ACTIVE ENERGY GROUP PLC

ANNUAL REPORT & ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Company Registration Number: 03148295

ACTIVE ENERGY GROUP PLC

Active Energy Group plc is a London listed (AIM: AEG) renewable energy company focused on the production and development of next generation biomass products that have the potential to transform the traditional coal fired-power industry and the existing renewable biomass industry.

The Company has developed a proprietary technology which transforms waste biomass material into high-value renewable fuels. Its patented product, CoalSwitch™, is a leading drop-in renewable fuel that can be co-fired with coal, or completely replace coal as an alternative feedstock without requiring significant plant modifications or replace existing biomass feedstock resources. Active Energy Group's immediate strategic focus is the production and commercialisation of CoalSwitch™ and further CoalSwitch™ fuel blends that utilise other waste wood and residual materials.

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS **PAGE**

Frequently used abbreviations/definitions

Active Energy Group Plc	"Active Energy", "AEG", "Group", the "Company"
Tonne per hour	"tph"
North Carolina Department of Environmental Quality	"NCDEQ"
CoalSwitch^{TM}, the registered trademark	"CoalSwitch"
PeatSwitch^{TM}, the registered trademark	"PeatSwitch"
151 acre property in Lumberton, North Carolina, USA	"Lumberton" or "Lumberton Site"
CoalSwitch production facility:	
• Lumberton, North Carolina, USA	"Lumberton Facility"
• Ashland, Maine, USA	"Ashland Facility"

ACTIVE ENERGY GROUP PLC

CHAIRMAN'S LETTER

Dear Shareholders

During 2020, Active Energy Group achieved a number of significant milestones on its path to commercialising the transformation of waste biomass material into high-value renewable fuels. At the same time, it has been encouraging to witness the changes within Active Energy as it matures into a company capable of delivering fuel and its underlying technology to prospective commercial partners in North America and internationally from its UK base.

Having joined the Board in November 2019 as a Non-Executive Director, I was appointed to the role of NonExecutive Chairman in February 2021. I welcome the opportunity to make an increasing contribution towards AEG in terms of achieving its commercial goals, building out of a successful transatlantic operation and at the same time founded on strong principles of corporate governance.

Your Company made encouraging progress during 2020: having acquired the site in Lumberton in April 2019, the Company moved to assemble a new CoalSwitch manufacturing facility at the site, established limited complementary lumber operations and commenced an air permit approval process for the site. Local interests were active in that debate which revealed concerns from local environmental proponents about the construction of the CoalSwitch reference plant. AEG welcomed the cross examination on the issues and, after public consultation and full scrutiny by all relevant local agencies, an air and construction permit was approved and issued at the beginning of August 2020 by the North Carolina Department of Environmental Quality ("NCDEQ").

We listen to the concerns of local environmental groups and encourage the opportunity to interact with all parties to explain more fully the environmental benefits of AEG's proprietary technology processes. The recent construction delays, resulting from the installation of additional enhanced emissions controlling equipment, serve as further evidence that the Company remains wholly focussed on current and future compliance with all applicable environmental regulations. We must ensure that the positive message of the opportunities and benefits that CoalSwitch offers remain clear and the Company's focus on using residual forestry and waste wood products from the timber industry is delivered effectively.

In December 2020, the Company secured its first test order for CoalSwitch from PacifiCorp, the largest grid operator in the western United States and part of the Berkshire Hathaway Group. The PacifiCorp order delivered to the Hunter Power Station in Utah represents a fantastic opportunity for AEG to use a world-class platform to test CoalSwitch performance. This trial run is being conducted in conjunction with a study group from the University of Utah and Brigham Young University and will provide exceptional data and analysis of CoalSwitch performance in an operating environment, which we anticipate will support future marketing activities and additional commercial interest.

Our research and marketing activities in 2021 have already identified that there are several timber producers with issues in the handling of residual and waste wood products. Given the market interest in an accelerated roll out and availability of CoalSwitch, a near term emphasis on the production and delivery of smaller volume production plants, with proximity to the timber producers presents a unique opportunity for AEG. Aligned with this focus, we are working with feedstock providers in the North-Eastern United States and, having completed the second reference plant in Ashland, Maine, these commercial goals can be achieved.

Given the current permitting issues in Lumberton, the CoalSwitch plant in Ashland, which is now complete and operational, provided an alternative location to produce CoalSwitch to fulfil initial customer orders. I am pleased to report that at the time of writing CoalSwitch is being delivered to the Hunter Power Station in Utah.

ACTIVE ENERGY GROUP PLC

A final significant development from work commenced in 2020 and announced in February 2021 was the completion of the balance sheet restructuring of the Convertible Loan Note ("CLN"). We were encouraged by the support of the CLN holders throughout the process to allow the Company to restructure the indebtedness, which had been restricting the Company's growth strategy. We are also grateful to those shareholders and new investors who contributed to the £7.0 million (gross) capital raise in the same month. As intended, the Company has utilised those funds mainly in the construction of the Lumberton and Maine Facilities, and the ongoing corporate development of AEG.

Significant effort has gone into strengthening your Board and broadening the requisite skill sets. In January 2020, we were delighted to announce the appointment of two independent non-executive directors, Max Aitken based in the UK and Jason Zimmermann, based in Canada. Each brings considerable experience, relevant knowledge, and energy from their sectors of expertise in the biomass and forestry industries. In late November 2020, we were also able to attract Andrew Diamond to join the Board as Group Finance Director, a post hitherto unfilled. The benefits of the new board members to the Company are already being felt. As part of the restructuring process, it was also announced that Antonio Esposito would step down from the Board. Antonio has remained on hand to focus on the construction and commissioning of the CoalSwitch reference plants during his notice period. I wish to express my gratitude, on behalf of the Board, to Antonio for his extraordinary contribution to AEG over the years and particularly during the difficult months of 2020 with the challenges presented by the Covid-19 pandemic.

AEG's new Board is highly focused on the development and commercial roll-out of the CoalSwitch product. The Company operates within a limited budget and will seek to maximise returns from this exciting technology. We wish to distinguish ourselves as a 'next generation' biomass product which is distinct from existing products, both in terms of feedstock sourcing to manufacture the fuel and in terms of the creation of renewable fuel which exceeds existing performance parameters. We believe strongly in the positive environmental impact this product could have on the operations of current coal-fired and biomass power producers, and at the same time assisting the timber industry in making strides to utilise residual products as feedstock. Our aim is to create an environmental win-win for both industries as the world transitions to a fully renewable energy state.

The Board is committed to the core principles of corporate governance, as set out in the QCA corporate governance code and each of the directors is currently ensuring that these principles are observed.

The headwind in the form of Covid-19 that has harassed and unsettled many businesses over the period to the end of calendar 2020, was also felt by AEG. On the ground in North Carolina there were, for a period, severe restrictions on the movement of people and product. I am pleased to say the situation has now improved in part. Travel restrictions meant that the executive directors were unable to make relevant site visits for the period, which impacted on our ability to execute our growth strategy and, more importantly hampered our efforts in establishing and developing an infrastructure for community and local authority relations in North Carolina. It is pleasing to note that most recently both our CEO and FD have been able to cross the Atlantic to re-energise the strategy planning and local relations. The pandemic has exacted a tragic death toll across the globe, and AEG remains determined to play its part in minimising the effects of the crisis where it can.

AEG is focusing its capital allocation on CoalSwitch. Existing timber cutting permits in Ukraine and Newfoundland do not align to this strategy, and the Company is looking for an orderly exit from those interests.

Further, whilst it was a positive to see revenues being generated from the small-scale sawmill and saw log export businesses, the act of felling trees and exporting lumber products could not be supported in the context of a corporate strategy which focuses on environmental credentials as a core operating principle.

By contrast, the sawmill business has been instrumental in identifying critical local business partners in the South-Eastern United States from whom to source residual feedstock for future CoalSwitch operations. Its immediate profitability has been hampered by sub-scale throughput, a continuing requirement to invest in additional capital expenditure and the extended industry disruption caused by exceptional operating conditions within the Covid-19 pandemic which remains at this time. The Board has decided to exit the saw log export operations while the sawmill operation remains under review.

These ancillary activities have consumed much of management's time and effort and future operations need to be focused on the development of CoalSwitch and its commercial roll-out, which is where the Board believes AEG's greatest commercial opportunities lie. The Financial Statements for 2020 contain impairments to reflect these strategic decisions taken by the Board. The current global focus on climate change and the US political landscape are very encouraging for growth in the renewable energy industry, including biomass sourced renewable fuels. We believe that CoalSwitch is perfectly suited to take advantage of this momentum.

After a long wait, it is undoubtedly an exciting time for your Company. We look forward to the outcome from the forthcoming deliveries of CoalSwitch fuel to customers, including PacifiCorp, the co-firing test results, and the consequent commercial opportunities. On these and other developments, I look forward to updating you as we progress.

James Leahy
Non-executive Chairman
14 June 2021

Ashland Facility construction - Source: AEG

AEG STRATEGY

To commercialise CoalSwitch, a proprietary technology which transforms waste biomass material into high-value renewable fuels.

WHAT IS THE STRATEGY FOR AEG?

- Advance CoalSwitch as a next generation renewable fuel using waste biomass materials, which can be supplied to either coal-fired power generation market as a drop-in renewable fuel to be co-fired with coal, or completely replace coal as an alternate feedstock to reduce overall emissions without requiring significant plant modifications or replacing existing biomass resources.
- To source relevant residual and waste materials, which are by-products from the forestry industry and which are not currently utilised, to use as feedstock in the production of CoalSwitch.
- To achieve the first two objectives at scale to monetise the CoalSwitch technology for the benefit of shareholders. Studies in 2021 indicated that production plants should be initially optimised toward production facilities of up to 20tph to take advantage of the immediate commercial opportunities in the current dispersed location of residual and waste materials.

WHAT ARE THE KEY PERFORMANCE INDICATORS?

- Independent data and research validating CoalSwitch as a high calorific and hydrophobic renewable fuel with low emissions from its consumption which is a commercially viable replacement fuel for either the coal-fired power industry or biomass power industry.
- Off-take agreements with existing power generators or industrial partners.
- Feedstock supply agreements and JV agreements with established forestry product providers for the provision of residual and waste materials to produce CoalSwitch.
- Increased shareholder returns.

HOW HAVE WE PERFORMED IN 2020?

- Air and construction permit obtained for a 5tph CoalSwitch production plant in Lumberton, North Carolina. This process was impacted by the Covid-19 epidemic in 2020. in 2021 the Company has experienced additional construction delays owing to manufacturing improvements made to the final production plant design during construction which require additional approvals.
- First commercial CoalSwitch order from PacifiCorp.
- Completion of engineering and design work for the Lumberton Facility and procurement of all critical equipment for completion of the plant.

WHAT ARE THE KEY PRIORITIES FOR 2021?

- Investigate funding opportunities for growth.
- Complete construction of a CoalSwitch reference plant to ensure delivery of first orders and meet additional indicated commercial interest.
- Market CoalSwitch as an alternate renewable fuel and secure off-take agreements, production partnerships, and feedstock partners.

WHAT ARE THE KEY RISKS THAT COULD PREVENT US FROM ACHIEVING OUR STRATEGY?

- CoalSwitch as a fuel does not deliver in its operating performance despite positive initial testing from test samples already produced.
- Prospective power generators, using existing coal fired facilities, are not able to recognise the benefit of CoalSwitch over existing feedstocks or justify the economic costs involved in switching to new alternative renewable fuels.
- Inability to secure long-term off-take agreements for CoalSwitch or delays in the process of uptake.

- Loss of market opportunity resulting from competitive biomass products or alternate renewable technologies.
- Lack of funding to adequately market and expand production capabilities to meet demand for CoalSwitch.

Further key risks and uncertainties are disclosed on pages 15 to 17.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Strategy

Our strategy is to commercialise CoalSwitch, a proprietary technology which transforms waste biomass material into high-value renewable fuels.

Events in the last eighteen months have created new opportunities for the biomass industry and an increasing market awareness that biomass will play a part in future renewable energy solutions. At the same time, increasing environmental regulation and scrutiny is rightfully being applied. AEG is focussed on making its contribution towards the biomass industry goals in developing its unique proprietary technology to ensure that there is a long-term future for next generation sustainable biomass production. These goals will be achieved through a combination of its own production facilities, creating commercial partnerships for fuel production, and licensing the relevant technology.

AEG believes that CoalSwitch will have an immediate positive impact on reducing emissions from existing coalfired power facilities. As a result, AEG is focussing its near-term commercial activities on the production of next generation biomass fuels in North America. The USA is only now aligning itself with other countries in the use of sustainable power alternatives and awareness of a need for solutions which mitigate pollution from the consumption of fossil fuels. North America is already dominant in the production of biomass fuels and has vast knowledge and operating capacity in the production of such fuels for international markets but, to date, domestic consumption has been limited. By producing next generation fuels in the United States, using waste biomass resources, AEG is intent on capturing this immediate market opportunity.

Summary of 2020

Operationally, 2020 was an important year for AEG. We worked toward the completion of a commercial scale CoalSwitch production facility at Lumberton, North Carolina. At the same time, we developed ancillary smallscale sawmill and saw log export operations at the Lumberton site to demonstrate to prospective commercial partners how CoalSwitch production aligns with traditional timber operations. AEG has faced the challenges of the Covid-19 pandemic and our colleagues have responded tremendously to the difficulties presented by these operating conditions.

CoalSwitch operations

Lumberton is, and will remain, an important component for AEG's future growth in the United States. Its location on the US East Coast is commercially valuable. Our goal remains to develop it as a 'carbon neutral' site with its prime focus on the production and development of next generation biomass fuels, using forestry co-products. During 2020, a significant focus of management's time was spent on securing the relevant air and construction permits (the "Permits") for the Lumberton Facility, which involved working with our partners in Robeson County, State Officials and with officials at North Carolina Department of Environmental Quality ("NCDEQ"). A public hearing was scheduled to take place in March 2020, however due to Covid-19 restrictions, the meeting was postponed to 22 June 2020. While the public hearing was not technically required, for such a minor permit, AEG worked alongside the local community to take the opportunity to address environmental concerns. The public hearing process raised concerns on the potential emissions from the production process and the exact specifications of the manufacturing procedures, which are wholly different to existing biomass manufacturing processes. AEG welcomed the analysis of local groups and the NCDEQ and continues to address these ongoing environmental concerns.

AEG has always ensured that all operations at the Lumberton Site remain in compliance with all relevant environmental regulations. The Board considers the recent claims made by the Southern Law Environmental Centre to be totally without foundation and AEG is seeking appropriate legal redress in North Carolina.

AEG obtained the requisite Permits in August 2020, thereby allowing AEG to commence construction of the Lumberton Facility. The Permits allow for CoalSwitch production through to November 2028 in volumes of up to 5tph (or circa 35,000 tonnes per annum).

With the Permits obtained, AEG appointed Player Design Inc ("PDI") as its engineering, procurement, and construction partner to orchestrate the planning and construction of the Lumberton Facility. PDI has a wellrespected reputation in the biomass industry in North America, having completed a number of small and large manufacturing facilities over the last two decades and their involvement has proven invaluable.

In September 2020, PDI carried a full-scale review of all equipment on site, independent evaluation of the CoalSwitch technology and provided financial budgets towards the completion of the first reference plant. The project plan was approved by the Board in Q4 2020, and work commenced immediately. Despite ongoing Covid-19 disruptions, additional equipment was sourced by PDI from within the United States and the key component deliveries to the Lumberton Facility commenced late in Q4 2020.

With visibility on a construction timeline for the Lumberton Facility, in December 2020, AEG was pleased to announce the first commercial order from PacifiCorp to test CoalSwitch fuel in its coal-fired power plant at Hunter Valley in Utah. The fuel is to be used for a test burn, co-firing with coal, monitored by both the University of Utah and Brigham Young University. The results will be published later this year to demonstrate the co-firing results from CoalSwitch and the emissions benefits.

Post Period End

With all components on site, construction commenced in early 2021 and the Lumberton Facility was in the final stages of construction, both on time and on budget, in early May 2021.

The CoalSwitch manufacturing process has certain novel elements requiring both the NCDEQ and AEG to proceed cautiously to ensure that the process meets and exceeds all current environmental regulations. To that end, during construction, AEG and PDI added additional emissions control equipment which satisfied standard Environmental Protection Agency regulations in the United States. Given the award of the Permits, in most circumstances in the US, such improvements to minor permits are uncontroversial and generally quickly accepted. However, NCDEQ decided to require a formal permit amendment from AEG for these minor revisions. In May 2021, AEG complied with the notice from NCDEQ to suspend construction of the additional components at the Lumberton Facility, made the requisite amendment application and provided relevant information to address NCDEQ's concerns. Discussions are ongoing between AEG and NCDEQ to expedite the approval of the amendment request. The emissions data being gathered from the Ashland Facility is expected to demonstrate that producing CoalSwitch is wholly different from existing biomass production processes. However, it is not possible to comment on the timing or process of obtaining approval of the permit amendment. AEG's goal remains to commence production of CoalSwitch from the Lumberton Facility at the earliest opportunity.

AEG has received several enquiries from prospective customers and partners who wish to test CoalSwitch product and observe an operational production facility in the heart of North Carolina. AEG has also received additional commercial enquiries about additional uses for the Lumberton Site and these are currently being evaluated by AEG to work alongside the forthcoming operational CoalSwitch reference plant.

Joint Venture with PDI

As construction continued at the Lumberton Facility in Q2 2021, PDI itself also received additional enquiries for CoalSwitch fuel, principally from prospective partners in North-Eastern United States. PDI and AEG both wanted to build a second facility to increase production capacity in the United States, and to benefit from the additional operating data from a second working CoalSwitch facility.

PDI is based in Maine, with a series of engineering and manufacturing operations, and in April 2021 arranged for AEG and PDI to meet with local regulatory and environmental agencies in Maine to examine the possibility of building a second such facility. Following the meeting, an operating permit was granted to allow the operation of a second CoalSwitch production facility at Ashland, Maine (the "Ashland Facility"). This permit allowed for the production of an initial 1,000 tons of CoalSwitch by no later than 31 July 2021. Following submission of emissions results, we will submit a permit application to increase production capacity up to 35,000 tonnes per annum.

PDI and its associated companies own the Ashland Facility. AEG and PDI agreed that the most efficient route forward was via a joint venture between the parties, details of which were announced on 26 May 2021. In summary, the joint venture only applies to production activities from the Ashland Facility and allows for a fully operational second CoalSwitch reference plant to produce fuel for onward sale and to further demonstrate the operating technology to prospective customers.

Sales teams assembled in the United States and internationally

During the first half of 2021, AEG assembled a sales team in North Carolina who are currently marketing to a variety of prospective off-take customers for CoalSwitch fuel and potential commercial production partners across North America. In addition, AEG has also appointed sales representatives in Japan to accommodate customer enquiries for CoalSwitch. AEG has complemented these activities with the addition of a data analysis team to assemble a proprietary database on the fuel requirements of prospective customers throughout North America.

The marketing feedback, the expanding data information and general background of increasing environmental awareness in the US has accelerated prospective customer interest for CoalSwitch fuel and the immediate customer demand for test samples of CoalSwitch fuel. The joint venture with PDI, complementing the activities at the Lumberton Facility form a further critical step forward for the full-scale commercial roll out of CoalSwitch.

CoalSwitch technology – Continuing Technology and Commercial Development

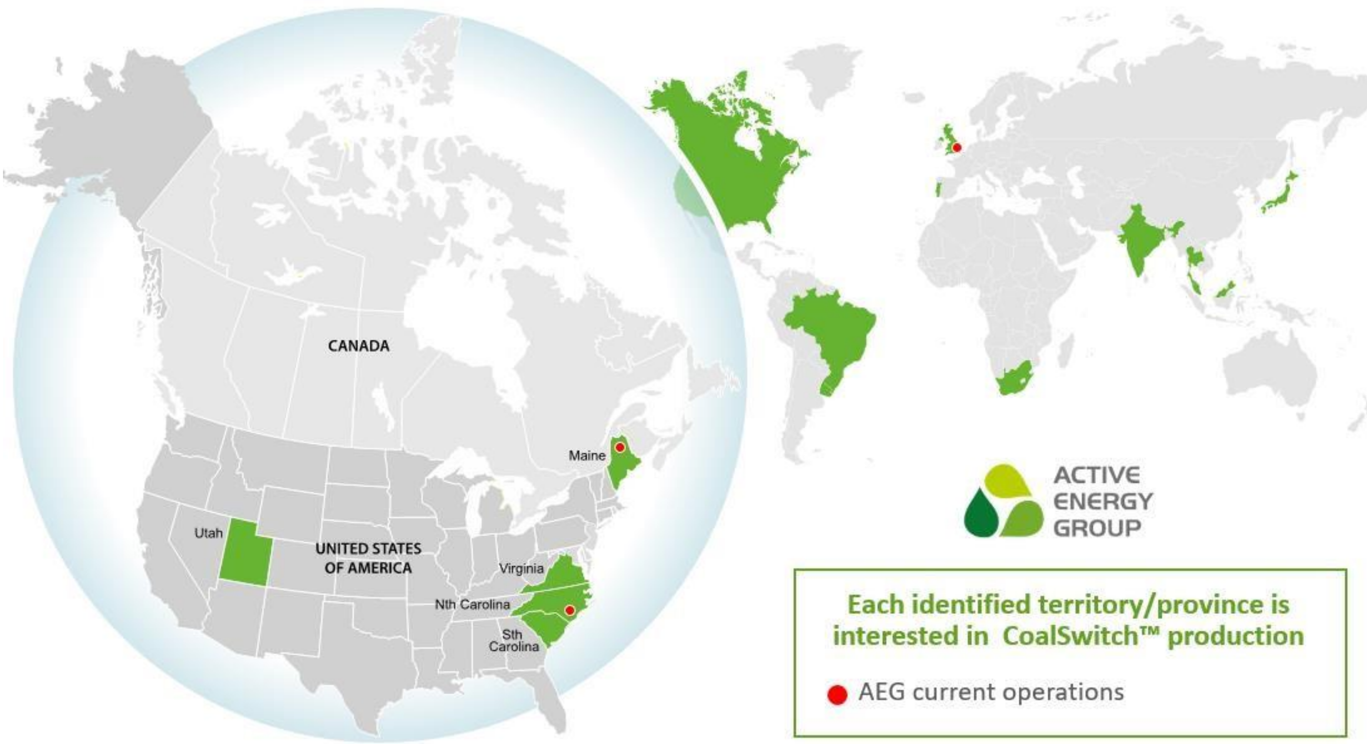
Throughout 2020, AEG continued to develop and extend its intellectual property portfolio regarding CoalSwitch and the underlying production processes within the production reactors. In December 2020, AEG was awarded an additional patent in the US (Patent No 10,858,607). After this award, an additional and complementary patent application was filed in the US.

In late 2019, applications had also been made to file for Canadian patents. On 7 June 2021, the Canadian Intellectual Property Office indicated that we have been granted a notice of allowance, meaning that AEG will be awarded the Canadian patent.

AEG has maintained a continual filing, review, and renewal programme for its current intellectual property (“IP”) during 2020 and will continue to expand the IP portfolio and know-how as the first operational data and fuel testing from production fuels are completed. In 2021, AEG has also been establishing links with various academic institutions in the US and Canada whose forestry expertise will facilitate and accelerate expansion of AEG’s technical knowledge of CoalSwitch IP and further increase market awareness of these next generation biomass fuels.

International interest for licensing the CoalSwitch production technology has also continued and with those forthcoming opportunities, AEG has ensured that the proprietary technology is correctly protected. Applications are being processed for patents for the EU (including the UK) and territories in South-East Asia. The timing of any such patent awards will not affect the timing of prospective commercial opportunities, given the current validity of the US patents.

AEG has continued to develop commercial relationships for complementary licensing and production deals both in North America and elsewhere. The first precedent was established in Canada in 2019.During 2020 and 2021, AEG has engaged in several additional enquires. Ongoing discussions continue with parties in South-East Asia, India, South Africa and within the US.



Source: AEG

Sawmill and lumber activities at Lumberton

During 2020, the initial focus for operations at the Lumberton site had been on the establishment of an operational lumber business, whose focus was not only to generate revenues to allow the Lumberton site to function, but also to become a component of the forthcoming CoalSwitch production operations.

To consolidate the operations from existing joint venture arrangements, in March 2020, AEG and RLS agreed to operate all the lumber activities in Lumberton under the trading name Active Energy Renewable Power ("AERP"). The prime operations were the production of rail ties and saw log export. Both operations continued to operate through Covid-19 but remained small scale. Operation of the sawmill has brought a number of benefits, including establishing AERP's reputation in North Carolina with local lumber suppliers and commercial partners, who are increasingly enthusiastic to supply forestry waste and residual for the forthcoming CoalSwitch operations.

Post Period End

In Q2 2021, the Board determined that saw log export was neither aligned with the future environmental strategy for the Group nor was it able to produce sufficient economic returns to become a profitable operation. To achieve a profitable operation AEG would be required to invest heavily in equipment to expand production and scale up these operations. The Board has therefore decided to focus its capital allocation toward CoalSwitch production activities and has decided to withdraw from saw log export operations. The sawmill, which is viewed as more complementary to the Group's strategy, has continued to operate through H1 2021 as it supports forthcoming CoalSwitch operations with the processing of residual feedstock. Decisions made on its future will depend on NCDEQ's approval of the Permit amendments and how the Lumberton Facility develops in the coming months.

Forestry assets in Ukraine and Newfoundland and Labrador

Prior to 2018, AEG's strategy was based upon the ownership of timberland assets which might assist in the commercial development and production of biomass fuels.

In respect of the Province of Newfoundland and Labrador (the "Province') AEG was awarded commercial cutting permits with a 5-year duration which included certain performance thresholds required to be achieved prior to May 2021. During 2020 and 2021, Covid-19 restrictions prevented any travel to the Province. In 2020, AEG appointed advisers to seek modifications to the commercial cutting permits, which were initially rejected by the Province. Nonetheless AEG continues to work with the Province to mitigate the consequences resulting from not achieving the required harvesting thresholds during this difficult period. AEG believes that there are benefits for the Province in establishing a CoalSwitch solution and working with local lumber partners to utilise the cutting permits.

In Ukraine, AEG also held timberland interests for an area surrounding Lyubomi through its operating subsidiary, AE Ukraine. During 2020, AEG sought to dispose of these assets. As it was unable to do so, the Board decided to accelerate the impairment of the entire asset from the balance sheet and cease any further activities in Ukraine.

Financing Activities during 2020 and post period in 2021

During the year, AEG completed a series of financing activities, including the issuance of some additional convertible loan notes in June 2020, and an equity fundraising in August 2020 of £1.5 million (before expenses), completed upon the news of the award of the Permits for the Lumberton Facility. The funding for this came from existing shareholders and bondholders and we remain grateful to their support.

These events were a prelude to the balance sheet restructuring completed in February 2021, where all outstanding convertible loan notes were converted to equity or redeemed to ensure the full extinguishment of the outstanding Convertible Loan Note (the "Notes"). At the same time, AEG was grateful for the support of existing and new shareholders to raise additional equity totalling £7 million (before expenses). Most importantly the redemption or conversion of the Notes meant that all former security obligations which were incumbent upon the entire AEG group were extinguished, allowing AEG the flexibility to properly utilise its balance sheet. In addition, the Company will benefit from reduced finance charges going forward.

Appointment of a Finance Director

The appointment of Andrew Diamond as Finance Director in January 2021 was a significant appointment for AEG. Andrew's previous PLC experience has already proven invaluable in recent months.

Post Period End

All the foundations achieved in 2020 allowed AEG to move toward the delivery stage of its strategy in H1 2021. While the Lumberton Facility has been under construction in recent months, the management team has already been building toward the next stage of growth for AEG. The joint venture with PDI and the assembly and completion of a second CoalSwitch facility in Maine within 14 weeks demonstrate the forthcoming commercial opportunities AEG is seeking to realise.

Outlook

AEG is delivering on our strategy to commercialise CoalSwitch, our proprietary technology which transforms waste biomass material into high-value renewable fuels through AEG's own resources and through commercial partnerships.

The Board believes that AEG's CoalSwitch technology process has clear advantages over traditional biomass manufacturing processes and that there are few alternative next generation biomass fuels currently available.

Our achievement in making CoalSwitch available for customers for their independent analysis is a significant milestone and we are now witnessing considerable market interest in North America in both our process and our product.

Our clear focus is on accelerating the commercialisation of CoalSwitch.

Michael Rowan
Chief Executive Officer
14 June 2021

COALSWITCH - PLANT CONSTRUCTION

Lumberton, North Carolina

Ashland, Maine

Source: AEG

FINANCE REVIEW FOR THE YEAR ENDED 31 DECEMBER 2020

Having started as the incoming Finance Director on 1 January 2021, a look back at the year ended 31 December 2020 ("Current Year") reveals a year where progress has been made, but the rate of that progress was hampered by Covid-19 related factors. I can report that the rate of progress following the year end is much improved, and the Company is now at a very exciting point where it has just produced the first commercial volumes of CoalSwitch from its Ashland Facility.

Subsequent events

It is unusual to start a report with events which happen after the period being reported upon but given the magnitude of these events it is appropriate to do so this year.

In January 2021, Advanced Biomass Solutions Plc, a subsidiary of the Company, completed and drew upon a debt facility of £550,000. The debt instrument is repayable within twelve months based on monthly capital repayments following a four-month repayment holiday. Initiation fees of 7% were payable, and interest is charged at 10% p.a. payable quarterly in arrears. The Company has provided a corporate guarantee as security.

In February 2021, the convertible loan note ("CLN") holders agreed to either convert their CLN's or have them redeemed. Furthermore, the CLN holders agreed to a release of the securities held over the Companies assets in favour of the CLN holders. At the same time the Company raised £7.0 million in a fundraising (before expenses), principally to progress the final stages of construction of the Lumberton Facility. At the time of reporting the CLN obligation has been fully extinguished. The shares in issue at the reporting date were 3,902,051,743, compared to 1,541,178,043 at 31 December 2020. This injection of funding, along with the removal of the debt and the underlying security obligations have provided the Company an opportunity to deliver on its long-promised product: CoalSwitch.

On 20 May 2021, the Company announced its joint venture arrangement with Player Design Inc. ("PDI"). Under the JV, AEG and PDI will jointly own and operate a CoalSwitch plant in Ashland, Maine. The plant has been completed and is in production and will supply CoalSwitch for customers, including PacifiCorp.

Going concern

The Financial Statements have been prepared on a going concern basis. Note 1 of the Financial Statements lays out the material uncertainties relating to the Company's ability to continue as a going concern. The proceeds raised in February 2021, after fees and certain CLN redemptions, have been used to construct the CoalSwitch plants in Lumberton NC and Ashland Maine, and further funding will be required in the coming 12-month period to finance expansion of CoalSwitch production, additional research and testing programs and marketing activities.

Summary of 2020

Having acquired the property in Lumberton, in 2019 (the "Prior Year") the Company made application for an air and construction permit ("Permit") to enable the construction of the CoalSwitch reference plant. The Permit was issued on 4 August 2020, after lengthy delays due to Covid-19. Following the Permit issuance, the Company proceeded to engage a contractor for final engineering designs and plan the construction of the 5tph CoalSwitch plant, with equipment orders, in addition to equipment previously acquired by AEG, being placed late in the year.

In March 2020, the Company acquired a 100% interest in the lumber activities at Lumberton from its joint venture partner Renewable Logistics Systems LLC ("RLS"). As consideration, AEG agreed to pay RLS US$350,000 in equity for the outstanding 70% equity interest, waive $250,000 of loans, and a further $150,000 has been provided for as contingent consideration. AEG issued 64,863,412 new ordinary shares of 1p to RLS. The assets and inventory acquired were transferred into Active Energy Renewable Power LLC ("AERP"), which has since operated the lumber businesses.

The acquisition allowed the Company to:

- Control the lumber operations at Lumberton outright;
- Assess the local timber suppliers with the intention of securing a long-term feedstock provider for the CoalSwitch reference plant; and
- Demonstrate to future prospective customers the benefit of locating a CoalSwitch plant alongside lumber operations.

In 2021, the Board has reassessed AEG's strategy, which is detailed on page 4, and determined that the saw log export business, which involved loading sawlogs into containers to be shipped to South-East Asia, did not align with AEG's strategy of being a consumer of residual and waste forestry products from the lumber industry. The Company has not been able to operate the container business at a scale to produce profitable returns. Whilst the objectives above were achieved, the level of capital investment required to scale up and operate profitably was deemed unacceptable and the Board decided to exit this business.

Likewise, the sawmill business has also struggled to operate profitably, principally due to a lack of capital investment to allow the business to operate at a scale that recovers the fixed cost elements. The Board is determined to focus its time and capital allocations on CoalSwitch and has placed this business under review.

Statement of Consolidated Income

Despite revenues, principally from the sale of lumber, of US$1.8 million (2019: US$1.9 million mainly from the granting of a CoalSwitch licence), the costs incurred in processing and selling the lumber products resulted in a gross loss of US$1.1 million (2019: gross profit of US$1.9 million). As mentioned above, the Company was unable to operate at a scale large enough in either the sawmill or saw log export businesses to generate profits and has taken appropriate action in 2021.

Furthermore, the Board determined that the timber-cutting licences in Ukraine and Newfoundland are not aligned with AEG's environmental strategy and the Company will seek to dispose or amend these licences, if permitted. The Company will not allocate future capital to the development these licenses. Consequently, the Board has determined that it is prudent to fully impair these assets. A non-cash impairment charge of US$4.2 million has been raised (2019: US$nil). In addition to the impairments of licences, with losses generated by the lumber and saw log export businesses, a full impairment of the goodwill arising on the RLS acquisition of US$0.6 million (2019: US$nil). The total impairment charge for the year was US$4.8 million (2019: US$nil).

Administrative expenses of US$1.7 million (2019: US$2.8 million) reflect ongoing corporate costs and business development activity. Excluding non-cash share-based payments, administrative expenses were US$1.6 million (2019: US$2.4 million), with losses on disposal of assets of US$0.7 million recorded in the prior year. Finance expenses were US$1.3 million (2019: US$2.5 million). These costs relate to ongoing servicing of the Group's Convertible Loan Notes, other loan interest and foreign exchange gains and losses, offset by interest capitalised to tangible and intangible fixed assets.

The tax credit of US$0.2 million (2019: US$0.9 million) reflects the deferred tax impact resulting from the impairment of assets in the current year, and income associated with research and development tax credits.

Loss for the year was US$8.8 million (2019: US$2.5 million). Other comprehensive loss of US$0.7 million (2019: income of US$1.2 million) reflects a reversal of the non-cash revaluation of other financial assets raised in the prior year of $0.5 million, with a gain of US$0.5 million related to the Lumberton property revaluation in the prior year. Total comprehensive loss was US$9.4 million (2019: US$1.3 million). Loss per share (basic and diluted) was US$0.65 (2019: US$0.21).

Statement of financial position

As a result of the operating losses in 2020, and in particular the impairment provisions raised against non-core operations and licences, the Group's overall net assets position declined to a net liability position of US$5.9 million (2019: net asset position of US$0.4 million), underlining the importance of the CLN conversion which occurred after financial year end.

Non-current assets decreased to US$16.6 million (2019: US$19.9 million). This decrease relates to the impairment of the intangible licences in Ukraine and Newfoundland and the revaluation of other financial assets. Current assets remained stable at US$1.5 million (2019: US$1.5 million).

Current liabilities decreased to US$2.4 million (2019: US$2.5 million). Non-current liabilities increased to US$22.5 million (2019: US$18.6 million) as a result of new CLN issuances, and CLN issuances in settlement of CLN interest charges for the first three quarters of the year.

Statement of cash flows

The Group utilised cash of US$1.3 million in operating activities (2019: generated US$1.7 million).

US$1.5 million of proceeds were received from CLN issuances (2019: US$2.8 million). Net proceeds of US$1.8 million were raised in the September placing.

US$1.0 million of cash and cash equivalents was on hand at year end (2019: US$0.4 million).

Andrew Diamond
Finance Director
14 June 2021

Source: AEG

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is subject to a number of potential risks and uncertainties, which could have a material impact on the long-term performance of the Group. This could cause actual results to differ materially from the Board's expectations.

The management of risk is the collective responsibility of the Board of Directors. To mitigate this risk the Group has developed a range of internal controls and procedures. The controls, procedures and identified risks are discussed and reviewed annually by the Audit Committee and their findings and recommendations are reported to the Board. The principal risks and uncertainties inherent in the Group's business model have been grouped into four categories: strategic, financial, regulatory and operational. The risk items and the planned actions to mitigate these risks are listed below:

Risk	**2020 Outcome and Mitigation Action**
STRATEGIC	The Group is reliant on the growth of the biomass industry for the development of the CoalSwitch product and monetisation of its assets and intellectual property
The acceptance of biomass as a credible form of renewable energy	Globally the focus on climate change continues to increase. The current US administration is highly focused on renewable energy; however, the role of biomass remains a contentious discussion item. Opportunities to produce or licence CoalSwitch which arise in other countries will be considered.

Governmental development of policies to support an environmental improvement agenda Favourable US policies within which CoalSwitch becomes a viable choice for coal-fired power generators	Whilst limited in the resources to affect federal policy change, the Group will utilise the resources at its disposal to positively affect policy direction. At present many coal-fired power producers are considering their viability based on the environmental concerns associated with coal. The Group will be challenged to convince these producers that CoalSwitch is both a more environmentally friendly solution, a lower-cost and more immediate alternative and to evidence that it has the scale to extend the production life of the current coal-fired power plants.
CoalSwitch as the next generation pellet is found to be sub-efficient in calorific value, emissions reductions and/or ability to be co-fired with coal in existing power stations	Laboratory and in-house testing have produced exciting results. Early production of CoalSwitch will again be tested to validate the product's properties to support the marketing activities. A successful trial run at PacifiCorp will be immeasurably useful in providing validation to our target market. The Group has limited marketing resources in-house and will need to employ additional personnel with an understanding and gravitas in both the power and timber sectors.
Political and regulatory uncertainty and delays or refusal in granting permits may severely inhibit expansion plans	Continued engagement and communication is key on this point. We have been actively engaging with the respective Government and Regulatory Body Representatives to ensure the continued progression of the Group's agenda.

Risk	**2020 Outcome and Mitigation Action**
FINANCIAL	Growth and expansion are reliant on access to capital
Insufficient cash resources to meet liabilities, continue as a going concern and finance key projects and expansions required to build out production of CoalSwitch	Cash management is critical at this vital point in our expansion. Management has a tight control over the Group's cash resources and is frugal in capital allocation, most notably ensuring the money is spent in pursuit of the Group's core strategies. The Company raised gross proceeds of £7 million in February 2021, and at the same time restructured the balance sheet by converting the CLNs into equity and thereby deleveraged the business. All security underpinning the CLN has since been revoked, which has unencumbered the balance sheet. The proceeds of the fundraise have been put to work as intended. Further build-out of production for CoalSwitch development will require additional funding.

The Group's ability to access funding to meet commitments and development plans	There is no guarantee that market conditions will permit the raising of necessary funds, by way of debt financing or issue of new equity, as and when the Group requires. As noted above, the expansion of CoalSwitch production capacity will require additional funding. The Board will consider the timing and nature of additional funding requirements as they arise.
The Group's ability to access local government support in each jurisdiction we operate within	Engagement with key stakeholders in each jurisdiction will be key. The Group will use all the tools it has available to ensure this engagement is productive and that applicable support is obtained.
REGULATORY	Production of CoalSwitch will be subject to scrutiny from various regulatory and environmental bodies in each of the jurisdictions we elect to operate in
Failure to comply with construction/environmental permitting and emissions requirements	Compliance is a key driver in the success of the business. Compliance improvement processes are being implemented and reported monthly to the board. Recent events, whereby the NC DEQ have suspended construction of components of the Lumberton plant evidence the potential impact a lack of continuous focus and engagement with relevant authorities can have upon future operations. Management will always seek to establish and maintain an open and transparent dialogue with relevant authorities. The Group acknowledges the importance of continuous compliance in all areas of operations.
Failure to comply with law and regulations in the jurisdictions in which we operate	It is important that the Group employs people with the required skill sets to manage and operate the Group's business within the laws and regulations which apply. Where required the Group should provide the necessary training to staff to ensure they remain up to date with laws and regulations.

Risk	**2020 Outcome and Mitigation Action**
OPERATIONAL	Operational challenges in producing and selling CoalSwitch
Death, illness or serious business disruption due to Covid-19 or other pandemics	The Group continues to comply with all legal requirements within the current jurisdictions where it has operations. Compliance with local and international Covid-19 regulations is required across the Group.
Health and safety risks to employees, contractors and local communities	The Group has a strong safety track record. The Group will continue with Health and Safety Risk assessment processes to induct and protect all employees and other stakeholders. The Group will continue to ensure control measures are put in place to manage the identified hazards and the risk associated with them. Health and safety policies will be reviewed on a regular basis. The Group complies with OSHA requirements in the jurisdictions within which it operates.

Project execution risk associated with capital intensive activities	The Group outsources construction projects to established EPC contractors for large projects. The process of selecting an EPC contractor is rigorous to eliminate risk of failure. Management is actively involved in construction activities to ensure projects are completed on time and within budget.
Reliance on key management/staff and inability to scale up the business with talented resources fast enough to support a growing Group as production expands	The Group does have a very small compliment of employees and is required to outsource many activities. By its nature the Group is extremely reliant on a small handful of individuals. As the Group demonstrates success with its CoalSwitch product and starts to grow it will be able to, and need to, employ people in diverse applications to further all business activities. The Group rewards individuals appropriately for their time and efforts in order to retain them. In February 2021, the Group implemented a LTIP scheme to reward senior management on a basis aligned with shareholder interests.
Social licence to operate and the need for support from the community	The Group will seek to engage with local communities and to align and work with local communities where it operates. Failure to win the support of the local communities could result in difficult operating conditions.

CORPORATE SOCIAL RESPONSIBILITY REPORT

At its core AEG is seeking to improve the quality of the environment. Whilst the credentials of biomass are debated in various communities, the development of CoalSwitch as a next generation renewable fuel utilising waste biomass remains an important technical milestone. A biomass fuel capable of co-firing with coal for power generation which can result in significantly reduced emissions represents an important renewable power source during the transitionary period as the world moves away from consumption of fossil fuels. The world continues to develop and as it does, it becomes increasingly power-hungry. The requirement is to increase power generation whilst reducing all emissions and reducing consumption of natural resources. We believe CoalSwitch is uniquely positioned to contribute towards those renewable goals for the biomass fuel sector.

Corporate Responsibility

The Board takes regular account of the significance of social, environmental, and ethical matters affecting the Group wherever it operates. It is developing a specific set of policies on corporate social responsibility, which seek to protect the interests of all its stakeholders through ethical and transparent actions and include an anticorruption policy and code of conduct.

Covid-19

The emergence and spread of Covid-19 had an impact on the Group's operations. As an example, the holding of a public meeting, as a necessary step in obtaining the air and construction permit in Lumberton, was delayed by months. Whilst precautions were taken in relation to ongoing operations at the Lumberton site, it too has experienced disruptions. The restrictions imposed on international travel have made it difficult for the executive management to travel to the USA, although recently both CEO and FD have been able to visit North Carolina.

Despite the pandemic related complications, the CoalSwitch construction crews have worked tirelessly to get the reference plants in both Lumberton and Ashland completed on time and on budget. Office based workers have worked from home.

The Group continues to monitor the development of Covid-19 and complies with the requirements in each of the jurisdictions within which it operates.

Environment

The Board recognises that its principal activities have the potential to impact the environment and is committed to working with states and other bodies in each of the territories in which it operates to establish and follow international principles of environmental sustainability and renewability.

In Lumberton, the Group's property is a brownfields operation which imposes stringent performance and testing obligations to decontaminate and monitor previous pollution. Since taking ownership of the site, the Company has fully complied with these obligations (including employing dedicated personnel for such requirements) and reported to the authorities on a regular basis. The Company has not contributed to any unauthorised or unregulated water pollution during its time of ownership of the Lumberton site.

Likewise, the Company will comply with all environmental related requirements arising from its future CoalSwitch operations in all applicable territories. In line with the Group's strategy, every effort will be made to improve the environment.

Suppliers and Contractors

The Group recognises that the goodwill of its contractors, consultants and suppliers is crucial to the success of its business and seeks to build and maintain this goodwill through fair and transparent business practices. The Group aims to settle genuine liabilities in accordance with contractual obligations.

Health and Safety

The Board recognises that it has a responsibility to provide strategic leadership and direction in the development and maintenance of the Group's health and safety strategy, in order to protect all of its stakeholders. Despite operating a sawmill, which is considered a hazardous activity, there were no lost time injuries in 2020, with only one minor injury recorded.

The Group will always remain vigilant in this regard to ensure the health and safety of all stakeholders.

Community relations

Having moved into the Lumberton, North Carolina community, and more recently into the Ashland, Maine community, the Group will seek to engage with these local communities on issues as they arise, and more generally in everyday matters. The Group already employs locally to provide opportunities for those in the communities within which we operate, will support local initiatives, and will pay local taxes and other fiscal contributions as they become due.

Enhanced governance

Governance processes are discussed in the Corporate Governance Statement on pages 22 to 25. The Board remains committed to improving the governance of the Company and encourages stakeholders who identify opportunities for improvement to notify the Board.

Source: AEG

DIRECTORS & COMPANY INFORMATION

ACTIVE ENERGY GROUP PLC

James Leahy
Non-Executive Chairman

Beginning his career at the London Metal Exchange, James has spent 35 years involved in stockbroking and commodities in a variety of roles, including research analyst, equity salesman and specialist corporate broker, which covered mining finance, origination and distribution. He has worked on a wide range of projects worldwide, which includes industrial minerals, coal, iron ore, precious metals, copper, diamonds, lithium, uranium, plantations, forestry and palm oil. Lately, he has employed his corporate governance skills, having gained substantial experience as an independent director on the boards of several quoted and unquoted companies. In addition, Mr Leahy has direct experience in capital markets, having worked at James Capel, Credit Lyonnais, Nedbank, Canaccord and Mirabaud, where he gained invaluable experience with international institutional fund managers, hedge funds, private equity and sector specialist investors. Additionally, Mr Leahy has been involved in many IPOs, as well as primary and secondary placings, and the development of junior resources companies through to production. He is currently a director of the listed fund Geiger Counter Ltd, Savannah Resources Plc and Capital Metals Plc.

Michael Rowan
Chief Executive Officer

Michael was appointed Chief Executive officer in July 2018 after a 3-year tenure as a non-executive director of the Group. Michael is a qualified solicitor, qualified corporate financier with a broad range of banking, commercial and legal experience.
After graduating from the University of Cambridge, he practised as a solicitor at Linklaters in London, Hong Kong and New York. He then moved to Merrill Lynch International in London and New York, and over a 10-year period, he worked in Equity Capital Markets and Investment Banking division, with responsibility for origination, execution and commercial negotiation of equity and equitylinked transactions, including major privatisations and demutualisations in the UK and EMEA regions.
Since then, Michael has held senior roles within venture capital in Asia and worked with mid & small cap growth companies in London, Canada and the US both as an adviser and investor. He was formerly Non-Executive Chairman of Environmental Recycling Technologies plc and is currently a director of RD Active Capital Limited, incubating new technology companies both in the US and the UK.

Andrew Diamond
Finance Director

Andrew has over 20 years of relevant experience, particularly working for London listed companies, as demonstrated by his previous role as Finance Director at Victoria Oil & Gas Plc, an AIM listed gas production and utility business. Throughout the four years Andrew held this role, he was involved in two substantial equity raises, a successful M&A transaction and multiple capital and debt restructuring exercises.
Prior to this, Andrew worked for a number of companies in the resources sector, performing financial and reporting based roles. Andrew also has relevant experience working in the US, which will benefit AEG's operations.

Jason Zimmermann
Non-Executive Director

Jason Zimmermann has over 20 years' experience in the timber resource sector. He is currently the President of Zimmfor Management Services Ltd ("Zimmfor"), an industry leading consulting firm focused on sustainable forestry management. Jason has field and technical expertise relating to timberland assets worldwide and Zimmfor has worked with AEG in previous projects in Canada and Ukraine. He is a Registered Professional Forester and a graduate of the University of British Columbia with a Bachelor of Science in Forestry.

Max Aitken
Non-Executive Director

Max Aitken is an experienced bioenergy entrepreneur. He is currently the CEO of Estover Energy, a leader in the UK biomass industry. Estover developed and operates three woodfuelled Combined Heat and Power plants using over 750,000 tonnes a year of biomass fuel. Max is entrepreneur who has founded and financed several businesses in the energy industry. He is also a trustee of the Beaverbrook Foundation London, and President of the Beaverbrook Canadian Foundation in Montreal.

Country of Incorporation
England and Wales
03148295

Directors J
Leahy
T M S Rowan
A Diamond
M Aitken
J Zimmermann

Secretary
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London
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Registrars
Share Registrars
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Farnham
GU9 7DR

CORPORATE GOVERNANCE STATEMENT

The Group is committed to high standards of corporate governance and seeks to continually evaluate its policies, procedures and structures to ensure that they are fit for purpose. It is the responsibility of the Board to ensure that the Group is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term. Corporate governance is an important aspect of this, reducing risk and adding value to our business.

As a Company whose shares are traded on the AIM market of the London Stock Exchange, the Company complies with the Quoted Companies Alliance Corporate Governance Code (the "QCA Code") as the basis of the Group's Governance framework and its Statement of Compliance can be found on the Company website: https://www.aegplc.com/investors/corporate-governance/

Board:

The Board is collectively responsible for the governance of the Company and is accountable to the Company's shareholders for the long-term success of the Group. The Board sets the Company's strategic objectives and ensures that they are properly pursued within a sound framework of internal controls and risk management. It is ultimately responsible for the management, governance, controls, risk management, direction and performance of the Group.

At the date of this report the Board of Directors currently has five members, comprising the Non-Executive Chairman, Chief Executive Officer, Finance Director and two independent Non-Executive Directors. Max Aitken and Jason Zimmermann joined as independent Non-Executive Directors in January 2020. Andrew Diamond joined as Finance Director in January 2021. Antonio Esposito, Executive Director resigned as a director in February 2021. James Leahy was appointed Non-Executive Chairman on 1 February 2021, replacing Michael Rowan, an Executive Director.

The Chairman is responsible for leadership of the Board. He is assisted by other Board members in formulating strategy and, once agreed by the Board, the Executive Directors are responsible for its delivery. The structure of the Board ensures that no one individual dominates the decision-making process and the Chairman facilitates and ensures that there is effective contribution from other Executive and Non-Executive Directors. The Board provides effective leadership and overall management of the Group's affairs. The Board approves the Group's strategy and investment plans and regularly reviews operational and financial performance and risk management matters. This includes the approval of business plans, the annual budget, major capital expenditure, acquisitions and disposals, allocation and raising of funds, risk management policies and the approval of the Financial Statements.

The Board currently represents an effective balance of skills and experience in the renewable energy and biofuels industries, finance, corporate and business development as well as entrepreneurial and country background. The experience and knowledge of each of the Directors gives them the ability to constructively challenge the strategy and to scrutinise performance. The Board is committed to ensuring diversity of skill and experience. Biographical details of the Directors as at the date of the Annual Report and Accounts are available in the section 'Directors and Other Information' and on the Company's website.

The Board is aware of other commitments and interests of its directors and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board. The Board holds four scheduled meetings each year. Additional meetings are held where necessary to consider matters of importance which cannot be held over until the next scheduled meeting. During the current year, the Board held four scheduled meetings and also met a further eleven times. The Board may, when required, approve matters by written resolutions and/or appointed a committee to approve specific matters. Details of the attendance of the Directors at eligible meetings, together with meetings of the Audit and Remuneration Committees are set out below.

Directors	Board (Scheduled)	Board (Additional)	Audit Committee	Remuneration Committee	Nomination Committee

James Leahy NE Chair	4 of 4	11 of 11	2 of 2	1 of 1	-
CEO Michael Rowan	4 of 4	11 of 11	2 of 2		-
Antonio Esposito ED	4 of 4	11 of 11		1 of 1	-
Max Aitken[a] NED	4 of 4	11 of 11		1 of 1	-
Jason Zimmermann[a]	4 of 4	11 of 11		1 of 1	-

[a] Max Aitken and Jason Zimmermann were appointed on 20 January 2020.

Board Committees

Audit Committee

The Audit Committee is chaired by James Leahy. The Chief Executive Officer, Finance Director and other members of the Board attend the Audit Committee meetings by invitation. The Committee meets at least twice a year. During the current year Michael Rowan, an Executive Director, was also a member of the audit committee. Following the appointment of James Leahy as Non-Executive Chairman, 1 February 2021, Michael Rowan stepped down from the Audit Committee and subsequently attends only upon invitation in compliance with the QCA Code regarding the composition of Audit Committees.

During 2020, the Committee met two times. Additional meetings are held where necessary to consider matters referred by the Board. It is responsible for ensuring that the financial activities of the Group are properly monitored, controlled and reported on, complying with relevant legal requirements. The Committee receives and reviews reports from management and the Group's auditors relating to the Group's Report and Accounts, the interim results and review of the accounting policies. Meetings are held at least twice a year with the auditors, once at the audit planning stage to consider the scope of the audit and thereafter at the reporting stage, to receive post-audit findings. The ultimate responsibility for reviewing and approving the annual report remains with the Board of Directors. The Committee is also responsible for reviewing the relationship with the external auditors, making recommendations to the Board on their appointment and remuneration, monitoring their independence, as well as assessing scope and results of their work, including any non-audit work. The Committee authorises any non-audit work to be carried out by the external auditors and ensures that the objectivity and independence of the external auditor has not been impaired in anyway by the nature of the nonaudit work undertaken, the level of non-audit fees charged for such work or any other factors.

The Committee, with management, reviews the effectiveness of internal controls.

Remuneration Committee

The Remuneration Committee is chaired by James Leahy. The Committee recommends to the Board the scale and structure of the Executive Directors' remuneration and that of senior management and the basis of their service agreements with due regard to the interests of shareholders. In determining the remuneration of the Executive Directors and senior management, the Committee seeks to ensure that the Company will be able to attract and retain executives of the highest calibre. It makes recommendations to the Board concerning bonuses and share awards. No Director participates in discussions or decisions concerning his own remuneration. Further details regarding matters considered by the Remuneration Committee during the year are outlined in the Remuneration Report. The Chairman of the Committee will attend the AGM and respond to any shareholder questions on the Committee's activities.

Nomination Committee

The Company does not currently have a nomination committee as the Board does not consider it appropriate to establish such a committee at this stage of the Company's development. Decisions which would usually be taken by the nomination committee, including recruitment and senior appointments are be taken by the Board as a whole. A review of the composition of the board (including skills, knowledge and experience) is performed annually by the Board.

Section 172 Statement

The Directors are well aware of their duty under Section 172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly between members of the Company.

The Board recognises that the long-term success of Active Energy Group requires positive interaction with its stakeholders, including customers, suppliers, governmental and regulatory authorities. The directors seek to actively identify and positively engage with key stakeholders in an open and constructive manner. The Board believes that this strategy enables our stakeholders to better understand the activities, needs and challenges of the business and enables the Board to better understand and address relevant stakeholder views which will assist the Board in its decision making and to discharge its duties under Section 172 of the Companies Act 2006.

Environment

The Board recognises that its principal activities have the potential to impact the environment and is committed to working with states and other bodies in all of the territories in which it operates to establish and follow international principles of environmental sustainability and renewability. The Company's strategy is intended to have a positive impact on the environment and the Board seeks to ensure that all activities consider the potential impact upon the environment.

Employees

The Group engages its employees in all aspects of the business and seeks to remunerate them fairly. The Group gives full and fair consideration to applications for employment regardless of age, gender, colour, ethnicity, disability, nationality, religious beliefs or sexual orientation. The Board takes employees' interest into account when making decisions. Any suggestions from employees aimed at improving the Group's performance or practices are welcomed.

Suppliers and Contractors

The Group recognises that the goodwill of its contractors, consultants and suppliers is important to the success of its business and seeks to build and maintain this goodwill through fair and transparent business practices. The Group aims to settle genuine liabilities in accordance with contractual obligations.

Health and Safety

The Board recognises that it has a responsibility to provide strategic leadership and direction in the development and maintenance of the Group's health and safety strategy, in order to protect all of its stakeholders.

Shareholders

The Board is active in communicating with all of its shareholders and encourages two-way communication with both its institutional and private investors, subject to compliance with the AIM Rules and the Market Abuse Regulations. The Executive Directors talk regularly with the Company's major shareholders to ensure a mutual understanding of objectives and to further explain the Group's strategy and ensure that their views are communicated fully to the Board.

The Board recognises the AGM as an important opportunity to meet with private shareholders. In normal circumstances, the Non-Executive Directors attend the shareholders' meetings and are available to answer any relevant questions. Regrettably, in common with all public companies, we have found that the impact of the Covid-19 related restrictions and social distancing requirements has required us to hold the 2021 AGM as a closed meeting. This has inevitably impeded the ability of shareholders to communicate with the Board. However, the Board has set up a facility for questions in relation to the resolutions set out in the Notice of AGM to be raised by the shareholders. They are encouraged to contact the Company prior to the AGM by email to aeg@camarco.co.uk and label the email with "AEG AGM Question" to enable swift identification. The questions raised will be responded to during the short presentation to be made by the Company at the AGM which will also be made available on the Company's website following the AGM.

Extensive information about the Group's activities is included in the Annual Report and the Interim Report. The Group also issues regular updates to shareholders. Market sensitive information is regularly released to all shareholders in accordance with London Stock Exchange rules for AIM-listed companies. The Company maintains a corporate website where information on the Company is regularly updated, including Annual and Interim Reports, presentations, and announcements.

Internal Controls and Risk Management

The Directors are responsible for the Group's internal financial controls. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Group's systems and processes are designed to provide reasonable assurance that issues are identified in a timely basis and dealt with appropriately.

The Board acknowledges that it is responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. The procedures that include, inter alia, financial, operational, health and safety, compliance matters and risk management (as detailed in the Principal Risks and Uncertainties section) are reviewed on an ongoing basis.

The Group's internal control procedures include Board approval for all significant projects, including corporate transactions and major capital projects. The Board receives and reviews regular reports covering both the technical progress of its projects and the Group's financial affairs to facilitate its control.

The Group has in place internal control and risk management systems in relation to the Group's financial reporting process and the Group's process for preparing consolidated accounts, which the Board considers adequate in view of the size and nature of the Group's operations. The Audit Committee reviews draft Annual and Interim Reports before recommending them for approval to the Board.

The Board acknowledges that it is responsible for managing and preventing fraud, corruption or any other malfeasance which comes to its attention, and to implementing control systems to ensure that knowledge of such events is communicated to the Board in a timely and accurate manner. The internal control system can only provide reasonable, rather than absolute, assurance against material misstatement or loss. The Board has considered the need for a separate internal audit function but, bearing in mind the present size and composition of the Group, does not consider it necessary for the time being.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020

Principal Activities, Business Review & Strategies

The Company has developed a proprietary technology which transforms low-cost biomass material into highvalue renewable fuel. Its patented product CoalSwitch is a leading drop-in renewable fuel that can be co-fired with coal, completely replace coal as an alternate feedstock without requiring significant power plant modifications or replace existing biomass feedstock resources. Active Energy Group's immediate strategic focus is the production and commercialisation of CoalSwitch and further CoalSwitch fuel blends that utilise other waste and residual materials.

A detailed review of the significant developments and operating activities of the Group, as well as the business environment, future prospects and the main trends and factors that are likely to affect the future development, performance and position of the Group's business are contained in the Strategic Report.

Directors

The Directors during the year under review and appointed post year end were:

- Michael Rowan (Chief Executive Officer)
- Antonio Esposito (Executive Director – resigned 1 February 2021)
- James Leahy (Non-Executive Director)
- Max Aitken (Non-Executive Director - appointed 20 January 2020)
- Jason Zimmermann (Non-Executive Director - appointed 20 January 2020)
- Andrew Diamond (Finance Director – appointed 1 January 2021)

In accordance with the Company's Articles of Association, at the Annual General Meeting ("AGM") held on 30 September 2020, Michael Rowan retired by rotation, and James Leahy, Max Aitken and Jason Zimmermann retired having been appointed after the previous AGM. All were duly re-elected.

Dividends

No dividend is proposed for the year ended 31 December 2020 (2019: £nil).

Directors' Indemnities

The Company maintained directors' and officers' liability insurance during the year and it remains in force at the date of this report.

Auditors

Each person who is a Director at the date of approval of this Report and Accounts confirms that:

- So far as the Director is aware, there is no relevant information of which the Company's auditors are unaware; and
- The Director has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006. A resolution to re-appoint the auditors, Jeffreys Henry LLP, was duly approved at the AGM held on 30 September 2020.

Significant Shareholders

At the time of reporting the Company has 3,902,051,743 Ordinary Shares in Issue ("OSI"). The Company had received notification from the following shareholders of interests in excess of 3% of the Company's OSI:

Shareholder	Number of shares	Percentage of OSI
Gravendonck Private Foundation	953,987,189	24.45%
Lombard Odier Asset Management (EU) Limited	480,000,000	12.29%
Premier Fund Managers Limited	398,128,418	10.20%
Hargreaves Lansdown Stockbrokers	250,465,860	6.41%
AXA Investment Managers UK	179,914,300	4.61%

Interactive Investor Services Limited	123,431,431	3.18%

Share Capital

Details of changes to share capital in the year are set out in Note 22. This includes the subscription of shares and share capital reorganisation approved and implemented during the year.

Information set out in the Strategic Report

The Directors have chosen to set out the following information in the Strategic Report which would otherwise be required to be contained in the Directors' Report:

- Results for the financial year
- Principal risks and uncertainties
- Likely future developments

Capital and financial risk management

Details of the Group's capital and financial risks and the management thereof is set out in note 26.

Going Concern

The Group's consolidated Financial Statements have been prepared on a going concern basis. The Directors consideration of going concern is set out in Note 1 to the financial statements.

The Directors have given careful consideration to the appropriateness of the going concern basis in the preparation of the financial statements. In performing their assessment of going concern, the Directors have reviewed operating and cash forecasts in respect of the operating activities and planned work programmes of the Group's assets to 30 June 2022. The expected cash flows, plus available cash on hand, after allowing for funds required for administration and capital project costs, working capital improvement and debt servicing, are not expected to fully cover these activities.

Although the Group will require funding for the twelve-month period from the date of approval of these Financial Statements, the Directors are of the view that following the balance sheet restructuring in February 2021, and having commenced production of CoalSwitch, they are confident additional equity or debt funding can be accessed when it is required.

The Directors note that there are material uncertainties relating to going concern set out in Note 1. On the basis of the considerations set out above, the Directors have concluded that it is appropriate to prepare the Financial Statements on a going concern basis. These Financial Statements do not include any adjustments to the carrying amount and classification of assets and liabilities that may arise if the Group was unable to continue as a going concern.

Covid-19

A statement on the impact of the Covid-19 pandemic on the Group, as well as the additional risks faced, contingency planning and responses is detailed in the Chairman's Letter, Finance Review, Principal Risks and Uncertainties and Going Concern Review (see Note 1, Financial Statements).

Annual General Meeting

The Company's AGM will be held on 8 July 2021. A notice of the meeting has been distributed with these Report and Accounts. In accordance with current social distancing guidelines, the meeting will be a closed meeting.

The Notice of Meeting and Report and Accounts will be available on the Company's website:
https://www.aegplc.com/investors/corporate-documents/

ACTIVE ENERGY GROUP PLC

By Order of the Board

James Leahy

Non-Executive Chairman

14 June 2021

DIRECTORS' REMUNERATION REPORT

As an AIM-listed company, Active Energy is not obliged to implement the remuneration reporting requirement for premium listed companies set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. However, the Remuneration Committee ("the Committee") has chosen to disclose the following information in the interests of greater transparency:

- An overview of the remuneration policy for the Group's executives endorsed by the Committee following a review of the existing remuneration arrangements; and
- Remuneration arrangements including payments and awards made to the Directors for the current year

Remuneration Policy

The Company's policy is to maintain levels of remuneration sufficient to recruit and retain senior executives of the required calibre who can deliver growth in shareholder value. Aligned with the position of the Company, senior executives have not received performance related pay to date, however the Committee desires to create a strong alignment of interest between executives and shareholders. Consequently, the Committee will seek to strike an appropriate balance between fixed and performance-related reward, with a clear link between pay and performance.

The Company's remuneration policy during the financial year consisted only of salary. There were no annual bonuses awarded. The Committee recognises that the salary component is below market related benchmarks, but believes this is appropriate in the Company's position. Furthermore, the Company does not offer any benefits to Executive Directors.

Looking forward, the Committee will seek to ensure salaries and performance pay are market-related to attract and retain the right calibre executive. Furthermore, the Committee is in the process of initiating pension, medical insurance and life insurance benefits for Executive Directors.

Long Term Incentive Plan

Following a recommendation from the Remuneration Committee, on 26 February 2021, the Board approved a new Long Term Incentive Plan ("LTIP"). The LTIP is intended to align the interests of the Executive Directors and senior management with the shareholders and includes malus and clawback clauses.

The Board further approved the grant of 86,469,467 share options under the LTIP to Executive Directors and senior management (RNS 26/2/2021), equal to 2.2% of the Ordinary shares in issue at that date. The share options have a 3-year vesting period and a duration of 10 years. The first exercise price (on 50% of a director's award) of these share options is 2.0125 pence which represents an 75% premium to the Company's mid-market price of 1.15 pence on 25 February 2021, while the second exercise price is set at a further 75% premium over the first exercise price at 3.522 pence for the remainder of the director's awards. Share options were granted to Directors as follows:

Michael Rowan	58,530,776
Andrew Diamond	13,657,181
Max Aitken	4,877,565
Jason Zimmermann	4,877,565

These LTIP awards are not reflected in the table of Directors' interests below as they were granted after 31 December 2020. James Leahy, as Non-Executive Chairman, was not granted LTIP awards.

Directors' Service Contracts

Executive Directors

Executive Directors are employed under service contracts with notice periods as follows:

Michael Rowan	12 months[a]
Andrew Diamond	6 months[a]

[a] In the event of a change of control, in which an executive director is terminated or resigns, they become entitled to an addition twelve-month termination payment.

Non-Executive Directors

The Non-Executive Directors are appointed for an initial term of three years, with a notice period of one month from the Company or the Non-Executive Director. At the reporting date, the unexpired term of the NonExecutive Directors' letters of appointment were:

James Leahy	31 October 2022	22 months
Max Aitken	20 January 2023	25 months
Jason Zimmermann	20 January 2023	25 months

Directors' Remuneration

Remuneration and benefits for Directors were as follows:

12-months to 31 December 2020

	Gross Fees & Salary US$	Share-based payments US$	Bonus & benefits US$	TOTAL US$
T M Rowan	331,695	17,466	-	349,161
A Esposito	203,203	-	-	203,203
J Leahy	32,101	-	-	32,101
M Aitken[a]	36,669	-	-	36,669
J Zimmermann[a]	39,812			39,812
	643,480	**17,466**	-	**660,946**

12-months to 31 December 2019

	Gross Fees & Salary US$	Share-based payments US$	Bonus & benefits US$	TOTAL US$
T M Rowan	191,540	144,010	-	335,550
S Melling	33,519	-	-	33,519
J Leahy	6,385	-	-	6,385
A Esposito	180,000	-	-	180,000
	411,444	**144,010**	-	**555,454**

[a] Max Aitken and Jason Zimmermann joined AEG on 20 January 2020.

Directors' Interests in Share Capital of the Company

The interests of Directors who held office at 31 December 2020 are set out in the table below:

	Ordinary Shares held	Ordinary Share Options

	1 January 2020	31 December 2020	31 December 2020	Weighted Exercise price (p)
T M Rowan	5,486,250	8,486,250	25,000,000	6.4
A Esposito	2,000,000	2,000,000	-	-
J Leahy	2,000,000	4,000,000	-	-
M Aitken[(a)]	-	1,000,000	-	-
J Zimmermann[(a)]	-	1,961,500	-	-

James Leahy
Remuneration Committee Chairman
14 June 2021

STATEMENT OF DIRECTORS' RESPONSIBILITY

Responsibility Statement

The Directors are responsible for preparing the Annual Report and the Group and parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company for that period and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- properly select and apply suitable accounting policies;
- make judgements and accounting estimates that are reasonable and prudent and which result in relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific accounting standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial statements are published on the Group's website at www.aegplc.com in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

Each of the Directors, whose names and functions are listed in the Report of Directors confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities and financial position and profit or loss of the Group and parent Company taken as a whole; and
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This confirmation is given in accordance with Section 418 of the Companies Act 2006.

By order of the Board

James Leahy
Non-Executive Chairman
14 June 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACTIVE ENERGY GROUP PLC

Opinion

We have audited the financial statements of Active Energy Group PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the consolidated statement of income and other comprehensive income, the consolidated and parent company statement of financial position, the consolidated and parent company statement of cash flows, the consolidated and parent company statements of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which explains that the Group is dependent upon further fund raising to commercialise or develop its core businesses. The Directors have identified a variety of potential sources of funds including issue of additional equity and/or debt, revenue from future operations and tax credits. In addition, the Directors have identified additional cost reductions which may be implemented if necessary. These events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

As detailed within note 1, whilst there is a global impact of the COVID-19 outbreak, the Group has been able to operate during the pandemic to date. It remains difficult to assess reliably whether there will be any material disruption in the future which could adversely impact the Group's forecast.

Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included a detailed review of future forecasts and assessing the assumptions utilised by management in preparing the forecast. These assumptions were further assessed along with those used in the prior year to determine reasonability. We have reviewed the cash held at year end up to the date of signing of this report and have further taken into account management's previous ability to raise equity funding when required in order to maintain operations.

We have performed the following audit procedures in relation to going concern:

- Evaluated the suitability of management's model for the forecast.

The forecast includes a number of assumptions related to future cash flows and associated risks. Our audit work has focused on evaluating and challenging the reasonableness of these assumptions and their impact on the forecast period and ensuring that all key matters are correctly disclosed in the going concern note.

Specifically, we obtained, challenged and assessed management's going concern forecast and performed procedures including:

- Verifying the consistency of key inputs and fund raisers relating to future costs to other financial and operational information obtained during the audit.
- Assessed the reasonableness of production reserve, expenses and costs established.
- Corroborated with management relating to future cash inflows.
- We reviewed the latest management accounts to gauge the financial position.
- We reviewed the status of permits.
- We performed stress tests.
- Considered the Group's historic ability to raise funds, and
- Reviewed the financing options available to the Group to evaluate the ability of the Group to pay their debts as they become due.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our audit approach

Overview

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty paragraph relating to the going concern, we have determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

- Carrying value of intangible assets
- Carrying value of property, plant and equipment
- Carrying value of other financial assets
- Carrying value of investments in subsidiaries and intercompany loans (Company only risk)

These are explained in more detail below.

Audit scope

We conducted audits of the Group and Parent Company financial information.
We performed specified procedures over certain account balances and transaction classes at other Group companies.

Taken together, the Group companies over which we performed our audit procedures accounted for 100% of the absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units) and 100% of revenue.

Key audit matters

Key audit matter	How our audit addressed the key audit matter

Carrying value of intangible assets The Group had intangibles of US$5,259,024 at the year-end (2019: US$9,180,466). Included within intangible assets were additions relating to capitalised development costs of US$420,587. Other intellectual property comprises costs incurred to secure the rights and knowledge associated with the CoalSwitch and PeatSwitch technology. Goodwill was also recognised during the current year in the amount of $567,668 which was subsequently fully impaired. Impairments on intangible assets recognised during the year amounted to US$4,758,707, comprising the impairment of the Newfoundland & Labrador cutting permits, the Alberta Metis Licence issued to RMDE, the Lyubomi Forestry Timber permit in Ukraine and the goodwill on acquisition of the remaining interest in the joint venture RES LLC. The Directors have a duty to confirm that all intangibles are correctly recognised. IAS 36 Impairment of assets ("IAS 36") states that assets must be assessed for indicators of impairment at each reporting period, for all cash-generating units ("CGUs"). Should such indicators exist the recoverable amount of the asset will be compared to the carrying value, and if the carrying value exceeds the recoverable amount, the difference is recorded as an impairment loss. Key assumptions for the CoalSwitch input model are: • Discount rate applied • Average selling price per tonne • Cost of associated feedstock • Consumption rate of feedstock • Cost inflation • Forecasted capital expenditure • Tonnes per hour capacity for the CoalSwitch™ plants	We have performed the following audit procedures: Tested management's assessment of indicators of impairment by considering various sources of internal and external information. Assessed the methodology used by management to estimate the future profitability of the Group and recoverable value of the investment. Ensured key judgements are robust by review of events surrounding the judgement and validating the judgements by agreeing to supporting evidence. Reviewed management's assessment of future operating cashflows and indicators of impairment. Where indicators of impairment were identified, we challenged management's assessment of any recoverable amounts calculated. Where no indicators of impairment were highlighted by management, we challenged the judgements made in management's assessment by identifying contradictory signs of any potential indicators of impairment. Confirmed whether all assets which remain capitalised are included in future budgets and, if they are not, understanding the basis by which management anticipate being able to recover the amounts that have been capitalised. We reviewed the carrying value of the Group's development costs in respect of CoalSwitch™ to ensure no impairment required. We tested to see if capitalised costs agreed to IAS 38 Development costs. Management has prepared a financial model for CoalSwitch™. This shows positive economics of the CoalSwitch™ technology going forward. The key model inputs have been assessed.

• Other operational cost assumptions Refer to Note 1 of the Financial Statements for discussion of the related accounting policy.	We tested management's assumption that no impairment existed by carrying out sensitivity analysis through changing the assumptions used and re-running the cash flow forecast. We corroborated the Group's assumption to externally derived data in relation to key inputs such as discount rates, commodity prices, labour costs, exchange rates, inflation cost and tax rate. We reviewed management's decisions to impair the Forestry assets, cutting permits, RMDE licence and goodwill against future prospects of recoverability.
Carrying value of property, plant and equipment The Group had property, plant and equipment of US$10,443,641 at the year-end (2019: US$9,231,743). Included in property, plant and equipment is additions of US$543,328 relating to the purchase of the remaining interest in the joint venture RES LLC held within AERP during the year. Additionally, included is additions of a right-of-use asset relating to the IFRS 16 accounting of the lease within AERP of US$435,066 and capitalised interest on the CoalSwitch™ plant of US$584,506.	We vouched additions in the year. The fair value of the Lumberton site was assessed to determine whether its current value still represents a reasonable fair value based on the previous valuation performed by the directors. The CoalSwitch™ plant's construction continued during the current year, and we have assessed this against management's CoalSwitch™ economics to determine whether any potential indicators of impairment exist. The terminal value has been calculated using the net present value of future cash flows. The CoalSwitch™ IP and CoalSwitch™ Plant have been assessed together which gives a significant surplus. Ensured key judgements are robust by review of events surrounding the judgement and validating the judgements by agreeing to supporting evidence.

Carrying value of other financial assets The investment held in Alpha Prospects Limited has a fair value at year-end of $931,312 (2019: US$1,470,639). The downwards valuation has been assessed and the reasoning behind the fair value adjustment has been corroborated with management.	We have obtained confirmation from Alpha Prospects accounts to confirm AEG's shareholding. We have reviewed the financial results of Alpha Prospects Limited. We have assessed the recoverability of the assets against the net asset value of the underlying investment, and we have further assessed the value of Alpha Prospect Limited shares as held by third parties. We obtained management's assessment of the fair value of the investment and the determination of the fair value adjustment during the period. We assessed whether the Group's disclosures were appropriate in respect of the judgements, estimates and assumptions applied in calculating the fair value.
The carrying value of investments and intercompany loans to subsidiaries (Company-only risk) The Company has investments and amounts due from group companies of US$23,204,528 (2019: US$23,796,415). Impairments of intercompany receivables have been raised during the year in the amount of US$8,662,410. There is a risk that these inter-company receivables are not recoverable.	We reviewed the carrying value of the investments and loans to fellow subsidiaries. The review considered the current position of the subsidiaries and the future outlook and forecasts prepared by management, taking COVID-19 and the underlying recoverable assets into account. We reviewed the subsidiary accounts and forecasts and have assessed the financial position of the subsidiaries. We have also discussed the assumptions made on the recovery of the loans with the directors to confirm recoverability. We have also assessed the impairment reviews performed by management as set out under the impairment review work on intangibles noted above being that these are the underlying assets which hold value in the subsidiaries.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	**Company financial statements**

Overall materiality	US$465,600 (2019: US$113,000).	US$160,200 (2019: US$110,000).
How we determined it	Based on 10% of loss for the year, excluding impairments.	Based on 10% of loss for the year, excluding impairments.
Rationale for benchmark applied	We believe that the loss for the period is a primary measure used by shareholders in assessing the performance of the Group, and as the significant impairments raised during the year are not ordinary transactions in the normal course of business, these have been excluded.	We believe that the loss for the period is a primary measure used by shareholders in assessing the performance of the Group, and as the significant impairments raised during the year are not ordinary transactions in the normal course of business, these have been excluded.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components is ranged from US$100 and US$160,200.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above US$23,280 (Group audit) (2019: US$6,500) and US$8,010 (Company audit) (2019: US$5,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of 8 reporting units, comprising the Group's operating businesses and holding companies.

We performed audits of the complete financial information of the Group and Parent Company of Active Energy Group Plc reporting units, which were individually financially significant and accounted for 100% of the Group's revenue and 100% of the Group's absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units). We also performed specified audit procedures over other intangible assets, as well as certain account balances and transaction classes that we regarded as material to the Group at the 8 reporting units.

The Group engagement team performed all audit procedures.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006 In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 32, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.
- we identified the laws and regulations applicable to the company through discussions with directors and other management.
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including taxation legislation, data protection, anti-bribery, employment, environmental, health and safety legislation and anti-money laundering regulations.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence.
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit; and
- we assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:
    - making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
    - considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 1 of the Group financial statements were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions; and
- in response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:
    - agreeing financial statement disclosures to underlying supporting documentation; ○ reading the minutes of meetings of those charged with governance; ○ enquiring of management as to actual and potential litigation and claims; and ○ reviewing correspondence with HMRC and the group's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of noncompliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: *http://www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

Other matters which we are required to address

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit. Our audit opinion is consistent with the additional report to the audit committee.

Use of this report

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters that we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, or the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sanjay Parmar
Senior Statutory Auditor
For and on behalf of
Jeffreys Henry LLP (Statutory Auditors)
Finsgate
5-7 Cranwood Street
London EC1V 9EE
14 June 2021

CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 US$	2019 US$
REVENUE	3	**1,810,206**	**1,895,972**
GROSS (LOSS)/PROFIT		(1,122,864)	1,895,972
Impairment charges	4	(4,758,707)	-
OPERATING LOSS		**(7,624,865)**	**(883,501)**
Finance costs	7	(1,347,230)	(2,461,376)
LOSS FROM CONTINUING OPERATIONS		**(8,972,095)**	**(3,344,877)**
Taxation	8	214,176	874,655

Administrative expenses	5	(1,743,294)	(2,779,473)
LOSS FOR THE YEAR - ATTRIBUTABLE TO THE PARENT COMPANY		**(8,757,919)**	**(2,470,222)**
		(657,028)	**1,206,134**
		(9,414,947)	**(1,264,088)**
Basic and Diluted loss per share (US cent)	9	(0.65)	(0.21)
OTHER COMPREHENSIVE (LOSS) / INCOME			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of operations		(117,701)	137,540
Revaluation of land and buildings		-	504,646
Revaluation of other financial assets		(539,327)	563,948
Total other comprehensive (loss) / income			
TOTAL COMPREHENSIVE LOSS FOR THE YEAR			

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent Company income statement. The parent Company's loss after tax for the year is $6,733,779.

The notes on pages 46 to83 form part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

	Note	Group 2020 US$	Group 2019 US$	Company 2020 US$	Company 2019 US$
NON-CURRENT ASSETS					
Intangible assets	10	5,259,024	9,180,466	-	-

ACTIVE ENERGY GROUP PLC

Property, plant & equipment	11	10,443,641	9,231,743	900	-
Investment in subsidiaries	12	-	-	1,495,943	1,455,091
Long term loans	13	-	-	23,204,528	23,272,315
Other financial assets	14	931,312	1,470,639	931,312	1,470,649
		16,633,977	19,882,848	25,632,683	26,198,055
CURRENT ASSETS					
Inventory	15	237,506	-	-	-
Trade and other receivables	16	270,755	1,146,815	-	954,232
Cash and cash equivalents	17	999,631	397,323	811,901	360,622

AS AT 31 DECEMBER 2020

		1,507,892	1,544,138	811,901	1,314,854
TOTAL ASSETS		**18,141,869**	**21,426,986**	**26,444,584**	**27,512,909**
CURRENT LIABILITIES					
Trade and other payables	18	2,091,657	2,391,229	1,183,827	1,441,593
Lease liabilities	21	136,891	-	-	-
Other current liabilities		150,000			
Loans and borrowings	20	21,772	108,850	21,772	-
		2,400,320	2,500,079	1,205,599	1,441,593
NON-CURRENT LIABILITIES					
Deferred taxation	19	150,139	364,316	-	-
Lease liabilities	21	202,417	-	-	-
Loans and borrowings	20	22,105,551	18,190,732	21,961,104	18,190,732

22,458,107
18,555,048
21,961,104 18,190,732 **TOTAL LIABILITIES** **24,858,427** **21,055,127**
23,166,703 **19,632,325**

EQUITY					
Share capital – Ordinary shares	22	219,436	17,265,379	219,436	17,265,379
Share capital – Deferred shares	22	18,148,898	-	18,148,898	-
Share premium		18,711,637	17,303,159	18,711,637	17,303,159
Merger reserve		2,350,175	2,350,175	2,350,175	2,350,175
Foreign exchange reserve		(184,975)	(67,274)	(124,920)	(468,793)
Own shares held reserve		(268,442)	(268,442)	(268,442)	(268,442)
Convertible debt/warrant reserve		3,701,803	3,490,621	3,701,803	3,490,621
Retained earnings		(49,899,736)	(40,206,405)	(39,460,706)	(31,791,515)
Revaluation reserve		504,646	504,646	-	-

TOTAL EQUITY	**(6,716,558)**	**371,859**		
NET (LIABILITIES)/ASSETS	**(6,716,558)**	**371,859**	**3,277,881**	**7,880,584**

The financial statements were approved and authorised for issue by the Directors on 14 June 2021 and were signed on their behalf by:

Michael Rowan Chief Executive Officer

Company Number 03148295

The notes on pages 46 to 83 form part of these financial statements.

		3,277,881	**7,880,584**

ACTIVE ENERGY GROUP PLC

GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium	Merger reserve	Foreign exchange reserve	Own shares held reserve	Convertible debt and warrant reserve	Retained earnings	Revaluation Reserve	Non-controlling Interest	Total equity
	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
At 31 December 2018	**17,265,379**	**17,303,159**	**2,350,175**	**(204,815)**	**(268,442)**	**2,720,933**	**(38,310,938)**	**-**	**(358,043)**	**497,408**
Loss for the year	-	-	-	-	-	-	(2,470,222)	-	-	(2,470,222)
Other comprehensive income	-	-	-	137,541	-	-	563,948	-	-	701,489

Total comprehensive income	-	-	-	137,541	-	-	(1,906,274)	-	-	(1,768,733)
Revaluation of land & buildings	-	-	-		-	-	-	504,646	-	504,646
Embedded derivative on CLN issue	-	-	-	-	-	769,688	-	-	-	769,688
Share based payments	-	-	-	-	-	-	368,850	-	-	368,850
Minority Interest adjustment	-	-	-		-	-	(358,043)	-	358,043	-
At 31 December 2019	**17,265,379**	**17,303,159**	**2,350,175**		**(268,442)** -	**3,490,621**	**(40,206,405)**	**504,646**	**-**	**371,859**
Loss for the year				**(67,274)**						
Other comprehensive income	-	-	-	-	-	-	(8,757,919)	-	-	(8,757,919)
Total comprehensive income	-	-	-	(117,701)	-	-	(539,327)	-	-	(657,028)
Issue of share capital	-		-	(117,701)	-	-	(9,297,246)	-	-	(9,414,947)
Conversion of CLN	835,801	-		-	-	-	(452,467)			1,764,735
Embedded derivative on CLN issue		81,401	-							
Share based payments	267,154	27,077	-	-	-	-	-	-	-	294,231
	-	-	-	-	-	211,182	-	-	-	211,182
At 31 December 2020	-	-	-		-	-	56,382	-	-	56,382
	18,368,334	**18,711,637**	**2,350,175**		**(268,442)** -	**3,701,803**	**(49,899,736)**	**504,646**	**-**	**(6,716,558)**
				(184,975)						

The purpose and nature of each of the above reserves is described in note 24.

The notes on pages 46 to 83 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium	Merger reserve	Foreign exchange reserve	Own shares held reserve	Convertible debt and warrant reserve	Retained earnings	Total equity
	US$	US$	US$	US$	US$	US$	US$	US$
At 31 December 2018	**17,265,379**	**17,303,159**	**2,350,175**	**(716,115)**	**(268,422)**	**2,720,933**	**(33,830,064)**	**4,825,025**
Profit for the year	-	-	-	-	-	-	1,105,751	1,105,751
Other comprehensive income	-	-	-	247,322	-	-	563,948	811,270

Total comprehensive income	-	-	-	247,322	-	-	1,669,669	1,917,021
Embedded derivative on CLN issue	-	-	-	-	-	769,688	-	769,688
Share based payments	-	-	-	-	-	-	368,850	368.850
At 31 December 2019	**17,265,379**	**17,303,159**	**2,350,175**	**(468,793)**	**(268,442)**	**3,490,621**	**(31,791,515)**	**7,880,584**
Loss for the year	-	-	-	-	-	-	(6,733,779)	(6,733,779)
Other comprehensive income	-	-	-	343,873	-	-	(539,327)	(195,454)
Total comprehensive income	-	-	-	343,873	-	-	(7,273,106)	(6,929,233)
Issue of share capital	835,801	1,381,401	-	-	-	-	(452,467)	1,764,735
Conversion of CLN	267,154	27,077	-	-	-	-	-	294,231
Embedded derivative on CLN issue	-	-	-	-	-	211,182	-	211,182
Share based payments	-	-	-	-	-	-	56,382	56,382
At 31 December 2020	**18,368,334**	**18,711,637**	**2,350,175**	**(124,920)**	**(268,442)**	**3,701,803**	**(39,460,706)**	**3,277,881**

The purpose and nature of each of the above reserves is described in note 24.

The notes on pages 46 to 83 form part of these financial statements.

ACTIVE ENERGY GROUP PLC

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 US$	Group 2019 US$	Company 2020 US$	Company 2019 US$
Cash (outflow)/inflow from operations	25	(1,302,560)	1,675,831	(1,761,243)	1,201,865
Income tax paid		-	-	-	-
Net cash (outflow)/inflow from operating activities		**(1,302,560)**	**1,675,831**	**(1,761,243)**	
1,201,865 Cash flows from investing activities					
Purchase of intangible assets	-	(661,939)	(519,312)	-	
Increase in share of subsidiary undertaking		-	-	-	(1,396,666)
Purchase of property, plant and equipment	-	(738,993)	(1,756,619)	(1,222)	
Sale of property, plant and equipment	-	-	362,790	-	
Net cash outflow from investing activities (1,396,666)		**(1,400,932)**	**(1,913,141)**	**(1,222)**	
Cash flows from financing activities					
Issue of equity share capital, net of share issue costs		1,754,489	-	1,754,489	2,762,781
- Issue of CLN		1,467,778	2,762,781	1,467,778	
Intercompany loans advanced	-	-	-	(1,076,176)	
Unsecured debt repaid		-	(1,218,857)	-	(1,000,000)
Unsecured debt proceeds	-	212,600	-	68,183	
Principal elements of lease payments	-	(95,758)	-	-	
Finance expenses	(1,207,093)	(37,842)	(1,207,093)	-	
Net cash inflow from financing activities 555,688		**3,301,267**	**336,831**	**2,214,244**	
Net increase in cash and cash equivalents 360,887		**597,775**	**99,521**	**451,779**	
Cash and cash equivalents at beginning of the year 234		**397,323**	**298,768**	**360,622**	
Exchange losses on cash and cash equivalents		4,533	(966)	(500)	(499)
Cash and cash equivalents at end of the year	17	**999,631**	**397,323**	**811,901**	**360,622**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1.

The notes on pages 46 to 83 form part of these financial statements.

ACCOUNTING POLICIES

General information

Active Energy Group plc is a public limited company incorporated in England and Wales and quoted on the AIM market of the London Stock Exchange. The address of the registered office is disclosed on page 21 of the annual report. The principal activity of the Group is described in the Strategic Report.

Basis of preparation

The principal accounting policies adopted in preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Both the Company financial statements and the Group financial statements (collectively the "Financial Statements") have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Statements have been prepared on the historical cost basis, as modified by the revaluation of property, plant and equipment, available for sale financial assets, and financial assets and liabilities, including derivative financial instruments, at fair value through profit or loss.

The preparation of Financial Statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the most appropriate application in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the Financial Statements and their effect are disclosed at the end of note 1.

Going concern

The Directors are required to give careful consideration to the appropriateness of the going concern basis in the preparation of the Financial Statements.

During 2020 the Group applied for and obtained a construction and air permit for the CoalSwitch reference plant in Lumberton, North Carolina. Engineering and design works for the plant were completed, and the required equipment procured. Construction of the 3tph plant commenced in 2021. Despite an interruption to the construction required to amend the air permit for additional emissions control equipment, the reference plant is anticipated to be commissioned during Q3 2021. The Company has signed a joint venture agreement with Player Design Inc., on a 50/50 basis, to develop a

1.

5tph CoalSwitch plant in Ashland, Maine, which is strategically located in proximity to several large timber manufacturers who have significant wood residuals to dispose of. Managements plans to expand the production capacity of both the Lumberton and Ashland CoalSwitch plants will result in the Group having capacity to produce 140,000 tons of CoalSwitch per annum from the start of 2022.

The Group announced its first order of 900 tons of CoalSwitch by PacifiCorp for their Hunter Power Station, a coal-fired power plant in Utah, in December 2020. This first order is significant and will be incorporated in a test burn in conjunction with a study group from the University of Utah to assess the performance of CoalSwitch in terms of calorific value and emissions reductions. The ability to provide samples to prospective customers, in conjunction with the data and findings from the PacifiCorp test burn will greatly enhance existing marketing efforts to obtain long-term off-take agreements.

ACCOUNTING POLICIES (continued)

Going concern (continued)

In February 2021, the Company restructured its balance sheet by securing the conversion and redemption of the entire convertible loan note obligation ("CLN"). Furthermore, the securities in place for the CLN holders have been revoked. At the same time the Company recapitalised the business by raising £7.0 million (gross) to be used principally for the construction of the Lumberton CoalSwitch reference plant, certain CLN redemptions and improvement of the working capital position.

At the reporting date the Group has sufficient funding to complete both the Lumberton and Ashland CoalSwitch plants, and to fund near-term administration, working capital costs and debt servicing but will need to seek additional funding to finance further plant expansions and/or new plant developments.

Uncertainties exist in relation to the performance of CoalSwitch, the completion of the Lumberton and Ashland CoalSwitch Facilities, the Group's ability to locate and secure long-term off-take agreements for CoalSwitch and the Company's ability to secure additional funding, either equity or debt, to support these activities. These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

The Directors have reviewed the cash forecasts in respect of the Group's operating and planned growth activities. The expected cash flows, plus available cash on hand, after allowing for funds required and allowing for existing debt facilities, are not sufficient to cover these activities. The Company will need to raise funding to support operations in the twelve-month period from the date of approval of these Financial Statements. The Directors are confident, based on the CoalSwitch progress made to date, and the restructured balance sheet of the Group, that it will be able to secure the funding required.

On the basis of the considerations set out above, the Directors have concluded that it is appropriate to prepare the Financial Statements on a going concern basis. These Financial Statements do not include any adjustments to the carrying amount and classification of assets and liabilities that may arise if the Group or the Parent Company was unable to continue as a going concern.

New and amended standards which are effective for these Financial Statements

A number of new and amended standards became mandatory and are effective for annual periods beginning on or after 1 January 2020 including Amendment to IFRS 9, IAS 39 and IFRS7 - *Interest Rate*

1.

Benchmark Reform Phase 1, Amendments to IFRS 3 - *Definition of a Business*, Amendments to IAS 1 and IAS 8 - *Definition of Material*, Amendments to References to the Conceptual Framework in IFRS Standards, Amendments to IFRS 16 –Covid 19 - *Related Rent Concessions*, Amendment to IFRS 4 - *Extension of the Temporary Exemption from Applying IFRS 9*, and they have not had a material impact on the Financial Statements.

ACCOUNTING POLICIES (continued)

New and amended standards which are not yet effective for these Financial Statements

There are a number of new and amended standards and interpretations that are not mandatory for the 31 December 2020 reporting period and have not been early adopted by the Company. These will be adopted in the period when they became mandatory unless otherwise indicated.

Ref	Title	Summary	Application date of standards (periods commencing)
IAS1	Presentation of Financial Statements	Amendments regarding the classification of liabilities	1 January 2023
		Amendments to defer effective date of the January 2020 amendments	1 January 2023
IFRS9, IAS39 and IFRS7	Interest Rate Benchmark Reform Phase 2	Amendments regarding measurements and classification	1 January 2021

The standards mentioned are not expected to have a material impact on future reporting periods.

Basis of consolidation

The financial information incorporates the results of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Group has power over relevant activities, is exposed, 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. The consolidated financial statements present the financial results of the Company and its subsidiaries (the Group) as if they formed a single entity. Where necessary, adjustments are made to the results of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less provisions for any permanent diminution in value. Total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests, except when cumulative losses of the subsidiary result in negative equity, whereafter total comprehensive income is attributed to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1.

Revenue recognition

Revenue is recognised in accordance with the requirements of IFRS 15 'Revenue from Contracts with Customers'. The Company recognises revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework: 1. Identify the contract(s) with the customer; 2. Identify the performance obligations in the contract; 3. Determine the transaction price; 4. Allocate the transaction price to the performance obligations in the contract; and 5. Recognise revenue when (or as) the entity satisfy a performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue is recognised when control of the products has been transferred to the customer. Control is considered to have transferred once products have been received by the customer unless shipping terms dictate otherwise. Revenues exclude intra-group sales and value added taxes and represent net invoice value less estimated rebates, returns and settlement discounts. The net invoice value is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied. In the case of income from licencing activities, revenue is recognised as and when the relevant performance obligations defined by the licence agreement have been satisfied. This may be on initial grant of the licence if the grant is itself the performance obligation. Alternatively, the performance obligation may be dependent on certain further events, such as production under the terms of the licence, in which case revenue will be recognised as this occurs.

Goodwill and business combinations

On acquisition, the assets and liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

When the consideration transferred by the Group in a business combination includes assets or liabilities from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration paid. Changes in the fair value of the consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

Goodwill arising on consolidation is recognised as an intangible asset and reviewed for impairment at least annually by comparing the carrying value of the asset to the recoverable amount. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. ACCOUNTING POLICIES (continued)

Joint arrangements

Profits and losses arising on transactions between the Group and its joint ventures are recognised only to the extent of unrelated investors' interests in the joint venture. The investor's share in the Joint Venture profits and losses resulting from these transactions is eliminated against the carrying value of the Joint Venture. Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets. The Group accounts for its interests joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

Impairment of non-financial assets (excluding inventories, investment properties and deferred tax)

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units (“CGUs”). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill. Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Intangible assets

Externally acquired intangible assets with a finite useful life are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives and tested for impairment annually. Externally acquired intangible assets with an infinite life are not amortised but are tested for impairment annually.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see note 1 related to critical estimates and judgements below).

Internally generated intangible fixed assets are recognised if they meet the requirements set out by International Accounting Standards. Specifically,

- the asset must be separately identifiable that is to say that either it is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged; or it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations;
- The cost of the asset can be measured reliably;
- the technical feasibility of completing the intangible asset;
- the Group intends and is able to complete the intangible asset and use or sell it;
- the intangible asset will generate probable future economic benefits;

1. ACCOUNTING POLICIES (continued)

Intangible assets (continued)

- there are available and adequate technical, financial and other resources to complete and to use or sell the intangible asset; and
- Expenditure attributable to the intangible asset is measurable.

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are disclosed in note 10.

Property, plant and equipment

Property, plant and equipment is stated at cost, or deemed cost, less accumulated depreciation and any recognised impairment loss. Cost includes the purchase price and all directly attributable costs. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Plant and equipment	–	2 to 10 years straight line
Furniture and office equipment	–	2 to 5 years straight line
Buildings	–	25 to 50 years straight line

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Property is depreciated and is reviewed by means of an independent property valuer on a three-year basis, unless indicators of impairment exist, in which case an independent valuation will be performed. Land is not depreciated.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses. Inventory consists of raw materials and finished timber products.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including the Executive Directors.

Financial assets and liabilities

The Group classifies its financial assets at inception into three measurement categories; 'amortised cost', 'fair value through other comprehensive income' ('FVOCI') and 'fair value through profit and loss' ('FVTPL'). The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost. Management determines the classification of its investments at initial recognition. A financial asset or financial liability is measured initially at fair value. At inception transaction cost that are directly attributable to its acquisition or issue, for an item not at fair value through profit or loss, is added to the fair value of the financial asset and deducted from the fair value of the financial liability.

Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and maturity amount, minus any reduction for impairment.

1.

ACCOUNTING POLICIES (continued); Financial assets and liabilities (continued)

Financial assets and liabilities (continued)

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of assets and liabilities in active markets are based on current bid and offer prices respectively. If the market is not active the group establishes fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same for which market observable prices exist, net present value and discounted cash flow analysis.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the group has transferred substantially all of the risks and rewards of ownership. In a transaction in which the group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. There have not been any instances where assets have only been partly derecognised. The group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Impairment

The Group assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective experience (such as significant financial difficulty of obligor, breach of contract, or it becomes probable that debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of loss is recognised in the Statement of Comprehensive Income.

Taxation

Current taxes are based on the results shown in the Financial Statements and are calculated according to local tax rules, using tax rates enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available to utilise the difference. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/assets are settled/recovered.

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different Group entities which intend either to settle current tax assets/liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled/recovered.

Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which they operate (their "functional currency"). The Company and Consolidated financial statements are presented in United States Dollar ("US Dollar", "US$"), which is the Group's presentation currency as the Group's activities are ultimately linked to the US Dollar. The Company's functional currency is Pound Sterling.

Transactions entered into by Group entities in a currency other than their functional currency 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 profit or loss.

On consolidation, the results of overseas operations are translated into the Group's presentation currency, US Dollars, at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. 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 the foreign exchange reserve. Exchange differences recognised in the statement of comprehensive income of Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal. The key US$/GBP exchange rates used to prepare the accounts were as follows: rate at 31 December 2020: 1.363; average for year-ended 31 December 2020: 1.284; rate at 31 December 2019: 1.327.

1.

Convertible debt

The obligations associated with the issue of the Company's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. The remainder of the proceeds are allocated to the conversion option and are recognised in the "Convertible debt reserve" within shareholders' equity, net of income tax effects.

Where the proceeds from the convertible debt have been used to finance construction of property, plant and equipment, or to invest in intangible assets, then the associated borrowing costs are allocated to the relevant asset in accordance with the requirements of IAS23.

ACCOUNTING POLICIES (continued)

Leased assets

Leased assets are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs required to remove or restore the underlying asset, less any lease incentives received. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The initial measurement of the corresponding lease liability is at the present value of the lease payments that are not paid at the lease commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The lease payments include fixed payments, less any lease incentive receivable, variable leases payments based on an index or rate, and amounts expected to be payable by the lessee under residual value guarantees.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Share-based payments

Where employees receive remuneration in the form of shares or share options, the fair value of the share-based employee compensation arrangement at the date of the grant is recognised as an employee benefit expense in the consolidated income statement. The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non-market-based vesting conditions) at the date of the grant. The assumptions underlying the number of awards expected to vest are subsequently adjusted for the effects of non-market-based vesting to reflect the conditions prevailing at the year-end date. Fair value is measured using a valuation tool (Monte Carlo or Black Scholes). The expected life used in the model has been adjusted, based on management's best estimate, for the effects of the non-transferability, exercise restrictions and behavioural considerations.

Where equity instruments are granted to persons other than employees, the consolidated income statement is charged with the fair value of goods and services received; except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Own shares held

Consideration paid/received for the purchase/sale of shares held in escrow or in trust for the benefit of employees is recognised directly in equity. The nominal value of such shares held is presented within the “own shares held” reserve. Any excess of the consideration received on the sale of the shares over the weighted average cost of the shares sold is credited to retained earnings.

Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Group consolidated income statement.

1.

ACCOUNTING POLICIES (continued)

Investment in subsidiaries

Investments in subsidiaries are stated at cost less provision for impairment in the Company financial statements.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information in conformity with International Financial Reporting Standards requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the year-end date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Deliberations surrounding going concern are detailed in note 1. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were as follows:

Impairment of goodwill, intangible fixed assets, property plant and equipment and other assets The group has a variety of intangible fixed assets relating to development timber licences, supply contracts and timber assets (Newfoundland, Alberta and Lyubomi)(see note 10). In addition, the group has property plant and equipment in the form of the Lumberton industrial site and the CoalSwitch reference plant. Intangible fixed assets, property plant and equipment and other assets are considered for impairment where such indicators exist using value in use calculations or fair value and recoverability estimates. The use of these methods similarly requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the estimated future cash flows. Furthermore, these methods require an assessment of various strategies to develop and monetise these assets as well as an assessment of the success of these strategies. Actual outcomes may vary.

Revaluation of land and buildings

No indicators of impairment have been identified in relation to the land and buildings owned in Lumberton, North Carolina. Management has relied on the independent valuation obtained in 2019 to support the valuation of the land and buildings.

Share-based payments

In determining the fair value of equity settled share-based payments and the related charge to the income statement, the Group makes assumptions about future events and market conditions. In particular, judgements must be made as to the fair value of each award granted. The fair value is determined using a valuation model which is dependent on further estimates, including the Group's future dividend policy, the timing with which options will be exercised and the future volatility in the price of the Group' shares. Such assumptions are based on publicly available information and reflect market expectations and advice taken from qualified personnel. Different assumptions about these factors could materially affect the reported value of share-based payments.

Useful lives of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of comprehensive income in specific periods.

ACCOUNTING POLICIES (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Recognition of development costs within intangible fixed assets

The Group undertakes certain development activity, which is recognised within intangible fixed assets, if it meets certain criteria laid down by international accounting standards. This means that management is required to assess various factors associated with these assets to determine whether the asset is separately identifiable, that it is probable that future economic benefits attributable to will arise; the technical feasibility of completing the asset; that the Group intends and is able to complete the asset; and there are available and adequate technical, financial and other resources to complete the asset. All these matters involve technical and economic judgement and changes to these assessments can result in significant variations in the carrying value and amounts charged to the consolidated statement of comprehensive income in specific periods.

Recoverability of intercompany loans

The AEG Plc company only balance sheet contains various intercompany loans. Certain of these loans have been impaired on the basis that the counterparty is unlikely to generate sufficient future cashflows to repay these loans. This is based on an assessment of the assets and goodwill held by that counterparty and its ability to monetise those assets in the future. Actual results may vary.

2. SEGMENTAL INFORMATION

The Group reports three business segments:

- "CoalSwitch™" denotes the Group's renewable wood pellet business.
- "Wood processing" denotes the Group's sawmill and saw log activities.
- "Corporate and other" denotes the Group's corporate and other costs.

The business segments are aligned to the Group's strategy as disclosed in the Strategic Report. The comparative segmental information has been restated to align with the current reporting segments.

Factors that management used to identify the Group's reportable segments

The Group's reportable segments are strategic business units that offer different products or services.

Measurement of operating segment profit or loss

The Group evaluates segmental performance on the basis of profit or loss from operations calculated in accordance with IFRS but excluding other income, non-recurring losses, such as goodwill impairment, the effects of share-based payments, and joint venture profit and losses.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1.

2. **SEGMENTAL INFORMATION (continued)**

	2020	2020	2020	2020
	CoalSwitch US$	Wood processing US$	Corporate & Other US$	Total US$
Revenue	-	1,491,735	-	1,491,735
Operating segment (loss)	(215,262)	(1,705,156)	(1,207,829)	(3,128,247)
Segment (loss) before tax	(215,262)	(1,705,156)	(1,207,829)	(3,128,247)
Tax credit/(charge)				214,176
-	2,790	211,386		(2,914,071)
Segment (loss) for the year	(215,263)	(1,702,366)	(996,443)	
Total Assets	**11,206,616**	**5,057,262**	**1,877,991**	
Total Liabilities	**432,342**	**1,197,093**		**18,141,869**
			23,229,992	**24,858,427**
Other segmental information				
Capital Expenditure	584,506	978,394	1,222	1,564,122
Additions to Intangibles	231,325	567,668	189,262	988,255
Depreciation &amortisation	-	346,288	151,363	497,651
Impairments	-	567,668	4,191,038	4,758,707

	2019	2019	2019	2019
	CoalSwitch US$	Wood processing US$	Corporate & Other US$	Total US$
Revenue	1,717,676	-	-	1,717,676
Operating segment (loss)	992,889	(616,372)	(390,661)	(14,144)
Segment (loss) before tax	992,889	(616,372)	(390,661)	(14,144)
Tax credit/(charge)	842,362	2,093	30,200	874,655

Segment (loss) for the year	1,835,251	(614,279)	(360,461)	860,511
Total Assets	**11,049,533**	**4,120,217**	**6,651,369**	**21,821,119**
Total Liabilities	**12,002,650**	**4,051,380**	**3,713,682**	**19,767,712**
Other segmental information				
Capital Expenditure	858,441	3,600,416	-	4,458,857
Additions to Intangibles	476,833	394,774	-	871,607
Depreciation, amortisation	-	66,055	150,991	217,046
Impairments	-	-	-	-

2. SEGMENTAL INFORMATION (continued)

Segmental results of the activities formerly included in the forestry and natural resources segment, including the impairment of these assets, are reflected in the Corporate and Other segment.

An analysis of non-current assets by location of assets is given below:

	2020	2019
	US$	US$
United Kingdom	6,191,236	6,498,339
United States	10,442,741	9,231,743
Ukraine	-	1,056,934
Canada	-	3,095,832
	16,633,977	19,882,848

The assets in Ukraine and Canada were fully impaired in 2020 (see Note 4 and 10).

3. REVENUE

		2020	2019
Group		US$	US$
Sales of product		1,491,735	-
Grant of licence		-	1,617,676
Other income	188,296	318,471	
	1,895,972	1,810,206	

The Group had three customers contributing 10% or more of the Group's revenue during the current year, contributing US$1,611,377 or 89% (2019: one customer contributed US$1,617,676).

The following table analyses revenue by location of customer.

2020 2019 US$ US$

USA 1,810,206 178,296 Canada - 1,617,676

Malaysia	-	100,000
	1,810,206	1,895,972

4. IMPAIRMENT CHARGES 2020 2019 US$ US$

Intangible Assets 4,191,039 - Goodwill 567,668 -

4,758,707	-

Impairment of intangible assets and goodwill were charged through the Statement of Income.

5. EMPLOYEE COSTS AND DIRECTORS

The following table analyses group wages and salaries before any allocations to property, plant and equipment or intangible assets.

Group	2020 US$	2019 US$
Wages and salaries	1,564,916	1,075,916
Social security costs	122,105	130,155
	1,687,021	1,206,071
Share based payments – others	38,937	224,840
Share based payments – directors	17,446	144,010
	1,743,404	1,574,921

The average monthly number of employees during the year was as follows:

	2020	2019
Directors	5	3
Administration	2	3
Production	30	5
	37	**11**

Directors' and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. During the year these were considered to be the Directors of the Company, as listed on pages 20 and 21.

	2020 US$	2019 US$
Directors' emoluments	643,480	411,444
Share based payments	17,446	144,010
	660,926	555,454

The emoluments of the highest paid Director for the year, excluding non-cash share-based payments, were US$331,695 (2019: US$191,540).

6. OPERATING LOSS

Group	2020 US$	2019 US$
The loss before income tax is stated after charging/(crediting):		
Amortisation of intangible assets	150,991	150,991
Impairment charges	4,758,707	-
Depreciation	237,894	66,055
Depreciation on Right-of-Use Assets	108,767	-
Loss on disposal of fixed assets/discontinued operations	-	678,803
Auditors' remuneration - parent company and consolidation	51,362	42,777
Auditors' remuneration - subsidiaries	37,237	24,517
Auditors' remuneration - taxation services	75,353	145,827
Auditors' remuneration - other services	22,139	14,046
Share based payments	56,382	368,850

7.

Group	2020 US$	2019 US$
Interest on convertible loan	1,365,474	1,445,234
Right -of-Use lease interest	36,242	-
Other loan interest and charges	1,600	298,954
Foreign exchange losses	(56,086)	717,188
Net finance costs	1,347,230	2,461,376

FINANCE COSTS

Foreign exchanges movements primarily relate to movements in US$/Sterling exchange rates.

8. TAXATION

Group	2020 US$	2019 US$
Current tax		
R&D tax credit at 14.5% on continued operations	-	(842,364)
Deferred tax		
Reversal of temporary differences	(214,176)	(32,291)
Total income tax credit	(214,176)	(874,655)

Factors affecting the tax charge

The tax on the Group assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2020	2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	US$	US$
Loss before income tax	(8,972,095)	(3,344,877)
Standard rate of corporation tax	19%	19%
Loss before tax multiplied by standard rate of corporation tax	(1,704,698)	(635,527)
Effects of:		
R&D tax credit rate	-	(507,108)
Non-deductible expenses	1,130,662	8,275
Overseas tax rate difference from UK rate	(120,069)	272
Other	(26,421)	-
Accelerated depreciation	-	107,718
Revenue items capitalised	-	(278,539)
Losses not recognised	506,350	
Current tax credit	(214,176)	(874,655)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

8. TAXATION (continued)

Movements in the Group's tax loss position can be summarised as follows:

	2020 US$	2019 US$
Tax losses brought forward - 1 January	22,886,605	18,984,435
Adjusted Loss per A/c's	5,916,468	5,402,157
True up to prior losses	7,166,281	-
Surrendered for R&D tax credit	-	(1,499,987)
Tax losses carried forward - 31 December	35,969,354	22,886,605

This equates to a potential deferred tax asset at 19% of US$6,834,177 at the year-end 2020 (2019: US$4,348,455), which has not been recognised due to uncertainties regarding the recoverability of this balance.

Tax effects of amounts which are not deductible in calculating taxable income are as follows:

	2020 US$	2019 US$
Impairment of intercompany balances	1,012,021	
Impairment of goodwill	107,857	
Share based payments	10,713	-
Investor relations	-	7,533
Sundry items	71	-
	1,130,662	8,275

9. LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss attributable to equity holders of the company of US$8,757,919 (2019: US$2,470,222) by the weighted average number of Ordinary Shares in issue during the year of 1,342,513,670 (2019: 1,201,906,951).

Basic and diluted loss per share are the same where the effect of any potential shares is anti-dilutive and is therefore excluded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

10. INTANGIBLE ASSETS

Group	Goodwill US$	Intellectual property US$	Timber licences US$	Total US$
Cost				
At 31 December 2018	-	4,551,228	5,919,939	10,471,167
Additions	-	476,833	394,774	871,607
At 31 December 2019	-	5,028,061	6,314,713	11,342,774
Additions	567,668	231,325	189,262	988,255
At 31 December 2020	567,668	5,259,386	6,503,975	12,331,029
	-	362	2,010,955	2,011,317
	-	-	150,991	150,991
	-	362	2,161,946	2,162,308
	567,668	-	4,191,039	4,758,707
	-	-	150,990	150,990
	567,668	362	6,503,975	7,072,005
	-	5,259,024	-	5,259,024
	-	5,027,699	4,152,767	9,180,466

Accumulated amortisation
At 31 December 2018
Amortisation charge for the year
At 31 December 2019
Impairment charge
Amortisation charge for the year

At 31 December 2020

Net book value
At 31 December 2020
At 31 December 2019

Goodwill:

Acquisition of wood processing and export business

On 31 March 2020, AEG announced that it had entered into an agreement with its joint venture partner Renewable Logistics Systems LLC ("RLS") whereby AEG acquired RLS's joint venture interest in RES and thereby secured 100% control and ownership of the sawmill and saw log export activities based at AEG's industrial site in Lumberton, North Carolina. As consideration, AEG and RLS agreed for AEG to pay US $350,000. This was satisfied by the issuance to RLS of 64,863,412 new ordinary shares of 1p in AEG on the closing date. In addition, AEG wrote off certain advances made to the earlier joint venture. As a result, all assets previously associated with the joint venture, including plant and equipment, inventory and goodwill (including customer contracts) were transferred to Active Energy Renewable Power LLC, a wholly owned subsidiary of AEG. As a result, the Group recognized property plant & equipment of US$ 240,623, inventory of US$24,092 and goodwill of US$567,668. Following losses from these businesses during 2020, the impairment review at 31 December 2020 determined that the goodwill should be fully impaired.

10. INTANGIBLE ASSETS (continued)

Intellectual property

Intellectual property comprises costs incurred to secure the rights and knowledge associated with the CoalSwitch and PeatSwitch technologies. This asset is accounted for as an indefinite life asset and is not amortised but is assessed for impairment at each balance sheet date.

Recoverability of intellectual property assets is dependent on successfully commercialising CoalSwitch, which is subject to a number of uncertainties including the ability of the Group to access financial resources to develop the projects and bring the product to economic maturity and profitability. Commercial production of CoalSwitch has recently commenced and based upon forward projections of production growth, management determined that no impairment was required. Management will continue to monitor the recoverability of these assets.

Timber licences

Timber licences are accounted for as finite life assets and are depreciated over management's estimate of useful life.

Ukraine: The Group is party to a supply contract granted by the Lyubomi Forestry, which is the administrator of the Lyubomi Forest in Ukraine. This contract was extended to October 2060. The Group's strategic focus is directed towards the development of CoalSwitch in the United States and does not foresee having capital to allocate to this supply contract. Management will seek to sell the rights to this supply contract, however the political situation in Ukraine is complicated and accordingly an additional impairment has been raised to reduce the carrying value of this asset to US$nil.

Northern Alberta: In 2019 AEG sold a CoalSwitch licence to RMDE whereby the latter would have the right to develop and sell CoalSwitch related products in this territory. According to the terms of the licence agreement, AEG was entitled to an upfront payment followed by a royalty of US$5 for each tonne of CoalSwitch produced. Management has determined that it is unlikely that royalty payments under the licence agreement will accrue and has fully impaired the recorded value of the licence. Should RMDE commence construction of a CoalSwitch facility, management will review the impairment charge.

Newfoundland: The commercial cutting permits issued by the Provincial Government of Newfoundland & Labrador contain gateway provisions which require certain volumes of timber to be cut, failing which the permits can be forfeited. Owing to Covid-19 restrictions, the Group will not meet the required thresholds. The Group has made application for an extension due to the circumstances, but there is uncertainty whether this will be granted. Accordingly, the asset has been impaired in full. Should an extension be granted the impairment charge will be reviewed.

11. PROPERTY, PLANT AND EQUIPMENT

Group Furniture Land & Plant and and office

Buildings equipment equipment Total

US$ US$ US$ US$ Cost

-	5,440,888	8,960	5,449,848
504,646	-	-	504,646
3,512,999	912,721	33,137	4,458,857
-	(1,106,593)	-	(1,106,593)
4,017,645	5,247,016	42,097	9,306,758
41,206	1,281,071	1,222	1,323,499
240,623	-	-	240,623
(5,614)	-	-	(5,614)
(12,031)	45,168	(33,137)	-
-	-	167	167
4,281,829	6,573,255	10,349	10,865,433
-	65,000	8,960	73,960
54,000	5,428	6,627	66,055
-	(65,000)	-	(65,000)
54,000	5,428	15,587	75,015
111,977	201,198	33,486	346,661
	39,740	(39,740)	-
-	-	116	116
165,977	246,366	9,449	421,792
4,115,852	6,326,889	900	10,443,641
3,963,645	5,241,588	26,510	9,231,743

At 31 December 2018

Revaluation of Land & Buildings

Additions

Disposals

At 31 December 2019

Additions
Assets acquired in the
acquisition of RES LLC

Disposals

Transfers

Foreign exchange differences

At 31 December 2020

Accumulated depreciation At 31 December 2018 Charge for the year
Disposals
At 31 December 2019
Charge for the year
Transfers
Foreign exchange differences

At 31 December 2020

Net book value
At 31 December 2020
At 31 December 2019

Included within Plant and equipment are right-of-use assets with a cost of US$435,066, and accumulated depreciation of US$108,767 which have been recognised for the first time upon adoption of IFRS 16. There has been no impairment on these right-of-use assets. They relate to plant and equipment in USA with a lease length of three years. See note 21 for further information.

Recoverability of plant and equipment assets is dependent on successfully commercialising CoalSwitch, which is subject to a number of uncertainties including the ability of the Group to access financial resources to develop the projects and bring the product to economic maturity and profitability. Commercial production of CoalSwitch has recently commenced and based upon forward projections of production growth, management determined that no impairment was required. Management will continue to monitor the recoverability of these assets.

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Company **Furniture and office equipment**

Cost		US$
At 31 December 2018, & 2019		8,960
Additions		1,222
	Foreign exchange differences	167
At 31 December 2020		10,349
Accumulated depreciation		
At 31 December 2018, & 2019		8,960
Depreciation charge for the year		373
Foreign exchange differences		116
At 31 December 2020		9,449
Net book value		
At 31 December 2020		900
At 31 December 2019		-

12. INVESTMENTS IN SUBSIDIARIES Company Cost US$

At 31 December 2018	4,555,044
Additions	1,396,665
At 31 December 2019	5,951,709
Foreign exchange differences	40,852
At 31 December 2020	5,992,561
Provision for impairment	
At 31 December 2018 & 2019 b/f	4,496,618
At 31 December 2020	4,496,618
Net book value	
At 31 December 2020	1,495,943
At 31 December 2019	1,455,091

12. INVESTMENTS IN SUBSIDIARIES (continued)

At 31 December 2020 the Group held share capital and had a controlling interest in each of the following companies:

Subsidiary undertaking	Country of incorporation	Nature of business	Percentage Holding	
			2020	**2019**
AE Ukraine	Ukraine	Woodchip processing and distribution	100 100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Nikofeso Holdings Limited	Cyprus	Wood chip distribution		100
AE Trading (EMEA) SarL [Note 1]	Switzerland	Wood chip distribution	100	100
AEG Trading Limited	United Kingdom	Wood chip distribution	100	100
Active Energy Services UK Limited (formerly AEG Pelleting Limited)	United Kingdom	Corporate Services	100	100
AEG Biopower Limited	United Kingdom	Biomass for energy development	Note 1	100
AEG Coalswitch Limited	United Kingdom	Biomass for energy development	89	89
AEG Coalswitch USA LLC	United States	Biomass for energy development	100	100
ABS plc	United Kingdom	Biomass for energy development	99	99
Timberlands Int. Ltd	United Kingdom	Biomass for energy development	76	76
Timberlands Newfoundland & Labrador Inc	Canada	Biomass for energy development	76	76
Lumberton Energy Holdings LLC	United States	Property Holding Company	100	100
Active Energy Renewable Power LLC	United States	Biomass for energy development	100	100
Renewable Energy Systems	United States	Wood processing and distribution	100[2]	30

[Note 1] AEG Biopower Limited was dissolved on 29 September 2020 and AETrading (EMEA) SarL was being wound up as of the date of this report.

[Note 2] AEG purchased the 70% remaining interest in RES from Renewable Logistics Systems LLC ("RLS") on 31 March 2020 (See note 10). All lumber activities at Lumberton are now wholly controlled and operated by Active Energy Renewable Power ("AERP"), a wholly owned subsidiary of AEG PLC.

13. LONG TERM LOANS

	Group 2020 US$	Group 2019 US$	Company 2020 US$	Company 2019 US$
Carrying value at beginning of the year	-	-	23,272,315	17,372,234
Loans advanced during the year	-	-	6,387,462	3,562,889
Provision for impairment	-	-	(8,662,410)	-

Accrued interest				2,337,192
-				
-	2,207,161			23,272,315
Carrying value at end of the year		-	-	23,204,528

Interest is accrued at a rate of 12 %, at the discretion of the Company, which is considered to be a market rate. The loans have no set date of repayment.

An impairment was raised against loans made to AE Ukraine and Timberlands Int. Limited where impairments have been raised against the respective Timber Licences.

14. OTHER FINANCIAL ASSETS

	Group 2020 US$	Group 2019 US$	Company 2020 US$	Company 2019 US$
Fair value at beginning of the year	1,470,639	752,215	1,470,639	752,215
Shares purchased during the year	-	132,705	-	132,795
Fair value adjustment	(539,327)	563,947	(539,327)	563,947
Foreign exchange translation		21,772		21,772
Fair value at end of the year	931,312	1,470,639	931,312	1,470,639

Other financial assets consist of an unquoted equity instrument which is valued at fair value through Other Comprehensive Income and classified as a non- current asset. The instrument is denominated in Pound Sterling.

This asset is valued according to Level 3 inputs as defined by IFRS 13 and is therefore subject to management's judgement of unobservable inputs. Having revalued the asset in 2019, management has determined that the best available information would support a reversal of the revaluation, and continuing to hold the investment at acquisition price.

Management will continue to monitor this asset for indications of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

15. INVENTORY

	Group 2020 US$	Group 2019 US$	Company 2020 US$	Company 2019 US$
Raw materials	167,993	-	-	-
Finished goods	69,513	-	-	-
Total Inventory	237,506	-	-	-

16. TRADE AND OTHER RECEIVABLES

In the Directors' opinion the carrying values of trade and other receivables are stated at their fair value, after deduction of appropriate allowances for irrecoverable amounts. These assets are not interest bearing and receipts occur over a short period and are subject to an insignificant risk of changes in value.

	Group 2020 US$	Group 2019 US$	Company 2020 US$	Company 2019 US$
Amounts advanced to JV partners	-	200,000	-	200,000
Amounts due from group companies	-	-	-	688,768
Other receivables	74,155	48,321	-	21,507
VAT	-	43,957	-	41,957
Prepayments	54,362	50,000	-	-
Corporation tax credit receivable	142,238	804,537	-	-
Total	270,255	1,146,815	-	954,232

Trade and other receivables that have not been received within the payment terms are classified as overdue. As at 31 December 2020 trade receivables of US$nil (2019: US$nil) were overdue and accordingly no impairment provisions have been raised (2019: US$nil). An analysis of the Group's trade and other receivables classified as financial assets by currency is provided in note 25.

The carrying value of trade and other receivables approximates to fair value.

17. CASH AND CASH EQUIVALENTS

	Group 2020 US$	Group 2019 US$	Company 2020 US$	Company 2019 US$
Cash at bank	999,631	397,323	811,901	360,622
	999,631	397,323	811,901	360,622

Cash and cash equivalents are defined as cash at bank, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

18. TRADE AND OTHER PAYABLES

	Group 2020 US$	Group 2019 US$	Company 2020 US$	Company 2019 US$
Trade payables	1,340,213	1,615,201	515,309	747,864
Social security and other taxes	383,664	136,193	385,971	42,758
Accruals and deferred income	367,780	639,835	282,547	650,971
	2,091,657	2,391,229	1,183,827	1,441,593

The carrying values of trade and other payables approximate their fair value as payments occur over a short period and the risk of material changes in value is insignificant. The full balance of the trade and other payables becomes due and payable within three months of the reporting date. These are classified as financial liabilities on the balance sheet, and they are measured at amortised cost.

The amounts shown are undiscounted and represent the contractual cash-flows. An analysis of the Group's trade and other payables classified as financial liabilities by currency is provided in note 25.

The carrying value of trade and other payables approximates to fair value.

19. DEFERRED TAXATION

Deferred tax is calculated on temporary differences under the liability method using tax rates applicable in the respective Group entities' jurisdiction.

Group	2020 US$	2019 US$
At beginning of the year	364,316	241,585
Deferred tax liability recognised on revaluation of land & buildings	(2,790)	155,022
Reversal of temporary differences	(211,387)	(32,291)
At the end of the year	150,139	364,316

The deferred tax liability relates to temporary differences arising on the fair valuation of intangible assets and land and buildings.

No provision for deferred tax assets in respect of tax losses has been made in the Group or Company due to the uncertainty of the Group or Company being able to generate sufficient future taxable profits from which the future reversal of the timing difference can be deducted. See note 8 for further details of this balance.

20. LOANS AND BORROWINGS

The book value and fair value of loans and borrowings are as follows:

Group	**Book value 2020 US$**	**Fair value 2020 US$**	**Book value 2019 US$**	**Fair value 2019 US$**
Non-Current				
Secured convertible debt	21,914,723	21,914,723	18,190,732	18,190,732
Unsecured loans	190,828	190,828	-	-
	22,105,551	22,105,551	18,190,732	18,190,732
Current				
Unsecured loans	21,772	21,772	108,850	108,850
Total loans and borrowings	**22,127,323**	**22,127,323**	**18,299,582**	**18,299,582**

Company	**Book value 2020 US$**	**Fair value 2020 US$**	**Book value 2019 US$**	**Fair value 2019 US$**
Non-Current				
Secured convertible debt	21,914,723	21,914,723	18,190,732	18,190,732
Unsecured loans	46,381	46,381	-	-
	21,961,104	21,961,104	18,190,732	18,190,732
Current				
Unsecured loans	21,772	21,772	-	-
Total loans and borrowings	**21,982,876**	**21,982,876**	**18,190,732**	**18,190,732**

Secured convertible debt

The Company has issued secured convertible loan notes ("CLNs") with a maturity date of 14 March 2022. The CLN were listed on the International Securities Exchange, with an 8% coupon payable quarterly. The CLNs were denominated in Pound Sterling. The CLNs were secured by a pledge of the entire Group's assets.

During 2020 certain CLN holders received new CLNs in lieu of interest for £1.4 million (2019: £1.2 million), conversions of CLNs were £2.0 million (2019: £0.1 million) and new issues of CLN were £1.9million (2019: £4.76 million). The fair value of the liability component at inception has been calculated using a market interest rate for an equivalent instrument without conversion option. The CLN has a coupon rate of 8% and the imputed interest rate applied was 12%.

At 31 December 2020, there were £10.5 million CLNs in issue with a conversion price of 3.295p, and a further £7.9 million CLNs with a conversion price of 1.0p.

In February 2021, the Company announced that it had received conversion notices in respect of £16.6 million CLNs pursuant to which the Company subsequently issued 1,660,873,700 New Ordinary Shares to the relevant CLN holders. Outstanding CLNs of £1.4 million were redeemed and a further £0.4 million of CLNs were cancelled to fully extinguish the CLN debt see note 29.

20. LOANS AND BORROWINGS (continued)

Unsecured loans

During the year the Group repaid US$0.1m of unsecured short-term loans and took out a further US$0.2m.

The following table analyses the maturity of the unsecured loans. The amounts shown are undiscounted and represent contractual cash-flows.

Group	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	US$	US$	US$	US$	US$	US$
At 31 December 2020						
Unsecured loans	-	21,772	58,468	43,179	89,181	212,600
At 31 December 2019						
Unsecured loans						

108,850
-
-
-
- 108,850

	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	US$	US$	US$	US$	US$	US$
	-	21,772	9,907	36,474	-	68,143
Company						
At 31 December 2020	-	-	-	-	-	-
Unsecured loans						
At 31 December 2019						
Unsecured loans						

The carrying value of loans and borrowings approximates to fair value.

21. RIGHT-OF-USE ASSETS AND LIABILITIES

Group	2020	2019
	US$	US$
Non-Current Asset – Plant and Equipment		
Balance brought forward	-	-
Additions to leases during the year	435,066	-
Depreciation	(108,767)	-
Balance at year end	**326,299**	**-**
Lease liability		
Balance brought forward	-	-
Additions to leases during the year	435,066	-
Interest expense on leases	36,242	-
Lease payments	(132,000)	-
Total lease liability	**339,308**	**-**
Current lease liability	136,891	-
Non-current lease liability	202,417	-
Total lease liability	**339,308**	**-**

There has been no impairment on these right-of-use assets which relate to plant and equipment in USA with a lease length of three years.

Cash outflow for leases (IFRS16) financing activity

Group	2020	2019
	US$	US$
Principal	95,758	-
Interest	36,758	-
Total cash outflow	**132,000**	**-**

The Company did not have any Right-Of-Use assets or lease liabilities.

22. CALLED UP SHARE CAPITAL

	2020	2020	2019	2019

	1,541,178,043	**18,368,334**	**1,201,906,951**	**17,265,379**
	1,541,178,043	219,436	1,201,906,951	17,265,379
	1,287,536,163	18,148,898		-
	Number	**US$**	**Number**	**US$**
Allotted, called up and fully paid	Ordinary shares of 0.01p each		Ordinary shares of 1p each	
At 1 January	1,201,906,951	17,265,379	1,201,906,951	17,265,379
Issue of shares	339,271,092	1,102,955	-	-
As at 31 December				
This is split as follows between:				
Ordinary shares				
Deferred shares (0.99p each)				
Total shares		**18,368,334**		**17,265,379**

On the 7 September 2020 the 1,287,536,163 Ordinary shares of 1p each in issue at that time were subdivided into the same number of New Ordinary Shares of 0.01p each and one Deferred share of 0.99p. The Deferred Shares were not admitted to trading on AIM, carry no voting rights and are purchasable at £1 in aggregate.

Following Equity placing and further Convertible Loan note conversions the Company had issued shares of 1,541,178,043 at the end of December 2020. During 2020 the Company issued a net total of 339,271,092 Ordinary Shares for a total consideration of US$ 2.5m. During 2019 the Company did not issue any shares.

23. SHARE OPTIONS AND WARRANTS

From time to time the Company has entered into share option arrangements under which the holders are entitled to subscribe for a percentage of the Company's ordinary share capital. All options vest immediately with the exception of 41,000,000 (2019: 41,000,000) options which are based on various market, service and performance conditions. The number of warrants and share options exercisable at 31 December 2020 was 108,450,000 (2019: 123,001,619).

23. SHARE OPTIONS AND WARRANTS (continued)

The movements of warrants and share options during the period were as follows:

	2020 Weighted Average Exercise price (UK pence)	2020 Number of Warrants and Share Options	2019 Weighted Average Exercise price (UK pence)	2019 Number of Warrants and Share Options
Outstanding at beginning of the year	3.46	123,001,619	3.77	124,825,099
Cancelled	2.22	(19,551,619)	1.98	(36,823,480)
Granted	1.00	5,000,000	0.79	35,000,000
Outstanding at end of the year	3.57	108,450,000	3.46	123,001,619

At 31 December 2020, the weighted average remaining contractual life of warrants and share options exercisable was 4.29 years (2019 – 4.63 years). Total share options and warrants of 5,000,000 (2019: 35,000,000) were granted during the year at a weighted average exercise price of 1.0 pence (2019: 0.78 pence).

There was charge for equity settled share-based payments to employees and directors of US$56,382 (2019: US$368,851) in the income statement for the year ended 31 December 2020. During the year ended 31 December 2020 no share options granted to employees or directors were cancelled and as a result no credit to equity settled share-based payments was recognised during the year (2019: US$nil).

Exercise price range (Pence, US cents in brackets)	2020 Number	2019 Number
0.5p (0.657 cent)	15,000,000	15,000,000
1.000p (1.315 cent)	20,000,000	20,000,000
1.000p (1.26 cent)	5,000,000	-
1.500p (2.023 cent)	7,500,000	7,500,000
1.750p (2.360 cent)	-	19,047,619
3.000p (4.047cent)	13,450,000	13,450,000
4.500p (6,281 cent)	20,500,000	20,500,000
5.000p (6.745 cent)	2,000,000	2,000,000
6.000p (8.094 cent)	4,500,000	4,500,000
8.500p (11.863 cent)	20,500,000	20,500,000

20.000p (26.982 cent)	-	504,000
At the end of the year	108,450,000	123,001,619

Options and warrants outstanding at 31 December 2020 were exercisable as follows:

The above disclosures apply to both the Company and the Group.

23. SHARE OPTIONS AND WARRANTS (continued)

JSOP awards

Under the Joint Share Ownership Plan ("JSOP"), shares in the Company are jointly purchased at fair market value by the participating employee and the trustees of the JSOP trust, with such shares held in the JSOP trust. For accounting purposes the awards are valued as employee share options.

The JSOP trust holds the shares of the JSOP until such time as the JSOP shares are vested and the participating employee exercises their rights under the JSOP. The JSOP trust is granted an interest bearing loan by the Company in order to fund the purchase of its interest in the JSOP shares. The loan held by the trust is eliminated on consolidation in the financial statements of the Group. The Company funded portion of the share purchase price is deemed to be held in treasury until such time as the shares are transferred to the employee and is recorded as a reduction in equity in both the Group and Company financial statements.

The exercise price of the "option" is deemed to be the issue price of the shares. The awards vest based on a market condition, which requires the shares to meet a specific share price hurdle, or a change in control condition, as defined by the plan. Under the JSOP and subject to the vesting of the employee's interest, the participating employee will, when the JSOP shares are sold, be entitled to a share of the proceeds of sale equal to the growth in market value of the JSOP shares versus the exercise price, less simple interest on the original share purchase price, net of executives' cash contribution at inception, as agreed for each grant (the "Carry Charge"). The balance of proceeds will remain to the benefit of the JSOP trust and be applied to the repayment of the loan originally made by the Company to the JSOP trust. Any funds remaining in the JSOP trust after settlement of the loan and any expenses of the JSOP trust are for the benefit of the Company.

The Group measures the fair value of the awards using the Monte Carlo (JSOP options) the share-based payment expense is recorded over the expected life of the option. Share based payment expenses are recognised in the income statement in accordance with the provisions of IFRS2.

The Group granted 15,000,000 JSOP awards on 4 July 2013. The JSOP awards granted during 2013 contained a share price hurdle of 3p per share. The awards vested in 2015, but all remain outstanding at year end. These disclosures apply to both the Company and the Group. No awards were made in 2020 (2019:US$nil). The share-based payment charge for the year is US$nil (2019: US$nil) related to the JSOP awards.

24. RESERVES

The following describes the nature and purpose of each reserve within equity:

Reserve	**Description and purpose**
Share premium	Amounts subscribed for share capital in excess of nominal value.
Merger reserve	Difference between fair value and nominal value of shares issued to acquire 90% or more interest in subsidiaries.
Foreign exchange reserve	Gains/losses arising on retranslating the net assets of overseas operations into US Dollars.
Own shares held reserve	Cost of own shares held by the employee benefit trust, the JSOP trust or the company as shares held in escrow.
Convertible debt and warrant reserve	Equity component of the convertible loan and the fair value of equity component of warrants issued that do not form part of a share-based payment.
Revaluation reserve	Increase in valuation of land and buildings to reflect updated valuations.
Retained earnings/ Accumulated loss	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

25. NOTE SUPPORTING THE STATEMENT OF CASH FLOWS

Reconciliation of loss before taxation to cash outflows from operating activities

Group	**2020**	**2019**
	US$	**US$**
Loss for the year	(8,757,919)	(2,470,222)
Adjustments for:		
Share based payment expense	56,382	368,850
Depreciation	346,661	66,055

	(2,312,119)	**1,274,143**
	(213,414)	-
	589,449	557,595
	633,524	(155,907)
	(1,302,560)	**1,675,831**
Amortisation of intangibles	150,990	150,991
Impairment of intangible assets	4,758,707	-
Loss on disposal of PP&E	-	678,803
Foreign currency translations	(56,080)	612,747
Finance expenses	1,403,316	1,744,188
Income tax	(214,176)	122,731

Increase in inventories

Decrease in trade and other receivables

Increase/(decrease) in trade and other payables

Net cash (outflow)/inflow from operating activities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

25. NOTE SUPPORTING THE STATEMENT OF CASH FLOWS (continued)

	(1,030,335)	3,940,843
	(471,542)	(5,267,287)
	(259,366)	2,528,309
	(1,761,243)	**1,201,865**

Company	**2020**	**2019**
	US$	**US$**
(Loss)/Profit for the year	(6,733,779)	1,105,751
Adjustments for:		
Share based payment expense	56,382	368,850
Depreciation	373	-
Impairment of intercompany loans	5,326,430	-
Foreign currency translations	281,370	722,054
Finance income	(1,326,585)	-
Finance expenses	1,365,474	1,744,188

Increase in trade and other receivables
(Decrease)/increase in trade and other payables

Net cash (outflow)/ inflow from operating activities

Non-cash transactions are excluded from cash flows.

Cash to Net debt reconciliation.

	Group 2020 US$	Group 2019 US$	Company 2020 US$	Company 2019 US$
Cash and cash equivalents	999,631	397,323	811,901	360,622
Borrowings	(212,600)	(108,850)	(68,153)	-
Convertible loan notes	(21,914,723)	(18,190,732)	(21,914,723)	(18,190,732)
Right-Of-Use Lease Liability	(339,308)	-	-	-
Net Debt	**(21,467,000)**	**(17,902,259)**	**(21,170,975)**	**(17,830,110)**
Cash and liquid investments	999,631	397,323	811,901	360,622
Fixed rate instruments	(22,466,631)	(18,299,582)	(21,982,876)	(18,190,732)
Net Debt	**(21,467,000)**	**(17,902,259)**	**(21,170,975)**	**(17,830,110)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

25. NOTE SUPPORTING THE STATEMENT OF CASH FLOWS (continued)

Net Debt Reconciliation for the Group

	Cash and cash equivalents US$	Borrowings US$	Convertible loan notes US$	Right-Of-Use lease Liability US$	Total Debt US$	Net Debt US$
Net debt at 1 January 2020	**397,323**	**(108,850)**	**(18,190,732)**	**-**	**(18,299,582)**	**(17,902,259)**
Cashflows	597,775	(212,600)	(1,467,778)	95,758	(1,584,620)	(986,845)
FX adjustments	4,533	-	(125,917)	-	(125,917)	(121,384)
Interest accrual for CLN to be issued	-	-	(494,249)	-	(494,249)	(494,249)
Equity adjustment non-cash	-	-	354,159	-	354,159	354,159
CLN issued in lieu of borrowings	-	108,850	(108,850)	-	-	-
New loan notes in lieu of interest	-	-	(1,881,356)	-	(1,881,356)	(1,881,356)
New lease agreements	-	-	-	(435,066)	(435,066)	(435,066)

Net Debt at 31 December 2020	**999,631**	**(212,600)**	**(21,914,723)**	**(339,308)**	**(22,466,631)**	**(21,467,000)**

	811,901	**(68,153)**	**(21,914,723)**	**-**	**(21,982,876)**	**(21,170,975)**

Net Debt Reconciliation for the Company

	Cash and cash equivalents US$	Borrowings US$	Convertible loan notes US$	Right-Of-Use lease Liability US$	Total Debt US$	Net Debt US$
Net debt at 1 January 2020	**360,622**	**-**	**(18,190,732)**	**-**	**(18,190,732)**	**(17,830,110)**
Cashflows	451,779	(68,153)	(1,467,778)	-	(1,530,203)	(1,078,424)
FX adjustments	(500)	-	(125,917)	-	(131,645)	(132,145)
Interest accrual for CLN to be issued	-	-	(494,249)	-	(494,249)	(494,249)
Equity adjustment non-cash	-	-	354,159	-	354,159	354,159
CLN issued in lieu of borrowings	-	-	(108,850)	-	(108,850)	(108,850)
New loan notes in lieu of interest	-	-	(1,881,356)	-	(1,881,356)	(1,881,356)
Net Debt at 31 December 2020						

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

26. FINANCIAL INSTRUMENTS

The Group's treasury policy is to avoid transactions of a speculative nature. In the course of trade the Group is exposed to a number of financial risks that can be categorised as market, credit and liquidity risks. The board reviews these risks and their impact on the activities of the Group on an ongoing basis.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Available-for-sale financial assets
- Loans and borrowings

A summary of the financial instruments held by category is provided below:

Financial assets	**Group 2020 US$**	**Group 2019 US$**	**Company 2020 US$**	**Company 2019 US$**
Loans and receivables				
Cash and cash equivalents	999,631	397,323	811,901	360,622
Advanced to joint venture partners	-	200,000	-	200,000
Amounts due from group companies	-	-	23,204,528	23,961,083
Other receivables	74,155	48,321	-	21,507
	1,073,786	645,644	24,016,429	24,543,212
Financial investments	931,312	1,470,639	931,312	1,470,639
Total financial assets	**2,005,098**	**2,116,283**	**24,947,741**	**26,013,861**

Financial liabilities	**Group 2020 US$**	**Group 2019 US$**	**Company 2020 US$**	**Company 2019 US$**
Financial liabilities at amortised cost				
Trade payables	1,340,213	1,615,201	515,309	747,864
Other current liabilities	150,000	-	-	-
Loans and Borrowings	22,466,631	18,299,582	21,982,876	18,190,732
Total financial liabilities	**23,956,844**	**19,914,784**	**22,498,185**	**18,938,596**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

26. FINANCIAL INSTRUMENTS (continued)

Fair value measurement

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)
Level 2: Observable direct or indirect inputs other than Level 1 inputs Level
3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

Transfers of items between levels are recognised in the period they occur.

The unquoted equity instrument disclosed in Other Financial Assets is recorded at carrying value, which is classified as level 3. The carrying value of Other Financial Assets approximates to fair value.

Market Risk

Currency risk

The Group's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to currency or interest rate risks. The Group is exposed to transactional foreign exchange risk and takes profits and losses as they arise, as in the opinion of the directors, the cost of hedging against fluctuations would be greater than the potential benefits.

The carrying amounts of the group's cash and cash equivalents are denominated in the following currencies:

	Group 2020 US$	Group 2019 US$	Company 2020 US$	Company 2019 US$
US Dollar	727,890	267,529	670,169	261,311
UK Pound sterling	271,651	125,873	141,650	99,303
Euro	90	3,921	82	8
	999,631	397,323	811,901	360,622

The carrying amounts of the group's trade and other receivable financial instruments are denominated in the following currencies:

	Group 2020 US$	Group 2019 US$	Company 2020 US$	Company 2019 US$
US Dollar	27,218	46,507	-	-
UK Pound sterling	46,937	1,814	-	21,507
	74,155	48,321	-	21,507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

26. FINANCIAL INSTRUMENTS (continued)

The carrying amounts of the group's trade and other payable financial instruments are denominated in the following currencies:

	Group 2020 US$	Group 2019 US$	Company 2020 US$	Company 2019 US$
US Dollar	956,617	867,337	-	-
UK Pound sterling	523,596	747,864	515,309	747,864
Ukrainian Hryvnia	10,000	-	-	-
	1,490,213	1,615,201	515,309	747,864

The effect of a 5 per cent strengthening of the US Dollar at the reporting date on the foreign denominated net financial instruments carried at that date would, all variables held constant, would have resulted in an increase in net assets by US$9,762 (2019: increase in net assets by US$24,734). A 5 per cent weakening in the exchange rate would, on the same basis, have increased the net loss and decreased net assets by the same amount.

Interest rate risk

The Group and Company finances its operations through a mixture of equity and loans. The Group and Company exposure to interest rate fluctuations on its borrowings has been limited by the terms of the Convertible Loan Notes described in note 20.

Credit risk

Operational

The Group is mainly exposed to credit risk from credit agreements and sales. It is the Group's policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings, taking into account local business practices are then factored into trading decisions. The Group does not enter into any derivatives to manage credit risk. Further information on Trade and other receivables are presented in note 16.

Financial

Financial risk relates to non-performance by banks in respect of cash deposits and is mitigated by the selection of institutions with a strong credit rating.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the payments associated with the group's convertible loan notes. As disclosed in note 29, in 2021, the entire convertible loan note balance was converted or redeemed, to reduce the liquidity risk associated with this instrument.

The Group retains operational liquidity risk, with material uncertainties identified surrounding going concern (see note 1) as the Group starts to commercialise CoalSwitch. During this period there is a risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

26. FINANCIAL INSTRUMENTS (continued)

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The Group finances its operations through a mix of equity and debt instruments. The Group's objective is to provide funding for future growth. The Group's policies aim to ensure sufficient liquidity is available to meet foreseeable needs through the preparation of short- and long-term forecasts. Further disclosure of the Directors' consideration of going concern is included in note 1.

The Group had bank loans at 31 December 2020 of US$212,600 (2019: US$nil). As of 31 December 202 there were US$24,943,681 convertible loan notes (undiscounted) in issue (2019: US$20,190,995). No personal guarantees were in place.

Capital risk management

The Group's objective when managing capital is to establish and maintain a capital structure that safeguards the Group as a going concern and provides a return to shareholders.

27. RELATED PARTY DISCLOSURES

Details of Director's remuneration are given in the Directors' Remuneration Report.

In 2019 the Group entered into a joint venture arrangement with Renewable Logistics Systems LLC ("RLS"), to develop saw log exports at AEG's Lumberton site. In March 2020, AEG purchased the remaining 70% of the equity from RLS (see note 10). This agreement was in addition to an existing rental agreement between RLS and the Group. Antonio Esposito holds a 30% interest in RLS via his wife, Lisa Esposito.

During 2020, the Group paid $10,000 to Zimmfor Management Services for services related to the Newfoundland and Labrador cutting permit. This company is owned by Jason Zimmermann.

Transactions between the Company and its subsidiaries, which are related parties to the Company, have been eliminated on consolidation.

The Company's intercompany receivable balances at the year-end were as follows:

	2020	**2019**
	US$	**US$**
Amounts due from Group companies	23,204,528	23,796,415

28. CAPITAL COMMITMENTS

Capital commitments at 31 December 2020 were $750,000 for the purchase of CoalSwitch equipment (2019: US$nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

29. SUBSEQUENT EVENTS

The key business developments since 31 December 2020 were as follows:

- In January 2021, Advanced Biomass Solutions Plc, a subsidiary of the Company, completed and drew upon a debt facility of £550,000. The debt instrument is repayable within twelve months based on monthly capital repayments following a four-month repayment holiday. Initiation fees of 7% were payable, and interest is charged at 10% p.a. payable quarterly in arrears. The Company has provided a corporate guarantee as security.
- In February 2021, the convertible loan note (“CLN”) holders agreed to either convert their CLN’s or have them redeemed. Furthermore, the CLN holders agreed to a release of the securities held over the Companies assets in favour of the CLN holders. At the same time the Company raised £7.0 million in a fundraising (before expenses), principally to progress the construction of the Lumberton CoalSwitch reference plant. At the time of reporting the CLN obligation has been fully extinguished. The shares in issue at the reporting date were 3,902,051,743, compared to 1,541,178,043 at 31 December 2020;
- On 20 May 2021, the Company announced its joint venture arrangement with Player Design Inc. (“PDI”). Under the JV, AEG and PDI will jointly own and operate a CoalSwitch plant in Ashland, Maine. The plant has been completed and is in production and will supply CoalSwitch for the PacifiCorp trial burn.

30. ULTIMATE CONTROLLING PARTY

In the opinion of the directors there is no one ultimate controlling party.