

Renewable Heat Incentive UK Investor Information Guide

Rev 1 – July 2010.



20 year government
solar contract
(index linked)
for cleantech investors
(starting April 2011)

Solar Hot Water
(reduction in usage
of Natural
Gas/Oil/Fossil
Fuels)

What is the RHI

The Renewable Heat Incentive is very similar to the Solar PV feed in tariff, a comparable scheme for electricity payments. The Feed-In Tariffs have done more than anything else to accelerate the installation of renewable energy capacity in Europe. In April 2011 the Renewable Heat Incentive will come into force into the UK and is likely to spread fast around the EU in the coming months.

While the Renewable Heat Incentive is very similar to the Feed-In Tariffs, there are some important differences due to the fact that pretty much every single property in the UK generates its own heat from a gas or oil boiler. In other words, there is no 'National Grid for Heat' and so importing and exporting heat is not relevant, it is "un-regulated" and has no potential investment limits or barriers.

The RHI is a government structure to allow private investors fund the deployment of solar thermal systems and to make a financial return with a guaranteed index linked income stream for 20 years.

Who is it for ?

Broadly speaking, the Renewable Heat Incentive is for everyone, including households, landlords, businesses, farmers, schools, hospitals, care homes and more. The RHI can even be used by entire communities, coming together to invest in a renewable scheme from which they will all use the heat and share the income.

How will it work ?

1. An investor provides the investment capital, possibly in partnership with housing associations, commercial institutions, government, schools, etc. The fund could also simply act as an independent instrument and advertise for several thousand customers in the local papers.
2. The customer (householders / hospitals / schools) receive free solar hot water systems installed with a 20 year operational & maintenance contract.
3. The customer provides a free roof lease and "assigns" a 20 year government contract tariff to the investor yielding a return on the investment paid annually.

What do I need to consider as an investor ?

1. The requirement for high quality equipment, guaranteed supply, fixed pricing, rapid deployment, including the requirement that the system design life exceeds the contract period "significantly" will require the creation of strong manufacturer/investor relationships.
2. That an operational & maintenance contract and annual service certifications are required to maintain tariff payments.
3. The Total Investment Cost of Tariff Value; TICTV is the financial metric that helps you evaluate comparative technologies and their risk/financial return potential.
4. Those customers will get free hot water as a bonus so there is an interest in being aligned with high performance equipment designed to operate in the UK climate, and a strong incentive for every roof owner to participate.
5. The availability of large scale system integrators, partnered with the manufacturers supply chain to deliver high quality speedy installations. (Note: system integrators will want to align themselves with the equipment supply chain which brings the investors the highest returns so as to maximize their business).



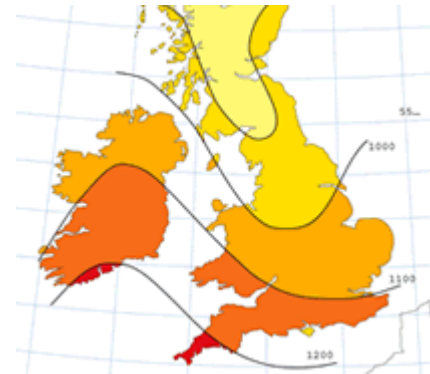
Where does Surface Power fit in ?

We were established in 2003 to develop solar thermal technologies for air conditioning, refrigeration, heating & hot water which could be deployed under levy & distribution tariff schemes, the first of which starts in the UK in April, 2011.

We have developed and deployed the most investor ready solar thermal technology into the market place with an ROI for investments unequalled by legacy and current solar thermal manufacturers.

We also deploy our product in a different method to existing legacy supply chains by establishing commercial distribution arrangements with professional system integrators, the people who install.

This means that we can supply the expertise from “factory to finish”, and provide the investor with an end to end low risk and high value proposition. **It also helps that our TICTV is the best in the market.**



TICTV, How can I value my investment ?

The UK government have created a value proposition to try and yield a 6% return for investors, a low return based on a guaranteed government income; BUT THE MARKET DOES NOT OPERATE COSTS WHICH HAVE BEEN USED FOR THIS CALCULATION. Our ROI provides a much higher return as our products have been designed by engineers who think like investors.

TICTV is the **T**otal **I**nvestment **C**ost per kWh required to service the investment period versus the deemed amount of **T**ariff **V**alue to be paid per Kwh, (according to SAP calculation)

Surface Power Example:

10,000 homeowners in Manchester sign up for a free solar hot water system.

TICTV for our systems is 9.8p total lifecycle investment cost per kWh versus a tariff income of 18p per kWh (to be index linked) government contract. (including annual service contract)

For 10,000 homeowners, an investment of £27.84 Million would yield an income of £50.9 Million for the investor (to be index linked) over the contract period. PROFITABLE

Competitors Example: (using current market conditions).

10,000 homeowners in Manchester sign up for a free solar hot water system.

TICTV for a leading competitors High Quality solar hot water system is 28.5p total lifecycle cost per kWh versus a tariff income of 18p per kWh (to be index linked) government contract. (including annual service contract)

For 10,000 homeowners, an investment of £73 Million would yield an income of £46 Million (to be index linked) for the investor over the contract period. LOSS MAKING

COMPETITORS WILL HAVE TO CHARGE CUSTOMERS FOR SOME PORTION OF THE COST AND THIS WILL REMOVE HUGE SEGMENTS OF THE AVAILABLE MARKET TO THEM.



Investor FAQ Sheet

Q: What value does Surface Power bring to my investment ?

A: We bring end to end, factory to finish expertise to your investment, including manufacturing, supply, installation, service & maintenance, everything you need to guarantee and exit your investment AT A PRICE UNEQUALLED IN THE MARKET. (current market costings)

Q: You mention design life of the solar hot water panels, explain ?

A: You are making a 20 year investment in a green tariff. You will only receive your annual payments if the installation is functioning for the full contract period. The vast majority of solar hot water panels will not stay in performance for the duration of the contract and hence will need replacing at least once, some even twice. Our solar panels have a 50 year design life and we will give you a **performance guarantee for the duration of the 20 yr contract.** !!!

Q: You have a high return for the investor over the existing market, why ?

A: We have designed our systems to meet the requirements of large scale deployment, this isn't possible with legacy systems, and they are designed to be installed in small amounts with installers completing 1 to 2 installations a week. We can complete 70 installations a week per team.

Q: I have tried to do this with Solar PV using the PV tariff but my supplier has just increased the PV price by 5% and I can't get inverters, will supply be a problem ?

A: This is very important, as we are the manufacturer of all key components, we will do supply chain agreements directly with investors which guarantee purchase price and a delivery schedule. We will also agree a fixed system installation cost as part of our factory to finish strategy for the investor including the provision of a project management team.

Q: There is an Operational & Maintenance contract requirement ?

A: Yes, this is factored in as part of the contract and is included in our TICTV financial metric, this contract ensures you receive all your contract payments risk free.

Q: How many system integrators can you access in the UK currently ?

A: We are expanding our system integrator contractors in the UK, with numbers available for April 2011 standing at 15,000 currently.

Q: Will you be overrun with investors looking at accessing your supply chain ?

A: We expect so, that's why we are now setting out a process for investors to begin engaging with us. We will be holding investor conference calls & meetings over the next few months. Potential supply chain agreements will be on a first come basis as interested parties register.

Q: OK, I am interested, what do I do next ?

A: You need to send an email (in full confidence) to rhi@surfacepower.com with contact details, full postal address and brief information about who you are. You should only do this if you are willing to sign NDA's and are a serious investor considering this opportunity. The next step will be information calls and meetings and a process to educate you on the opportunity.
This email will only be sent to the CEO.