



THIS LETTER SHOULD BE READ IN CONJUNCTION WITH THE ATTACHED DEFINITIONS

Directors:

Charles Tatnall (Executive Chairman)
Philip Stephens (Chief Executive Officer)
Paul Lazarevic (Chief Operating Officer)
James Longley (Chief Financial Officer and Company Secretary)
Josephine Dixon (Non-Executive Director)

Registered office:

27/28 Eastcastle Street
London
W1W 8DH

28 October 2015

To the holders of Ordinary Shares and, for information only, to the holders of Options, Warrants and Loan Notes of Plutus PowerGen plc.

Dear Shareholder

Accompanying this letter you will find the Company's notice of the annual general meeting to be held on 20 November 2015 and a form of proxy. The purpose of this letter is to explain the background to and reasons for resolution 6.

Resolution 6

Summary of the proposal

Resolution 6 is concerned with the proposed amendment to the Acquisition Agreement between Philip Stephens, Paul Lazarevic and the Company, dated 5 August 2014, details of which are set out in paragraph 12.1.3 of Part VI of the Admission Document. The Acquisition Agreement provided for an element of Deferred Consideration for the Vendors of Plutus Energy, such consideration being for a total of 100 million new Ordinary Shares (the Deferred Consideration Shares). The payment of Deferred Consideration was conditional on a certain level of Earnings Per Share of the Company being achieved during the period from Admission and up to four years after Admission.

The Vendors of Plutus Energy were Philip Stephens and Paul Lazarevic and each was entitled to receive Deferred Consideration of up to 50 million Ordinary Shares in certain circumstances.

For the reasons set out below, the trigger for the issue of Deferred Consideration is no longer considered appropriate and the Independent Directors propose to issue the Deferred Consideration Shares as soon as possible, subject to the approval of Independent Shareholders of PPG.

The Independent Directors believe that it is appropriate to reward and continue to incentivise the Vendors given the significant progress made towards building a leading flexible electricity generation company in the UK. Due to the endeavors of the Directors, PPG has exceeded the progress it expected to make towards its target to build 200MW of power by August 2017, having won contracts to

construct and operate 140MW from seven 20MW sites in the UK part funded by Rockpool for £25 million. In addition, PPG has connection agreements for 260MW of capacity and an agreement with Reliance Energy Limited which has enabled it to increase its pipeline of power projects which already stands well in excess of 500MW.

It is important to note that the number of Deferred Consideration Shares is not proposed to change, therefore Shareholders will not suffer any dilution beyond that already indicated by PPG in its Admission Document.

Further information re Deferred Consideration

Pursuant to the Acquisition Agreement, the Vendors were each entitled to Deferred Consideration of up to 50,000,000 Ordinary Shares at 0.6p per share, in the event that prior to the fourth anniversary of Admission either:

(a) the Earnings Per Share exceeded:

(i) 0.1575 pence per Ordinary Share (triggering the issue of 25,000,000 Deferred Consideration Shares for each of the Vendors); or

(ii) 0.297 pence per Ordinary Share (triggering the issue of 50,000,000 Deferred Consideration Shares for each of the Vendors (less any Deferred Consideration Shares allotted and issued pursuant to (i) above); or

(b) a takeover bid was made for the entire issued and unissued share capital of the Company and was declared unconditional in all respects at a price per Ordinary Share of 1.5 pence per Ordinary Share or more.

When negotiating the terms for the Deferred Consideration, PPG and the Vendors had envisaged a certain number of electricity projects being funded, built and earning revenue for PPG within a certain time frame. These targets were eventually distilled into an Earnings Per Share figure to assist investors in their assessment of the economic outcome that would have to be achieved by PPG before any Deferred Consideration would be paid.

Evolution of PPG business model post Admission

Since Admission, the Company has been awarded management contracts for the construction and operation of seven 20MW electricity generating plant projects, each of which is owned by an SPV. All seven of these SPVs were funded by the same third party, being Rockpool, and each SPV has been structured with an identical corporate and transaction structure. The structuring of these SPVs has been driven by the need for each to be a qualifying company for the purposes of EIS, a requirement of Rockpool. PPG has been issued with an equity stake of 45% ("Carried Interests") in the capital of each SPV together with a management contract for each.

During the course of negotiating and structuring the above transactions with Rockpool and as a consequence of the negotiations with HMRC with regard to EIS advance assurance, together with discussions with the Company's professional advisers, including its auditors, the investment can only be carried at cost in the balance sheet of PPG and the Carried Interests may not be shown as "associated companies" for IFRS accounting and auditing purposes. Therefore, the Company is currently unable to bring its share of profits from the SPVs into its profit and loss account, although it must account for any diminution in value in the SPVs in PPG's balance sheet, such as losses in early years. As a consequence, the share of the earnings required for Paul Lazarevic and Philip Stephens to

reach their Earnings Per Share targets are unlikely to be achieved, despite the very considerable progress achieved in the development of PPG's business.

In the Admission Document, it was stated that the Company would target 200MW of flexible power generation. This target is likely to be considerably exceeded, with over 500MW of capacity currently in the Company's project pipeline, together with the potential for 200MW of partnered solar/flexible generation sites. This accelerated business plan has meant that costs will increase for the next few years as the Company takes on more staff, and has to incur considerable expenses on progressing the materially increased pipeline of sites before these sites start generating profits. These extra costs will decrease the Company's ability to make profits in the short-term and again contribute to the difficulty Paul Lazarevic and Philip Stephens will have in achieving their Earnings Per Share targets, which trigger the Deferred Consideration.

The timing of the sites being operational has been pushed out by a number of months in addition, and this, coupled with the dovetailing of the timing of planning permissions, capacity market applications and commencement of building has again meant a deferment in the timescale to the profitability of PPG.

Proposed change to Deferred Consideration

Having considered the current pipeline, and with regard to the development of the Company envisaged at the time of Admission it is considered that both Philip Stephens and Paul Lazarevic have performed very well since Admission and what they have achieved to date is to the benefit of all Shareholders and the pipeline continues to be stronger than anticipated. The Independent Directors are of the opinion that the issue of the Deferred Consideration Shares, a dilution envisaged at Admission, whilst not able to be measured under the original triggers for reasons outside of the Vendors' control, is fair and reasonable.

The nature of the reward of Deferred Consideration Shares was also considered and the Independent Directors believe the issue of Ordinary Shares provides a great incentive to the Vendors to continue this good performance and is a reward that further aligns the Vendors' interests with the interests of Shareholders.

It is proposed that the Independent Shareholders of PPG be asked to approve the issue of the Deferred Consideration at the AGM.

Based on the current issued Ordinary Share capital of PPG, the interests of the Vendors in the Ordinary Share capital of the Company is and would be as follows:

Name	Current shareholding	% of existing Ordinary Shares*	Ordinary Shares to be issued as Deferred Consideration	Shareholding following the issue of Deferred Consideration	% of Ordinary Shares as enlarged by issue of Deferred Consideration**
Philip Stephens	38,012,823	6.65	50,000,000	88,012,823	13.11
Paul Lazarevic	30,000,000	5.25	50,000,000	80,000,000	11.91
Total	68,012,823	11.90	100,000,000	168,012,823	25.02

Notes:

* 571,428,935 Existing Ordinary Shares in issue.

** 671,428,935 Ordinary Shares in issue following the issue of the Deferred Consideration.

City Code and Existing Concert Party

The City Code is issued and administered by the Panel. The City Code applies to all takeover and merger transactions, however effected, where the offeree company is, inter alia, a listed or unlisted public company incorporated in the United Kingdom. The Company is such a company and Shareholders are entitled to the protections afforded by the City Code.

Under Rule 9 of the City Code, any person who acquires an interest (as defined in the City Code) in shares which, taken together with shares in which he and persons acting in concert with him are already interested, carry 30 per cent. or more of the voting rights in a company which is subject to the City Code is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with him, is interested in shares which, in aggregate, carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interest in shares is acquired by any such person, or any person acting in concert with him, which increases the percentage of shares carrying voting rights in which he is interested.

An offer under Rule 9 must be made in cash (or with a full cash alternative) at a price not less than the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during the 12 months prior to the announcement of the offer.

Rule 9 of the City Code further provides, amongst other things, that where any person who, together with persons acting in concert with him holds over 50 per cent. of the voting rights of a company, acquires an interest in shares which carry additional voting rights, then they will not generally be required to make a general offer to the other shareholders to acquire the balance of their shares.

Under the City Code, a concert party arises where persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control (as defined below) of a company or to frustrate the successful outcome of an offer for a company. Control means holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give de facto control.

The Existing Concert Party holds an interest in 322,310,716 Ordinary Shares representing 56.40 per cent. of the issued Ordinary Share capital of the Company. As set out in the Admission Document, the interests of certain members of the Existing Concert Party in the Ordinary Share capital of the Company were previously the subject of a waiver granted in respect of Rule 9 and approved by Shareholders by way of a written resolution in December 2012. Upon issue of the Deferred Consideration Shares the Existing Concert Party would hold an interest in 422,310,716 Ordinary Shares representing 62.90 per cent. of the issued Ordinary Share capital of the Company as enlarged by the issue of the Deferred Consideration Shares.

The Existing Concert Party has a maximum potential interest in up to 496,850,716 Ordinary Shares, representing up to 66.60 per cent. of the Ordinary Share capital of the Company as enlarged by the conversion of Loan Notes, Options and Warrants, and the issue of the Deferred Consideration Shares.

Shareholders should note that it is not proposed to make any change to the maximum number of Deferred Consideration Shares to be issued to the Vendors. The proposed amendment is to the

conditions of the issue of the Deferred Consideration Shares only. Therefore, the proposed amendment to the Acquisition Agreement will not change the maximum potential interest in Ordinary Shares of the Existing Concert Party. Shareholders should note that the Existing Concert Party currently holds over 50 per cent. of the voting rights of the Company. The Existing Concert Party will continue to hold over 50 per cent. of the voting rights of the Company when the Deferred Consideration Shares are issued and will therefore be entitled to increase its interest in the voting rights of the Company without incurring a further obligation under Rule 9 to make a general offer although, individual members of the Existing Concert Party will not be able to increase their interests in the voting rights of the Company through or between a Rule 9 threshold without Panel consent.

A table which sets out the current and maximum potential interests in the Ordinary Share capital of the Company for each member of the Existing Concert Party is set out below:

Name	Current interest in Ordinary Shares	Current % of issued Ordinary Shares	Deferred Consideration Shares	Total interest in Ordinary Shares after issuing Deferred Consideration Shares	% of Ordinary Shares after issuing Deferred Consideration Shares	Call Option	Total interest in Ordinary Shares after exercising Call Option	% of Ordinary Shares after Call Options	Options	Warrants	Conversion of Loan Notes	Maximum interest in Ordinary Shares	Max. % interest in Ordinary Shares
Charles Tatnall	55,000,000	9.62%		55,000,000	8.19%	-7,000,000	48,000,000	7.15%	4,770,000	20,000,000		72,770,000	9.76%
James Longley	47,500,000	8.31%		47,500,000	7.07%	-5,000,000	42,500,000	6.33%	4,770,000	20,000,000		67,270,000	9.02%
Paternoster Resources plc	94,333,334	16.51%		94,333,334	14.05%	-20,000,000	74,333,334	11.07%				74,333,334	9.96%
Richard Hoblyn	0	0.00%		0	0.00%		0	0.00%				0	0.00%
Robert Savill	19,341,667	3.38%		19,341,667	2.88%		19,341,667	2.88%				19,341,667	2.59%
Andrew Galloway	2,000,000	0.35%		2,000,000	0.30%		2,000,000	0.30%				2,000,000	0.27%
Vernon Taylor	3,250,000	0.57%		3,250,000	0.48%		3,250,000	0.48%				3,250,000	0.44%
Graham Hobson	4,333,333	0.76%		4,333,333	0.65%		4,333,333	0.65%				4,333,333	0.58%
Tracey Edwards	9,751,000	1.71%		9,751,000	1.45%		9,751,000	1.45%			25,000,000	34,751,000	4.66%
Ben Vincent Brown	4,600,000	0.80%		4,600,000	0.69%		4,600,000	0.69%				4,600,000	0.62%
John Alton	775,225	0.14%		775,225	0.12%		775,225	0.12%				775,225	0.10%
Simon Moxon	4,700,000	0.82%		4,700,000	0.70%		4,700,000	0.70%				4,700,000	0.63%
Daniel Stephenson (Dev trust)	8,333,334	1.46%		8,333,334	1.24%		8,333,334	1.24%				8,333,334	1.12%
Barney Cordell-Lavarack	380,000	0.07%		380,000	0.06%		380,000	0.06%				380,000	0.05%
Existing Concert party interest ex-Vendors	254,297,893	44.50%		254,297,893	37.87%	-32,000,000	222,297,893	33.11%	9,540,000	40,000,000	25,000,000	296,837,893	39.79%
Paul Lazarevic	30,000,000	5.25%	50,000,000	80,000,000	11.91%	16,000,000	96,000,000	14.30%				96,000,000	12.87%
Philip Stephens	38,012,823	6.65%	50,000,000	88,012,823	13.11%	16,000,000	104,012,823	15.49%				104,012,823	13.94%

Vendor's total interest	68,012,823	11.90%	100,000,000	168,012,823	25.02%	32,000,000	200,012,823	29.79%				200,012,823	26.81%
Existing Concert party total including Vendors	322,310,716	56.40%	100,000,000	422,310,716	62.90%	0	422,310,716	62.90%	9,540,000	40,000,000	25,000,000	496,850,716	66.60%

Further background information in relation to the Existing Concert Party is set out in Part V of the Admission Document.

Related party transaction

The proposed change to the Acquisition Agreement, whereby the Deferred Consideration Shares become immediately allotted and issued to the Vendors, is deemed to be a related party transaction for the purposes of Rule 13 of the AIM Rules for Companies.

Recommendation

The Independent Directors consider, having consulted with the Company's nominated adviser, SP Angel Corporate Finance LLP, that the proposed amendment to the Acquisition Agreement is fair and reasonable insofar as the Shareholders are concerned. Accordingly, the Independent Directors recommend that you vote in favour of the proposed resolution 6, as they intend to do in respect of their own beneficial shareholdings (due to the conflict of interest, Philip Stephens and Paul Lazarevic will abstain from voting on resolution 6).

Furthermore, the Board considers all other resolutions to be put to the meeting to be in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors unanimously recommend that you vote in favour of the proposed resolutions 1, 2, 3, 4, 5 and 7, as they intend to do in respect of their own beneficial shareholdings.

Action to be taken

Whether or not you intend to be present at the AGM, you are requested to complete the form of proxy in accordance with its instructions and return it to the address given on the form of proxy.

We look forward to as many of you as possible attending the meeting.

Yours faithfully,

Charles Tatnall

Executive Chairman

Definitions

The following words and expressions apply throughout this letter unless the context requires otherwise:

“Acquisition Agreement”	the agreement dated 5 August 2014 pursuant to which the company agreed to acquire Plutus Energy from the Vendors;
“Admission”	the re-admission of the Company to trading on AIM as occurred on 22 August 2014;
“Admission Document”	the Company’s AIM admission document dated 5 August 2014;
“AGM”	the annual general meeting of the Company to be held at 11.30 a.m. on 20 November 2015;
“AIM Rules for Companies”	the AIM Rules for Companies published by the London Stock Exchange plc from time to time;
“Board” or “Directors”	the directors of the Company whose names are set out at the top of the letter;
“Call Option”	the agreements which entitle Paul Lazarevic and Philip Stephens to each acquire an aggregate 16,000,000 Ordinary Shares from Charles Tatnall, James Longley and Paternoster during the period 12 months from Admission up to 18 months from Admission;
“City Code”	the UK City Code on Takeovers and Mergers (as amended from time to time);
“Company” or “PPG”	Plutus PowerGen plc, a company incorporated in England and Wales with company number 05859612;
“Deferred Consideration”	the deferred consideration payable under the terms of the Acquisition Agreement;
“Deferred Consideration Shares”	up to 100,000,000 Ordinary Shares which may be issued to the Vendors in satisfaction of the Deferred Consideration;
“Earnings Per Share”	earnings per share, calculated by dividing Net Profits for the relevant Financial Year by the weighted average number of Ordinary Shares outstanding of the Company during that Financial Year;
“EIS”	Enterprise Investment Scheme;
“Existing Concert Party”	the members of the concert party, further details of which are set out in the Admission Document;
“Financial Year”	the Company’s financial year ending on 30 April each year;
“HMRC”	HM Revenue and Customs;

“Independent Directors”	for the purpose of the Proposal, Charles Tatnall, James Longley and Josephine Dixon, being the Directors other than the Vendors;
“Independent Shareholders”	all Shareholders except the Vendors;
“Loan Notes”	the convertible loan notes issued on 18 December 2014, further details of which are set out in a regulatory announcement made by the Company on 22 December 2014;
“MW”	mega watts;
“Net Profits”	the net profit from continuing activities of the Company for the relevant Financial Year before taxation as determined in accordance with generally accepted accounting principles and specified in the accounts for that Financial Year;
“Options”	share options to subscribe for Ordinary Shares as described in the Admission Document;
“Ordinary Shares”	ordinary shares of 0.1p each in the share capital of the Company;
“Panel”	the UK Panel on Takeovers and Mergers;
“Paternoster”	Paternoster Resources plc;
“Plutus Energy”	Plutus Energy Limited, a company incorporated in England and Wales with registered number 08836957, a wholly owned subsidiary of the Company;
“Proposal”	the proposed changes to the Acquisition Agreement as set out in this letter;
“Rockpool”	Rockpool Investments LLP;
“Rule 9”	rule 9 of the City Code;
“Shareholder(s)”	holders of Ordinary Shares;
“SPV(s)”	special purpose vehicles to be established by the Company for the purpose of developing and building flexible power generation facilities;
“UK” or “United Kingdom”	United Kingdom of Great Britain and Northern Ireland;
“Vendors”	Philip Stephens and Paul Lazarevic; and
“Warrants”	warrants to subscribe for Ordinary Shares as described in the Admission Document.