



An opportunity to invest in a business which plans to produce sustainable, environmentally friendly energy in the form of Renewable Transport Fuel and benefit from a projected investor IRR of over 30% pa.

➔ The opportunity

- 💧 A capital protected¹ investment opportunity into a **proven, carbon emission reducing technology**, which delivers two principal products – a **renewable transport fuel (RTF)** and a **high protein animal feed**.
- 💧 The RTF produced **reduces the UK's reliance on imported oil in transportation and cuts carbon emissions**, when compared to the use of oil in transport fuels, **by over 50%**. This is the equivalent of **removing over 60,000 cars from the road every year**.
- 💧 An investment expected to be for a term of between 5 and 7 years with **projected returns of over 30% per annum**.
- 💧 A market where **demand for locally produced RTFs is anticipated to grow tenfold by 2020**, driven by current UK and European legislation which by that time will require 13% of transport fuel to come from renewable sources (compared to approximately 3.5% at present, most of which comes from imports).
- 💧 A heads of agreement with a global investment bank to acquire 100% of guaranteed RTF production capacity over a 10 year period post commissioning, which is likely to generate **gross revenues of substantially over £1 billion over that period**.
- 💧 A feedstock supply agreement with a global commodities trading business, with **all of the feedstock targeted to come from the UK and where none of the feedstock would otherwise be used for human consumption**.
- 💧 A final form agreement with a global animal feeds business to acquire 100% of animal feed production for a 10 year term, which is **likely to generate gross revenues of between £250 million and £500 million**.
- 💧 Both BP and Shell have stated publically that the focus of their investment in renewable energy will be in biofuels².
- 💧 A **UK manufacturing product** that is likely to **boost investment in UK agriculture** and **significantly reduce imports** of soy meal from South America, thereby **improving food security in the UK**.

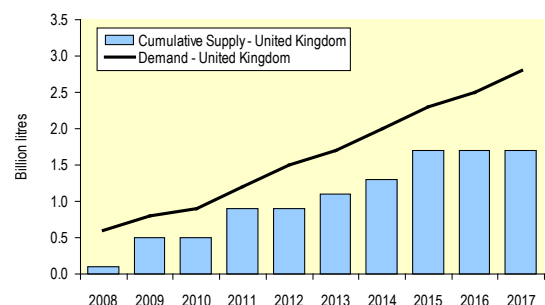
➔ The project

- 💧 To build an industrial scale bio-refinery producing 200m litres of RTFs and 175,000 tonnes of high protein animal feed per annum in the North East of England.
- 💧 The RTF produced is refined from UK feed wheat, which is otherwise used to produce animal feed, its quality being insufficient to use for making bread. The UK grows significantly more feed wheat than it requires and typically exports substantial quantities to Europe. It is expected that this project will be using wheat that would otherwise be exported.
- 💧 The construction partner is De Smet Engineers & Contractors (DSEC), headquartered in Brussels. DSEC have a significant track record of delivering large scale bioethanol production facilities in Northern Europe.
- 💧 The EPC contract comes with Belgium Export Credit Agency support.

➔ Market drivers

- 💧 Legal requirement in the UK and Europe to blend an estimated 23 billion litres of ethanol based RTFs in petrol a year by 2020 – compared with current European blending of approximately 2 billion litres. This is an obligation created by the EU Renewable Energy Directive and the UK Road Transport Fuel Obligation Act 2007.
- 💧 To qualify under the EU Directive, RTFs have to generate a minimum of 35% carbon emission savings versus fossil fuels, taking into account the entire production process (including indirect land use change). This project has been independently verified as producing not less than a 52% saving.
- 💧 All fuel retailers in Europe have a legal requirement to mix their fossil fuels with RTFs – the quantity of this mix has been set, by legislation, to grow from a current average of 3.25% in Europe, to 13% (by volume) in 2020.
- 💧 To produce these levels of RTF would require at least 6 large scale bio-refineries in the UK alone. Currently only 3 such bio-refineries are planned to be commissioned in the UK - this is an opportunity to invest in one of them. (See Fig1.)
- 💧 Failure to meet these blending requirements in the UK will be penalised by an effective penalty of 30 pence per litre for the fuel retailer from April 2010 – with this penalty expected to increase if blend targets are not met.
- 💧 For RTFs imported from outside the EU, these emission reduction requirements act as a natural 'barrier to entry', making this investment opportunity highly attractive.

Fig 1. UK – Projected RTF Supply/Demand Balance (billion litres)



Source: Nexant Report dated July 2009

The information in Fig.1 enables us to extrapolate the opportunities for growth based on certain assumptions. Please be aware that our forecasts cannot be taken as a reliable indicator of future performance and you should consider the Risks section below.



➔ Guaranteed sales

The ethanol will be sold via two routes:

- 100% of guaranteed production capacity will be sold to a global investment bank under a 'take or pay' contract at market price, less a small discount. Heads of terms have been signed for a 10 year offtake agreement, effective from commissioning.
- Production over the guaranteed production capacity will be available for sale either to the offtake partner or on the open market at the best price available.

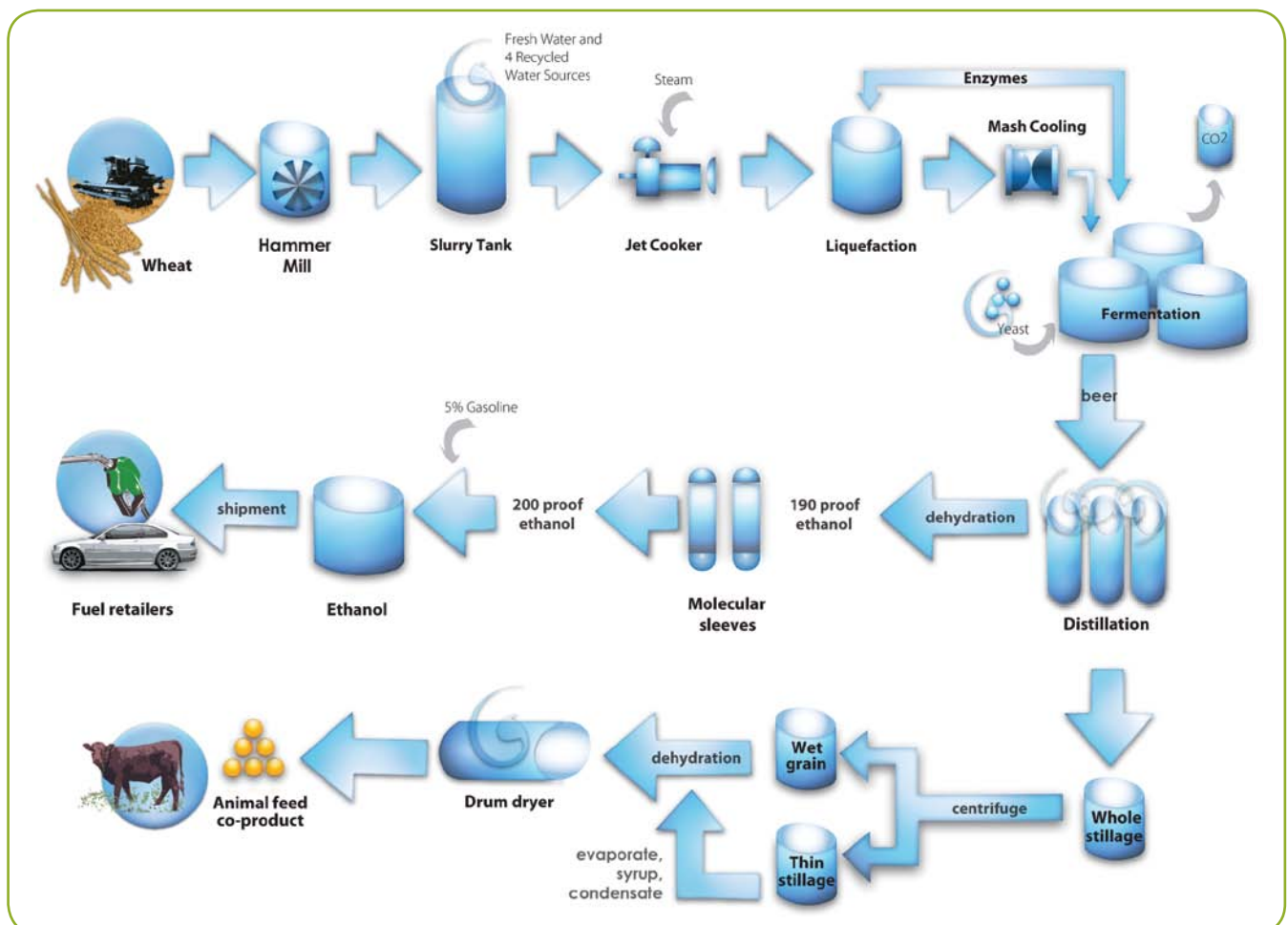
➔ Co-product sales

- The animal feed co-product is expected to generate about 16% of revenues and provides a natural hedge against wheat price movements.
- Project revenues are also generated through the sale of liquefied CO₂.

➔ Production Process

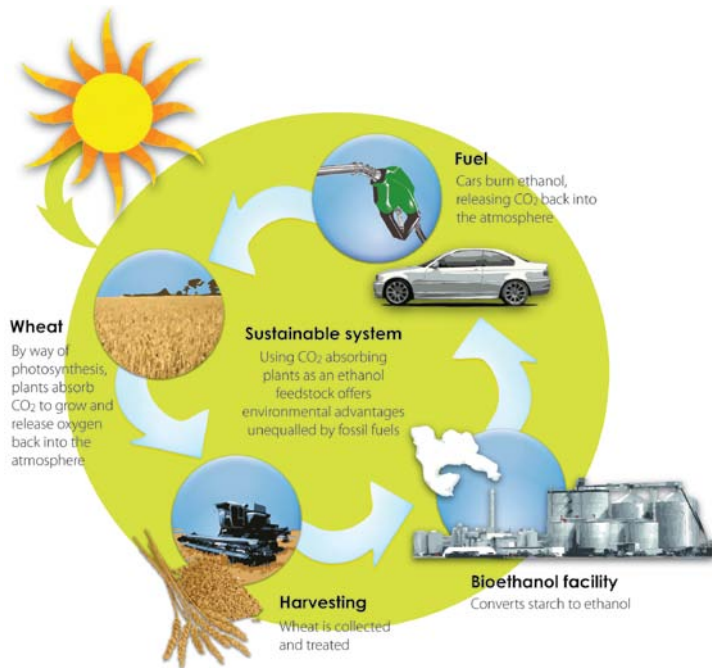
➔ Environmental Benefits

- The reduction in CO₂ emissions arising from the production of this quantity of RTFs is equivalent to taking approximately 60,000 cars off UK roads.
- Use of the high protein animal foodstuffs significantly reduces the need to import soy meal, reducing the pressure on ecologically sensitive land and land used for food production.
- Construction of the plant in the UK will significantly reduce the carbon footprint associated with the transportation of fuel, wheat and animal feed.
- "Home" produced RTFs reduce the UK's reliance on imports, decreases the country's exposure to oil prices and political pressure and helps build towards a future where there exists a sustainable alternative to fossil based transport fuels.





➔ Green credentials - Closed CO₂ process



➔ How to invest

It is intended that there will be a number of ways to invest in this opportunity:

- Investment through a limited liability partnership, Future Fuels LLP, giving:

- Share of equity in project operating company
- Rental income from the plant
- Access to targeted UK tax allowances

- Investment in the project operating company, Vireol Limited.

- Other investment routes may be available - please contact your IFA or email info@futurefuelsllp.com.

➔ Investment structure

- The investment structure adopts the classic property company/ operating company format.

- Vireol Limited, whose Directors include an experienced management team responsible for driving the project to date, will be the operator of the plant and will sell its products.

- Future Fuels LLP as property company will:

- Own the land on which the plant is built

- Build the plant

- Lease the completed plant to Vireol Limited for at least 10 years from commissioning

- The investment appraisal for the project is based on a forecasted start price of the feedstock (UK animal feed wheat) at €117 (£98) per tonne.

- The average price of wheat over the last 15 years has been approximately €77 per tonne.

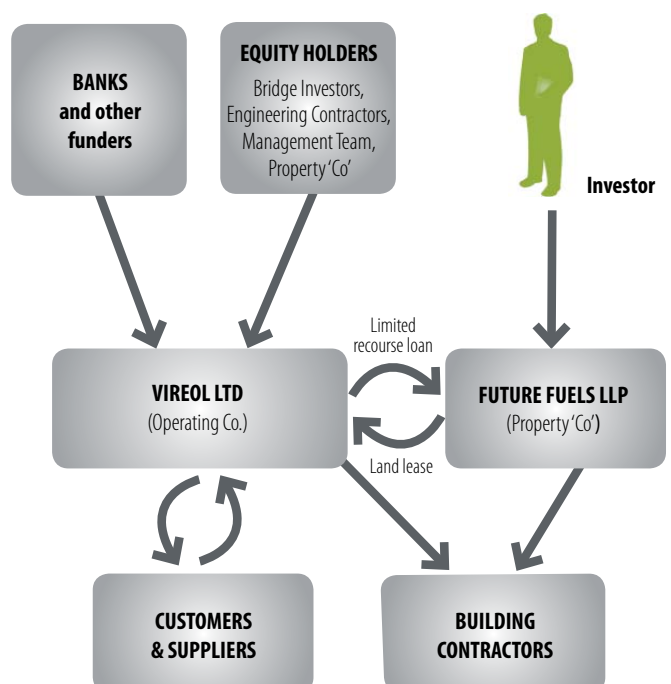
- The wheat used by the plant could not be used for bread making, as it is of insufficient quality.

- The UK produces a substantial quantity of excess feed- wheat every year, which it exports to Europe for use in animal feed.

- Using this wheat in the UK instead will substantially reduce the carbon footprint associated with transportation.

- The plant can also use other cereals as feedstock.

- As well as the substantial income projected from the investment, the anticipated exit for investors will be via an IPO listing or trade sale of the project.





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➔ Returns

- The production costs of the project are forecast to be only 60% of the anticipated sales value of the ethanol, leaving a healthy profit margin.
- Pre-tax IRR target in excess of 30% over the period for investments made into the LLP.

➔ Risks

Risks associated with any large scale project of this size, including:

- Market risk – the project relies on there being a market for the RTF.
- Construction risk – construction has not yet commenced and will involve the building of a complex engineering plant.
- Operational risk – operating the plant requires bulk handling and shipment of ethanol.

- Market fluctuations – RTF project values are affected by many factors including interest rates, foreign exchange rates and inflation.
- Change in government policy such as environmental and tax laws.
- Technological developments – it is likely that the RTF market will become increasingly competitive and alternatives may be developed which compete with ethanol.

We have attempted to mitigate each risk as follows:

- Exercising due diligence in choice of financiers and financial structure.
- Exercising due diligence in choice of construction partner and technology provider.
- Selecting experienced management team and operator.
- Negotiating locked in supply and ethanol sales agreements.
- Plant being adaptable for second generation technology developments.

➔ For more information please contact your IFA or email info@futurefuelsllp.com

¹ The degree of capital protection is dependent on an investor's personal tax status throughout the course of the investment and on UK tax rates.

² The Economist dated 5 December 2009.

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