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20 May 2021

Rurelec PLC
("Rurelec" or the "Company")
Trading Update re Argentina

Further to the announcement of 3 November 2020, the Directors of Rurelec PLC (AIM: RUR) provide the following update on the Argentine Resolution 220 PPA (the "Resolution"). The Resolution governed the capacity and offtake revenue generated by the steam turbine at Energia del Sur, S.A. ("EdS"), the Argentinian powerplant owned by Patagonia Energy Limited ("PEL") in which Rurelec holds a 50% interest. The Resolution expired in September 2020.

Since the expiry date, the management of EdS, together with support from external advisers and the Rurelec Board, have been engaged in extensive negotiations to establish a new tariff for EdS's power generation. These negotiations are being held with CAMMESA, the organisation that regulates and remunerates the distribution of power in Argentina and the Secretariat of Energy who have ultimate responsibility for the policies and tariffs that control the generation and regulation of electricity supply in Argentina.

Negotiations have continued for several months, during which EdS management has had access to, what the Directors believe, are the very highest levels of national and regional Government and also within CAMMESA. EdS management believes it has been granted this access because EdS is a strategically important supplier of power in the region around Comodoro Rivadavia in southern Patagonia.

In the meantime, until a new tariff is operational, capacity and offtake revenue generated from the Steam Turbine is being remunerated at spot prices. If this pricing is not corrected it will have significant adverse implications for EdS's revenue and cash generation, which in turn would affect the timing and amounts of any of the cash payments due from EdS to PEL and ultimately to Rurelec. Since the expiry of the resolution in September 2020 the only cash the Company has received from EdS via PEL was US $224k on 23 October 2020.

The Directors of Rurelec understand that EdS's management has formulated contingency plans to reduce costs including options to shut down parts of the EdS operation (e.g. the Steam turbine). Whilst this is intended to restore EdS to viability it is uncertain whether EdS will generate sufficient cash to remit to the Company via PEL. At this point in time, there is no certainty on the timing of the publication of the Resolution 31 new tariff in Argentina. The Argentinian economy remains weak, and the Argentinian Government continues to struggle with COVID-19 generated problems. The Directors also understand that the effects of COVID-19 have been a material factor in the delays to the finalisation of Resolution 31 new tariff.

As there can be no guarantee as to the outcome of the negotiations; the future viability of EdS remains uncertain. In the absence of any assets sales EdS is indirectly the main source of funds for Rurelec plc, and until a solution to the tariff position is found, Rurelec will continue to experience significant working capital pressure.

However, there are other sources of funding available to Rurelec. The Board are actively seeking the possibility of loans from third parties and continue to explore the sale of its other assets, and in particular, the Frame 6B turbine in Chile and the 701 turbines situated in Italy.

Cash holdings of Rurelec PLC at 19 May amount to £343k. Further updates will be provided in due course as appropriate.

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