	(2)	—	(2)
As at 31 December 2019	15	14	4	33
Charge for the year	9	14	8	31
Disposals	—	(3)	—	(3)
As at 31 December 2020	24	25	12	61
Net book value				
As at 1 January 2018	—	7	1	8
As at 31 December 2018	30	27	3	60
As at 31 December 2019	24	45	9	78
As at 31 December 2020	23	54	19	96

11. Inventories

	1 January 2018 £'000	31 December 2018 £'000	31 December 2019 £'000	31 December 2020 £'000
Raw materials and consumables	—	—	6	8

No impairment loss has arisen in the three year period.

12. Trade and other receivables

	1 January 2018 £'000	31 December 2018 £'000	31 December 2019 £'000	31 December 2020 £'000
Trade receivables	—	—	—	39
Other receivables	14	10	22	56
Prepayments	16	8	22	35
	<u>30</u>	<u>18</u>	<u>44</u>	<u>130</u>

Revenue only commenced in 2020 and there have been no impairment charges nor expected credit loss provisions made with the credit quality of trade and other receivables considered to be good. The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

13. Trade and other payables

	1 January 2018 £'000	31 December 2018 £'000	31 December 2019 £'000	31 December 2020 £'000
Amounts falling due within one year:				
Trade payables	8	9	33	125
Taxes and social security costs	6	7	19	32
Share subscription received in advance	—	—	—	550
Other payables	20	36	25	56
Accruals	35	86	21	39
	<u>69</u>	<u>138</u>	<u>98</u>	<u>802</u>
Amounts falling due after more than one year:				
Accruals (LTIP liability)	—	—	—	738
Deferred income – grants	—	—	—	193
	<u>—</u>	<u>—</u>	<u>—</u>	<u>931</u>

Shares were subsequently issued in early 2021 against the advance share subscription cash received and shown as a liability above at 31 December 2020.

The directors consider that the carrying amount of trade and other payables approximates to their fair values. Details of the LTIP related accrual are set out in notes 18 and 21.

14. Lease liabilities

	1 January 2018 £'000	31 December 2018 £'000	31 December 2019 £'000	31 December 2020 £'000
Amounts falling due within one year:				
Lease liabilities	—	28	29	31
Amounts falling due in more than one year:				
Lease liabilities	—	94	65	34

All liabilities fall due in less than 5 years. The total payments including interest in respect of lease liabilities are shown in note 16.

15. Financing activities and movements in total borrowings

	2018 £'000	2019 £'000	2020 £'000
At 1 January	(395)	(525)	(476)
Cash movements:			
Lease liability payments	14	28	29
Related party loan advanced	(5)	—	—
Interest paid	6	6	4
Non-cash movements:			
Interest accrued	(6)	(6)	(4)
Foreign currency movements	(3)	21	(23)
New lease liabilities	(136)	—	—
As at 31 December	(525)	(476)	(470)
Comprising:			
Related party loan	(403)	(382)	(405)
Lease liabilities	(122)	(94)	(65)
	(525)	(476)	(470)

16. Financial instruments and capital management

Risk management

The Board has overall responsibility for the determination of CPHGL's and the CPHGL Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting CPHGL's flexibility. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors. The CPHGL Group is exposed to financial risks in respect of market, credit and foreign exchange risk.

Capital management

The CPHGL Group's capital comprises all components of equity which includes share capital and retained earnings.

CPHGL's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide future returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by managing technology development, pricing products as revenue commences commensurately with the level of risk.

The capital structure of CPHGL consists of shareholders equity with all working capital requirements financed from equity and property costs funded by lease agreements.

CPHGL sets the amount of capital it requires in proportion to risk. It manages its capital structure and raises capital in the light of the investment in product development, changes in economic conditions, the ability to finance capital purchases and the risk characteristics of the underlying assets and activity. In its development CPHGL has raised equity capital and has not utilised borrowings in view of the risks at this stage. In order to maintain or adjust the capital structure, CPHGL may issue new shares, or sell assets to reduce debt.

Market risks

These arise from the nature and location of the customer markets, competing technology and foreign exchange rate risks.

The CPHGL Group expects to trade initially primarily within the UK and Irish markets. This is likely to expand to other markets, and accordingly there will be a risk relating to the underlying performance of these markets and their currency risk which will be actively monitored by the directors.

Foreign exchange risk

CPHGL has an Irish subsidiary which funded the initial product development with equity and a related party loan denominated in Euros. It expects to commence trade with overseas customers with the only revenue to date invoiced in sterling. There has therefore been a reduced sensitivity to fluctuations in exchange rates and a 10% movement in Euro exchange rates would impact the statement of financial position by approximately £35,000.

The CPHGL Group had the following net balance in respect of the Irish subsidiary denominated in foreign currency:

	31 December 2018 £'000	31 December 2019 £'000	31 December 2020 £'000
Euro denominated	<u>(343)</u>	<u>(324)</u>	<u>(350)</u>

Interest rate risk

Lease liabilities are derived at fixed interest rates and reflect an underlying fixed rental with no current exposure to floating rates.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The CPHGL Group is mainly exposed to credit risk from credit sales and attempts to mitigate credit risk by assessing the creditworthiness of customers and closely monitoring payments history.

Credit risk on cash and cash equivalents is considered to be minimal as the counterparties are all substantial banks with high credit ratings.

Liquidity risk

The maturity of the CPHGL Group's financial liabilities including trade and other payables, other loans and lease liability total payments with the interest payable is as set out below. Current liabilities were payable on demand or to normal trade credit terms with the exception of lease liabilities which are payable quarterly.

	Up to 1 year £'000	1-2 years £'000	2-5 years £'000
At 31 December 2018			
Trade and other payables	(131)	—	—
Loan from a related party	(403)	—	—
Lease liabilities	(34)	(34)	(68)
	<u>(568)</u>	<u>(34)</u>	<u>(68)</u>
	Up to 1 year £'000	1-2 years £'000	2-5 years £'000
At 31 December 2019			
Trade and other payables	(79)	—	—
Loan from a related party	(382)	—	—
Lease liabilities	(34)	(34)	(34)
	<u>(495)</u>	<u>(34)</u>	<u>(34)</u>
	Up to 1 year £'000	1-2 years £'000	2-5 years £'000
At 31 December 2020			
Trade and other payables	(220)	—	(738)
Loan from a related party	(405)	—	—
Lease liabilities	(34)	(33)	—
	<u>(659)</u>	<u>(33)</u>	<u>(738)</u>

Classification of financial instruments

All financial assets have been classified as at amortised cost, and all financial liabilities have been classified as other financial liabilities measured at amortised cost.

Financial assets

	31 December 2018 £'000	31 December 2019 £'000	31 December 2020 £'000
At amortised cost			
Trade and other receivables	10	22	95
Other financial asset	—	—	400
Cash and cash equivalents	19	1,005	2,937
	<u>29</u>	<u>1,027</u>	<u>3,432</u>

Financial liabilities

	31 December 2018 £'000	31 December 2019 £'000	31 December 2020 £'000
At amortised cost			
Trade and other payables	(131)	(79)	(958)
Loan from a related party	(403)	(382)	(405)
Lease liabilities	(122)	(94)	(65)
	<u>(656)</u>	<u>(555)</u>	<u>(1,428)</u>

17. Deferred tax

Unrecognised (liability)/asset in respect of:	Accelerated capital allowances £'000	Tax losses £'000	Other £'000	Total £'000
As at 31 December 2018	(22)	40	—	18
As at 31 December 2019	(30)	103	—	73
As at 31 December 2020	(35)	384	140	489

Deferred tax assets have not been recognised at the year end dates as the utilisation of losses was not yet considered sufficiently probable. Deferred tax rates of 19% for 2020 (2019: 17%, 2018: 17%) have been applied.

18. Share capital

Allotted, called up and fully paid £0.001 ordinary shares	Number	Share capital £'000	Share premium amount £'000
At 1 January 2018	6,125,000	6	373
Issued in year	107,142	—	75
As at 31 December 2018	6,232,142	6	448
Issued in year	2,112,003	2	1,827
As at 31 December 2019	8,344,145	8	2,275
Issued in year	1,190,453	1	2,720
Cancelled in year	(454,546)	—	—
As at 31 December 2020	<u>9,080,052</u>	<u>9</u>	<u>4,995</u>

In 2020, 815,453 £0.001 ordinary shares were issued at £3 and 375,000 at £1 each (2019: 2,112,003 at £1, 2018: 107,142 at £0.70). In 2020 454,546 were purchased by CPHGL and cancelled at £0.001 each.

£400,000 of the consideration for the shares in 2020 was settled by receipt of an interest bearing bond disclosed as an other financial asset, which was subsequently redeemed and the cash received early in 2021.

All £0.001 ordinary shares rank equally with the right to receive dividends and capital distributions.

Options and share based payment

Warrants and options giving the holder the right to purchase shares at a future date have been granted in respect of professional services and employee or director remuneration respectively with £71,000 expensed in the year ended 31 December 2020 (2019: £47,000, 2018: £nil). The fair values have been derived using a Black-Scholes model applying a risk free rate of 1% and volatility of 50%. The share based payment charge in respect of warrants issued for services was expensed on issue when the services were received. The vesting period applied is 3 years in respect of all employee options. They are as follows with no options exercised or cancelled in the 3 year period.

Date of issue	Number of warrants	Exercise price per share £	Fair value per share £
2017	13,812	0.40	0.138
August 2019	89,952	1.00	0.345

The warrants are exercisable at any time up to a listing or sale of the group.

Date of issue	Number of options	Exercise price per share £	Fair value per share £
December 2018	192,745	0.70	0.242
July 2020	240,369	0.70	0.467
September 2020	708,719	0.70	0.467

683,114 of the options are exercisable on a listing or sale and 458,719 at any time.

In addition, the CPHGL Group also has an LTIP in place with a cash-settled bonus arrangement payable, linked to the CPHGL Group value and share price over the 3 year period to September 2023. The charge for the year ended 31 December 2020 and potential liability at 31 December 2020, derived in line with the accounting policy in note 1.4 was £738,000 including the related national insurance costs.

Subsequent to the period end, the terms of the LTIP have been amended in December 2021 and this will now be an equity settled arrangement in respect of options over up to 530,449 shares. Exercise from 30 June 2024 of 25% is subject to remaining an employee and 75% also to sales related performance conditions. The accrued cash settlement liability will be credited to the income statement in the financial statements as of December 2021 with no liability at that year end. Share based payment charges will be recorded in the income statement over the expected vesting period to 2024 based on the fair value of the modified equity-settled arrangements and credited to equity with a nil net impact on net assets.

19. Contingent liabilities

At 31 December 2020, 2019 and 2018, the CPHGL Group had no contingent liabilities.

20. Ultimate controlling party and related party transactions

There was considered to be no individual controlling party as at 31 December 2020.

The key management personnel is considered to be the directors. Please refer to Note 4 for details of key management personnel remuneration.

There have been transactions with directors and with other entities over which the directors have control in respect of small interest free loans, outstanding expense balances and amounts owed in respect of consultancy fees charged included in trade and other payables. These are as follows in aggregate:

Year ended 31 December	2017	2018	2019	2020
	£'000	£'000	£'000	£'000
Amounts owed by the group at the year end	49	64	41	70
Consultancy fees charged in year		29	102	114

In addition, there has been one individually material loan from a company controlled by a director and shareholder. This was interest free with no fixed repayment terms.

Year ended 31 December	2017	2018	2019	2020
	£'000	£'000	£'000	£'000
Amounts owed by the group at the year end	395	403	382	405

21. Transition to IFRS

From 1 January 2018 the CPHGL Group has adopted International Financial Reporting Standards (IFRS) in the preparation of this financial information. The main items contributing to the changes in the financial information compared with that reported under the United Kingdom standard FRS 102 ('UK GAAP') are shown below:

The CPHGL Group have used the transition exemption and not restated the prior acquisition under IFRS business combination accounting. Accordingly, the impaired goodwill at transition on 1 January 2018 of £nil is adopted as opening cost with no asset recognised.

IFRS 16: Under this standard, the concept of assessing a lease contract as either operating or financing is replaced by a single lessee accounting model. Substantially all former operating lease contracts where the rental was expensed under UK GAAP result in a lessee acquiring and recognising a right-to-use asset and a financial liability under IFRS. The asset is depreciated over the term of the lease and the interest on the financing liability is charged over the same period. A full retrospective approach has been applied with the liability representing the future lease payments at inception discounted at an incremental borrowing rate and with an equal right of use asset at inception. The income statement is impacted, with the rent expense relating to operating leases being replaced by a straight line depreciation charge arising from the right-to-use assets and interest charges arising from lease financing which are higher in earlier years.

On transition at 1 January 2018, there were no right of use assets or lease liabilities as all leases were considered short term at that date. Right of use assets and discounted lease liabilities at the estimated incremental rate of 6% have been recorded of £136,000 in 2018 on inception of two property leases with a term of up to 5 years, assume to run full term. The operating lease rentals of £25,000 in 2018, £32,000 in 2019 and £32,000 expensed in 2020 have been replaced by the inclusion of depreciation of £22,000 in 2018, £28,000 in 2019 and 2020 and financing charges of £6,000 in 2018, £6,000 in 2019 and £4,000 in 2020 decreasing profits before tax by £3,000 in 2018, £2,000 in 2019 and £nil in 2020. The carrying value of the right-of-use assets at 31 December 2018 was £114,000, £86,000 at 31 December 2019 and £58,000 at 31 December 2020. The carrying value of lease liabilities, was £122,000 at 31 December 2018, £94,000 at 31 December 2019 and £65,000 at 31 December 2020.

Amounts owed to a related party company at each year end and included in accruals and other creditors have been reclassified in the statement of financial position to one current loan balance in other payables to more appropriately reflect the nature and legal form of the balance which has remained substantially unchanged throughout the period other than for exchange differences. It has no formal repayment or interest terms indicating an on demand nature. It is intended that this balance is repaid at the date of listing.

Grants. Capital grants received in 2020 of £193,000 which had been netted against the capitalised development costs under UK Gaap have been reclassified and presented in non-current deferred income under IFRS with the deferred income to be released to income in line with the amortisation of the related asset. In 2020, grants received in respect of eligible costs included in the UK GAAP revenue have been reclassified to other operating income.

In addition, the more comprehensive review of accounting for the transition has identified matters which were applicable under UK GAAP but which have not been applied and therefore represent the amendment of errors. These are as follows:

IFRS 2: share based payment. The CPHGL Group has issued share options and warrants which result in equity-settled share based payment charges. A Black-Scholes model has been applied to calculate the charges resulting in additional administrative expenses of £nil in 2018, £47,000 in 2019 and £71,000 in 2020. A corresponding credit has been made directly to reserves as the charges relate to equity settled transactions. The CPHGL Group also has a long term incentive arrangement which results in a cash-settled share based payment charge. A charge of £738,000 arises in 2020 together with an equal liability in the statement of financial position at 31 December 2020.

In addition, it is considered that foreign exchange differences, previously recorded directly in the profit and loss reserve, are more appropriately included in the foreign currency reserve. A £13,000 loss in 2018 and £12,000 gain in 2019 have been reclassified to the movement in the foreign currency reserve.

No cash flow statement has been included in the UK statutory financial statements for the three years ended 31 December 2020 as a result of taking the small group exemption. The cash flow statement has therefore been prepared in IFRS format from the adjusted IFRS financial information.

Reconciliation of comprehensive income for the years ended 31 December 2018, 2019 and 2020 is as follows.

Year ended 31 December 2018	UK GAAP as reported £'000	IFRS16 £'000	IFRS £'000
Revenue	—	—	—
Cost of sales	—	—	—
Gross profit	—	—	—
Administrative expenses	(178)	3	(175)
Operating loss	(178)	3	(175)
Net finance costs	—	(6)	(6)
Loss before taxation	(178)	(3)	(181)
Taxation	—	—	—
Loss for the year	(178)	(3)	(181)

Year ended 31 December 2019	UK GAAP as reported £'000	IFRS 16 £'000	IFRS2 £'000	IFRS £'000
Revenue	—	—	—	—
Cost of sales	—	—	—	—
Gross profit	—	—	—	—
Administrative expenses	(623)	4	(47)	(666)
Operating loss	(623)	4	(47)	(666)
Net finance income/(costs)	3	(6)	—	(3)
Loss before taxation	(620)	(2)	(47)	(669)
Taxation	—	—	—	—
Loss for the year	(620)	(2)	(47)	(669)

Year ended 31 December 2020	UK GAAP as reported £'000	IFRS 16 £'000	FRS 2 £'000	Reclass £'000	IFRS £'000
Revenue	214	—	—	(107)	107
Cost of sales	(158)	—	—	—	(158)
Gross profit/(loss)	56	—	—	(107)	(51)
Other operating income	—	—	—	107	107
Administrative expenses	(1,054)	4	(809)	—	(1,859)
Operating loss	(998)	4	(809)	—	(1,803)
Net finance income	4	(4)	—	—	—
Loss before taxation	(994)	—	(809)	—	(1,803)
Taxation	144	—	—	—	144
Loss for the year	(850)	—	(809)	—	(1,659)

Reconciliation of the opening balance sheet as of 1 January 2018 and equity as of 31 December 2018, 2019 and 2020 is as follows:

There are no changes in equity and reserve balances at the transition date with only a reclassification of the amounts owed by the related party company of £376,000 from non-current to current liabilities.

As at 31 December 2018	UK GAAP as reported £'000	IFRS 16 £'000	Reclass £'000	IFRS £'000
Share capital	6	—	—	6
Share premium	448	—	—	448
Foreign currency reserve	(4)	—	(13)	(17)
Accumulated loss	(593)	(3)	13	(583)
Total equity	(143)	(3)	—	(146)

As at 31 December 2019	UK GAAP as reported £'000	IFRS 16 £'000	Reclass £'000	IFRS £'000
Share capital	8	—	—	8
Share premium	2,275	—	—	2,275
Foreign currency reserve	5	—	(1)	4
Accumulated loss	(1,201)	(5)	1	(1,205)
Total equity	1,087	(5)	—	1,082

As at 31 December 2020	UK GAAP as reported £'000	IFRS 16 £'000	IFRS 2 £'000	Reclass £'000	IFRS £'000
Share capital	9	—	—	—	9
Share premium	4,995	—	—	—	4,995
Foreign currency reserve	(15)	—	—	(1)	(16)
Accumulated loss	(2,051)	(5)	(738)	1	(2,793)
Total equity	2,938	(5)	(738)	—	2,195

Section C: Accountants report on the unaudited financial information of CPHGL



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11 February 2022

Dear Sir or Madam

Clean Power Hydrogen Group Limited (“CPHGL”)

We report on the interim financial information of CPHGL for the six months ended 30 June 2021 (the “Financial Information”) as set out in Section D of Part IV of the AIM admission document dated 11 February 2022 (the “Admission Document”) of Clean Power Hydrogen PLC (the “Company”), adopting the basis of preparation set out in note 2 to the Financial Information. We have not audited or reviewed the financial information for the six months ended 30 June 2020 which has been included for comparative purposes only and accordingly do not express an opinion thereon.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Financial Information in accordance with the basis of preparation set out in note 2 and the AIM Rules for Companies.

Our responsibility is to express a conclusion based on our review of the Financial Information.

Scope of review

We conducted our review in accordance with International Standards on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (ISRE 2410) issued by the Financial Reporting Council for use in the United Kingdom.

A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that, for the purposes of the Admission Document, the Financial Information for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with the AIM Rules for Companies.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and makes no omission likely to affect its import.

This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

Mazars LLP

Section D: Unaudited interim consolidated financial information of CPHGL

Consolidated Statement of Comprehensive Income

	Note	Unaudited Six months ended 30 June 2020 £'000	Unaudited Six months ended 30 June 2021 £'000
Revenue		—	—
Cost of sales		—	—
Gross profit		—	—
Other operating income		—	36
Administrative expenses excluding exceptional costs		(443)	(872)
Exceptional costs	4	—	(1,256)
Operating loss		(443)	(2,092)
Finance income		1	6
Finance expense		(2)	(3)
Loss before taxation		(444)	(2,089)
Taxation		48	5
Loss for the period		(396)	(2,084)
Other comprehensive (expense)/income			
Foreign currency differences		(27)	19
Loss and total comprehensive expense for the period		(423)	(2,065)
Loss per share (pence)			
Basic and diluted	5	(4.75)	(22.74)

Consolidated Statement of Financial Position

	Notes	Unaudited 30 June 2020 £'000	Unaudited 30 June 2021 £'000
ASSETS			
Non-current assets			
Intangible assets		482	1,080
Right-of-use assets	6	72	1,066
Property, plant and equipment		73	133
Trade and other receivables		—	120
		<u>627</u>	<u>2,399</u>
Current assets			
Inventories		8	980
Trade and other receivables		11	214
Cash and cash equivalents		657	2,816
		<u>676</u>	<u>4,010</u>
Total assets		<u>1,303</u>	<u>6,409</u>
LIABILITIES			
Current liabilities			
Trade and other payables		(148)	(1,944)
Loan from a related party		(409)	(387)
Lease liabilities		(30)	(136)
		<u>(587)</u>	<u>(2,467)</u>
Non-current liabilities			
Accruals		—	(1,994)
Deferred income		—	(258)
Lease liabilities		(50)	(919)
		<u>(50)</u>	<u>(3,171)</u>
Total liabilities		<u>(637)</u>	<u>(5,638)</u>
Net assets		<u>666</u>	<u>771</u>
EQUITY			
Share capital	7	8	9
Share premium account		2,275	5,545
Currency differences reserve		(23)	3
Accumulated loss		(1,594)	(4,786)
Total equity		<u>666</u>	<u>771</u>

Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Foreign currency reserve £'000	Accumulated loss £'000	Total equity £'000
At 1 January 2020	8	2,275	4	(1,205)	1,082
Loss for the period	—	—	—	(396)	(396)
Other comprehensive expense: Foreign currency differences	—	—	(27)	—	(27)
Total comprehensive expense for the period	—	—	(27)	(396)	(423)
Share based payment	—	—	—	7	7
Total contributions by owners	—	—	—	7	7
At 30 June 2020	8	2,275	(23)	(1,594)	666
Loss for the period	—	—	—	(1,268)	(1,268)
Other comprehensive income: Foreign currency differences	—	—	7	—	7
Total comprehensive expense for the period	—	—	7	(1,268)	(1,261)
Share based payment	—	—	—	69	69
Issue of share capital	1	2,720	—	—	2,721
	1	2,720	—	69	2,790
At 31 December 2020	9	4,995	(16)	(2,793)	2,195
Loss for the period	—	—	—	(2,084)	(2,084)
Other comprehensive income: Foreign currency differences	—	—	19	—	19
Total comprehensive expense for the period	—	—	19	(2,084)	(2,065)
Share based payment	—	—	—	91	91
Issue of share capital	—	550	—	—	550
	—	550	—	91	641
At 30 June 2021	9	5,545	3	(4,786)	771

Consolidated Statement of Cash Flows

	Unaudited Six months ended 30 June 2020 £'000	Unaudited Six months ended 30 June 2021 £'000
Cash flow from operating activities		
Loss for the financial period	(396)	(2,084)
<i>Adjustment for:</i>		
Depreciation of property, plant and equipment	15	22
Depreciation of right-of-use assets	14	17
Impairment of right-of-use assets	—	25
Amortisation of intangible assets	3	4
Share based payments	7	91
Net finance costs	1	(3)
Taxation credit	(48)	(5)
<i>Changes in working capital:</i>		
(Increase) in inventories	(2)	(972)
Decrease/(increase) in trade and other receivables	33	(204)
Increase in trade and other payables	52	2,896
Cash used in operations	(321)	(213)
Income tax received	48	5
Net cash used in operating activities	(273)	(208)
Cash flow from investing activities		
Purchase of property, plant and equipment	(10)	(59)
Capital grants received	—	117
Purchase of intangible assets	(48)	(315)
Net cash used in investing activities	(58)	(257)
Cash flow from financing activities		
Issue of share capital (note 7)	—	—
Cash proceeds from financial asset held	—	400
Interest received	1	6
Interest paid	(2)	(3)
Payment of lease liabilities	(16)	(59)
Net cash (used in)/generated from financing activities	(17)	344
Decrease in cash and cash equivalents	(348)	(121)
Net cash and cash equivalents at beginning of the period	1,005	2,937
Net cash and cash equivalents at end of the period (all cash balances)	657	2,816

1. Corporate information

Clean Power Hydrogen Group Limited (“CPHGL”) is a company incorporated in the United Kingdom. The registered address of CPHGL is Unit D Parkside Business Park, Spinners Road, Doncaster, England, DN2 4BL. The principal activity of CPHGL and its subsidiaries (“the CPHGL Group”) is the development of a patented method of hydrogen and oxygen production together with the development of a gas separation technique which enables hydrogen to be produced as ‘Green Hydrogen’ and oxygen to medical grade purity.

2. Basis of preparation

This consolidated interim financial information for the six months ended 30 June 2020 and 30 June 2021 has been prepared in accordance with IAS 34 ‘Interim Financial Reporting’. It has been derived from the UK GAAP management accounts of the CPHGL Group as adjusted for IFRS with a transition date of 1 January 2018. The historical financial information has been prepared for the purpose of admission to the Alternative Investment Market (“AIM”) operated by the London Stock Exchange.

The accounting policies applied by the CPHGL Group are as set out in the financial information for CPHGL for the three years ended 31 December 2020 included in the Admission document and are consistent with those to be used by the Clean Power Hydrogen PLC Group in its next financial statements. These policies have been applied consistently to all periods presented, unless otherwise stated.

The historical financial information has been prepared under the historical cost convention unless otherwise specified within the accounting policies. The historical financial information and the notes to the historical financial information are presented in thousands of pounds sterling (£’000), the functional and presentation currency of the CPHGL Group, except where otherwise indicated.

Going concern

The directors have considered the principal risks and uncertainties facing the business, along with CPHGL’s objectives, policies and processes for managing its exposure to financial risk. In making this assessment the directors have prepared cash flows for the foreseeable future, being a period of at least 12 months from the expected date of approval of the financial information and which allow for the AIM listing not being successful.

CPHGL has successfully raised substantial equity funds at increasing valuations per share as the CPHGL Group has developed its technology, sold an initial prototype and commenced production of full commercial plant to meet customer orders. The cost base has been increased to provide production capacity whilst continuing development of the technology and the orders involve stage payments utilised to fund work in progress.

These forecasts show that, whilst cash is therefore expected to fall to less than £100,000 for a month in the near term as a result of the current cost base, sales income and payments on account from further orders will then result in cash generation and increasing cash balances to enable CPHGL and the CPHGL Group to meet their liabilities as they fall due. The forecasts are, in particular, sensitive to short term delays in production or orders which would require careful cash management. The CPHGL Group however, currently has no bank or similar borrowings and the directors are aware that additional funds could be raised from existing or new private equity investors and consider that, if required, short term working capital facilities could be put in place.

In the event of a successful listing, there is a significant net cash inflow which increases the amount of cash headroom with no additional committed expenditure.

Based on the above factors, the directors consider that the level of uncertainty is not significant and have prepared the financial information on a going concern basis.

3. Segmental reporting

IFRS 8, Operating Segments, requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the company's chief operating decision maker. The chief operating decision maker is considered to be the executive Directors.

The CPHGL Group at this stage comprises only one operating segment for the development and sale of equipment for the electrolytic production of clean hydrogen and oxygen. The operating segments are monitored by the chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results.

All material assets, liabilities, revenues and expenses are located in, or derived in, the United Kingdom with the exception of capitalised patent costs and the related party loan liability in the Irish subsidiary of CPHGL which are denominated in Euros.

4. Exceptional costs and post balance sheet events

In addition to equity settled share based payment charges in respect of share options and warrants, the CPHGL Group also has an LTIP in place with a bonus arrangement payable. Under the accounting standard this is treated as cash settled although it may, by mutual agreement of employee and employer, be settled by the issue of equity. This is linked to the CPHGL Group value and share price over the 3 year period to September 2023 with the accruals booked in non-current liabilities derived from transactions in CPHGL's shares close to the relevant balance sheet date. The charge for the period ended 30 June 2021 was £1,256,000 including the related national insurance costs and the total non current liability accrued at 30 June 2021 was £1,994,000 (31 December 2020: £738,000) reflecting a significant increase in the share price in the period following the receipt of customer orders. This has been disclosed as exceptional in view of its impact on the period and that no cash is payable in the short term.

Subsequent to the period end, the terms of the LTIP have been amended in December 2021 and this will now be an equity settled arrangement in respect of options over up to 530,449 shares. Exercise from 30 June 2024 of 25% is subject to remaining an employee and 75% also to sales related performance conditions. The accrued cash settlement liability will be credited to the income statement in the financial statements as of December 2021 with no liability at that year end. Share based payment charges will be recorded in the income statement over the expected vesting period to 2024 based on the fair value of the modified equity-settled arrangements and credited to equity with a nil net impact on net assets.

5. Earnings per share

The calculation of the basic and diluted loss per share is based on the following data:

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2021 £'000
Loss for the purpose of basic earnings per share being net loss attributable to the shareholders	(396)	(2,084)
Number of shares	Six months ended 30 June 2020 £'000	Six months ended 30 June 2021 £'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	8,344,145	9,164,122

There is no dilutive effect on a loss with potentially dilutive warrants and options in place over 1,345,597 ordinary shares.

6. Major changes in the period in the statement of financial position

The CPHGL Group entered into a new lease for the larger premises now required by the business on 22 June 2021 which runs until April 2029. This resulted in additions to right of use assets and lease liabilities of £1,069,000 in the period.

Intangible assets continue to reflect the investment in the core technology for hydrogen and oxygen production with no amortisation to 30 June 2021.

The first significant orders were received and inventories of £980,000 reflects the purchase of components as well as specific work in progress. Customers have made payments on account with £1,506,000 of deferred income included in trade and other payables at 30 June 2021.

7. Share capital

Allotted, called up and fully paid £0.001 ordinary shares	Number	Share capital £'000	Share premium amount £'000
At 1 January 2020	<i>8,344,145</i>	8	2,275
Issued in the period	—	—	—
As at 30 June 2020	<i>8,344,145</i>	8	2,275
Issued in the period	1,190,453	1	2,720
Cancelled in the period	(454,546)	—	—
As at 31 December 2020	9,080,052	9	4,995
Issued in the period	183,333	—	550
As at 30 June 2021	9,263,385	9	5,545

In the six months ended 30 June 2021, a further 183,333 shares were issued at £3 each. The funds had been received under a short term loan arrangement prior to 31 December 2020 and hence the cashflow for this period ended 30 June 2021 shows no inflow in respect of these shares. £400,000 of cash was received in this period on redemption of a short term bond received as consideration for an issue of shares in November 2020.

Part V | Additional Information

1 Responsibility

The Company, whose registered office appears on page 8 of this Admission Document and the Directors, whose names, business addresses and functions are set out on page 8 of this Admission Document, accept responsibility for the information contained in this Admission Document, including individual and collective responsibility for the Company's compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors and the Company (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Admission Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Incorporation and General

- 2.1 The Company was incorporated and registered in England and Wales on 19 August 2021 under the name CPH2 Group plc and with registered number 13574281 under the Companies Act 2006 ("Companies Act") as a public company limited by shares. On 11 October 2021 the Company changed its name to Clean Power Hydrogen plc.
- 2.2 The Company is a public limited company and accordingly the liability of its members is limited.
- 2.3 The Company was issued a trading certificate under section 761 of the Companies Act on 2 February 2022.
- 2.4 The principal legislation under which the Company was formed and operates is the Companies Act.
- 2.5 The Company's registered office and principal place of business is at Unit D Parkside Business Park, Spinners Road, Doncaster, United Kingdom, DN2 4BL, telephone number +44 (0) 1302 328075.
- 2.6 The Company's accounting reference date is 31 December.
- 2.7 The Company's auditors are PKF Littlejohn LLP of 15 Westferry Circus, London E14 4HD, a firm of chartered accountants registered with the Institute of Chartered Accountants in England and Wales.
- 2.8 The Company's website, which discloses the information required by Rule 26 of the AIM Rules, is accessible via the domain <https://www.cph2.com/>.
- 2.9 The Group's activities and operations are carried out by CPHGL and the Group's principal activity is the research, development and manufacture of systems to supply "Green Hydrogen" and oxygen.
- 2.10 The Company is the parent company of the Group. Save as set out in the following table, there are no other subsidiaries or undertakings in which the Company has (at the date of this Admission Document) a proportion of capital likely to have a significant effect on an assessment of the Company's assets and liabilities, financial position or profits and losses:

Name and registered number	Principal Activity	Status	Country of Incorporation	Shareholder	Percentage of issued share capital or interest held by listed shareholder and proportion of voting power
Clean Power Hydrogen Group Limited	Principal Trading Company	Active	UK (England)	Company	100%
Clean Power Hydrogen Limited	Holds Intellectual Property	Active	Republic of Ireland	CPHGL	100%
Hydrogen United Limited	Dormant	Dormant	UK (England)	CPHGL	100%
CPH2 Northern Ireland Limited	Dormant	Dormant	UK (NI)	CPHGL	51%

3 Share capital

3.1 All of the Ordinary Shares rank equally in all respects. There are no conversion or exchange rights attached to the Ordinary Shares and they have equal rights to participate in capital, dividend and profit distributions by the Company.

3.2 The issued share capital of the Company immediately prior to the Placing and Admission and as it will be immediately following the Placing and Admission is set out below:

Immediately prior to the Placing and Admission		Immediately following the Placing and Admission	
Number of Ordinary Shares	Aggregate nominal value	Number of Ordinary Shares	Aggregate nominal value
198,753,300	£1,987,533	265,419,967	£2,654,199.67

3.3 The history of the Company's share capital from the date of incorporation to the date of this Admission Document is as follows:

- (a) on incorporation, the issued share capital of the Company was £1, which comprised of one ordinary share of £1 in the capital of the Company;
- (b) by ordinary resolution dated 21 October 2021, the issued share capital of the Company was subdivided from one ordinary share of £1 to 100 ordinary shares of £0.01 each in the capital of the Company;
- (c) on 1 February 2022 the Company issued 185,267,700 Ordinary Shares in consideration of the transfer to the Company of the entire issued share capital of CPHGL (the "CPHGL Acquisition");
- (d) on 1 February 2022 the Company granted options (details of which are set out in paragraph 3.13 below) over in aggregate:
 - (i) 11,410,220 Ordinary Shares in exchange for the surrender of EMI options that had been granted by CPHGL to option holders over the same proportion of that company's issued share capital and on equivalent terms (the "Exchanged EMI Options"); and
 - (ii) 13,426,440 Ordinary Shares to replace unapproved options that had been granted by CPHGL to option holders over the same proportion of that company's issued share capital, that are capable of being exercised after the Placing (the "Replacement Unapproved Options");
- (e) on 1 February 2022 the Company granted warrants over in aggregate 2,075,280 Ordinary Shares (the "Warrants") in exchange for the surrender of warrants that had been granted by CPHGL to warrant holders over the same proportion of that company's issued share capital and generally on the same terms;
- (f) on 10 February 2022 the Company issued 2,075,280 Ordinary Shares on the exercise of the Warrants.
- (g) on 10 February 2022, the Company granted options (details of which are set out in paragraph 3.13 below) over 10,608,980 Ordinary Shares to Jonathan Duffy under the Unapproved Scheme; and
- (h) on 10 February 2022 the Company issued 11,410,220 Ordinary Shares conditional upon Admission following the exercise of options pursuant to the Exchanged EMI Options.

3.4 By ordinary resolution passed on 1 February 2022, the Directors were generally and unconditionally authorised for the purposes of section 551 of the Companies Act to exercise all the powers of the Company to allot:

- (a) shares in the Company or grant rights to subscribe for or to convert any security into shares in the capital of the Company up to a maximum aggregate nominal amount of £1,852,677 in connection with the CPHGL Acquisition;

- (b) shares in the Company or grant rights to subscribe for or to convert any security into shares in the capital of the Company up to an aggregate nominal amount of £700,000 in connection with the Placing;
- (c) shares in the Company or grant rights to subscribe for or to convert any security into shares in the capital of the Company up to an aggregate nominal amount of £354,456.40 in connection with Exchanged EMI Options and the Share Option Schemes;
- (d) shares in the Company or grant rights to subscribe for or to convert any security into shares in the capital of the Company up to an aggregate nominal amount of £20,752.80 in connection with the Warrants;
- (e) shares in the Company or grant rights to subscribe for or to convert any security into shares in the capital of the Company up to a maximum aggregate nominal amount of £895,844.33 (being approximately one third of the anticipated issued share capital of the Company on Admission); and
- (f) equity securities of the Company (within the meaning of section 560 of the Companies Act) in connection with an offer of such securities by way of a Rights Issue (as defined in the resolution below) up to an aggregate nominal amount of £895,844.33 (being approximately one third of the of the anticipated issued share capital of the Company at Admission);

provided this authority expires on 31 December 2022 or at the conclusion of the next annual general meeting of the Company, if earlier, but so that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to such an offer or agreement as if this authority had not expired.

3.5 By special resolution passed on 1 February 2022, the Directors were empowered pursuant to section 570 of the Companies Act to allot equity securities (as defined in section 560 of the Companies Act) for cash pursuant to the authority referred to in paragraph 3.4 above as if section 561(1) of the Companies Act did not apply to any such allotment, such power being limited to the allotment of equity securities:

- (a) pursuant to the CPHGL Acquisition up to an aggregate nominal value of £1,852,677;
- (b) pursuant to the Placing up to an aggregate nominal value of £700,000;
- (c) pursuant to the Exchanged EMI Options and Share Option Schemes up to an aggregate nominal value of £354,456.40;
- (d) pursuant to the Warrants up to an aggregate nominal value of £20,752.80;
- (e) in connection with an offer of such securities by way of a Rights Issue; and
- (f) up to an aggregate nominal amount of £134,376.65 (being approximately 5 per cent of the entire issued share capital of the Company at Admission);

such authority shall expire on 31 December 2022 or at the conclusion of the next annual general meeting of the Company, if earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if this power had not expired.

3.6 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

3.7 The Ordinary Shares are in registered form and capable of being held in uncertificated form. Application has been made to Euroclear for the Ordinary Shares to be enabled for dealing through CREST as a participating security. None of the Ordinary Shares are being marketed or made available in whole or in part to the public in conjunction with the application for Admission other than pursuant to the Placing. The records in respect of the Ordinary Shares held in uncertificated form will be held by the Registrars.

3.8 There are no shares held by or on behalf of the Company in itself and no shares in the Company held by any other member of the Group.

- 3.9 The Company does not have in issue any securities not representing share capital.
- 3.10 No person has any acquisition right over, and the Company has no obligation over, its unissued share capital and the Company has not given any undertaking to increase its capital.
- 3.11 The proposed issue of the New Ordinary Shares pursuant to the Placing will be carried out by virtue of the authorities contained in paragraphs 3.4 and 3.5 above.
- 3.12 The provisions of section 561 of the Companies Act (to the extent not disapplied pursuant to section 570 of the Companies Act) confer on Shareholders rights of pre-emption in respect of the allotment of equity securities and sales of equity securities held in treasury which are or are to be paid in cash, and apply to the unissued share capital of the Company to the extent not disapplied as described in this paragraph 3. Subject to certain limited exceptions and save pursuant to any disapplication which is for the time being in effect, unless the approval of Shareholders in a general meeting is obtained, the Company must normally offer Ordinary Shares to be issued for cash to the holders of existing Ordinary Shares on a *pro rata* basis.
- 3.13 On 1 February 2022 the Company granted options over in aggregate 24,836,660 Ordinary Shares comprising (i) the Exchanged EMI Options issued in exchange for the surrender of EMI options that had been granted by CPHGL under the Clean Power Hydrogen Group Limited Share Option Scheme 2018 (the “CPHGL Scheme”) to the option holders over the same proportion of that company’s issued share capital and on equivalent terms and (ii) the Replacement Unapproved Options issued to replace unapproved options that had been granted by CPHGL to option holders over the same proportion of that company’s issued share capital, on the terms of the Unapproved Scheme summarised in paragraph 9 below. The options granted were as follows:

Option holder	No. of Ordinary Shares	Option Scheme	Exercise price per Ordinary Share (£)	Exercise period/ condition
Jonathan Duffy	6,410,220	Equivalent terms to the CPHGL Scheme	0.035	Exercise at any time after one month from the date of grant of the original CPHGL EMI option. Lapse on Admission.
Jonathan Duffy	2,764,160	Unapproved Scheme	0.035	Exercise at any time within 10 years of grant.
Ricki Smith	2,000,000	Unapproved Scheme	0.25	Exercise at any time within 10 years of grant.
Ian Pillay	5,000,000	Equivalent terms to the CPHGL Scheme	0.035	Exercise immediately before a Sale or Flotation. Lapse on Admission
Henry Price	8,662,280	Unapproved Scheme	0.035	Exercise at any time within 10 years of grant.

The Exchanged EMI Options issued in exchange for the CPHGL EMI options were exercised on 10 February 2022.

- 3.14 On 10 February 2022 the Company granted options over 10,608,980 Ordinary Shares to Jonathan Duffy at an exercise price of £0.085 per share under the Unapproved Scheme. 25 per cent. of these options will become exercisable in June 2024 with the balance being conditional upon the Group achieving a specific level of sales.
- 3.15 Following Admission, the Company intends to operate the Share Option Schemes (as defined in paragraph 9 below).
- 3.16 The Company does not have any limit on its authorised share capital as the concept of authorised share capital does not exist in the Companies Act, under which the Company is incorporated.

- 3.17 The holders of Existing Ordinary Shares will be diluted by the issue of the New Ordinary Shares. The effective dilution rate, assuming none of the holders of the Existing Ordinary Shares participates in the Placing, is 25.12 per cent.
- 3.18 The net asset value of an existing Ordinary Share prior to the issue of the New Ordinary Shares, based on the net assets of the Company as at 31 December 2020, is 1.48 pence per share. The Placing Price is 45 pence.
- 3.19 Save as disclosed in this Admission Document:
- (a) no share or loan capital of the Company has been issued or is proposed to be issued;
 - (b) there are no Ordinary Shares in the Company not representing capital;
 - (c) there are no Ordinary Shares held by or on behalf of the Company itself;
 - (d) there are no outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company;
 - (e) there are no acquisition rights and/or obligations over authorised but unissued share capital of the Company and the Company has made no undertaking to increase its share capital; and
 - (f) no share or loan capital of the Company is under option and the Company has not agreed to conditionally or unconditionally put any share of loan capital of the Company under option.
- 3.20 Save as disclosed in this Admission Document, no commission, discounts, brokerages or other specific terms have been granted by the Company in connection with the issue or sale of any of its share or loan capital.
- 3.21 The Company has unrestricted corporate capacity and can borrow, guarantee and give security.
- 3.22 The Ordinary Shares are freely transferable without restriction.

4 Articles of Association

The Articles contain provisions, *inter alia*, to the following effect:

4.1 Objects

The Company has unrestricted objects in accordance with the Companies Act.

4.2 Voting rights

Subject to the rights or restrictions referred to in paragraph 4.3 below and subject to any special rights or restrictions as to voting for the time being attached to any shares, on a show of hands (i) every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote; and (ii) every proxy appointed by a member shall have one vote save that every proxy appointed by one or more members to vote for the resolution and by one or more other members to vote against the resolution, has one vote for and one vote against.

4.3 Restrictions on voting

A member of the Company is not entitled, either in person or by proxy, in respect of any share held by them, to be present at any general meeting of the Company unless all amounts payable by them in respect of that share have been paid.

A member of the Company will not, if the directors determine, be entitled to attend general meetings and vote or to exercise rights of membership if they or another person appearing to be interested in the relevant shares have failed to comply with a notice given under section 793 of the Companies Act within 14 days. The restrictions will continue for the period specified by the board provided that such period will end not later than seven days after the earliest of (i) due compliance to the satisfaction of the board with the section 793 notice; or (ii) receipt by the Company of notice that the shareholding has been sold to a third party pursuant to an arm's length transfer.

4.4 Dividends

The Company may, by ordinary resolution, declare a dividend to be paid to the members, according to their respective rights and interests in the profits. The directors may pay such interim dividends as appear to the board to be justified by the financial position of the Company. No dividends payable in respect of an Ordinary Share will bear interest. The directors may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares the right to elect to receive further Ordinary Shares, credited as fully paid instead of cash in respect of all or part of a dividend (a “scrip dividend”). The directors may, pursuant to the provisions of the Articles relating to disclosure of interests, withhold dividends or other sums payable in respect of shares which are the subject of a notice under section 793 of the Companies Act and which represent 0.25 per cent. or more in nominal value of the issued shares of their class and in respect of which the required information has not been received by the Company within 14 days of that notice and the member holding those shares may not elect, in the case of a scrip dividend, to receive shares instead of that dividend.

The Company or its directors may fix a date as the record date for a dividend provided that the date may be before, on or after the date on which the dividend, distribution, allotment or issue is declared. A dividend unclaimed for a period of 12 years from the date when it became due for payment will be forfeited and cease to remain owing by the Company.

4.5 Return of capital

If the Company is wound up, the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division will be carried out as between the members or different classes of members. Alternatively, the liquidator may, with the same sanction, vest the whole or any part of the assets in trustees on trusts for the benefit of the members as the liquidator, with the same sanction, thinks fit but no member will be compelled to accept any assets on which there is any liability.

4.6 Variation of rights

Any rights attaching to a class of shares in the Company may be varied either with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of the class held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of the relevant class. The quorum for the separate general meeting is two persons holding, or represented by proxy, not less than one-third in nominal value of the issued shares of the relevant class (excluding any shares of the class held as treasury shares).

4.7 Transfer of shares

Subject to the restriction set out in this paragraph, any member may transfer all or any of their shares in any manner which is permitted by the Companies Act or in any other manner which is from time to time approved by the board. A transfer of a certificated share shall be in writing in the usual common form or in any other form permitted by the Companies Act or approved by the board. The transferor is deemed to remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect of those shares. All transfers of uncertificated shares shall be made by means of the relevant system or in any other manner which is permitted by the Companies Act and is from time to time approved by the board.

The directors have a discretion to refuse to register a transfer of a certificated share which is not fully paid (provided that this does not prevent dealings in the shares from taking place on an open and proper basis). The directors may also decline to register a transfer of shares in certificated form unless (i) the instrument of transfer is deposited at the office of the Company or such other place as the board may appoint, accompanied by the certificate for the shares to which it relates if it has been issued and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer and, if the transfer is signed by some other person on their behalf, the authority of that person so to do; (ii) the instrument of transfer is in respect of only one class of share and (iii) is in favour of no more than four transferees. The directors may, pursuant to the provisions of the Articles relating to disclosure of interests, decline to register a transfer in respect of shares which are the subject of a notice under section 793 of the Companies Act and which represent at least 0.25 per cent. of the issued shares of their class (exclusive of treasury shares), and

in respect of which the required information has not been received by the Company within 14 days after service of the notice.

Save as aforesaid, the Articles contain no restrictions as to the free transferability of fully paid shares.

4.8 Alteration of capital and purchase of own shares

The Company may alter its share capital in accordance with the provisions of and in any manner permitted by the Companies Act.

4.9 General meetings

(a) Annual general meetings

The board will convene and the Company will hold annual general meetings in accordance with the requirements of the Companies Act.

(b) Convening of general meetings

All meetings other than annual general meetings will be called general meetings. The board may convene a general meeting whenever it thinks fit. The board may also summon a general meeting for the purpose of appointing additional directors where there is a vacancy in the number of directors and such number of directors is less than the minimum fixed for the quorum. A general meeting will also be convened by the board on the requisition of members pursuant to the provisions of the Companies Act or, in default, may be convened by such requisitions, as provided by the Companies Act. The board will comply with the provisions of the Companies Act regarding the giving and the circulation, on the requisition of members, of notices of resolutions and of statements with respect to matters relating to any resolution to be proposed or business to be dealt with at any general meeting of the Company.

(c) Orderly conduct of meetings

The board may, both prior to and during any general meeting, make any arrangements and impose any restrictions which it considers appropriate to ensure the security and/or the orderly conduct of any such general meeting, including, without limitation, arranging for any person attending any such meeting to be searched, for items of personal property which may be taken into any such meeting to be restricted and for any person (whether or not a member of the Company) who refuses to comply with any such arrangements or restrictions to be refused entry to or excluded from any such meeting.

(d) Notice of general meetings

Subject to the provisions of the Companies Act, an annual general meeting and all other general meetings of the Company will be called by at least such minimum period of notice as is prescribed under the Companies Act for the type of meeting concerned.

The notice will specify the place, day and time of the meeting and the general nature of the business to be transacted.

Notice of every general meeting will be given to all members other than any who, under the provisions of the Articles or the terms of issue of the shares which they hold, are not entitled to receive such notices from the Company, and also to the auditors (or, if more than one, each of them) and to each director.

Every notice of meeting will state with reasonable prominence that a member entitled to attend, speak and vote at the meeting may appoint one or more proxies to attend, speak and vote at that meeting instead of them and that a proxy need not be a member of the Company (or such longer time not exceeding one hour as the chair of the meeting may decide to wait).

(e) Quorum

No business, other than the appointment of a chair, will be transacted at any general meeting unless the requisite quorum is present when the meeting proceeds to business.

Except as otherwise provided by the Articles two persons entitled to attend and to vote on the business to be transacted, each being a member present in person or by proxy or a duly authorised

representative of a corporation which is a member will be a quorum. If within 15 minutes from the time appointed for the commencement of a general meeting a quorum is not present, or if during the general meeting a quorum ceases to be present, the meeting, if convened by or on the requisition of members, will be dissolved. In any other case, it will stand adjourned to such other day, time and place as the chair may, subject to the Companies Act, determine. If at an adjourned meeting a quorum is not present within 15 minutes from the time fixed for holding the meeting, or if during the general meeting a quorum ceases to be present, the adjourned meeting will be dissolved.

(f) Chair

At each general meeting, the chair of the board or, if they are absent or unwilling, the deputy chair will preside as chair at every general meeting. If there is no chair or deputy chair, or if at any meeting neither the chair nor the deputy chair is present within 15 minutes after the time fixed for the commencement of the general meeting, or if neither the chair nor the deputy chair is willing to act as chair, the directors present will choose one of their number to act, or if one director only is present they shall preside as chair of the meeting if willing to act. If no director is present, or if each of the directors present declines to take the chair, the persons present and entitled to vote shall appoint one of their number to be chair of the meeting.

(g) Directors entitled to attend and speak

Each director will be entitled, whether or not they are a member, to attend and speak at any general meeting of the Company and at any separate general meeting of the holders of any class of shares of the Company.

(h) Adjournment

With the consent of any meeting at which a quorum is present, the chair of the meeting may (and if so directed by the meeting will) adjourn the meeting either same day or to another time or place.

In addition, the chair of the meeting may, at any time without the consent of the meeting, adjourn the meeting (whether or not it has commenced or a quorum is present) either sine die or to another time or place if, in their opinion, it would facilitate the conduct of the business of the meeting to do so, notwithstanding that by reason of such adjournment some members may be unable to be present at the adjourned meeting. Any such member may nevertheless appoint a proxy for the adjourned meeting in accordance with all Articles.

(i) Method of voting and demand for poll

At a general meeting, a resolution put to the vote of the meeting will be decided on a show of hands, unless (before or immediately after the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (i) the chair of the meeting; or
- (ii) any two directors; or
- (iii) not less than five members present in person or by proxy having the right to vote on the resolution; or
- (iv) a member or members present in person or by proxy representing in aggregate not less than 10 per cent. of the total voting rights of all the members having the right to vote on the resolution (excluding any voting rights attached to any shares in the Company held as treasury shares); or
- (v) a member or members present in person or by proxy holding shares conferring the right to vote on the resolution on which an aggregate sum has been paid up equal to not less than 10 per cent. of the total sum paid up on all the shares conferring that right (excluding any shares in the Company conferring a right to vote at the meeting which are held as treasury shares),

and a demand for a poll by a person as proxy for a member shall be as valid as if the demand were made by the member themselves.

(j) Taking a poll

If a poll is demanded (and the demand is not withdrawn), it will be taken at such time (either at the meeting at which the poll is demanded or within 30 days after the meeting), at such place and in such manner as the chair of the meeting shall direct and they may appoint scrutineers (who need not be members).

(k) Proxies

A proxy need not be a member of the Company and a member may appoint more than one proxy in relation to a meeting to attend and to speak and to vote on the same occasion provided that each proxy is appointed to exercise the rights attached to a different share or shares held by a member.

(l) Form of proxy

An appointment of a proxy will be in writing in:

- (i) hard copy in any usual form or in any other form which the board may approve, signed by the appointor or their agent duly authorised in writing or, if the appointor is a corporation, will either be executed under its common seal or be signed by some agent or officer authorised to sign it; or
- (ii) electronic form.

(m) Deposit of proxy

The appointment of a proxy will:

- (i) in the case of an appointment in hard copy form, be delivered by hand or by post to the office or such other place within the UK as may be specified by or
- (ii) on behalf of the Company for that purpose (ii) in the notice convening the meeting or in any form of proxy sent by or on behalf of the Company in relation to the meeting, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting to which it relates;
- (iii) in the case of an appointment in electronic form, be received at an address specified (or is deemed by a provision in the Companies Act to have been specified) by or on behalf of the Company for the purpose of receiving documents or information in electronic form (i) in the notice convening the meeting or (ii) in any form of proxy sent by or on behalf of the Company in relation to the meeting or (iii) in any invitation in electronic form to appoint a proxy issued by or on behalf of the Company in relation to the meeting or (iv) on a website that is maintained by or on behalf of the Company and identifies the Company, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting to which it relates;
- (iv) in the case of a poll which is taken more than 48 hours after it is demanded, be delivered or received as aforesaid not less than 24 hours before the time appointed for the taking of the poll; or
- (v) in the case of a poll which is not taken at the meeting at which it is demanded but is taken not more than 48 hours after it was demanded, be delivered in hard copy form at the meeting at which the poll was demanded to the chair or to the secretary or to any director.

In calculating the periods referred to above, no account will be taken of any part of a day that is not a working day, as defined in section 1173 of the Companies Act.

In relation to any shares which are held in uncertificated form, the board may from time to time permit appointments of a proxy to be made by electronic means in the form of an uncertificated proxy instruction.

An appointment of a proxy relating to more than one meeting (including any adjournment thereof) having once been so received for the purposes of any meeting will not require to be received again for the purposes of any subsequent meeting to which it relates.

(n) Notice of revocation of proxy

Notice of the revocation of the appointment of a proxy may be given in any lawful manner which complies with the regulations (if any) made by the directors to govern the revocation of a proxy.

4.10 Directors

(a) Number

Unless otherwise determined by ordinary resolution of the Company, the number of directors (other than alternate directors) will not be less than two but there will be no maximum number of directors.

(b) Appointment of directors

Subject to the provisions of the Articles, any person who is willing to act to be a director, either to fill a vacancy or as an additional director may be appointed by:

- (i) the Company by ordinary resolution; or
- (ii) the board of directors of the Company,

but so that the total number of directors shall not at any time exceed any maximum number fixed by or in accordance with these Articles. Any director so appointed shall retire at the next annual general meeting and shall then be eligible for re- appointment.

(c) No person (other than a director retiring in accordance with the Articles) will be appointed or re-appointed a director at any general meeting unless:

- (i) he is recommended by the board of directors of the Company; or
- (ii) not less than seven nor more than 42 clear days before the date appointed for the meeting notice in writing has been given to the Company by a member entitled to vote at the meeting (other than the person to be proposed) of such member's intention to propose that person for appointment or re-appointment together with confirmation in writing by that person of their willingness to be appointed or re-appointed and the particulars which would, if they were so appointed or re-appointed, be required to be included in the Company's register of directors.

(d) Remuneration

The directors (other than any director who for the time being holds an executive office of employment with the Company or a subsidiary of the Company) will be paid out of the funds of the Company by way of remuneration for their services as determined by the directors. The aggregate of the fees shall not exceed £500,000 per annum (or such larger sum as the Company may, by ordinary resolution, determine). Any fee shall be distinct from any remuneration or other amounts payable to a director under other provisions of the Articles and will accrue from day to day. The directors may be paid all travelling, hotel and other expenses properly incurred in and about the discharge of their duties as directors including expenses incurred in travelling to and from meetings of the board, committee meetings, general meetings and separate meetings of the holders of any class of securities of the Company.

(e) Retirement of directors by rotation

At every annual general meeting any director:

- (i) who has been appointed by the board since the previous annual general meeting;
- (ii) who held office at the time of the two preceding annual general meetings and who did not retire at either of them; or
- (iii) who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the meeting,

will be required to retire from office and may offer themselves for re-appointment by the members.

The names of the directors to retire by rotation will be stated in the notice of the annual general meeting or in any document accompanying the notice. The directors to retire on each occasion will be determined (both as to number or identity) by the composition of the board on the day which is 14 days prior to the date of the notice convening the annual general meeting and no directors will

be required to retire or be relieved from retiring by reason of any change in the number or identity of the directors after that time but before the close of the meeting.

(f) Position of retiring directors

A director who retires at an annual general meeting (whether by rotation or otherwise) may, if willing to continue to act, be re-appointed. If they are re-appointed they are treated as continuing in office throughout. If they are not re-appointed, they will retain office until the end of the meeting or (if earlier) when a resolution is passed to appoint someone in their place or when a resolution to re-appoint the director is put to the meeting and lost.

(g) Removal of directors

The Company may by ordinary resolution, of which special notice has been given in accordance with the Companies Act, remove any director before their period of office has expired notwithstanding anything in the Articles or in any agreement between them and the Company.

(h) Vacation of office of director

Without prejudice to the provisions of the Articles for retirement or removal, the office of a director will be vacated:

- (i) if they cease to be a director by virtue of any provision of the Companies Act or is removed from office pursuant to the Articles;
- (ii) if they are prohibited by law from being a director;
- (iii) if they become bankrupt or they make any arrangement or composition with their creditors generally;
- (iv) if a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months;
- (v) if for more than six months they are absent (whether or not an alternate director attends in their place), without special leave of absence from the board, from meetings of the board held during that period and the board resolves that their office be vacated; or
- (vi) if they serve on the Company notice of their wish to resign, in which event they will vacate office on the service of that notice on the Company or at such later time as is specified in the notice.

(i) Executive Directors

The board, or any committee authorised by the board, may from time to time appoint one or more directors to hold any employment or executive office with the Company including that of chair, chief executive or managing director for such a period (subject to the provisions of the Companies Act) and on such terms as the board determine.

A director appointed to any executive office or employment shall automatically cease to hold that office if they cease to be a director.

(j) Power to appoint alternate directors

Each director may appoint another director or any other person who is willing to act as their alternate and may remove them from that office. The appointment as an alternate director of any person who is not themselves a director will be subject to the approval of a majority of the directors or a resolution of the board.

An alternate director will be entitled to receive notice of all meetings of the board and of all meetings of committees of which the director appointing them is a member, to attend and vote at any such meeting at which the director appointing them is not personally present and at the meeting to exercise and discharge all the functions, powers and duties of their appointor as a director and for the purposes of the proceedings at the meeting the provisions of the Articles will apply as if they were a director.

Every person acting as an alternate director shall have one vote for each director for whom they act as alternate, in addition to their own vote if they are also a director, but they will count as only one for the purpose of determining whether a quorum is present.

(k) Quorum and voting requirements

A director shall not vote on (or be counted in the quorum) in relation to any resolution of the board concerning their own appointment (including fixing or varying its terms), or the termination of their own appointment, as the holder of any office or place of profit with the Company or any other company in which the Company is interested but, where proposals are under consideration concerning the appointment (including fixing or varying its terms), or the termination of the appointment, of two or more directors to offices or places of profit with the Company or any other company in which the Company is interested, those proposals may be divided and a separate resolution may be put in relation to each director and in that case each of the directors concerned (if not otherwise debarred from voting under the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution unless it concerns their own appointment or the termination of their own appointment.

A director shall not be entitled to vote on a resolution (or attend or count in the quorum at those parts of a meeting regarding such resolution) relating to a transaction or arrangement with the Company in which they are interested, save:

- (i) where the other directors resolve that the director concerned should be entitled to do so in circumstances where they are satisfied that the director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest; or
- (ii) in any of the following circumstances:
 - (i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by the director or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
 - (ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the director has themselves assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (iii) the giving to them of any other indemnity, where all other directors are also being offered indemnities on substantially the same terms;
 - (iv) the funding by the Company of their expenditure on defending proceedings or the doing by the Company of anything to enable them to avoid incurring such expenditure where all other directors are being offered substantially the same arrangements;
 - (v) any contract concerning an offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer the director is or may be entitled to participate as a holder of securities or they are or are to be interested as a participant in the underwriting or sub-underwriting thereof;
 - (vi) any contract in which the director is interested by virtue of their interest in shares, debentures or other securities of the Company or otherwise in or through the Company;
 - (vii) any contract concerning any other company in which the director is interested, directly or indirectly and whether as an officer, shareholder, creditor or otherwise, unless the company is one in which they have a relevant interest;
 - (viii) any contract relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award them any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
 - (ix) any contract concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to directors and employees of the Company and/or of any of its subsidiary undertakings and does not

provide in respect of any director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates;

- (x) any contract concerning the adoption, modification or operation of a pension fund, superannuation or similar scheme or retirement, death, or disability benefits scheme or employees' share scheme which relates both to directors and employees of the Company or any of its subsidiary undertakings and does not provide in respect of any director as such any privilege or advantage not accorded to employees to which the fund or scheme relates; and
 - (xi) any contract concerning the purchase or maintenance of insurance against any liability, for the benefit of persons including directors.
- (iii) A company shall be deemed to be one in which a director has a relevant interest if and for so long as they (together with persons connected with them within the meaning of sections 252 to 255 of the Companies Act) to their knowledge holds an interest in shares (as determined pursuant to sections 820 to 825 of the Companies Act) representing 1 per cent. or more of any class of the equity share capital of that company (calculated exclusive of any shares of that class in that company held as treasury shares) or of the voting rights available to members of that company or if they can cause 1 per cent. or more of those voting rights to be exercised at their direction; and
- (iv) Where a company in which a director has a relevant interest is interested in a contract, they shall also be deemed interested in that contract.

(I) Conflicts of interest requiring board authorisation

- (i) A "conflict of interest" means, in relation to any person, an interest or duty which that person has which directly or indirectly conflicts or may conflict with the interests of the Company or the duties owed by that person to the Company but excludes a conflict of interest arising in relation to a transaction or arrangement with the Company (to which the provisions of paragraph 4.11 below apply).
- (ii) The board of directors of the Company may, subject to the quorum and voting requirements set out in the Articles, authorise any matter which would otherwise involve a director breaching their duty under the Companies Act to avoid conflicts of interest ("Conflicts").
- (iii) A director seeking authorisation in respect of a Conflict shall declare to the board the nature and extent of their interest in a Conflict as soon as is reasonably practicable. The director shall provide the board with such details of the relevant matter as are necessary for the board to decide how to address the Conflict together with such additional information as may be requested by the board.
- (iv) Any director (including the relevant director) may propose that the relevant director be authorised in relation to any matter the subject of a Conflict. Such proposal and any authority given by the board shall be effected in the same way that any other matter may be proposed to and resolved upon by the board under the provisions of the Articles save that:
 - (i) the relevant director and any other director with a similar interest shall not count towards the quorum nor vote on any resolution giving such authority; and
 - (ii) the relevant director and any other director with a similar interest may, if the other members of the board so decide, be excluded from any board meeting while the Conflict is under consideration.
- (v) Where the board gives authority in relation to a Conflict, or where any of the situations described in this paragraph 4.10(I)(v) applies in relation to a director (a "Relevant Situation"):
 - (i) the board may (whether at the relevant time or subsequently) (i) require that the relevant director is excluded from the receipt of information, the participation in discussion and/or the making of decisions (whether at meetings of the board or otherwise) related to the Conflict or Relevant Situation; and (ii) impose upon the relevant director such other terms for the purpose of dealing with the Conflict or Relevant Situation as it may determine;

- (ii) the relevant director will be obliged to conduct themselves in accordance with any terms imposed by the board in relation to the Conflict or Relevant Situation;
 - (iii) the board may provide that where the relevant director obtains (otherwise than through their position as a director of the Company) information that is confidential to a third party, the director will not be obliged to disclose that information to the Company, or to use or apply the information in relation to the Company's affairs, where to do so would amount to a breach of that confidence;
 - (iv) the terms of the authority shall be recorded in writing (but the authority shall be effective whether or not the terms are so recorded); and
 - (v) the board may revoke or vary such authority at any time but this will not affect anything done by the relevant director prior to such revocation in accordance with the terms of such authority.
- (vi) The directors may authorise a matter which may give rise to a Conflict on the part of a person who is proposed to be appointed as a director to the board and any authorisation of such matter by the directors shall promptly be communicated to such person and shall apply to them on their appointment as a director.
- (vii) A director shall not be regarded as having a Conflict by reason of their also being a director of or holding any other position with another member of the Group and the director shall not be in breach of any duty to the Company by reason of their disclosure of any information to the other member of the Group or by anything done by the other member of the Group including the exploitation of any property, information or opportunity following any such disclosure to it by the director. The directors may resolve that a specified company shall no longer be treated as a member of the Group for the purposes of this provision of the Articles.

4.11 Other conflicts of interest

- (a) If a director is in any way, directly or indirectly, interested in a proposed contract with the Company or a contract that has been entered into by the Company, they must declare the nature and extent of that interest to the directors in accordance with the Companies Act.
- (b) Provided they have declared their interest in accordance with paragraph 4.11(a) above, a director may:
 - (i) be party to, or otherwise interested in, any contract with the Company or in which the Company has a direct or indirect interest;
 - (ii) hold any other office or place of profit with the Company (except that of auditor) in conjunction with their office of director for such period and upon such terms, including as to remuneration, as the board may decide, either in addition to or in lieu of any remuneration under any other provision of the Articles;
 - (iii) act by themselves or through a firm with which they are associated in a professional capacity for the Company or any other company in which the Company may be interested (otherwise than as auditor);
 - (iv) be or become a director or other officer of, or employed by or otherwise be interested in any holding company or subsidiary company of the Company or any other company in which the Company may be interested; and
 - (v) be or become a director of any other company in which the Company does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of their appointment as a director of that other company.

(c) Benefits

Subject to the provisions of the Companies Act a director shall not be disqualified by their office from entering into any contract with the Company, either with regard to their tenure of any office or position in the management, administration or conduct of the business of the Company or as vendor, purchaser or otherwise. Subject to the interest of the director being duly declared, a contract entered into by or on behalf of the Company in which any director is in any way interested shall not be liable to be avoided; nor shall any director so interested

be liable to account to the Company for any benefit resulting from the contract by reason of the director holding that office or of the fiduciary relationship established by their holding that office.

(d) Powers of the board

The business of the Company will be managed by the board which may exercise all the powers of the Company, subject to the provisions of the Companies Act and, the Articles. No alteration of the Articles will invalidate any prior act of the board which would have been valid if the alteration had not been made.

(i) Borrowing powers

Subject to the provisions of the Companies Act and the Articles, the board may exercise all the powers of the Company to (a) borrow money, (b) to mortgage or charge all or any part of the Company's undertaking, property, assets (present and future) and uncalled capital, (c) to issue debentures and other securities, (d) and to give security, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party. The board will restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its Subsidiaries so as to secure (in relation to Subsidiaries only so far as by such exercise it can secure) that the aggregate principal amount outstanding at any time in respect of all borrowings by the Group (as defined in the Articles) (exclusive of intra-group borrowing) shall not, without the previous sanction of the Company in general meeting, exceed three times adjusted capital and reserves or any higher limit fixed by ordinary resolution of the Company which is applicable at the relevant time. For this purpose, "adjusted capital and reserves" and "borrowings" have the meaning given to them in the Articles.

(e) Indemnity of officers

Subject to the provisions of, and so far as may be permitted by and consistent with the Companies Act, each current or former director or other officer (other than an auditor) of the Company or any associated company may be indemnified out of the assets of the Company against:

- (i) any liability incurred by or attaching to them in connection with any negligence, default, breach of duty or breach of trust in relation to the Company other than in the case of a current or former director:
 - (i) any liability to the Company or any Associated Company (as defined in the Articles); and
 - (ii) any liability of the kind referred to in section 234(3) of the Companies Act; and
 - (iii) any liability incurred by or attaching to them in connection with the activities of the Company or any associated company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act) other than a liability of the kind referred to in section 235(3) of the Companies Act; and
 - (iv) any other liability incurred by or attaching to them in the actual or purported execution and/or discharge of their duties and/or the exercise or purported exercise of their powers.

4.12 Funding of defence proceedings

For the purpose of this provision in the Articles, references to "liability" include all costs and expenses incurred by the current or former director or other officer (other than an auditor) in relation thereto.

Subject to the provisions of and so far as may be permitted by the Companies Act, the board may exercise all the powers of the Company to:

- (a) provide any current or former director or other officer (other than an auditor) of the Company with funds to meet expenditure incurred or to be incurred by them in defending any criminal or civil proceedings in connection with any alleged negligence, default, breach of duty or breach of trust by them in relation to the Company or an associated company, or in connection with any application for relief under the provisions mentioned in section 205(5) of the Companies Act; and
- (b) do anything to enable any such person to avoid incurring expenditure,

but so that the terms set out in section 205(2) of the Companies Act shall apply to any such provision of funds or other things so done. For the purpose of this provision of the Articles references to “director” in section 205(2) of the Companies Act are to be deemed to include references to a former director or other officer (other than an auditor) of the Company.

The board may purchase and maintain for or for the benefit of any person who holds or has at any time held a relevant office (as defined in the Articles), insurance against any liability or expense incurred by them in relation to the Company or any associated company or any third party in respect of any act or omission in the actual or purported discharge of their duties or otherwise in connection with holding their office.

4.13 Delegation to individual directors

The board may entrust to and confer upon any director any of its powers, authorities and discretions (with power to sub-delegate) on such terms and conditions as it thinks fit and may revoke or vary all or any of them, but no person dealing in good faith shall be affected by any revocation or variation. The power to delegate contained in this provision of the Articles shall be effective in relation to the powers, authorities and discretions of the board generally and shall not be limited by the fact that in certain provisions of the Articles, but not in others, express reference is made to particular powers, authorities or discretions being exercised by the board or by a committee authorised by the board.

4.14 Committees

The board may delegate any of its powers, authorities and discretions (with power to sub-delegate) including without prejudice to the generality of the foregoing all powers, authorities and discretions whose exercise involves or may involve the payment of remuneration to, or the conferring of any other benefit on, all or any of the directors to any committee consisting of such person or persons (whether directors or not) as it thinks fit, provided that the majority of the members of the committee are directors and that no meeting of the committee will be quorate for the purpose of exercising any of its powers, authorities or discretions unless a majority of those present are directors.

4.15 Board meetings

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit.

4.16 Notice of board meetings

Notice of a board meeting will be deemed to be properly given to a director if it is given to them personally or by word of mouth or sent in hard copy form to them at their last known address or any other address given by them to the Company for this purpose or sent in electronic form to them at an address given by them to the Company for this purpose.

4.17 Quorum

The quorum necessary for the transaction of the business of the board may be fixed by the board and, unless so fixed at any other number, will be two. Subject to the provisions of the Articles, any director who ceases to be a director at a board meeting may continue to be present and to act as a director and be counted in the quorum until the termination of the board meeting if no other director objects and if otherwise a quorum of directors would not be present.

4.18 Voting

Questions arising at any meeting will be determined by a majority of votes. In the case of an equality of votes the chair of the meeting will have a second or casting vote, unless they are not, in accordance with the Articles, to be counted as participating in the decision-making process for quorum, voting or agreement purposes.

4.19 Telephone and video conference meetings

A meeting of the board may consist of a conference between directors some or all of whom are in different places provided that each director who participates is able:

- (a) to hear each of the other participating directors addressing the meeting; and
- (b) if they wish, to address all of the other participating directors simultaneously, whether by conference telephone or by video conference or by any other form of communications equipment (whether in use when the Articles are adopted or developed subsequently) or by a combination of any such methods.

A meeting held in this way is deemed to take place at the place where the largest group of participating directors is assembled or, if no such group is readily identifiable, at the place from where the chair of the meeting participates.

4.20 Resolutions in writing

Any director may propose a directors' written resolution and the secretary must propose a written resolution if a director so requests. A resolution in writing signed by all the directors who are entitled to notice of a meeting of the board, to attend such meeting and to vote on such resolution will be as valid and effective as if it had been passed at a meeting of the board duly called and constituted provided that the number of directors signing the resolution is not less than the number of directors required for a quorum necessary for the transaction of the business of the board. The resolution may be contained in one document or in several documents in like form, each signed or approved by one or more of the directors concerned.

5 Takeover Code, Mandatory Bids, Squeeze Out and Sell Out and Notification of Major Interests in Ordinary Shares

Other than as provided by the Takeover Code and Chapter 28 of the Companies Act, there are no rules or provisions relating to mandatory bids and/or squeeze out and sell out rules that apply to the Ordinary Shares of the Company.

Mandatory Bid

The Takeover Code applies to the Company. Under Rule 9 of the Takeover Code, if an acquisition of an interest in shares in the Company were to increase the aggregate interests of the acquirer and persons acting in concert with it to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, the persons acting in concert with it would be required (except with the consent of the Takeover Panel) to make an offer for the outstanding shares in the Company. Any such offer must be in cash (or accompanied by a cash alternative) at not less than the highest price paid by the acquirer or any person acting in concert with it for an interest in shares in the Company during the previous 12 months.

A similar obligation to make a mandatory cash offer would also arise on an acquisition of an interest in shares in the Company by a person who (together with persons acting in concert with it) is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights in the Company but who does not hold shares carrying more than 50 per cent. of such voting rights if the effect of the acquisition were to increase the percentage of shares carrying voting rights in the Company in which that person is interested.

Concert party table

A table showing the members of the Concert Party and their interests appears at paragraph 24 of Part I of this Admission Document.

Squeeze Out

Under the Companies Act, if a “takeover offer” (as defined in section 974 of the Companies Act) is made by an offeror to acquire all of the shares in the Company not already owned by it and the offeror were to acquire, or contract to acquire, not less than 90 per cent. in value of the ordinary shares which are the subject of such offer and not less than 90 per cent. of the voting rights carried by those shares, the offeror could then compulsorily acquire the remaining shares. The offeror would do so by sending a notice to outstanding shareholders before the end of the 3 month period beginning on the day after the last day on which the offer can be accepted. The notice must be made in the prescribed manner. Six weeks later, the offeror would send a copy of the notice to the Company together with an instrument of transfer executed in respect of the outstanding ordinary shares on behalf of the holder in favour of the offeror and pay the consideration for those ordinary shares. The Company would hold the consideration on trust for outstanding shareholders. The consideration offered to those shareholders whose ordinary shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the original offer unless a member can show the offer value is unfair.

Sell-out Rules

The Companies Act gives minority shareholders a right to be bought out in certain circumstances by a person who has made a takeover offer. If a takeover offer related to all the shares in the Company and at any time before the end of the period within which the offer could be accepted, the offeror holds, or has agreed to acquire, not less than 90 per cent. in value of the ordinary shares and not less than 90 per cent. of the voting rights in the Company, any holder of ordinary shares to which the offer relates who has not accepted the offer can, by a written communication to the offeror, require it to acquire that holder’s ordinary shares.

The offeror is required to give each Shareholder notice of their right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out but that period cannot end less than three months after the end of the acceptance period or, if later, three months after the date specified in the notice given by the offeror. If a Shareholder exercises their rights, the offeror is entitled and bound to acquire those ordinary shares on the terms of the offer or on such other terms as may be agreed.

Notification of Major Interests in Ordinary Shares

Chapter 5 of the Disclosure Guidance and Transparency Rules makes provisions regarding notification of certain shareholdings and holdings of financial instruments.

Where a person holds voting rights in the Company as a Shareholder through direct or indirect holdings of financial instruments, then that person has an obligation to make a notification to the FCA and the Company of the percentage of voting rights held where that percentage reaches, exceeds or falls below three per cent. or any whole percentage point above three per cent.

The requirement to notify also applies where a person is an indirect Shareholder and can acquire, dispose of or exercise voting rights in certain cases.

Shareholders are encouraged to consider their notification and disclosure obligations carefully as a failure to make any required notification to the Company may result in disenfranchisement pursuant to the Articles.

6 Additional information on the Directors

6.1 The Directors of the Company and their respective functions are set out at paragraph 16 of Part I of this Admission Document.

6.2 The Directors currently hold and have held the following directorships and/or been a partner in the following partnerships within the five years prior to the date of this Admission Document in addition to their directorships of the Company and its Subsidiaries:

Director	Current directorships and interests in partnerships (other than the Company and its Subsidiaries)	Previous directorships and interests in partnerships held in the last five years
Christopher Train	CT Energy Limited The Nuclear Decommissioning Authority	Cadent Finance PLC Cadent Services Limited Energy Networks Association Cadent Gas Limited Quadgas Finance PLC Gas Net Czech Rep
Jonathan Duffy	Abbott & Co. (Newark) Limited Unibio International plc Frisel Consultancy Limited	AF Affinity Limited AF Biomass Limited AF Direct Limited AF Finance Limited Agricultural Industries Confederation Limited Anglia Farmers Limited
Clive Brook	North West Business Finance Limited Amberley Business Services Limited	
Natalie Fortescue	FUTH Consulting Limited Serinus Energy PLC	Hot Penny Properties Ltd
Ricki Smith	RBS Enterprises (Southwell) Ltd Shireoaks Property Ltd Southwell Property Services Limited	AJS Group Limited Berry's Holdings Limited Berry's Printing Works (Westport) Limited BP Media Limited BP Media Technology Ltd Chase Midco 1 Limited Chase Topco Limited Field Bowmore Bristol (Holdings) Limited Field Boxmore Ireland Limited Field Boxmore Label Systems Limited Field First Limited Field Packaging Limited First Carton Pazo Ltd First Carton Thyne Ltd GCM Print & Packing Service Limited Label Research Limited Lithoprint Holdings Limited Multi Packaging Solution Westport Limited Multi Packaging Solutions Acquisitions 1 Limited Multi Packaging Solutions Asia Holdings Limited Multi Packaging Solutions Belfast Limited Multi Packaging Solutions Bristol Limited

Director	Current directorships and interests in partnerships (other than the Company and its Subsidiaries)	Previous directorships and interests in partnerships held in the last five years
		Multi Packaging Solutions Dublin Limited Multi Packaging Solutions Featherstone Limited Multi Packaging Solutions Finance Limited Multi Packaging Solutions France SA Multi Packaging Solutions GB Limited Multi Packaging Solutions Global Holdings Limited Multi Packaging Solutions Hilington Limited Multi Packaging Solutions Leasing Limited Multi Packaging Solutions Limerick Limited Multi Packaging Solutions Limited Multi Packaging Solutions Littlehampton Limited Multi Packaging Solutions UK Limited RT Projects (Nottingham) Ltd Multi Packaging Solutions Netherlands BV

6.3 Jonathan Duffy was appointed as a director of AF Biomass Limited on 8 March 2017. He resigned as a director of AF Biomass Limited on 28 August 2020. AF Biomass Limited appointed administrators on 22 June 2021. The Administrator's report shows a deficit of £18,879,789. The company's trade was the purchase of straw and resale to the livestock and energy markets (in particular power stations). The latest filed accounts prior to the administration related to the year ended 31 January 2020. The balance sheet showed net assets of £147,000 and a small profit in that financial year. The Statement of Affairs, filed by the Administrator, showed liabilities to power stations of £17.8m, out of the deficit of £18.8m. Mr Duffy has informed the Company that he believes these to be the value of long-term delivery contacts for future deliveries of straw to the power stations, rather than an actual liability at the date of the Administration.

6.4 Save as set out in paragraph 6.3, at the date of this Admission Document none of the Directors:

- (a) has any unspent convictions in relation to indictable offences;
- (b) has been declared bankrupt or has been the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such Director;
- (c) has been a director of any company which, while they were a director, or within twelve months after they ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors' voluntary liquidation, administration or company voluntary arrangement or made any composition or arrangement with its creditors generally or with any class of its creditors;
- (d) has been a partner in any partnership which while they were a partner, or within twelve months after they ceased to be a partner, went into any compulsory liquidation, administration or partnership voluntary arrangement or had a receiver appointed to any partnership asset;
- (e) has been the owner of any asset which has been placed in receivership, or been a partner in a partnership which owned that asset or while they were a partner or within twelve months after they ceased to be a partner in the partnership which owned that asset, entered into receivership; or
- (f) has been the subject of any public criticisms and/or sanctions by any statutory or regulatory authority (including any recognised professional body); or

- (g) has been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of any company.

7 Directors and other Interests

- 7.1 The interests (within the meaning of sections 820-825 of the Companies Act) of each Director (including the interests of persons connected with them (within the meaning of Section 252 of the Companies Act) which would, if the connected person were a Director be required to be disclosed and the existence of which is known to, or could with reasonable diligence be ascertained by that Director), in the issued share capital of Company, (all of which save where stated otherwise in the notes below, are beneficial interests) as is expected to be immediately prior to the Placing and Admission and as will be immediately following the Placing and Admission, are as follows:

	Immediately prior to the Placing and Admission		Immediately following the Placing and Admission	
	No. of Existing Ordinary Shares	Percentage of Existing Ordinary Shares	No. of Ordinary Shares	Percentage of Enlarged Issued Share Capital
Christopher Train	Nil	0	Nil	0
Jonathan Duffy	7,946,240	4.00	7,355,707	2.77
Clive Brook	9,860,820	4.96	9,860,820	3.72
Natalie Fortescue	Nil	0	Nil	0
Ricki Smith	Nil	0	Nil	0

- 7.2 The following options over Ordinary Shares have been granted to certain of the Directors and remain exercisable following Admission, such options being exercisable at the price and on the dates or occurrence of events shown below:

Director	No. of Ordinary Shares	Percentage of issued share capital at Admission	Option Scheme	Date of Grant	Exercise price per Ordinary Share (£)	Exercise period/condition
Jonathan Duffy	2,764,160	1.04	Unapproved Scheme	1 February 2022	0.035	Exercise at any time.
Jonathan Duffy	10,608,980	4.00	Unapproved Scheme	10 February 2022	0.085	25% June 2024 balance on performance conditions
Ricki Smith	2,000,000	0.75	Unapproved Scheme	1 February 2022	0.25	Exercise at any time.

- 7.3 Save as disclosed in paragraphs 3 and 7 of this Part V:

- (a) none of the Directors has any interest in the share capital or loan capital of the Company or any of its subsidiaries nor has any director any interest in a related financial product referenced to the Ordinary Shares nor does any person connected with the Directors (within the meaning of Section 252 of the Companies Act) have any such interest whether beneficial or non- beneficial; and
- (b) as at the date of this Admission Document, no Director has any option over or warrants to subscribe for any shares in the Company.

- 7.4 Save for the service agreement and letters of appointment referred in paragraph 8 of this Part V, the Placing Agreement, the Selling Shareholder Agreements and Lock-In and Orderly Market Agreements referred to in paragraph 11 of this Part V, and Options granted under the Share Option Schemes, there are no agreements, arrangements or understanding (including compensation agreements) between any of the Directors or Shareholders connected with or dependent upon Admission.

- 7.5 In addition to the interests of the Directors set out in paragraphs 7.1 and 7.2 above in so far as is known to the Company, the following persons will immediately prior to the Placing and Admission and immediately following the Placing and Admission be directly or indirectly interested in 3 per cent. or more of the issued share capital of the Company.

	Prior to the Placing and Admission		Immediately following the Placing and Admission	
	No. of Existing Ordinary Shares	Percentage of Existing Ordinary Shares	No. of Ordinary Shares	Percentage of Enlarged Issued Share Capital
Joe Scott ¹	39,311,720	19.78	39,077,920	14.81
Nigel Williamson	24,410,500	12.28	24,410,500	9.20
Manny Davidson Discretionary Trust	17,000,000	8.55	19,096,436	7.19
Elie Dangoor	10,400,000	5.23	10,400,000	3.92
Charles Monroe	9,090,900	4.57	9,090,900	3.43
Rodney Brook	8,090,920	4.07	8,090,020	3.05
Kenera Energy Solutions Limited	Nil	0	16,111,111	6.07

¹ 37,288,380 Ordinary Shares are held by Joe Scott Mouldings Limited

- 7.6 Save as disclosed above, there are no persons, so far as the Directors are aware, who will immediately following Admission be interested, directly or indirectly, in three per cent or more of the issued share capital, nor, so far as the Company is aware, are there any persons who at the date of Admission, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 7.7 The Directors are not aware of any arrangements in place or under negotiation which may, now or at a later date, result in a change of control of the Company.
- 7.8 Save as disclosed in the Admission Document, no Director is or has been interested in any transactions which are or were unusual in their nature or conditions or significant to the business of the Group and which was effected by the Company or any of its subsidiaries during the current or immediately preceding financial period or which were effected during any earlier financial period and remains in any respect outstanding or unperformed.
- 7.9 Save as disclosed in the Admission Document, there are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any Director. There are no outstanding loans or guarantees provided by the Directors to or for the benefit of the Company.
- 7.10 The Company's share capital consists of Ordinary Shares with equal voting rights (subject to the Articles). Neither the Directors nor any substantial shareholders (as listed in paragraph 7.5 above) have different voting rights to other holders of the share capital of the Company.
- 7.11 Save pursuant to the Share Option Schemes or as disclosed in this Admission Document, none of the Directors holds any securities convertible into Ordinary Shares.
- 7.12 No Director nor (in each case) any member of his or her immediate family nor any person connected with him or her (within the meaning of section 252 of the Companies Act) has a Related Financial Product (as defined in the AIM Rules for Companies) referenced to Ordinary Shares. Save as disclosed in this Admission Document, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by the Company or any of its subsidiaries during the current or immediately preceding financial year or which was effected by the Company or any of its subsidiaries during any earlier financial year and remains in any respect outstanding or unperformed.
- 7.13 Save as disclosed in this Part V of this Admission Document, the Directors and (so far as is known to the Directors having made appropriate enquiries) persons connected with them (which expression shall be construed in accordance with the AIM Rules for Companies) do not have, and are not expected to have immediately following Admission, any options to subscribe for Ordinary Shares.

- 7.14 Save as disclosed in this Admission Document, none of the Directors, nor any member of their respective immediate families (within the meaning set out in the AIM Rules), nor any person connected with them (within the meaning of sections 252 to 254 of the Companies Act), holds or will on Admission be interested, whether beneficially or non-beneficially, directly or indirectly, in the share or loan capital of the Company, any option to subscribe for Ordinary Shares, any voting rights in respect of Ordinary Shares or any securities convertible into shares of the Company or any of its subsidiaries.
- 7.15 Save as disclosed in this Admission Document, none of the Directors has any actual or potential conflicts of interest between their duties to the Company and their private interests and/or other duties they may also have (in each case to the extent such conflicts of interest would constitute a conflict of interest for the purposes of section 175 of the Companies Act).
- 7.16 Save as disclosed in this Admission Document, none of the Directors has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Group, and (save as disclosed in this Admission Document) no contract or arrangement exists in which any Director is materially interested and which is significant in relation to the business of the Group.

8 Directors' service contracts and remuneration

The services of the Directors are (or in the case of the non-executive directors, conditional on and commencing from Admission, are) provided to the Group under the following agreements:

8.1 Executive Directors:

- (a) a service agreement dated 10 February 2022 between (1) the Company and (2) Jonathan Duffy pursuant to which Jonathan Duffy was employed on a full time basis as the Chief Executive Officer of the Company, with his continuous employment beginning on 1 September 2020. Under the terms of the service agreement, Jonathan Duffy's employment is to continue until the expiration of not less than 12 months' prior written notice in writing, such notice to be given by either party to the other, at a salary (subject to annual review) of £250,000 gross per annum inclusive of any fees to which he may be entitled as an officer of the Company or any member of the Group, such salary accruing from day to day and payable in arrears in equal monthly instalments on or about the 23rd day of every month; and
- (b) a service agreement dated 10 February 2022 between (1) the Company and (2) Clive Brook pursuant to which Clive Brook was employed on a part time basis (at an average of three days per week) as the Chief Financial Officer of the Company, with his continuous employment beginning on 1 July 2017. Under the terms of the service agreement, Clive Brook's employment is to continue until the expiration of not less than six months' prior written notice in writing, such notice to be given by either party to the other, at a salary (subject to annual review) of £90,000 gross per annum inclusive of any fees to which he may be entitled as an officer of the Company or any member of the Group, such salary accruing from day to day and payable in arrears in equal monthly instalments on or about the 23rd day of every month; and

8.2 Non-Executive Directors:

- (a) a letter of appointment dated 10 February 2022 between (1) the Company and (2) Christopher Train pursuant to which Christopher Train was appointed with effect from Admission as Chairperson, the appointment to continue until the expiration of not less than three months' prior notice, such notice to be given by either party to the other, Christopher Train to work three to four days per month at a fee (subject to annual review) of £75,000 gross per annum, such fee accruing from day to day and payable in arrears in equal monthly instalments on or about the 23rd day of every month;
- (b) a letter of appointment dated 10 February 2022 between (1) the Company and (2) Natalie Fortescue pursuant to which Natalie Fortescue was appointed with effect from Admission as a senior independent non-executive director, the appointment to continue until the expiration of not less than three months' prior notice, such notice to be given by either party to the other, Natalie Fortescue to work two to three days per month at a fee (subject to annual review) of £40,000 gross per annum and an additional £5,000 per annum while she remains chair of the

Audit Committee, such fee accruing from day to day and payable in arrears in equal monthly instalments on or about the 23rd day of every month; and

- (c) a letter of appointment dated 10 February 2022 between (1) the Company and (2) Ricki Smith pursuant to which Ricki Smith was appointed with effect from Admission as non-executive director, the appointment to continue until the expiration of not less than three months' prior notice, such notice to be given by either party to the other, Ricki Smith to work two to three days per month at a fee (subject to annual review) of £40,000 gross per annum and an additional £5,000 per annum while he remains chair of the Remuneration Committee inclusive of any fees to which he may be entitled as an officer of any other member of the Group, such fee accruing from day to day and payable in arrears in equal monthly instalments on or about the 23rd day of every month.
- 8.3 The aggregate remuneration paid (including pension fund contributions and benefits in kind) to the Directors by members of the Group in respect of the year ended 31 December 2020 was approximately £81,834 and in respect of the year ended 31 December 2021 was approximately 274,774. It is estimated that the aggregate remuneration (including pension fund contributions and benefits in kind but excluding bonuses payable to the Directors by members of the Group in respect of the current financial year (under the arrangements in force at the date of this document) is expected to be £547,500.
- 8.4 Save as disclosed in this paragraph 8, there are no service agreements or agreements for the provision of services existing or proposed between the Directors and the Company, and no Director is entitled to receive any benefits upon termination of their service agreement or letter of appointment other than salary and benefits accrued on the date of such termination.
- 8.5 The agreements entered into by the Company for the services of its Directors (as described in paragraphs 8.1 and 8.2) contain restrictive covenants which are appropriate for such agreements and are on normal terms.
- 8.6 All of the above service agreements and letters of appointment are governed by English law.

9 Share Option Schemes

- 9.1 On 1 February 2022, the Company adopted the "Clean Power Hydrogen plc EMI share option scheme" (the "New EMI Scheme") and the "Clean Power Hydrogen plc Unapproved share option scheme" ("Unapproved Scheme" and together with the New EMI Scheme being the "Share Option Schemes"). The options granted by the Company under the Unapproved Scheme are detailed in paragraphs 3.13 and 3.14 above. The Company has not yet granted any options under the New EMI Scheme.
- 9.2 The following is a summary of the rules of the New EMI Scheme and Unapproved Scheme (subject to any specific arrangements agreed in relation to any individual option/option holder):
- (a) General
- The New EMI Scheme allows the grant of tax efficient enterprise management incentives ("EMI") options over shares in the capital of the Company.
- The Unapproved Scheme allows the grant of non-tax advantaged options over shares in the capital of the Company.
- (b) Eligibility
- Any employee or office holder of the Company or qualifying subsidiary of the Company (the "Group") who works at least 25 hours per week (or, if less, spends 75 per cent. of their time working as an employee of the Group) and is resident in the UK for tax purposes may be granted an EMI option. The individual (either alone or with their associates) must not have a "material interest" in any Group company. A "material interest" is (broadly) a beneficial ownership of, or the ability to control more than 30 per cent. of the ordinary share capital of the relevant company.
- Any employee (whether full-time or part-time) or director (whether executive or non-executive) of any Group company or any other individual holding an office with the Group or providing consultancy services to any Group Company (where permitted by the Board), whether tax resident in the UK or outside the UK, may be granted an unapproved option.

- (c) Grant of options
Options may be granted at any time, subject to standard limits applicable to AIM companies. Options will be personal to the option holders to whom they are granted and may not be transferred or assigned (other than on death).
- (d) Exercise price
The exercise price payable on the exercise of an option shall be decided before the option is granted and shall not be less than the nominal value of a share if the shares are to be subscribed for.
For EMI options in particular it is anticipated that option grants will always be made with an exercise price which is not less than the actual market value of the shares under option, to be agreed with HMRC.
- (e) Limits
There is currently a limit of £250,000 on the unrestricted value of shares subject to EMI options that can be held by (or granted within a three-year period to) any one individual (calculated as at the date of grant). In addition, the maximum value of shares in the Company over which EMI options may subsist at any one time is currently limited to £3 million. These limits apply by reference to the unrestricted market value of the shares under option, as at the relevant date of grant.
Both the New EMI Scheme and Unapproved Scheme contain limits on the total number of shares over which the Company can grant options being a maximum limit of 10 per cent. dilution of the Company's total issued ordinary share capital over a 10-year period beginning on Admission.
- (f) Exercise, lapse and exchange of options
Under the rules of the New EMI Scheme and Unapproved Scheme, an option will normally be exercisable on or after a specified date or on a takeover or solvent liquidation (subject to the satisfaction of any applicable performance conditions).
Any option shall lapse immediately if an option holder is declared bankrupt, if an option is not exercised by the tenth anniversary of the option grant date or if an option has not been exercised by a personal representative within 12 months from the date of death of the deceased option holder.
Where appropriate, in the event of a change of control or internal reorganisation, options may be exchanged for new equivalent options over shares in the acquiring company rather than be exercised.
- (g) Leaver provisions
Subject to the remuneration committee's discretion to determine otherwise, if an option holder ceases to be qualifying participant of the New EMI Scheme or Unapproved Scheme without having exercised the option (other than by reason of death), the option will lapse.
- (h) Performance conditions
The Board may make the exercise of options granted under the New EMI Scheme or Unapproved Scheme subject to the satisfaction of performance and/or vesting condition(s).
- (i) Adjustments
In the event of any variation of the share capital of the Company, the Board may (subject to certain restrictions) make such adjustments to the number of shares under option and the exercise price as it considers appropriate.
- (j) Rights attaching to shares
All shares allotted under the New EMI Scheme or Unapproved Scheme shall rank equally in all respects with the other shares of the same class then in issue, except for any rights attaching to the shares (or other class of shares) by reference to a record date before the date of allotment.

(k) Amendments

The New EMI Scheme and Unapproved Scheme may (subject to certain restrictions) be altered by the Board at any time. Any amendments which are materially to the advantage of participants shall require the approval of the Shareholders. Certain alterations, including any alteration which is materially adverse to options granted before the amendment, require prior written consent from the option holder.

10 Employees

- 10.1 As at 10 February 2022 the Group employed a total of 29 members of staff. The average number of persons employed by the Group in the financial period ended 31 December 2020 was 13, in the financial period ended 31 December 2019 was 8 and in the financial period ended 31 December 2018 was 6.
- 10.2 The Group employed no temporary staff in the financial period ended 31 December 2020.

11 Placing arrangements

Placing Agreement

- 11.1 A placing agreement dated 10 February 2022 was entered into amongst (1) the Company (2) the Directors (as Directors), and (3) Cenkos pursuant to which Cenkos has agreed, subject to certain conditions, to act as agent for the Company and to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The General Placing is conditional upon, *inter alia*, Admission occurring on or before 8.00 a.m. on 16 February 2022 (or such later date as the Company and Cenkos may agree in writing, being not later than 8.00 a.m. on 2 March 2022). The issue of the VCT Placing Shares is conditional on compliance by the Company in all material respects with its obligations under the Placing Agreement as at their date of issue but is not conditional on Admission or on the issue of any of the General Placing Shares and is not conditional on the Placing Agreement becoming wholly unconditional. The Company has agreed to pay Cenkos certain fees and commissions on the gross funds raised pursuant to the Placing. The Placing Agreement contains customary warranties from the Company and the Directors, in favour of Cenkos in relation to, *inter alia*, the accuracy of the information in this Admission Document and other matters relating to the Group and its business. In addition, the Company has agreed to indemnify the Cenkos in respect of certain liabilities it may incur in respect of the Placing. Cenkos have the right to terminate the Placing Agreement in certain circumstances prior to Admission.

Selling Shareholder Agreements

- 11.2 Agreements in the form of a letter from each of the Selling Shareholders to (1) Cenkos and (2) the Company were entered into on 10 February 2022 (the "Selling Shareholder Agreements") pursuant to which Cenkos has agreed, subject to certain conditions, to act as agent for the Selling Shareholders and to use its reasonable endeavours to procure purchasers for the Placing Shares set out in the table below at the Placing Price. Each Selling Shareholder Agreement is conditional on the Placing Agreement having become unconditional. Each Selling Shareholder has agreed to pay Cenkos certain fees and commissions on the gross funds raised by the sale of the Sale Shares pursuant to the Placing. The Selling Shareholder Agreements contain warranties from each of the Selling Shareholders to Cenkos and the Company in relation to *inter alia* title to the Sale Shares.

The names of the Selling Shareholders and the number of Sale Shares being sold by each pursuant to the Placing are:

Name	Position held within the Group within the three years prior to the publication of this document	Business Address	Number of Sale Shares
Jonathan Duffy	Director	Unit D Parkside Business Park, Spinners Road, Doncaster, England, DN2 4BL	590,533
Ian Pillay	Director of CPHGL	Unit D Parkside Business Park, Spinners Road, Doncaster, England, DN2 4BL	460,618

Lock-in and Orderly Market Agreements

- 11.3 Lock-in and Orderly Market Agreements were entered into on 10 February 2022 by Cenkos and the Company with each of the Directors, Joe Scott, Nigel Williamson, Ian Pillay, Henry Price, Rodney Brook and Charles Monroe (the “Lock-in Parties”) pursuant to which each of the Lock-in Parties has undertaken to the Company and Cenkos, subject to certain limited exceptions, not to dispose of the Ordinary Shares held by each of them following Admission, at any time prior to the first anniversary of Admission. In the case of Rodney Brook and Charles Monroe only, the exceptions include the disposal of up to 20 per cent. of their holding of Ordinary Shares at Admission. Each of the Lock-in Parties has also undertaken to the Company and Cenkos not to dispose of their Ordinary Shares in the period between the first anniversary and the second anniversary of Admission other than through Cenkos on an orderly market basis.

12 Related party transactions

- 12.1 The Company has not entered into any related party transactions during the period covered by the historical financial information and up to the date of this Admission Document, save as disclosed in Note 20 of Section B of Part IV and paragraphs 12.2 and 12.3 of Part V of this Admission Document.
- 12.2 The loan from Streamstown Mouldings Limited (a wholly owned subsidiary of Joe Scott Mouldings Limited and ultimately controlled by Joe Scott) to CPH2 Ireland remains at approximately €425,500 as at 31 December 2021;
- 12.3 On 1 February 2022 the Company entered into share exchange agreements with all the existing Shareholders to give effect to the CPHGL Acquisition by which all shares in the share capital of CPHGL were transferred to the Company in consideration of the issue of shares in the Company to the Shareholders as described in paragraph 3.3(c) above.

13 Material Contracts

- 13.1 In addition to the Placing Agreement, details of which are set out in paragraph 11.1 of this Part V of this Admission Document and Lock-in and Orderly Market Agreements details of which are set out in paragraph 11.3 of this Part V of this Admission Document, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or by its subsidiaries during the two years immediately preceding the date of this Admission Document and are, or may be, material:
- (a) a partnering and design agreement between (1) Lagan Meica Limited (2) Charles Brand Group Limited (3) CPHGL and (4) B9 Energy dated 30 March 2021 which is a subcontract made in connection with a series of head contracts. Under this agreement, CPHGL is obliged to supply, install and commission an MFE-220 electrolyser at the NI Water site. It must also provide training on the ongoing use of the electrolyser;

- (b) a marketing agreement dated 3 August 2021 (as varied on 31 December 2021) under which CPHGL appoints AFCryo as its non-exclusive “agent for the marketing and sale” of the electrolyser system in Australia, New Zealand and the Pacific Islands. The status of the appointment (agent or distributor) is still being determined by the Company, with it being likely that AFCryo will act as CPHGL’s agent, but this is not reflected in the agreement. There are no explicit restrictions on AFCryo selling outside of the Territory;
- (c) a long-term, exclusive supply agreement under which CPHGL may place orders for AFCryo’s Diaphragm Pressure Wave Generator for use in CPHGL’s electrolyser;
- (d) on 1 February 2022 the Company entered into share exchange agreements with all the existing Shareholders to give effect to the CPHGL Acquisition by which all shares in the share capital of CPHGL were transferred to the Company in consideration of the issue of shares in the Company to the Shareholders as described in paragraph 3.3(c) above;
- (e) on 1 February 2022 the Company entered into agreements with the holders of the Warrants and CPHGL to grant the Warrants in exchange for the surrender of warrants that had been granted by CPHGL as described in paragraph 3.3(e) above; and
- (f) a nominated adviser and broker agreement dated 10 February 2022 pursuant to which and conditional upon Admission, the Company has appointed Cenkos to act as its nominated adviser and broker for the purposes of the AIM Rules.

14 Property

- 14.1 The Group does not own any freehold property. The following table provides summary information about the property leased by the Group:

Location	Tenant	Term	Rent
Unit 4B Marrtree Business Park, Doncaster, DN2 4BQ	CPHGL	12 January 2018 to 11 January 2023	£16,800 per annum
Unit 4c Marrtree Business Park, Doncaster, DN2 4BQ	CPHGL	12 January 2018 to 11 January 2023	£16,737.50 per annum
Unit D Parkside Business Park, Spinners Road, Doncaster, DN2 4BL	CPHGL	22 June 2021 to 29 April 2029	£169,182 per annum

- 14.2 On 22 June 2021, CPHGL served notices to break the leases of Unit 4b and Unit 4c.

15 Working capital

The Directors are of the opinion, having made due and careful enquiry, that the Group has sufficient working capital available to it for its present requirements, that is for at least twelve months from Admission.

16 Litigation and arbitration proceedings

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have, or have had during the twelve months preceding the date of this Admission Document, a significant effect on the Group’s financial position or profitability and, so far as the Directors are aware, there are no proceedings pending or threatened against any member of the Group.

17 Intellectual property




The Company has a portfolio of intellectual property in place to protect its technology from potential competitors. Entities in the Group are sole owners of its IP portfolio, which includes two patent families across its core products and markets.

Details of the Group's patents and trademarks are listed in the tables below:

Patents

Country	Application Number	Granted Patent Number	Status
Austria, Belgium, Germany, Denmark, France, the United Kingdom, Ireland, Italy, the Netherlands, Norway and Sweden.	PCT/EP2014/057652	EP2986759	Granted
India	PCT/EP2014/057652	340844	Granted
USA	PCT/EP2014/057652	US10,443,137 B2	Granted
Germany, France, Italy, the Netherlands, Norway and the United Kingdom	PCT/EP2014/062003	EP3011077	Granted
India	PCT/EP2014/062003	331975	
N/A	PCT/GB2020/052124	N/A	International application filed. An international application cannot itself mature into an enforceable patent right – must be used to file separate national/regional patent applications by 04 March 2023.
N/A	PCT/GB2020/053056	N/A	International application filed. An international application cannot itself mature into enforceable patent right – must be used to file separate national/regional patent applications by 04 March 2023.
United Kingdom	GB2111877.3	N/A	UK application filed. This application can be used to file international, national and/or regional applications up until 18 August 2022.

Trademarks

Country	Owner	Denomination / Image	Class(es)	Number	Status
UK	CPHGL and CPH2 Ireland		7, 11 and 12	UK00003271006	Registered (20 April 2018)
Ireland	CPHGL and CPH2 Ireland		11	259063	Registered (16 November 2017)
UK	CPHGL		7, 9, 11 and 12	UK00003688086	Examination stage Application filed 31 August 2021
UK	CPHGL	CPH2	7, 9, 11 and 12	UK00003688094	Examination stage. Application filed 31 August 2021

18 Significant changes

There has been no significant change in the financial or trading position of the Company since its incorporation on 19 August 2021.

Save as disclosed in this Admission Document in relation to the expected increase in CPHGL's losses arising from the scaling up of its activities, there has been no significant change in the financial or trading position of the Group since 30 June 2021, being the date up to which the historical financial information of CPHGL, as set out in Part IV of this Admission Document was prepared.

19 General

- 19.1 The total costs and expenses relating to the Placing and Admission, payable by the Company, are estimated to amount to approximately £2.52 million (excluding VAT).
- 19.2 The total net proceeds of the Placing will be approximately £27.4 million (after expenses).
- 19.3 The Ordinary Shares are not currently admitted to dealings on a recognised investment exchange and, other than the Company's application for Admission, no applications for such admission have been made.
- 19.4 Cenkos has given and has not withdrawn its written consent to the issue of this Admission Document with the inclusion of its name and references to it in the form and context in which they appear.
- 19.5 The financial information set out in Part III of this Admission Document does not constitute statutory accounts within the meaning of section 434 of the Companies Act and no financial information contained in this Admission Document is intended by the Company to represent or constitute a forecast of profits by the Company.
- 19.6 Mazars LLP has given and has not withdrawn its written consent to the issue of this Admission Document with the inclusion of its name and the references to it in the form and context in which they appear and has authorised the inclusion of its reports set out in Part IV of this Admission Document in the form and context in which it is included and has accepted responsibility for its report for the purposes of the AIM Rules.
- 19.7 Save as disclosed in this Admission Document, no investments have been made, there are no investments in progress, and there are no future investments on which the Directors have already made firm commitments, which are significant to the Group.
- 19.8 Save as set out in this Admission Document, there are no patents or intellectual property rights, licences or particular contracts which are of material importance to the Group's business or profitability.

- 19.9 Save as disclosed in this Admission Document, the Directors are unaware of any environmental issues that may affect the Group's utilisation of its tangible fixed assets.
- 19.10 Save as disclosed in this document, the Directors are unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year or of any significant trends in production, sales and inventory and costs and selling prices from 31 December 2020 to the date of this Admission Document.
- 19.11 No public takeover bids have been made by third parties in respect of the Company's issued share capital since its incorporation up to the date of this Admission Document.
- 19.12 Save as disclosed in this Admission Document the Directors are unaware of any exceptional factors which have influenced the Company's activities.
- 19.13 The Group is not dependent on any industrial, commercial or financial contracts or new manufacturing processes that are material to the Group's business or profitability.
- 19.14 Save for the information referred to in Part IV of this Admission Document, no other audited information is included in this Admission Document.
- 19.15 No financial information contained in this Admission Document is intended to represent or constitute a forecast of profits by the Company nor to constitute publication of accounts by it.
- 19.16 The Directors are not aware of any arrangements under which future dividends are waived or agreed to be waived.
- 19.17 The auditors of CPHGL who audited CPHGL's accounts for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 and who reviewed CPHGL's accounts for the interim period ended 30 June 2021 are Mazars LLP, a firm of chartered accountants registered with the institute of chartered accountants in England and Wales.
- 19.18 The Ordinary Shares are in registered form and capable of being held in uncertificated form.
- 19.19 Application has been made for the Ordinary Shares to be enabled for dealings through CREST as a participating security. No temporary documents of title will be issued. It is expected that definitive share certificates will be posted to those Shareholders who have requested the issue of Ordinary Shares in certificated form by 2 March 2022.
- 19.20 The Group has paid each of the following fees in excess of £10,000 in the 12 months preceding Admission: Kilburn & Strode LLP (intellectual property review); Abbott & Co (Newark) Ltd (technical testing services) and Fichtner Consulting Engineers Limited (independent technical review).
- 19.21 Save as disclosed in this Admission Document no person (excluding professional advisers otherwise disclosed in this Admission Document and trade suppliers) has received, directly or indirectly from the Group within the 12 months preceding the date of this Admission Document or entered into contractual arrangements (not otherwise disclosed in this Admission Document) to receive, directly or indirectly, from the Group on or after Admission any of the following:
- (a) fees totalling £10,000 or more; or
 - (b) securities of the Company where these have a value of £10,000 or more calculated by reference to the expected opening price; or
 - (c) any other benefit with the value of £10,000 or more at the date of this Admission Document.
- 19.22 All the information provided in this Admission Document has been sourced from the Company and the Company's other advisers named on page 8 of this Admission Document. All such information has been accurately reproduced and, so far as the Company is aware and is able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where information has been sourced from a third party, the information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render such information inaccurate or misleading.
- 19.23 The Company's current financial period is the period from incorporation and ending on 31 December 2022.
- 19.24 The Ordinary Shares will only be traded on AIM.

- 19.25 The Company's registrar and paying agent for the payment of dividends is Computershare Investor Services Plc of The Pavilions, Bridgewater Road, Bristol BS13 8AE.
- 19.26 The Directors will comply with Rule 21 of the AIM Rules and Article 19 of the Market Abuse Regulation relating to the Directors' and applicable employees' dealings in Ordinary Shares and to this end, the Company has adopted an appropriate Share Dealing Code.
- 19.27 Save as disclosed in this Admission Document, the Directors are not aware of any other information that they reasonably consider necessary for investors to know in order to form a full understanding of (i) the assets and liabilities, financial position, profits and losses and prospects of the Company and the Ordinary Shares for which Admission is being sought; or (ii) the rights attached to Ordinary Shares; or (iii) any other matter contained in this Admission Document.

20 Availability of Admission Document

Copies of this Admission Document will be available for download from the Company's website at www.cph2.com.

11 February 2022

Part VI | Definitions

“Admission”	admission to AIM of the entire issued and to be issued share capital of the Company to trading on AIM and such admission becoming effective in accordance with the AIM Rules for Companies
“AIM”	AIM, the market of that name operated by the London Stock Exchange
“Admission Document” or “document”	this document dated 11 February 2022
“AIM Rules”	the AIM Rules for Companies and the AIM Rules for Nomads
“AIM Rules for Companies”	the ‘AIM Rules for Companies’ issued by the London Stock Exchange, as amended from time to time, setting out the rules and responsibilities in relation to AIM companies
“AIM Rules for Nomads”	the ‘AIM Rules for Nominated Advisers’ issued by the London Stock Exchange, as amended from time to time, setting out the eligibility, ongoing obligations and certain disciplinary matters in relation to nominated advisers
“Articles”	the Company’s articles of association
“ATEX”	European Directive 99/92/EC and 2014/34/EU relating to controlling explosive atmospheres
“Audit Committee”	the audit committee of the Board
“Board” or “Directors”	the directors of the Company, or a duly authorised committee thereof, whose names are set out on page 9 of this document
“Cenkos”	Cenkos Securities PLC, a company registered in England and Wales with registered number 5210733
“Certificated” or “in certificated form”	a share or other security which is not in uncertificated form (that is not in CREST)
“City Code”	the City Code on Takeovers and Mergers
“Companies Act”	the Companies Act 2006, as amended
“CPH2” or the “Company”	Clean Power Hydrogen plc, a company incorporated in England with registered number 13574281, and such terms shall be deemed to include such of the Group’s subsidiaries as the context may require
“CPH2 Ireland”	Clean Power Hydrogen Limited, a company incorporated in ROI with registered number 521052
“CPHGL”	Clean Power Hydrogen Group Limited, a company incorporated in England and Wales with registered number 10286500
“CREST”	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by Euroclear
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended
“EEA”	the European Economic Area
“EIS”	Enterprise Investment Scheme under the provisions of Part 5 of the Income Tax Act 2007
“EIS Legislation”	the provisions of Part 5 of the Income Tax Act 2007 and sections 150A to 150C (inclusive) and Schedule 5B of the Taxation of Chargeable Gains Act 1992
“EIS Relief”	relief from UK tax under the EIS Legislation
“EU”	the European Union

“Enlarged Issued Share Capital”	the entire issued Ordinary Share capital of the Company immediately following Admission, comprising the Existing Ordinary Shares and the New Ordinary Shares
“EU Prospectus Regulation”	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC
“Existing Ordinary Shares”	the 198,753,300 Ordinary Shares in issue immediately prior to the Placing and Admission
“Euroclear”	Euroclear UK & International Limited
“FCA”	the UK Financial Conduct Authority
“Financial Promotion Order”	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended)
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“General Placing”	the conditional placing by Cenkos of the General Placing Shares at the Placing Price pursuant to and on the terms of the Placing Agreement
“General Placing Shares”	the 46,717,818 Placing Shares to be issued and allotted or sold (as applicable) at the Placing Price at the time of the second tranche of the Placing
“Group”	the Company including its Subsidiaries
“HMRC”	HM Revenue & Customs
“IFRS”	International Financial Reporting Standards, as adopted for use in the European Union
“ISIN”	the International Securities Identification Number
“Lock-In and Orderly Market Agreements”	the agreements through which Jonathan Duffy, Clive Brook, Joe Scott, Nigel Williamson, Ian Pillay, Henry Price, Rodney Brook and Charles Monroe have agreed, with Cenkos and the Company, certain undertakings with respect to their holdings of Existing Ordinary Shares on Admission, as more particularly described in paragraph 11.3 of Part V of this document
“London Stock Exchange”	London Stock Exchange plc
“Market Abuse Regulation”	EU Market Abuse Regulation (Regulation 596/2014) as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended from time to time
“New EMI Scheme”	the Clean Power Hydrogen plc EMI share option scheme, further details of which are set out in paragraph 9 of Part V of this document
“New Ordinary Shares”	the 66,666,667 new Ordinary Shares to be issued by the Company and placed with the Placees pursuant to the Placing
“Nomad”	the Nominated Adviser to the Company, as defined in the AIM Rules
“Nomination Committee”	the nomination committee of the Board
“Official List”	the Official List of the UKLA
“Operator”	has the meaning in the CREST Regulations
“Options”	rights to acquire (whether by subscription or market purchase) Ordinary Shares as described in paragraph 3 of Part V of the document
“Ordinary Shares”	Ordinary Shares of £0.01 each in the capital of the Company
“Placees”	subscribers for the New Ordinary Shares, as procured by Cenkos on behalf of the Company pursuant to the Placing Agreement

“PEM”	Proton Exchange Membrane electrolyzers
“Placing”	the conditional placing by Cenkos of the New Ordinary Shares on behalf of the Company at the Placing Price pursuant to and on the terms of the Placing Agreement
“Placing Agreement”	the conditional agreement dated 10 February 2022 between (1) Cenkos; (2) the Company; and (3) the Directors relating to the Placing, further details of which are set out in paragraph 11.1 of Part V of this document
“Placing Price”	45 pence per Placing Share
“Placing Shares”	the New Ordinary Shares and the Sale Shares
“pounds Sterling” or “£”	pounds Sterling, the lawful currency of the UK
“Prospectus Regulation Rules”	the prospectus regulation rules of the UK Listing Authority made in accordance with Section 73A of FSMA from time to time
“QCA”	the Quoted Companies Alliance
“QCA Code”	the Corporate Governance Code published by the QCA, as amended from time to time
“Register”	the register of members of the Company
“Registrar”	Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE
“Regulatory Information Service” or “RIS”	any channel recognised as a channel for the dissemination of information as defined in the glossary of terms in the AIM Rules
“Remuneration Committee”	the remuneration committee of the Board
“ROI”	Republic of Ireland
“Sale Shares”	the 1,051,151 Ordinary Shares to be sold to the Placees by the Selling Shareholders pursuant to the Placing
“Securities Act”	the United States Securities Act of 1933, as amended
“SEDOL”	the Stock Exchange Daily Official List Identification Number
“Share Option Schemes”	the New EMI Scheme and Unapproved Scheme, further details of which are set out in paragraph 9 of Part V of this document
“Selling Shareholders”	those individuals listed in paragraph 11.2 of Part V of this Admission Document
“Selling Shareholders Agreements”	the conditional agreements dated 10 February 2022 in the form of a letter from each Selling Shareholder to (1) Cenkos; and (2) the Company; relating to the Placing, further details of which are set out in paragraph 11.2 of Part V of this document
“Shareholders”	the holders of Ordinary Shares from time to time
“Subsidiaries”	any subsidiary as defined in the Companies Act
“Takeover Code”	means The City Code on Takeovers and Mergers issued by the Takeover Panel and, from time to time, any successor or replacement body thereof
“Takeover Panel”	the Panel on Takeovers and Mergers
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority” or “UKLA”	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“UK Prospectus Regulation”	the UK version of the EU Prospectus Regulation which is part of UK law by virtue of the European Union (Withdrawal) Act 2018 (as may be amended and supplemented from time to time (including, but not limited to, by the UK Prospectus Amendment Regulations 2019 and

	The Financial Services and Markets Act 2000 (Prospectus) Regulations 2019))
“USA” of “US” or “United States”	United States of America, each State thereof (including the District of Columbia), its territories, possessions and all areas subject to its jurisdiction
“US\$” or “\$”	the United States dollar
“Unapproved Scheme”	the Clean Power Hydrogen plc Unapproved share option scheme, further details of which are set out in paragraph 9 of Part V of this document
“uncertificated” or “in uncertificated form”	securities recorded on a register of securities maintained by Euroclear UK & Ireland Limited in accordance with the CREST Regulations as being in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“VCT”	venture capital trust for the purposes of the VCT Legislation
“VCT Legislation”	Part 6 of the Income Tax Act 2007 and sections 151A and 151B of the Taxation of Chargeable Gains Act 1992
“VCT Placing”	the conditional placing by Cenkos of the VCT Shares on behalf of the Company at the Placing Price pursuant to and on the terms of the Placing Agreement
“VCT Placing Shares”	the 21,000,000 New Ordinary Shares issued and allotted at the Placing Price at the time of the first tranche of the Placing to certain Placees that qualify for VCT Relief
“VCT Relief”	relief from UK tax under the VCT Legislation
“Wet Gas”	natural gas that contains an appreciable proportion of hydrocarbon compounds heavier than methane

