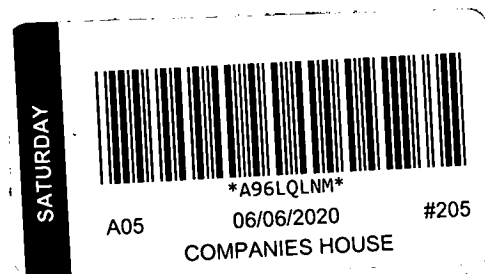


ACTIVE ENERGY GROUP PLC
ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2019

Company Registration Number: 03148295



**ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

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ACTIVE ENERGY GROUP PLC

COMPANY INFORMATION

Country of Incorporation	England and Wales
Directors	T M S Rowan J Leahy M Aitken J Zimmermann A Esposito
Secretary	Cargill Management Services Ltd 27-28 Eastcastle Street London W1W 8DH
Registered Office	27-28 Eastcastle Street London W1W 8DH
Corporate Head Office	12 Hay Hill, Mayfair London W1J 8NR
Registered Number	03148295
Auditors	Jeffreys Henry LLP Chartered Accountants and Registered Auditors London EC1V 9EE
Bankers	HSBC Bank Plc 69 Pall Mall London SW1Y 5EY
Solicitors	DWF LLP 20 Fenchurch Street London EC3M 3AG
Nominated Adviser & Broker	SP Angel Corporate Finance LLP Prince Frederick House, 35 – 39 Maddox Street London W1S 2PP
Joint Broker	Allenby Capital Limited 5th Floor, 5 St Helen's Place London EC3A 6AB
Financial Public Relations & Investor Relations	Camarco, 107 Cheapside, London EC2V 6DN

ACTIVE ENERGY GROUP PLC

CHIEF EXECUTIVE OFFICER'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

In 2019, Active Energy Group ("AEG" or "Active Energy") continued its development to become a producer of biomass products focused on the utilisation of low cost and waste biomass materials that create higher value, energy efficient and carbon neutral fuels. To achieve this, Active Energy has focused on re-establishing business operations in the lumber sector which provide not only consistent revenue streams but also open up new business relationships for the forthcoming production of biomass pellets, which include its proprietary CoalSwitch™ technology. As I write this, the business has enhanced its position in the market since year end by strengthening its board and management team and expanding operations at the Lumberton site in North Carolina ("Lumberton" or the "Lumberton Site") as we move into our next phase of growth.

Lumberton – A significant strategic step

The foundations for the Company's achievements in 2019 were laid in late 2018 with the strategic decision to move the operations from Utah to Lumberton. After entering into our initial joint venture with Georgia Renewable Power LLC ("GRP") in October 2018, the Company identified the Lumberton Site which is adjacent to GRP's power facility. In March 2019 AEG acquired the Lumberton Site which consists of covered factory space up to 415,000 sq ft and 151 acres of surrounding land. Lumberton also had a number of additional benefits including water treatment facilities, a laboratory for analysis of future biomass fuels and existing facilities capable of accommodating not only a functioning lumber operation but also a laboratory facility to produce and test biomass pellets, including CoalSwitch™ pellets.

The Directors believe that Lumberton's size can accommodate expansion both in the short and medium term, both for lumber operations and the scaled production of second-generation biomass fuels, including CoalSwitch™ pellets. The commercial goal for the production of biomass fuels, including CoalSwitch™ to be in operation as soon as possible, remains the Board's prime focus. Having acquired the Lumberton Site and completed the transaction during the second quarter of 2019, Active Energy focussed on establishing commercial activities at Lumberton. Certain inherited business activities have remained operational at Lumberton during the last 12 months, in line with our plans to create a carbon neutral hub at Lumberton. Requisite equipment (including the relevant CoalSwitch™ reactors) was transferred from Utah to Lumberton during the summer of 2019 and preparatory works commenced for the reconstruction of the existing CoalSwitch™ plant to operate at the Site. As the facility at Utah had never been completed or commissioned to production targets, Active Energy has had to spend additional time and money in preparation work toward the installation and construction of the first CoalSwitch™ facility. Vendor and construction contracts and additional equipment identification have been completed in order to minimize the time required toward first production from this CoalSwitch™ facility.

As an existing "brownfield site", Lumberton already owned certain permits to allow operational activities to commence. Nonetheless, after joint analysis of the new project with the North Carolina Department of Environmental Quality ("DEQ") and given that no relevant permits had ever been applied for in Utah, a recommendation was made to require an application for an air and construction permit in order to ensure the optimal production potential and the full scale operation of the existing CoalSwitch™ plant at Lumberton.

Active Energy and the DEQ worked together to comply with the local procedures and Active Energy utilised locally qualified personnel to assist in organisation of the application process. The relevant permit application was completed and submitted in November 2019. The approval process anticipated a standard review process, including drafting of the specific permit to take up to 90 days. Unfortunately, this review and approval process has been subject to delays, owing to the DEQ determining the need to hold a public hearing meeting in Lumberton and more recently, the imposition on restrictions to hold such public meetings as a result of the COVID 19 pandemic. In spite of these difficulties, the Board remains confident that the requisite permits will be issued by the DEQ.

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The establishment of an operating centre at Lumberton has been highly significant for Active Energy's future development. The Company's goal for Lumberton is to develop facilities for a carbon neutral operational facility which, not only produces second generation carbonised biomass pellets, but can also become a research and development centre for future biomass fuels using a variety of residual feedstock resources. In addition, Active Energy intends to create additional timber & lumber activities with new commercial partners. The Lumberton Site is uniquely placed with an abundance of local feedstock resources immediately available in North Carolina and in close proximity to all existing transportation infrastructure for the delivery of biomass and lumber products globally. As such, Active Energy is working hard with the local communities to establish an economic centre at Lumberton.

Active Energy intends to accelerate the lumber activities at Lumberton as quickly as possible and the announcement of the joint venture with Renewable Logistics Systems LLC ("RLS") in July 2019 was a significant part of the Company's growth strategy. Following the announcement of the joint venture with RLS, work commenced at Lumberton to establish lumber operations and the first revenues were achieved during Q4 2019. This was a significant milestone for the Company as it meant that by the end of 2019 operating sawmill activities had commenced at Lumberton with firm plans to scale up the production volumes during 2020. RLS's input to date, combined with the ramp up in production following the recent acquisition by AEG, has helped to create a meaningful business with many potential industry partners and prospective customers, both locally and internationally. In addition, the current operations at Lumberton will benefit from the forthcoming preparations for the production from the CoalSwitch™ facility of biomass pellet fuels.

CoalSwitch™ Technology – Continuing Development

Active Energy has continued to work on complementary business opportunities from the CoalSwitch™ technology. As was stated in 2019, Active Energy has focussed on accelerating the commercial strategy with the establishment of commercial partnerships. One example of this has included working with prospective partners who wish to licence some of the core technology to build their own CoalSwitch™ production facilities. It was with great pleasure that Active Energy announced its first licence with RMD Environmentals, Inc ("RMDE"), a British Columbia based forestry management and environmental engineering and consultancy business, for the production of CoalSwitch™ in the Provinces of Alberta and British Columbia on 28 November 2019. Active Energy has granted to RMDE an exclusive licence for the production of CoalSwitch™ in these territories. Since the licence was granted to RMDE, representatives from Active Energy have provided technical assistance to RMDE in regard to its plans for the commencement of construction of CoalSwitch™ production facilities in Alberta.

Another partnership had involved working with Cobant Sp. z.o.o., a Polish research, development and environmental waste coal recovery company, regarding the development and production of a fuel blend, involving reclaimed coal from coal slurry dumps in Upper Silesia in Poland and CoalSwitch™. Initial testing had provided favourable results and an application was made to the EU for an additional grant to continue this research and development. In April 2019, it was confirmed that the application had been unsuccessful. Active Energy has no immediate plans to resubmit an application in regard to this blended fuel.

Throughout 2019, Active Energy has continued to maintain and develop its intellectual property portfolio around CoalSwitch™ and some of the underlying production processes. All filings and requisite procedures have been maintained in the US and the EU. The Company has further extended the portfolio to include submission of additional patent applications in Malaysia, Thailand and Canada in 2019 and 2020. At the Lumberton Site, once the Permits are issued, the Company is keen to commence testing of alternative waste materials in laboratory conditions to examine potential other constituents which could create steam exploded biomass pellets with improved heat and environmental performance over existing white pellets.

Complementary Focus on Timber and Feedstock Opportunities

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The Company has continued to focus on feedstock business opportunities which would assist the commercial development of biomass fuels, including CoalSwitch™. The Company continues to work with the Province of Newfoundland and Labrador, (the "Province") to commercialise the secured cutting timber permits ("CTPs") for Blocks 17 and 18, which were granted in November 2018. The Company and the Province maintained a regular dialogue throughout 2019 and the early months of 2020 and are working together with the aim of establishing activity later in 2020.

In addition, feedstock opportunities in and around North Carolina have also been presented to Active Energy in recent months and the Company is examining these opportunities with a view as to how these might complement existing activities at the Lumberton Site.

Greater Environmental Awareness within the Biomass Industry

Active Energy plans to be at the forefront of the development of next generation biomass fuels which address current and prospective environmental concerns. Work has already commenced in examining alternate feedstock for biomass fuels, including residual wood, chicken litter and energy crops, namely miscanthus grass to create steam exploded pellets which have an equivalent energy value to existing fossil fuels without their existing carbon footprint. More work needs to be undertaken but AEG's Directors believe the Lumberton Site presents an invaluable opportunity to develop these next generation fuels for the global markets.

The existing white pellet market has been growing significantly since 2014, most notably, in Europe. The United States remains the largest exporter of white pellet, producing nearly 2.5 times as much white pellet as the second largest exporter, Vietnam (*source: Futuremetrics*). While consumption growth in Europe is beginning to plateau, new markets are emerging in Japan and South Korea and in the United States. There is an increasing demand for a pelletised fuel which can co-fire with coal or fully fire instead of coal. Active Energy believes that biomass pellets, such as CoalSwitch™, using waste and forest residual wood could further accommodate tighter environmental criteria being set by regulators globally.

Developments since December 2019 and the impact of COVID 19

Active Energy has experienced more significant developments since the beginning of 2020. From an operational perspective, the lumber activities at the Lumberton Site have increased. Steady production volumes of various lumber products have increased over the recent months at Lumberton. There has been minimal impact on these production activities during the recent COVID 19 outbreak, nonetheless Active Energy remains concerned about the health and welfare of all its employees and is taking all action possible to protect its employees and all staff working at Lumberton.

While the State of North Carolina has declared a state of emergency limiting much economic and social activity, activities within the lumber industry have been exempted. Active Energy's current focus in regard to lumber activities remain fully operational. Nonetheless, in the current circumstances the Board now expects there may be some time delays in the growth and development of additional activities at Lumberton, including future biomass pellet production.

As AEG has already announced, there have been delays in the review and approval process in regard to the requisite air and construction permits to be issued by the Department of Environmental Quality of North Carolina owing to the COVID-19 pandemic. Active Energy has been actively working with both the DEQ and our partners in Robeson County (where the Lumberton Site is situated) to resolve these process issues and address any outstanding concerns. Active Energy continues to believe that its next generation biomass fuels will address existing environmental concerns.

The commercial goals for Active Energy have not altered in spite of COVID 19. While timelines on project development are expected to be affected by the general disruption to economic activity, Active Energy will continue to execute its strategic plan and update its stakeholders as soon as practicable on all developments.

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The Company has achieved a number of significant milestones in 2020. Firstly, following the appointment of James Leahy as a non-executive Director in November 2019, the Board was further strengthened by the appointments of Max Aitken and Jason Zimmerman as non-executive Directors in January 2020. Each individual brings a specific area of expertise to Active Energy given their knowledge of the lumber industry, biomass and power generation markets and global capital markets.

These new appointments follow the departure of Simon Melling in the fourth quarter of 2019. Simon stepped down as a non-executive Director and I would like to thank Simon for his invaluable contribution during his two year tenure on the AEG board.

Secondly, in February 2020 Active Energy announced a renegotiation of the key terms of its outstanding convertible loan note ("CLN") pursuant to which the existing CLN holders agreed to significant amendments to the coupon structure of the CLN. The Board is extremely grateful for the continuing support of the CLN holders.

Finally, negotiations with RLS were successfully completed for the re-organisation of the existing joint venture activities under one entity, Active Energy Renewable Power, a wholly owned subsidiary of Active Energy ("AERP"). With the ongoing support of RLS team members (now working for AERP), this should provide a significant contribution toward a platform for the growth of all the lumber activities at the Lumberton Site in the coming months. In the recent COVID-19 operating environment, their commitment and experience has already been valuably demonstrated.

Financial Review:

Overview

During 2019 management continued to focus on stabilising the Group's financial position. As a result losses attributable to AEG excluding non-cash share based payment reduced to US\$2,101,372 (2018: US\$2,360,674). Similarly, the Group's overall net assets position remained stable at US\$371,859 (2018: US\$497,408).

Consolidated income statement

During 2019, the management continued to focus its efforts on developing revenue generating activities in the newly acquired Lumberton's site and through licencing of its CoalSwitch™ technology while proceeding with cost consolidation and reduction. As a result, total comprehensive loss for the year attributable to owners of the parent decreased to US\$1,264,088 (2018: US\$ 3,568,999). Excluding non-cash share based payments losses attributable to AEG were limited to US\$895,237 (2018: US\$2,673,579). The primary elements of the consolidated income statement are as follows:

- Revenues were US\$1,895,972 (2018: US\$195,000) reflecting income from licencing of AEG's CoalSwitch™ technology, rental income from AEG's Lumberton site and the provision of engineering consultancy services.
- An impairment charge of US\$Nil (2018: US\$950,700) was recorded in 2018 against the Northern Alberta and Ukrainian intangible development assets, reflecting a re-evaluation of the economics of these assets.
- Administrative expenses were US\$2,779,473 (2018: US\$2,982,866) reflecting ongoing corporate costs and business development activity. Excluding non-cash share based payments, administrative expenses were US\$2,410,623 (2018: US\$2,087,436). The year on year increase reflects losses on disposal of certain items of equipment, partially offset by cost reduction initiatives.

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- Finance expenses were US\$2,461,376 (2018: US\$406,929). These cost relate to ongoing servicing of the Group's Convertible Loan Notes, foreign exchange gains and losses, offset by interest capitalised to tangible and intangible fixed assets. The year on year movement primarily reflects foreign exchange movements.
- Loss on discontinued operations were US\$Nil (2018: US\$386,994). This reflected the close out of contractual matters associated with Active Energy's former Ukrainian wood chip operations during 2018.
- The tax credit of US\$874,655 (2018: US\$1,346,010) reflects income associated with research and development tax credits.
- Total other comprehensive income was US\$1,206,134 (2018 expense of: US\$312,895) reflecting upward revaluations of the recently acquired Lumberton site and the Group's available for sale investments.

Statement of financial position

During 2019 Group's overall net assets position remained stable at US\$371,859 (2018: US\$497,408.) The primary elements of the consolidated statement of financial position are explained below.

- Non-current assets increased to US\$19,882,848 (2018: US\$14,587,953). This increase relates to the purchase and subsequent revaluation of land & buildings at Lumberton of \$4m ; an increase in Intangible Assets of US\$720,616 due to further investment in CoalSwitch™ intellectual property; and further investment, and revaluation of, AEG's available for sale investment totalling US\$718,424.
- Current assets reduced to US\$1,544,138 (2018: US\$2,003,178) reflecting movements in research and development tax credits receivable.
- Current liabilities decreased to US\$2,500,079 (2018:US\$4,179,400). This reduction reflects repayment of shareholder loans.
- Non-current liabilities increased to US\$18,555,048 (2018: US\$11,914,323) reflecting the issue of convertible loan notes during 2019.
- Equity attributable to owners of the parent company were US\$371,859 (2018: US\$497,408) as a result of the following:
 - An increase in the convertible debt reserve to US\$3,490,621 (2018: US\$ 2,720,933) reflecting the equity element of convertible loan notes issued during the year;
 - An increase in the revaluation reserve to US\$504,646 (2018: US\$Nil) due to the revaluation of the Group's Lumberton site;
 - Other movements in the consolidated income statement relating to profit for the year, foreign exchange variations and revaluation of available for sale investments.

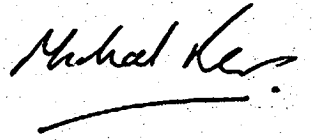
Outlook:

2019 was a pivotal year for AEG, during which the Company completed a strategic review of the market opportunities based upon establishing commercial operations in Lumberton. Significant goals have been achieved with the acquisition of the Site and the commencement of timber and lumber operational activities. At the same time, preparation work toward the production and manufacture of biomass pelletised fuels utilising the existing Coalswitch™ technologies has continued.

Looking forward the outlook is very positive. All the efforts of the last 12 months at Lumberton are coming to fruition for AEG. The Company is currently generating revenues with a material increase expected in production volumes and revenues as lumber activities increase in the near term.

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The revenue generation gives the Company a consolidated platform to launch its biomass products including CoalSwitch™ as soon as practicable in spite of the delays in the approval process for the grant of the permit and the disruption caused by the COVID-19 pandemic. The Board is confident in AEG's ability to deliver on its strategic aims in this financial year and become both a material producer of next generation biomass pellets from Lumberton and a significant provider of lumber services in North Carolina.

A handwritten signature in black ink, appearing to read 'Michael Rowan', with a horizontal line underneath.

Michael Rowan
Chief Executive Officer
29 May 2020

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OPERATIONS REVIEW FOR THE YEAR ENDED 31 DECEMBER 2019

The Group's primary activities are centred on the commercialisation of its CoalSwitch™ product, alongside wood processing and trading activities, supported by a forestry management business, Timberlands.

Activities in North Carolina, United States of America

During the fourth quarter of 2018 and into the first half of 2019, North Carolina, USA emerged as the centre of activity for AEG's operational activities. This jurisdiction is ideally placed to leverage value from AEG's CoalSwitch™ technology, as it provides access to the prime lumber district in the US, as well as proximal access to the Eastern Seaboard of the United States, ensuring that AEG is connected to established export routes for sales to Europe and South East Asia. At the same time this jurisdiction provides the platform for AEG to benefit from complementary biomass, saw logging, property rental and other commercial opportunities.

On 27 March 2019, AEG announced that it had completed the acquisition of an industrial site in Lumberton, North Carolina for a total consideration of US\$3.3 million. The site, which includes up to 415,000 sq ft of covered factory space and approximately 151 acres of surrounding land, is the new base for all Active Energy's CoalSwitch™ and lumber operations in the US. The Lumberton Site has a number of additional advantages for AEG. The Lumberton Site includes key ancillary facilities, such as water treatment, an analysis laboratory, offices and IT hardware, thus further reducing the amount of capital expenditure required. In April 2019, the AEG announced that it had been awarded a US\$500,000 building re-use and renovation grant for its new manufacturing site in Lumberton, Robeson County, North Carolina. The grant, awarded after the North Carolina Rural Infrastructure Authority voted to support the Project on Thursday 18th April, 2019, will be allocated through the Community Development Block Grant programme of the U.S. Department of Housing and Urban Development and administered in part by the North Carolina Department of Commerce.

Following completion of the acquisition of the site, the Company's Directors obtained an independent valuation report on the Lumberton Site. The report, which was dated September 2019, valued the Lumberton Site at US\$4,000,000. Finally, in April 2020 Active Energy Renewable Power received confirmation from the that its application to the US Department of Agriculture under the Advanced Biofuel Payment Program had been accepted.

CoalSwitch™

CoalSwitch™ uses patented technologies to create a new second generation biomass fuel which can be briquetted or pelleted as required by customers. CoalSwitch™ has a number of significant advantages compared with existing biomass fuels such as torrefied or white pellet alternatives, namely and among others:

- Lower unit costs reflecting lower feedstock costs. CoalSwitch™ technology can process lower quality fibre materials such as forestry residuals and waste wood including waste, bark, branches leaves, needles and salty hog thus reducing feedstock costs.
- CoalSwitch™ has a higher energy density than alternative biomass fuels.
- CoalSwitch™ has a higher bulk density than alternative biomass fuels.
- CoalSwitch™ when pelletised is hydrophobic meaning that the pellets do not degrade in water in the same way as traditional white or torrefied pellets. In addition, CoalSwitch™ pellets can be transported with minimal losses/degradation due to being almost dust-free in storage, handling or transport.
- CoalSwitch™ pellets can be used in coal fired power stations, without the need for significant capital expenditure for retrofitting and modifying existing coal burning facilities.

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AEG first became involved in this ground-breaking technology in 2015. During 2016 & 2017 work was primarily focused on research and development activities. In February 2018, AEG announced the opening of its inaugural CoalSwitch™ Reference Plant (the "Reference Plant"). The Board regarded the completion and initial testing of the plant as the significant breakthrough in the development of the CoalSwitch™ business model, showing that the initial reactor results and positive laboratory results can be upscaled to industrial scale production facilities. During the summer of 2019 AEG moved the Reference Plant to the Lumberton site in North Carolina, where it intends to commence scalable production, subject to receiving appropriate permits.

On 7 February 2020 AEG announced that the North Carolina Department of Environment and Natural Resources, Department of Air Quality ("NCDAQ") had completed its internal review with regard to the issuance of relevant construction and air permit for the reference plant at Lumberton. In accordance with industry practices, with existing pellet mills in North Carolina, NCDAQ requested that a public information meeting must be held prior to the issuance of the Permit. Due to the Covid-19 restrictions this meeting will be held online on 15th June 2020 and the public comment period will close on the 19th June 2020. Subject to any conditions within the permit, AEG expects construction of the plant to commence once the permit is granted.

The Directors believe that the size of the Lumberton Site provides significant scope for the expansion of the initial CoalSwitch™ plant via the addition of extra CoalSwitch™ production facilities. Once the existing reference plant is fully operational, AEG is targeting additional investment and development in order to increase production capacity up to 50 tonne per hour via a large scale production facility, which would have the ability to produce to up to 400,000 tonnes per annum.

CoalSwitch™ licencing

The directors recognise that the potential market for CoalSwitch™ is far larger than AEG's existing resources. Therefore, the fastest and most cost effective way of monetising CoalSwitch™ technology is via the grant of licences.

On 28 November 2019, AEG announced that it has agreed terms for the issuance of its first CoalSwitch™ Licence Agreement to RMD Environmentals, Inc. ("RMDE"), a British Columbia based forestry management and environmental engineering and consultancy business, to develop and manage projects involving the use of CoalSwitch™ technology in each of the Crown Provinces of Alberta and British Columbia in Canada.

Under the terms of the Licence Agreement, RMDE acquired the exclusive rights for the sale and commercial development of CoalSwitch™ in the licenced jurisdictions for the next 20 years, in exchange for an up front fee, plus royalty payments of US\$5 per tonne of CoalSwitch™. Initial preparatory and pre-engineering work by RMDE has commenced in Alberta for its first plant and RMDE is examining additional projects using the CoalSwitch™ technology in each of the Territories.

South East Asia Activities

During 2018 and 2019 the strategic focus of AEG has shifted towards North America, and specifically opportunities in North Carolina and Canada, and resources have been dedicated to those regions accordingly. Nevertheless, AEG is continuing to make progress in South East Asia. AEG has established a network of local commercial partners in the region and the Company is therefore well positioned to capitalise on opportunities within these jurisdictions.

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Intellectual Property-derivative activities

During the development of the CoalSwitch™ technology, AEG identified that the technology can also be reconfigured to produce an enhanced soil replacement product from waste fibre. This substrate can be adjusted and tailored to meet the specific requirements of an individual agricultural customer and more importantly specific plant type or species.

Sawmill and saw logging activities

As a result of the acquisition of the Lumberton site, AEG's Management in conjunction with the development of the CSW plant, and to exploit the potential synergies with the core activity, started to explore the existing opportunities for other commercial operations related to the wood industry. As a result, on 24 July 2019 AEG announced that it had entered into a joint venture agreement, with Renewable Logistics Systems LLC ("RLS"), to export saw logs from the Company's Lumberton Site and pursue related lumber opportunities. A sawmill was installed and commissioned in Q4 2019 along with the procurement of the initial feedstock in the local market. On 31 March 2020 AEG announced that it has entered into an agreement, whereby AEG secured 100% control and ownership of the sawmill and saw log export assets and activities based at the Lumberton site, in exchange for US\$350,000. This sum was payable to RLS in the form of 64,863,412 new ordinary shares of 1p in AEG and is subject to certain closing adjustments including the provision of additional consideration in either cash or additional Ordinary Shares.

The Directors believe that this transaction will result in a number of ancillary benefits for AEG:

- There is an opportunity to double production via the commencement of 2 shift operations. In the medium term, AEG intends to increase production by installing additional sawmill capacity, adjacent to the existing operations.
- All these activities generate low value waste products which will be utilised as feedstock for the production of CoalSwitch™ and other black pellet fuels.
- The transaction will improve operational efficiency within AEG.

Timberlands

Overview

The mission of the Timberlands business is to identify, develop and manage forestry projects in accordance with identified environmental and sustainable goals. This business has multiple benefits and advantages to AEG and the forestry owners, including:

- Control of the supply chain ensures co-ordination and control of environmental sustainability.
- Security and traceability of feedstock for production plants.
- Using timber in CoalSwitch™ technology optimises output as wood which is traditionally seen as waste, can be processed to produce value.
- An opportunity to secure long-term timber proprietary tenures should allow AEG to enter into significant and long-term supply agreements for its products with a lesser risk of market price fluctuations and the opportunity to increase profitability.

Newfoundland

On 26 November 2018, and following many months of work and negotiation, AEG announced that its subsidiary, Timberlands International Limited through its local operating company Timberlands International (Newfoundland and Labrador) Inc, had been formally issued two five-year Commercial Timber Permits ('CTPs') for Forestry Management Areas 17 and 18 by the Ministry of Fisheries and Land Resources of the Crown Province of Newfoundland and Labrador.

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The CTPs were issued with a five-year revolving renewal facility relating to a total Annual Allowable Cut of 100,000 cubic metres per annum. In addition, the CTPs specify certain standard conditions including the species, class and volume of timber that may be cut and the locations from where such timber may be cut.

The Group is currently reviewing the commercial strategy to develop its assets in Newfoundland and Labrador, including newly identified and complementary business opportunities.

Ukraine

Whilst AEG has no current active business activities in Ukraine, the Group retains its supply contract granted by the Lyubomi Forestry, which is the administrator of the Lyubomi Forest in the Ukraine. During 2014, the term of the contract was extended to 2060. AEG is currently reviewing options to utilise this asset, by leveraging AEG's other commercial, technological and operational strengths.

ACTIVE ENERGY GROUP PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors of Active Energy Group Plc present their Strategic Report for the year ended 31 December 2019.

OPERATING REVIEW

The Chief Executive Officer's report highlights the operational performance of the year under review and post balance sheet events.

Principal Activities

The Group's principal activities are the development and commercialisation of low cost biomass into renewable energy pellet products and the associated development of timber resources and wood processing activities to work with each biomass energy project.

Organisation Overview

The Group's business is directed by the Board with executive management carried out through the Executive Directors.

The corporate structure of the Group reflects its core business lines and the need, where appropriate, for operational, fiscal and other reasons, to have incorporated entities in particular territories.

Day-to-day activities are managed through offices in the United Kingdom and United States, supported by our multi-national network of professional advisors.

Aims, Strategy and Business Plan

The Group's aim is to develop a profitable international operation founded on Coalswitch™ technologies, underpinned, by wood processing and trading activities and a forestry management business. The Group aims to generate significant shareholder value through the enactment of its strategy, at the same time as having a positive impact on the environment and local communities in the jurisdictions in which we operate.

The Group seeks to limit country and political risk by working within diversified, lower risk territories and jurisdictions; operating in an open and transparent manner throughout all its dealings; and maintaining a zero-tolerance policy towards corruption.

The Group's business model is to establish efficient, low cost synergistic operations across all of its activities and markets. The Board seeks to run the Group with a low cost base, consistent with the nature and level of activity being undertaken. The Group engages the services of a limited number of full-time employees alongside a portfolio of carefully selected professional consultants and contractors.

The Group is financed through periodic capital raises and loan notes.

Executive Management:

The Group's current executive team comprises:

Michael Rowan: Executive Director and CEO; with overall responsibility for all Group activities.

Antonio Esposito: Executive Director and COO; with overall responsibility for all Group operations.

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Corporate Responsibility

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

Corporate Governance:

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.

In order to protect the interests of its shareholders and other stakeholders the Board has chosen to adopt the Quoted Companies Alliance (QCA) Corporate Governance Code for Small and mid-size Quoted Companies (the "QCA Code"), and the Directors are always prepared, where practicable, to enter into dialogue with all such parties to promote a mutual understanding of objectives.

By complying with this code the Company ensures compliance with the new AIM Rules regarding Corporate Governance introduced in September 2018.

Full details of the Company's policy on Corporate Governance can be found on the website under:

<https://www.aegplc.com/investors/corporate-governance/>

Composition of the Board of Directors

The Board of Directors is currently comprised of the Chief Executive Officer (based in the UK), the Chief Operating Officer (based in the USA) and the three Non-Executive Directors (two of whom are based in the UK and the other is based in Canada). All three non-executive directors are considered by the board to be independent. The Company acknowledges that the Chairman and Chief Executive Officer roles are currently being discharged by the same person and will keep this under review as the business progresses.

Following the appointment of Max Aitken and Jason Zimmermann in January 2020 the board is composed on the following individuals as of the date of this report:

Michael Rowan (Chief Executive Officer): Michael is a qualified solicitor, qualified investment manager and successful corporate financier with a broad range of international 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, working with leading global financial institutions. He then moved to Merrill Lynch International in London and New York, where he became a director of Equity Capital Markets, with responsibility for origination, execution and commercial negotiation of equity and equity-linked transactions, including major privatisations in the UK and EMEA regions.

Since then, Michael has held senior roles within the venture capital and mid & small cap broking sectors in London and Hong Kong. More recently, he was Business Development Director and an Investment Manager at JM Finn & Co and he continues to be involved in private companies which specialise in investing in international micro capital and seed financing opportunities. He joined the Board in 2015 and was appointed as Chief Executive Officer in July 2018.

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Antonio Esposito (Executive Director) : Antonio is a qualified engineer with over 18 years' experience in logistics, operations, business development and project management globally and has an in-depth understanding of commodities export and global markets with a focus on woods and biomass-based fuels. He has a proven track record as a project manager, having been in charge of both the construction and the launch of a production facility in Eastern Europe, as well as overseeing the construction of biomass fired power plants in various locations worldwide. More recently, Antonio has managed the export of wood, wood products and other bulk commodities to South East Asia, India and Europe in addition to the procurement of wood supplies in excess of 5 million tonnes per annum. Whilst serving as Chief Operating Officer at Active Energy he was instrumental in the planning and construction of the Company's inaugural CoalSwitch™ plant in Utah, U.S. and the planned roll out of the Company's associated technologies including PeatSwitch™ in AEG's target markets

James Leahy (Senior Independent Non-Executive Director) : Beginning his career at the London Metal Exchange, James has spent the subsequent 34 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, ranging from 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 mining companies through to production. He is currently a director of the listed fund Geiger Counter Ltd, Savannah Resources Plc and a private start up, Energy Minerals Investments Ltd.

Max Aitken (Non-Executive Director): Max Aitken is an entrepreneur who has founded and been instrumental in the financing of several businesses in energy, IT, and media. He is currently the CEO of Estover Energy Ltd. Over the last 10 years Estover Energy has established itself as a leader in the UK biomass industry developing 3 wood-fuelled biomass CHP plants producing up to 70 MW in the UK, financed with £375m of capital. He is also a trustee of the Beaverbrook Foundation London, and President of the Beaverbrook Canadian Foundation in Montreal. He is also a Non-Executive Director for 42 M&P, a fully integrated management and production company in the TV and film industry, based in London and Los Angeles.

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.

Role of the Board:

The role of the Board is to agree the Group's long-term strategy and direction and to monitor achievement of its business objectives. The Board meets several times per annum, either by teleconference or in person. Furthermore, it holds additional meetings as are necessary to transact ongoing business.

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Board Committees:

Remuneration Committee

The Remuneration Committee is made up of James Leahy and has access to external expertise should that be required. This committee is responsible for the scale and structure of the remuneration of the Chief Executive, the Executive Directors and reports to the Chief Executive. The recommendations of the committee must be approved by the Board of Directors. No director or manager shall be involved in decisions relating to his/her own remuneration.

AIM Rules Compliance Committee

The AIM Rules Compliance Committee is made up of Michael Rowan and Antonio Esposito and is chaired by Michael Rowan. This committee is charged with ensuring that the Group has sufficient procedures, resources and controls in place to ensure compliance with the AIM rules for companies. Among other things, the committee shall ensure that an Executive Director is at all times able to respond to requests for information from the Nominated Adviser and that all Directors and employees are aware of their obligations with regards to the disclosure of any trading in the Group's shares.

Audit Committee

The Audit Committee is made up of James Leahy and Michael Rowan and is chaired by James Leahy. This committee is required to monitor the integrity of the financial statements of the Group, including the interim and annual reports. The committee also reviews financial returns to regulators and any financial information contained in announcements of a price sensitive nature. The committee shall also consider and make recommendations to the Board regarding resolutions to be put to shareholders for approval at the Annual General Meeting, with respect to the appointment or re-appointment of the Group's external auditors. The Audit Committee, together with the external auditors, are responsible for determining the scope of the annual audit. Under the QCA's "Comply or Explain" maxim, the Company differs from the norm in that Michael Rowan is an Executive Director of the Company. The norm is for the Audit Committee to be composed entirely of non-executives. This construct remains under review.

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 will be taken by the Board as a whole.

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.

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 are welcomed.

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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.

Key Performance Indicators:

The key performance indicators of the Group are set out below:

- Commercialise and develop the new CoalSwitch™ technology.
- Commercialise new derivative products which utilise the new CoalSwitch™ technology
- Commercialise and develop forestry licences, sawmill and saw log export activities.
- Conduct operations in a safe and environmentally responsible manner.
- Positively impact local communities in the jurisdictions in which we operate.
- Optimise shareholder value through targeted investment and sound project and operational management.
- Maintain sufficient capital to meet the requirements of existing and future business.
- Identify and progress other new business initiatives and bring these to fruition.
- Optimise administration expenses and operating unit costs.

Performance against these measures is discussed elsewhere in the Strategic Report and the Chief Executive Officer's Statement. Other KPIs may be identified as the business develops. The Board believes that the detailed information published by the Group in its Regulatory News Service (RNS) announcements or in its published financial statements provide the best guide to its progress and performance.

Risk and Uncertainties:

A summary of the key risks and mitigation strategies is below:

	Risk	Mitigation
1.	Insufficient cash resources to meet liabilities, continue as a going concern and finance key projects.	Short term, annual and 5 year business plans are prepared and are reviewed on an ongoing basis. This analysis provides the basis for capital raising activity.
2.	Loss of key management/staff resulting in failure to secure and meet contractual requirements.	Regular review of salaries and benefits including long term incentives. Ongoing communication with key individuals.
3.	Project execution risk associated with capital intensive activities.	Strategy is to outsource construction projects to established EPC contractors and to engage suitable engineering counterparties where possible.
4.	Health and safety risks to employees, contractors and local communities associated capital intensive operations.	Employment of experienced operational managers and contractors. Group wide HSE policies to be introduced

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5.	Failure to comply with law and regulations in the jurisdictions in which we operate.	Key management are professionally qualified. In addition the Company appoints relevant professional advisers (legal, tax, accounting etc) in the jurisdictions in which we operate.
6.	Failure to maintain strong and effective relations with key stakeholders in the areas in which we operate, resulting in loss of contracts or failure to secure necessary permits or licences.	Senior management seeks to establish and maintain an open and transparent dialogue with key stakeholders in the areas in which we operate.
7.	Significant changes in the political environment, including the impact of Brexit, results in loss of resources/market and/or business failure.	The Company's operational activities are now focused on North America in order to reduce the Group's country, political and trading risk profiles. Management also monitors the wider political environment on an ongoing basis to ensure that steps are taken to mitigate political risk.
8.	Death, illness or serious business disruption due to Covid-19 or other pandemics.	The Company seeks to comply with all legal requirements and guidance within the various territories in which it operates. The Board aims to take all reasonable steps to protect its employees, suppliers and customers, whilst safeguarding its business interests.

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. The board believes that this strategy enables our stakeholders to better understand the activities, needs and challenges of the business and enable the Board to better understand and address relevant stakeholder views which will assist the Board's in its decision making and to discharge its duties under Section 172 of the Companies Act 2006.

Internal Controls and Risk Management:

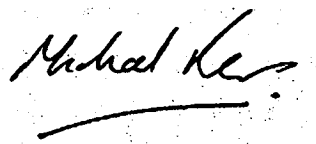
The Directors are responsible for the Group's internal financial controls. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Group's systems and processes are designed to provide reasonable assurance that issues are identified in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

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Forward Looking Statements:

The Annual Report contains certain forward-looking statements that have been made by the Directors in good faith based upon the information at the time of the approval of the Report. By their nature, such forward-looking statements involve risks and uncertainties because they relate to events, and depend upon circumstances, that will or may occur in the future. Actual results may differ materially from those expressed in such statements.

This Strategic Report was approved by the Board of Directors on 29 May 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to read "Michael Rowan", with a horizontal line underneath it.

Michael Rowan
Chief Executive Officer

ACTIVE ENERGY GROUP PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2019

The Report of Directors

The Directors present their report together with the audited financial statements of the Group for the year ended 31 December 2019.

In accordance with section 414C (11) of the Companies Act 2006, the Directors have chosen to include particulars of important events affecting the Group that have occurred since the end of 2019 and an indication of likely future developments in the Group's business in the Chief Executive Officer's Report, the Operations Report and the Strategic Report (on pages 2 to 18).

Dividends:

No dividend is proposed for the year ended 31 December 2019 (2018: £nil).

Financial Instruments and Financial Risk Management:

Details of the use of financial instruments by the Group and its subsidiary undertakings, and related matters are contained in Note 24 of the financial statements.

Going Concern:

The Directors consideration of going concern is set out in Note 1 to the financial statements.

Directors:

The Directors during the year under review were:

T M S Rowan

S C Melling (resigned 10 October 2019)

J Leahy (appointed 1 November 2019)

A Esposito

Remuneration:

Remuneration and benefits received during the year ended 31 December 2019 for Directors, together with interests in share options and warrants at the year end, were as follows:

	2019 Gross Fees and Salary US\$	2019 Share- based Payments US\$	2018 Gross Fees and Salary US\$	2018 Share- based Payments US\$	Options / Warrants No.	Exercise Price p
T M Rowan	191,540	144,010	193,295	390,463	20,500,000	6.4
R G Spinks	-	-	178,375	467,047	25,000,000	6.5
B Evans-Jones	-	-	19,996	-	-	-
S Melling	33,519	-	37,000	-	-	-
J Leahy	6,385	-	-	-	-	-
A Esposito	180,000	-	6,291	-	-	-
	411,444	144,010	434,957	857,510	45,500,000	

Given cash flow constraints during the period associated with the transition to a producing business, the directors agreed to defer receipt of certain salary and expense payments. As a result of this the following monies were outstanding to existing directors at the 31 December 2019: TMS Rowan US\$118,875; A Esposito US\$70,346.

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Significant Shareholders:

The Directors are aware of the following significant shareholdings of 3 per cent or more of the current Issued Ordinary Share Capital ("ISC") of 1,273,539,063 shares and Total Voting Rights ("TVR") of 1,273,539,063 shares on 27 April 2020:

	No.	ISC (%)	TVR (%)
Gravendonck Private Foundation	238,171,971	18.70%	18.70%
Renewable Logistics Systems LLC	64,863,412	5.09%	5.09%
R G Spinks	54,105,333	4.25%	4.25%
R M Derrickson	44,474,592	3.49%	3.49%

Directors' Responsibilities:

The Directors are responsible for preparing the annual report and the 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with applicable IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business

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.

The Directors consider that the annual report and the accounts, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and the Company's performance, business model and strategy.

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;

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- the Company 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, financial position and loss of the Parent Company; and
- the Chief Executive Officer's Statement includes a fair review of the development of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that it faces.

Statement as to Disclosure of Information to Auditors:

Each Director has confirmed that:

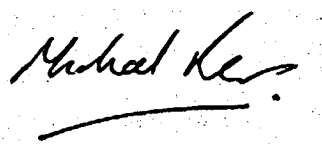
- So far as the Directors are aware, there is no relevant audit information of which the Group's auditor is unaware; and
- They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information

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

Auditors:

A resolution to re-appoint Jeffrey's Henry LLP as auditor for the ensuing year will be proposed at the Annual General Meeting.

By order of the Board



Michael Rowan
Chief Executive Officer
29 May 2020

Company Registration Number: 03148295

ACTIVE ENERGY GROUP PLC

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 2019 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 2019 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. 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.

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 opinion is not modified in respect of this matter.

Our audit approach

Overview

Key audit matters

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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. This is not a complete list of all risks identified by our audit.

- Going concern assumption
- Carrying value of intangible assets
- Carrying value of property, plant and equipment
- Carrying value of available for sale investments
- Carrying value of Intercompany loans

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
Going concern assumption The Group is dependent upon its ability to generate sufficient cash flows to meet continued operational costs and hence continue trading. The Directors have considered the cash requirements of the business for the following 12 months. As part of this process, they have taken into account existing liabilities, along with detailed operating cashflow requirements. The projections prepared include ongoing running costs of the Group and committed expenditure at the date of approving the financial statements. The Directors have identified a variety of potential sources of funds including issue of additional equity and/or debt, shareholder loans, tax credits and sale of investments and/or plant. In addition, the Directors have identified additional cost reductions which may be implemented if necessary. Key assumptions that impact the conclusions are the levels of future revenue, the ability to fundraise, and the ability to control operating costs.	We have performed the following audit procedures: • 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.

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These are therefore inherent risks that the forecasts may overstate future revenue due to timing of closure future contracts, or understate future costs, and that the Company will not be able to operate within its cash resources and continue to operate as a going concern. The COVID-19 pandemic has created a great deal of uncertainty regarding the future outlook of the business.	• We reviewed the status of permits. • We performed stress tests. • Considered the Group's historic ability to raise funds. • Reviewed the financing options available to the Group to evaluate the ability of the Group to pay their debts as they become due. We have enquired with management as to the impact of COVID-19 and the steps being taken to limit the impact of the pandemic on the business. We have reviewed forecasts and latest bank balances to ensure the group can cover its overheads. The forecasts have been stress tested by management and the assumptions have been challenged. Letters of support obtained from the parent company, confirming they will continue to support all the subsidiaries for at least 12 months from the date of this report. Additionally we note that salary deferral letters have been signed by Directors to give further comfort. However, due to the risks outlined above, a material uncertainty relating to going concern is highlighted in the auditor's report.
Carrying value of intangible assets The Group had intangibles of US\$9,180,466 at the year end (2018: US\$8,459,850). Included within intangibles assets were additions relating to capitalised development costs of US\$394,774 and capitalised other intellectual property of US\$476,833. Other intellectual property comprises costs incurred to secure the rights and knowledge associated with the CoalSwitch and PeatSwitch technology. The contractual rights over Lymboml Forest as the Timber Licence. 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.	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 the any recoverable amount from the investment. 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.

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Key assumptions for the CoalSwitch input model are: • Discount rate applied • Average selling price per tonne • Labour fixed cost • FX rate • Cost inflation • Maintenance capex • PPE average useful life – 10 years • Utilisation rate • Corporate tax rate • tonnes per hour capacity for the Lumberton reference plant • Plant output • Sawlog average selling price Refer to Note 1 and Note 14 to the Financial Statements for discussion of the related accounting policy.	We considered whether the component of the Group was expected to be profit making and had an ability to trade successfully into the future. 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. Lyubomi Forestry CGU impairment review has been performed by management. The remaining useful life on contractual relationships is 40 years. Sensitivity analysis has been performed on the Lyubomi impairment. 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. 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 compared 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.
Carrying value of property, plant and equipment The Group had property, plant and equipment of US\$9,231,743 at the year end (2018: US\$5,375,888). Included in property, plant and equipment is additions of US\$3,512,999 relating to the purchase of the Lumberton site in North Carolina in the year. Certified General Real Estate Appraisers to undertake an independent valuation of the Lumberton site compared with other commercial properties in the area, the Group revalued the property in line with the valuation prepared by the independent firm.	We vouched additions in the year. Valuation report obtained for Lumberton site to determine the fair value. We evaluated the competence and independence of the valuation firm. Reviewed the assumptions applied by the valuation firm and compared with similar commercial businesses. A valuation has been obtained giving comfort over the recoverability of the balance within Timberlands International Limited and the RMDE agreement giving further comfort. With the cash paid and the royalty of \$5 per tonne gives further comfort.

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	We obtained signed licences with RMDE. We noted that Management were in regular contact with RMDE to get the plant into production in Alberta. We challenged management to ensure that the components of the kit has monetary value. The plant has been in storage since transfer from Utah. The plant is to be assembled and awaiting to commence CoalSwitch project. 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 available for sale investments The investment held in Alpha Prospects has been revalued in the year to US\$1,470,639. The revaluation has been assessed and the reasoning behind the revaluation has been corroborated with management. Shares purchased in the year amounted to US\$132,705 and revaluation to market value of US\$563,947.	We have obtained confirmation from Alpha Prospects accounts to confirms AEG's shareholding. Have reviewed the forecasts and assumptions made by Alpha Prospects. Assessed the recoverability of the assets, and given shares were issued recently by Alpha Prospects, this gave an indication for the valuation of the shares. We obtained confirmation that the last placement occurred at a share price of 5.5 pence per share. We obtained published update to the shareholders communications and announcements for any indicators of a change in fair value of the investment. We obtained management's assessment of the fair value of the investment. We reviewed the assessment for any indicators of a change in fair value of the investment. 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 inter-company loans to subsidiaries (Company only risk) The Company has investments and amounts due from group companies of US\$23,796,415 (2018: US\$17,752,012). 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, the future outlook and forecasts prepared by management, taking COVID-19 into account.

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	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.
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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\$113,000 (31 December 2018: US\$180,000).	US\$110,000 (31 December 2018: US\$163,000).
How we determined it	Based on 10% of total comprehensive loss.	Based on 10% of total comprehensive loss.
Rationale for benchmark applied	We believe that the total comprehensive loss for the period is a primary measure used by shareholders in assessing the performance of the Group, as the group is at a pre-revenue stage.	We believe that the total comprehensive loss for the period is a primary measure used by shareholders in assessing the performance of the Company, as the Company is at a pre-revenue stage.

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\$700 and US\$113,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above US\$6,500 (Group audit) (31 December 2018: US\$9,000) and US\$5,500 (Company audit) (31 December 2018: US\$8,150) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

ACTIVE ENERGY GROUP PLC

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 7 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 7 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:

ACTIVE ENERGY GROUP PLC

- 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 pages 20 and 21, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

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 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

29 May 2020



ACTIVE ENERGY GROUP PLC

CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 US\$	2018 US\$
REVENUE FROM CONTRACTS WITH CUSTOMERS	3	1,895,972	195,000
GROSS PROFIT		1,895,972	195,000
Impairment charge		-	(950,700)
Administrative expenses	5	(2,779,473)	(2,982,866)
OPERATING LOSS		(883,501)	(3,738,566)
Finance costs	6	(2,461,376)	(406,929)
(Loss) from continuing operations		(3,344,877)	(4,145,495)
Income tax credit on continuing operations	8	874,655	1,346,010
(Loss) from discontinued operations	7	-	(386,994)
LOSS FOR THE PERIOD		(2,470,222)	(3,186,479)
(Profit)/Loss attributable to Non-controlling Interest		-	(69,625)
(Loss) attributable to the Parent Company		(2,470,222)	(3,256,104)
OTHER COMPREHENSIVE INCOME/(EXPENSE):			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of operations		137,540	(278,237)
Revaluation of land and buildings		504,646	-
Revaluation of assets held for resale		563,948	(34,658)
Total other comprehensive income (expense)		1,206,134	(312,895)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(1,264,088)	(3,568,999)
(Loss) per share (US cent) – continuing operations		(0.21)	(0.28)
(Loss) per share (US cent) – discontinued operations		0.00	(0.04)
Basic and Diluted (loss) per share (US cent)	9	(0.21)	(0.32)

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent Company income statement.

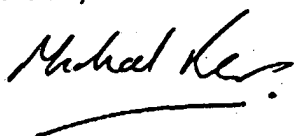
The notes on pages 35 to 71 form part of these financial statements.

ACTIVE ENERGY GROUP PLC

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	Group 2019 US\$	Group 2018 US\$	Company 2019 US\$	Company 2018 US\$
NON-CURRENT ASSETS					
Intangible assets	10	9,180,466	8,459,850	-	-
Property, plant and equipment	11	9,231,743	5,375,888	-	-
Investment in subsidiaries	12	-	-	1,455,091	58,426
Long term loans	13	-	-	23,272,315	17,372,234
Available for sale financial assets	14	1,470,639	752,215	1,470,649	752,215
		<u>19,882,848</u>	<u>14,587,953</u>	<u>26,198,055</u>	<u>18,182,875</u>
CURRENT ASSETS					
Trade and other receivables	15	1,146,815	1,704,410	954,232	784,268
Cash and cash equivalents	16	397,323	298,768	360,622	234
		<u>1,544,138</u>	<u>2,003,178</u>	<u>1,314,854</u>	<u>784,502</u>
TOTAL ASSETS		<u>21,426,986</u>	<u>16,591,131</u>	<u>27,512,909</u>	<u>18,967,377</u>
CURRENT LIABILITIES					
Trade and other payables	17	2,391,229	2,851,693	1,441,593	1,469,614
Loans and borrowings	19	108,850	1,327,707	-	1,000,000
		<u>2,500,079</u>	<u>4,179,400</u>	<u>1,441,593</u>	<u>2,469,614</u>
NON-CURRENT LIABILITIES					
Deferred income tax liabilities	18	364,316	241,585	-	-
Loans and borrowings	19	18,190,732	11,672,738	18,190,732	11,672,738
		<u>18,555,048</u>	<u>11,914,323</u>	<u>18,190,732</u>	<u>11,672,738</u>
TOTAL LIABILITIES		<u>21,055,127</u>	<u>16,093,723</u>	<u>19,632,325</u>	<u>14,142,352</u>
NET ASSETS		<u>371,859</u>	<u>497,408</u>	<u>7,880,584</u>	<u>4,825,025</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT					
Share capital	20	17,265,379	17,265,379	17,265,379	17,265,379
Share premium		17,303,159	17,303,159	17,303,159	17,303,159
Merger reserve		2,350,175	2,350,175	2,350,175	2,350,175
Foreign exchange reserve		(67,274)	(204,815)	(468,793)	(716,115)
Own shares held reserve		(268,442)	(268,442)	(268,442)	(268,442)
Convertible debt / warrant reserve		3,490,621	2,720,933	3,490,621	2,720,933
Retained earnings		(40,206,405)	(38,310,938)	(31,791,515)	(33,830,064)
Revaluation reserve		504,646	-	-	-
Non-controlling Interest		-	(358,043)	-	-
TOTAL EQUITY		<u>371,859</u>	<u>497,408</u>	<u>7,880,584</u>	<u>4,825,025</u>

The financial statements were approved and authorised for issue by the Directors on 29 May 2020 and were signed on their behalf by:



Michael Rowan
Chief Executive Officer

Company Number 03148295

The notes on pages 35 to 71 form part of these financial statements

ACTIVE ENERGY GROUP PLC

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 US\$	Group 2018 US\$	Company 2019 US\$	Company 2018 US\$
Cash (outflow)/inflow from operations	23	1,675,831	(1,515,299)	1,201,865	(4,242,757)
Income tax paid		-	-	-	-
Net cash (outflow)/inflow from operating activities		1,675,831	(1,515,299)	1,201,865	(4,242,757)
Cash flows from investing activities					
Purchase of intangible assets		(519,312)	(1,108,770)	-	-
Increase in share of subsidiary undertaking		-	-	(1,396,666)	-
Purchase of property, plant and equipment		(1,756,619)	(1,777,388)	-	-
Sale of property, plant and equipment		362,790	123,222	-	-
Net cash outflow from investing activities		(1,913,141)	(2,762,936)	(1,396,666)	-
Cash flows from financing activities					
Issue of equity share capital, net of share issue costs		-	3,299,248	-	3,299,247
Issue of CLN		2,762,781	2,350,445	2,762,781	2,022,738
Unsecured loans repaid		(1,218,857)	-	(1,000,000)	-
Finance expenses		(1,207,093)	(1,193,316)	(1,207,093)	(1,193,316)
Net cash inflow from financing activities		336,831	4,456,377	555,688	4,128,669
Net increase/(decrease) in cash and cash equivalents		99,521	178,142	360,887	(114,088)
Cash and cash equivalents at beginning of the year		298,768	142,049	234	135,706
Exchange (losses)/gains on cash and cash equivalents		(966)	(21,423)	(499)	(21,384)
Cash and cash equivalents at end of the year	16	397,323	298,768	360,622	234

The notes on pages 35 to 71 form part of these financial statements.

ACTIVE ENERGY GROUP PLC

GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital US\$	Share premium US\$	Merger reserve US\$	Foreign exchange reserve US\$	Own shares held reserve US\$	Convertible debt and warrant reserve US\$	Retained earnings US\$	Revaluation Reserve US\$	Non- controlling Interest US\$	Total equity US\$
At 31 December 2017	14,493,246	14,740,478	2,350,175	108,080	(779,222)	2,930,209	(35,950,264)	-	(427,668)	(2,534,966)
Loss for the period	-	-	-	-	-	-	(3,186,479)	-	-	(3,186,479)
Other comprehensive income	-	-	-	(312,895)	-	-	-	-	-	(312,895)
CLN conversions	734,267	1,812,079	-	-	-	(339,081)	-	-	-	2,207,265
Issue of share capital	2,548,646	750,602	-	-	-	-	-	-	-	3,299,248
Embedded derivative on CLN issue	-	-	-	-	-	129,805	-	-	-	129,805
Share based payments	-	-	-	-	-	-	895,430	-	-	895,430
Cancellation of Treasury shares	(510,780)	-	-	-	510,780	-	-	-	-	-
Minority Interest	-	-	-	-	-	-	(69,625)	-	69,625	-
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 period	-	-	-	-	-	-	(2,470,222)	-	-	(2,470,222)
Other comprehensive income	-	-	-	137,541	-	-	563,948	-	-	701,489
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	(67,274)	(268,442)	3,490,621	(40,206,405)	504,646	-	371,859

The purpose and nature of each of the above reserves is described in note 22. The notes on pages 35 to 71 form part of these financial statements.

ACTIVE ENERGY GROUP PLC

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital US\$	Share premium US\$	Merger reserve US\$	Foreign exchange reserve US\$	Own shares held reserve US\$	Convertible debt and warrant reserve US\$	Retained earnings US\$	Total equity US\$
At 31 December 2017	14,493,246	14,740,478	2,350,175	(403,220)	(779,222)	2,930,209	(32,924,702)	406,964
Loss for the period	-	-	-	-	-	-	(1,800,792)	(1,800,792)
Other comprehensive income	-	-	-	(312,895)	-	-	-	(312,895)
CLN conversions	734,267	1,812,079	-	-	-	(339,081)	-	2,207,265
Issue of share capital	2,548,646	750,602	-	-	-	-	-	3,299,248
Embedded derivative on CLN issue	-	-	-	-	-	129,805	-	129,805
Share based payments	-	-	-	-	-	-	895,430	895,430
Cancellation of Treasury shares	(510,780)	-	-	-	510,780	-	-	-
At 31 December 2018	17,265,379	17,303,159	2,350,175	(716,115)	(268,442)	2,720,933	(33,830,064)	4,825,025
Profit for the period	-	-	-	-	-	-	1,105,751	1,105,751
Other comprehensive income	-	-	-	247,322	-	-	563,948	811,270
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

The purpose and nature of each of the above reserves is described in note 22.

The notes on pages 35 to 71 form part of these financial statements.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. 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 1 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 have been prepared and approved by the Directors in accordance with International Financial Reporting Standards, International Accounting Standards and IFRIC interpretations (collectively IFRS) as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated 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 Group 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 in note 26.

Going concern

Historically, the Group's primary revenue generating business segment was the Ukrainian wood fibre business. This was discontinued during 2017 and the group's emphasis shifted toward development of the CoalSwitch™ business segment. In Q1 2019 AEG purchased an industrial site in Lumberton, North Carolina. Later that year saw log export and sawmill activities were commenced at that site by AEG's JV partner, Renewable Logistics Systems LLC. On 31 March 2020 AEG announced that it had acquired a 100% interest in the Lumberton Wood business and this business activity has been operated by AEG's 100% subsidiary (AERP) since this date.

The Directors have considered the cash requirements of the business for the following 12 months. As part of this process, they have taken into account existing liabilities, along with detailed operating cash flow requirements. The projections prepared include ongoing running costs of the Group and committed expenditure at the date of approving the financial statements.

The Directors note that the current operational plans involve the ramp up of sawmill production and saw log exports during 2020, together with commencement of production and sale of CoalSwitch™ in the second half of 2020. The Directors have identified a variety of potential sources of funding including issue of additional equity and/or debt in order to finance the ramp up and commissioning of these operational activities. In addition, the Directors have identified additional cost reductions and cash flow optimisation steps, which may be implemented if necessary. Finally, the Directors have considered the potential impact of the Covid-19 on the group and noted that AERP's activities are classified as pertaining to an "essential industry" by the state of North Carolina and that the business has continued to operate during "lockdown" periods.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (continued)

Going concern (continued)

Taking this into account and following a detailed review by the Directors of the Group's cash flow requirements, the directors believe that the Group will have sufficient cash resources to continue to trade for a period of at least 12 months from the date that the financial statements are signed. Consequently, the financial statements have been prepared on a going concern basis.

However, as of the date of signing these financial statements, the Company does not have a significant period of history of sawmill and saw log export activity on which to rely. In addition the environmental permit for the CoalSwitch™ plant has not yet been granted and production and sale of CoalSwitch has not commenced. Furthermore, the potential sources of funds have not yet been finalised and therefore there can be no guarantee that sufficient funds will be available to finance the ramp up and commissioning of operations. Finally, the potential impact of the Covid-19 pandemic on the Group is not fully known. These circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

Standards, interpretations and amendments to existing standards

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The full impact of their adoption has not yet been fully assessed; however, management do not expect the changes to have a material effect on the Financial Statements. The most significant of these are as follows, which are all effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

Changes in accounting standards which have been implemented in the year

The following new standards have been adopted by the Group. No adjustments were required the prior year's figures as a result of the adoption of these standards.

- IFRS 16 Leases (effective date 1 January 2019)
- IFRIC 23 Uncertain tax treatments (effective date 1 January 2019)

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.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (continued)

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.

Revenue is recognised when control of the products have 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.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (continued)

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.

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 assets)

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.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (continued)

Intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

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 26 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;
- 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.

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.

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.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (continued)

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.

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 obligation are discharge, 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.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (continued)

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.

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

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 2018: 1.276; average for year-ended 31 December 2019: 1.277; rate at 31 December 2019: 1.327.

Convertible debt

The proceeds received on issue of the Group'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.

Leased assets

From 1 January 2019, leases 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.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (continued)

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 by the use of a Monte Carlo (JSOP options) or Black Scholes (other options) simulations. 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.

Investment in subsidiaries

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

2. SEGMENTAL INFORMATION

The Group reports two operating continuing business segments:

- "Forestry & Natural Resources" denotes the Group's initiatives to secure ownership of the entire timber supply chain from forest to finished product
- "CoalSwitch™" denotes the Group's renewable wood pellet business.

Revenues and costs associated with the Ukrainian Wood Fibre business were been reclassified as discontinued operations in 2017.

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

The Group's reportable segments are strategic business units that offer different products. During the business development stage they are managed separately because each business operates in different markets and locations. In future it is likely that these business segments may be amended to reflect the sawmill and saw log export activities and reporting structures will be revisited accordingly.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. SEGMENTAL INFORMATION (continued)

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 corporate overheads, non-recurring losses, such as goodwill impairment, the effects of share-based payments, and joint venture profit and losses.

	2019	2019	2019
	Forestry & Natural Resources US\$	CoalSwitch™ US\$	Total US\$
Total Revenue	-	1,717,676	1,717,676
Operating segment (loss)	(150,991)	992,889	841,898
Segment (loss) before tax	(150,991)	992,889	841,898
Tax charge	30,198	842,362	872,560
Segment (loss) for the year	(120,793)	1,835,251	1,714,458

	2018	2018	2018
	Forestry & Natural Resources US\$	CoalSwitch™ US\$	Total US\$
Total Revenue	-	195,000	195,000
Operating segment (loss)	(995,545)	(407,323)	(1,402,868)
Segment (loss) before tax	(995,545)	(407,323)	(1,402,868)
Tax charge	142,584	1,203,426	1,346,010
Segment (loss) for the year	(852,961)	796,103	(56,858)

Profits and losses associated with the Ukrainian wood fibre business were reclassified as discontinuing in 2017 and have therefore be excluded from the above analysis. All other finance costs relate to Group funding and are not allocated to an individual segment.

Capital expenditure relating to the CoalSwitch™ segment was US\$1,1335,274 (2018: US\$2,666,222) and capital expenditure relating to the Forestry and natural resource segment was US\$394,774 (2018: US\$804,103). In addition AEG incurred capital expenditure of US\$3,600,416 on the acquisition of land and buildings at the Lumberton site during 2019.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. SEGMENTAL INFORMATION (continued)

Reconciliation of reportable segment profit or loss, assets and liabilities to the Group's corresponding amounts are as follows:

	2019 US\$	2018 US\$
Total (loss) from reportable segments	1,714,458	(56,858)
Unallocated amount - corporate expenses	(1,532,750)	(1,440,268)
Unallocated amount - rental income	178,296	-
Unallocated amount - finance expense	(2,461,376)	(406,929)
Share based payments	(368,850)	(895,430)
Discontinued operations	-	(386,994)
Loss for the period	<u>(2,470,222)</u>	<u>(3,186,479)</u>

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

	2019 US\$	2018 US\$
United Kingdom	6,498,339	5,303,081
Ukraine	1,056,934	1,267,925
Canada	3,095,832	2,701,058
United States	9,231,743	5,315,889
	<u>19,882,848</u>	<u>14,587,953</u>

3. REVENUE

Group	2019 US\$	2018 US\$
Grant of licence	1,617,676	-
Engineering services	100,000	195,000
Rental income	178,296	-
	<u>1,895,972</u>	<u>195,000</u>

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. REVENUE (continued)

The following table analyses revenue by location of customer.

	2019	2018
	US\$	US\$
Switzerland	-	25,000
USA	178,296	170,000
Canada	1,617,676	-
Malaysia	100,000	-
	<u>1,895,972</u>	<u>195,000</u>

Revenue derived from a single external customer amounted to US\$1,617,676 (2018: US\$170,000).

4. EMPLOYEE COSTS AND DIRECTORS

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

	2019	2018
	US\$	US\$
Group		
Wages and salaries	1,075,916	2,021,959
Social security costs	130,155	177,463
	<u>1,206,071</u>	<u>2,199,422</u>
Share based payments – others	224,840	37,920
Share based payments – directors	144,010	857,510
	<u>1,574,921</u>	<u>3,094,852</u>

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

	2019	2018
Directors	3	3
Administration	3	6
Production	5	10
	<u>11</u>	<u>19</u>

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 period these were considered to be the Directors of the Company listed on page 19.

	2019	2018
	US\$	US\$
Directors' emoluments	411,444	434,957
Share based payments	144,010	857,510
	<u>555,454</u>	<u>1,292,467</u>

The emoluments of the highest paid Director for the year, excluding non-cash share based payments, were US\$191,540 (2018: US\$193,295).

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

5. OPERATING LOSS

Group	2019	2018
	US\$	US\$
The loss before income tax is stated after charging/(crediting):		
Operating leases - premises	-	33,596
Amortisation of intangible assets	150,991	44,845
Depreciation and impairment	66,055	950,700
Loss / (profit) on disposal of fixed assets/discontinued operations	678,803	386,994
Auditors' remuneration - parent company and consolidation	42,777	40,830
Auditors' remuneration - subsidiaries	24,517	23,605
Auditors' remuneration - taxation services	145,827	4,466
Auditors' remuneration - other services	14,046	14,035
Share based payments	368,850	895,430
Foreign exchange (gains)/loss	717,188	(640,353)

6. FINANCE INCOME AND COSTS

	2019	2018
Group	US\$	US\$
Finance costs		
Interest on convertible loan	1,445,234	1,003,213
Other loan interest and charges	298,954	44,070
Foreign exchange losses/(gains)	717,188	(640,354)
Net finance (credit)/costs	2,461,376	406,929

Foreign exchanges movements primarily relate to movements in US\$/Sterling exchange rates and resulting movements in intercompany balances.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

7. LOSS FROM DISCONTINUED OPERATIONS

During 2017 AEG plc discontinued its Wood fibre business in Ukraine. The results of this business are disclosed as a single line item in the Group Income and Expenditure Statement in accordance with IRFS5. Details of the results of these operations are shown below.

	2019 US\$	2018 US\$
REVENUE	-	-
Cost of sales	-	(265,006)
GROSS PROFIT	-	(265,006)
Administrative expenses	-	(120,210)
OPERATING (LOSS)/PROFIT	-	(385,216)
Finance income	-	-
(Loss)/profit for the Period	-	(385,216)
Loss on sale of discontinued operations	-	(1,778)
Income tax	-	-
(Loss)/profit attributable to the Parent Company	-	(386,994)

Discontinued operations cash flows from operating activities were US\$Nil (2018: US\$1,135,216 outflow); cash flows from investing activities were US\$Nil (2018: US\$123,222 inflow); and cash flows arising from financing activities were US\$60,000 (2018: US\$200,000).

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

8. TAXATION

Group	2019 US\$	2018 US\$
Current tax		
R&D tax credit at 14.5% on continued operations	(842,364)	(1,203,426)
Deferred tax		
Reversal of temporary differences	(32,291)	(142,584)
Total income tax (credit)/charge	<u>(874,655)</u>	<u>(1,346,010)</u>
Breakdown between continuing and discontinuing operations		
Tax charge relating to discontinued operations	-	-
Tax (credit)/charge relating to continued operations	<u>(874,655)</u>	<u>(1,346,010)</u>
	<u>(874,655)</u>	<u>(1,346,010)</u>

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:

	2019 US\$	2018 US\$
Loss before income tax	(3,344,877)	(4,532,489)
Standard rate of corporation tax	19%	19%
Loss before tax multiplied by standard rate of corporation tax	(635,527)	(861,173)
Effects of:		
R&D tax credit rate	(507,108)	(1,203,426)
Non-deductible expenses	8,275	187,707
Overseas tax rate difference from UK rate	272	(25)
Income not taxable	-	(81,940)
Accelerated depreciation	107,718	-
Revenue items capitalised	(278,539)	(110,992)
Prior year adjustment	-	-
Current tax (credit)/charge	<u>(874,655)</u>	<u>(1,346,011)</u>
Tax charge relating to discontinued operations	-	-
Tax (credit) relating to Continued operations	<u>(874,655)</u>	<u>(1,346,011)</u>

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

8. TAXATION (continued)

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

	US\$
Tax losses brought forward at 1 January 2018	18,984,435
Adjusted Loss per A/c's	5,402,157
Surrendered for R&D tax credit	(1,499,987)
Tax losses carried forward at 31 December 2019	<u>22,886,605</u>

This equates to a potential deferred tax asset at 19% of US\$4,348,455 at the year-end 2018 (2018: US\$3,227,354), which has not been recognised due to uncertainties regarding the recoverability of this balance.

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

	2019 US\$	2018 US\$
Intercompany loan written off	742	-
Share based payments	-	170,131
Legal and professional fees	-	14,804
Investor relations	7,533	2,470
Sundry items	-	302
	<u>8,275</u>	<u>187,707</u>

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\$2,375,092 (2018: US\$3,256,104) by the weighted average number of Ordinary Shares in issue during the year of 1,201,906,951 (2018: 1,013,575,699).

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

10. INTANGIBLE ASSETS

Group	Other intellectual property US\$	Development US\$	Total US\$
Cost			
At 31 December 2017	3,954,883	5,115,836	9,070,719
Additions	596,345	804,103	1,400,448
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
Accumulated amortisation			
At 31 December 2017	362	1,015,410	1,015,772
Impairment charge	-	950,700	950,700
Amortisation charge for year	-	44,845	44,845
At 31 December 2018	362	2,010,955	2,011,317
Amortisation charge for year	-	150,991	150,991
At 31 December 2019	362	2,161,946	2,162,308
Net book value			
At 31 December 2019	5,027,699	4,152,767	9,180,466
At 31 December 2018	4,550,866	3,908,984	8,459,850

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

10. INTANGIBLE ASSETS (continued)

Company	Intellectual property US\$
At 31 December 2017, 2018 & 2019	-
Accumulated amortisation	
At 31 December 2017, 2018 & 2019	-
Net book value	
At 31 December 2017, 2018 & 2019	-

Other intellectual property

Other intellectual property comprises costs incurred to secure the rights and knowledge associated with the CoalSwitch™ technology.

In 2015 the Group entered into a joint venture agreement with Biomass Energy Enhancements LLC ("BEE"), incorporated in the United States, for the joint commercial development and exploitation of intellectual property assets held by BEE in connection with biomass technologies. A long term loan to BEE was recognised in the accounts to reflect monies loaned by AEG to the joint venture. An agreement was later reached with the other joint venture partners whereby AEG became the sole proprietor of this technology and as a result the loan balance was transferred to intangible fixed assets during 2017. Since 2017 the Group has continued to undertake research, development and other activities to further develop and secure its rights over its CoalSwitch™ technology.

Management undertakes a review at each balance sheet date to assess whether these balances need to be impaired. Based on this review, the group did not record an impairment charge against this asset in 2019 (2018: US\$Nil). The directors have noted that the recoverability of this balance is dependent upon the commercialisation of CoalSwitch™ project. Furthermore, as of the date of this report, production of CoalSwitch™ in commercial quantities has not yet commenced. As a result the directors intend to monitor the recoverability of this balance on an ongoing basis.

Development assets

Development assets relate to the following:

Ukraine: The Group is party to a supply contract granted by the Lyubomi Forestry, which is the administrator of the Lyubomi Forest in the Ukraine. This contract was extended to October 2060 from 1 January 2015 and the Company is currently reviewing options to develop this asset as feedstock for CoalSwitch™ plants in Eastern Europe and/or other options to monetise this asset. The remaining life of the supply agreement is assessed to be 40 years. However, given uncertainties over the timing and nature of commercialisation of this asset Management has assessed the useful life to be 8 years and is therefore the asset is being amortised over this period. In addition, management undertakes a review at each balance sheet date to assess whether these balances need to be impaired. Based on this review, the group did not record an impairment charge against this asset in 2019 (2018: a charge of US\$668,073 was recognised). However, the directors have noted that, as of the date of this report, commercialisation of this asset has not yet commenced and intend to monitor the recoverability of this balance on an ongoing basis.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

10. INTANGIBLE ASSETS (continued)

Northern Alberta: Since 2014 AEG has invested a significant amount of time and resources building up knowledge, expertise and contacts and preparing Timber Supply licences in this territory, with the intention of developing forestry assets, in conjunction with AEG's CoalSwitch™ technology. During 2019 AEG negotiated an agreement with 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.

Cost incurred to date developing this asset have been recorded as development assets within intangible fixed assets and management intends to amortise these costs over the period of production. In addition, management undertakes a review at each balance sheet date to assess whether these balances need to be impaired. As a result of this review the group did not record an impairment charge against this asset (2018: a charge of US\$282,627 was recognised). The directors have noted that the recoverability of this balance is dependent upon the production of CoalSwitch™ under the terms of the licence. Furthermore, as of the date of this report, this production has not yet commenced. As a result the directors intend to monitor the recoverability of this balance on an ongoing basis.

Newfoundland: On 29 November 2018 the Provincial Government of Newfoundland & Labrador announced that it had issued two renewable five-year commercial cutting permits to Timberlands International (Newfoundland and Labrador) Inc., a subsidiary of AEG, totalling 100,000 m3 annually (500,000 m3 over five years) in Forest Management Districts 17 and 18 on the Great Northern Peninsula. Prior to this date AEG invested significant time and resources in developing management and supplier capability as well as government relations in order to not only secure the licences, but also to develop the business model and capabilities to monetise the permits once awarded.

Costs incurred in acquiring these licences have been recorded as additions to intangible fixed assets. These costs will be amortised over the period of production. Management undertakes a review at each balance sheet date to assess whether these balances need to be impaired. No impairment was recorded for the year ended 31 December 2019 (2018: US\$Nil). However, the directors have noted that, as of the date of this report, commercialisation of this asset has not yet commenced, and therefore intend to monitor the recoverability of this balance on an ongoing basis.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

11. PROPERTY, PLANT AND EQUIPMENT

Group	Land & Buildings	Plant and equipment US\$	Furniture and office equipment US\$	Total US\$
Cost				
At 31 December 2017	-	3,791,611	8,960	3,800,571
Additions	-	2,069,877	-	2,069,877
Disposals	-	(420,600)	-	(420,600)
At 31 December 2018	-	5,440,888	8,960	5,449,848
Revaluation of Land & Buildings	504,646	-	-	504,646
Additions	3,512,999	912,721	33,137	4,458,857
Disposals	-	(1,106,593)	-	(1,106,593)
At 31 December 2019	4,017,645	5,247,016	42,097	9,306,758
Accumulated depreciation				
At 31 December 2017	-	-	8,960	8,960
Impairment charge	-	65,000	-	65,000
At 31 December 2018	-	65,000	8,960	73,960
Charge for the year	54,000	5,428	6,627	66,055
Disposals	-	(65,000)	-	(65,000)
At 31 December 2019	54,000	5,428	15,587	75,015
Net book value				
At 31 December 2019	3,963,645	5,241,588	26,510	9,231,743
At 31 December 2018	-	5,375,888	-	5,375,888

The net book value of asset held under finance leases included within Property, Plant & Equipment above are US\$Nil (2018: US\$Nil).

Additions in the year primarily relate to the purchase of the Lumberon site in North Carolina, which is included in land & buildings above. Following the purchase of this site, the group contracted a firm of independent Certified General Real Estate Appraisers to undertake an independent valuation of this property. As a result of this valuation, which was based on an assessment of the value of the Lumberon site compared with other commercial properties in the area, the group revalued the property in line with the valuation prepared by the independent firm of Certified General Real Estate Appraisers.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Furniture and office equipment US\$
Cost	
At 31 December 2017, 2018 & 2019	8,960
Accumulated depreciation	
At 31 December 2017, 2018 & 2019	<u>8,960</u>
Net book value	
At 31 December 2017, 2018 & 2019	<u>-</u>

12. INVESTMENTS IN SUBSIDIARIES

Company	US\$
Cost	
At 31 December 2017 & 2018	4,555,044
Additions	<u>1,396,665</u>
At 31 December 2019	<u>5,951,709</u>
Provision for impairment	
At 31 December 2017, 2018 & 2019	<u>4,496,618</u>
Net book value	
At 31 December 2019	<u>1,455,091</u>
At 31 December 2017 & 2018	<u>58,426</u>

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

12. INVESTMENTS IN SUBSIDIARIES (continued)

At 31 December 2019 the Group held share capital of the following companies:

Subsidiary undertaking	Country of incorporation	Nature of business	Percentage Holding	
			2019	2018
AE Ukraine	Ukraine	Woodchip processing and distribution	100	100
Nikofeso Holdings Limited	Cyprus	Wood chip distribution	100	100
AETrading (EMEA) SarL	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	100	100
AEG Coalswitch Limited	United Kingdom	Biomass for energy development	89	100
AEG Coalswitch USA LLC	United States	Biomass for energy development	100	100
ABS plc	United Kingdom	Biomass for energy development	99	85
Timberlands Int. Ltd	United Kingdom	Biomass for energy development	76	81
Alpha Prospects Ltd	United Kingdom	Energy/Natural resources investments holding company	5.2	4.2
Timberlands Newfoundland & Labrador Inc	Canada	Biomass for energy development	76	81
Lumberton Energy Holdings LLC	United States	Property Holding Company	100	-
Active Energy Renewable Power LLC	United States	Biomass for energy development	100	-
Renewable Energy Systems	United States	Wood processing and distribution	30	-

AEG Biopower Limited was in the process of being struck off and AETrading (EMEA) SarL was being wound up as of the date of this report.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

13. LONG TERM LOANS

	Group 2019 US\$	Group 2018 US\$	Company 2019 US\$	Company 2018 US\$
Carrying value at beginning of the year	-	-	17,372,234	-
Loans advanced during the period	-	-	3,562,889	-
Transfer from current assets	-	-	-	15,577,661
Accrued interest	-	-	2,337,192	1,794,573
Carrying value at end of the year	-	-	23,272,315	17,372,234

During 2018 certain intercompany debts were reclassified as long term to reflect the commercial reality of the likely repayment schedule of these loans. Interest was accrued at a rate of 12 % which is considered to be a market rate.

14. AVAILABLE FOR SALE FINANCIAL ASSET

	Group 2019 US\$	Group 2018 US\$	Company 2019 US\$	Company 2018 US\$
Fair value at beginning of the year	752,215	786,873	752,215	786,873
Shares purchased during the period	132,705	-	132,705	-
Revaluation to market value	563,947	-	563,947	-
Foreign exchange translation	21,772	(34,658)	21,772	(34,658)
Fair value at end of the year	1,470,639	752,215	1,470,639	752,215

Available for sale assets consist of an unquoted equity instrument which is classified as a non-current asset. During 2019 the Group increased its investment in these assets, reflecting managements continued confidence in this asset. In addition, the asset was revalued in 2019 based on the proceeds received from issue of shares by this entity, over a number of years at a stable share issue price. The available-for-sale financial asset is denominated in Pound Sterling.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

15. 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 as 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	Group	Company	Company
	2019	2018	2019	2018
	US\$	US\$	US\$	US\$
Current				
Amounts advanced to joint venture partners	200,000	-	200,000	-
Amounts due from group companies	-	-	688,768	379,778
Other receivables	48,321	-	21,507	-
VAT	43,957	77,212	43,957	77,212
Prepayments	50,000	-	-	-
Corporation tax credit receivable	804,537	1,627,198	-	327,278
Total	1,146,815	1,704,410	954,232	784,268

Trade and other receivables that have not been received within the payment terms are classified as overdue. As at 31 December 2019 trade receivables of US\$Nil (2018: US\$Nil) were overdue. As at 31 December 2019, Group trade receivables of US\$NIL (2018: US\$NIL) were overdue and impaired. An analysis of the Group's trade and other receivables classified as financial assets by currency is provided in note 24.

16. CASH AND CASH EQUIVALENTS

	Group	Group	Company	Company
	2019	2018	2019	2018
	US\$	US\$	US\$	US\$
Bank accounts	397,323	298,768	360,622	234
	397,323	298,768	360,622	234

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.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

17. TRADE AND OTHER PAYABLES

	Group 2019 US\$	Group 2018 US\$	Company 2019 US\$	Company 2018 US\$
Current				
Trade payables	1,615,201	2,038,818	747,864	798,603
Social security and other taxes	136,193	3,122	42,758	3,122
Accruals and deferred income	639,835	809,753	650,971	667,889
	<u>2,391,229</u>	<u>2,851,693</u>	<u>1,441,593</u>	<u>1,469,614</u>

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 following table analyses the maturity of the trade and other payables, excluding borrowings. These are classified as financial liabilities on the balance sheet and they are measured at amortised cost.

	Group 2019 US\$	Group 2018 US\$	Company 2019 US\$	Company 2018 US\$
Less than three months	2,391,229	2,851,693	1,441,593	1,469,614
Three to 12 months	-	-	-	-
	<u>2,391,229</u>	<u>2,851,693</u>	<u>1,441,593</u>	<u>1,469,614</u>

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 24.

18. DEFERRED TAXATION

Deferred tax is calculated on temporary differences under the liability method using tax rates applicable in the respective Group entities' jurisdiction. The movement on the deferred tax account is shown below and the balance relates to deferred tax on fair value adjustments related to intangibles:

Group	2019 US\$	2018 US\$
At beginning of the period	241,585	384,169
Deferred tax liability recognised on revaluation of land & buildings	155,022	-
Reversal of temporary differences	(32,291)	(8,968)
Impairment charge	-	(133,616)
At the end of the period	<u>364,316</u>	<u>241,585</u>

The opening deferred tax liability relates to temporary differences arising on the fair valuation of intangible assets acquired in 2011 and this was subject to an impairment in 2018. During 2019 a deferred tax liability was recognised to reflect the tax impact of the revaluation of land & buildings at Lumberton. No provision for the deferred tax asset 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.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

19. LOANS AND BORROWINGS

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

Group	Book value 2019 US\$	Fair value 2019 US\$	Book value 2018 US\$	Fair value 2018 US\$
Non-Current				
Convertible debt	18,190,732	18,190,732	11,672,738	11,672,738
	<u>18,190,732</u>	<u>18,190,732</u>	<u>11,672,738</u>	<u>11,672,738</u>
Current				
Convertible debt	-	-	-	-
Unsecured loans	108,850	108,850	1,327,707	1,327,707
	<u>108,850</u>	<u>108,850</u>	<u>1,327,707</u>	<u>1,327,707</u>
Total loans and borrowings	<u>18,299,582</u>	<u>18,299,582</u>	<u>13,000,445</u>	<u>13,000,445</u>
Company	Book value 2018 US\$	Fair value 2018 US\$	Book value 2018 US\$	Fair value 2018 US\$
Non-Current				
Convertible debt	18,190,732	18,190,732	11,672,738	11,672,738
	<u>18,190,732</u>	<u>18,190,732</u>	<u>11,672,738</u>	<u>11,672,738</u>
Current				
Unsecured loans	-	-	1,000,000	1,000,000
	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>
Total loans and borrowings	<u>18,190,732</u>	<u>18,190,732</u>	<u>12,672,738</u>	<u>12,672,738</u>

Unsecured loans

During the year the Group repaid US\$1.2m of a total of US\$1.3m of unsecured short term loans. These loans had been made in 2018.

Convertible debt

On the 14 March 2017 the company completed a fund raising of £11.57 million before expenses (or US\$14.15 million) through the issue of convertible loan notes ('CLNs') to new and existing investors. The CLNs have a maturity date of 14 March 2022 and were listed on the International Securities Exchange. These CLN can be converted into Ordinary Shares of AEG plc, at any time prior to the Maturity Date, at a 30% premium to 2.535p, being the Company's 10 day Volume Weighted Average Price immediately prior to the issue date. During 2018 certain note holders took the opportunity to convert their CLN's into AEG Ordinary Shares.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

19. LOANS AND BORROWINGS (continued)

During 2019 the company issued a further of £4.76 million before expenses (or USD\$6.32 million) through the issue of further CLNs to new and existing investors. These CLN also have a maturity date of 14 March 2022. These CLN can be converted into Ordinary Shares of AEG plc, at any time prior to the Maturity Date, at a price of 1p. 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%.

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

Group	Up to 3 months US\$	Between 3 and 12 months US\$	Between 1 and 2 years US\$	Between 2 and 5 years US\$	Total US\$
At 31 December 2019					
Convertible debt	-	-	-	20,190,995	20,190,995
Unsecured loans	108,850	-	-	-	108,850
	108,850	-	-	20,190,995	20,299,845
	US\$	US\$	US\$	US\$	US\$
At 31 December 2018					
Convertible debt	-	-	-	13,335,583	13,335,583
Unsecured loans	1,327,707	-	-	-	1,327,707
	1,327,707	-	-	13,335,583	14,663,290
	US\$	US\$	US\$	US\$	US\$
Company					
	US\$	US\$	US\$	US\$	US\$
At 31 December 2019					
Convertible debt	-	-	-	20,190,995	20,190,995
Unsecured loans	-	-	-	-	-
	-	-	-	20,190,995	20,190,995
	US\$	US\$	US\$	US\$	US\$
At 31 December 2018					
Convertible debt	-	-	-	13,335,583	13,335,583
Unsecured loans	1,000,000	-	-	-	1,000,000
	1,000,000	-	-	13,335,583	14,335,583

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

20. CALLED UP SHARE CAPITAL

	2019 Number	2019 US\$	2018 Number	2018 US\$
Allotted, called up and fully paid				
Ordinary shares of 1p each				
At 1 January	1,201,906,951	17,265,379	983,071,276	14,493,246
Issue of shares	-	-	252,048,516	3,282,913
Cancellation of treasury shares	-	-	(33,212,841)	(510,780)
As at 31 December	<u>1,201,906,951</u>	<u>17,265,379</u>	<u>1,201,906,951</u>	<u>17,265,379</u>

During 2019 the Company did not issue any shares. During 2018 the Company issued 252,048,516 Ordinary Shares for a total consideration of US\$5.6m.

21. 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 (2018: 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 2019 was 123,001,619 (2018: 124,825,099).

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

	Weighted average exercise price (UK pence)	Number of Warrants and Share Options	Weighted average exercise price (UK pence)	Number of Warrants and Share Options
Outstanding at beginning of the period	3.77	124,825,099	2.72	127,325,099
Cancelled	1.98	(36,823,480)	2.59	(78,500,000)
Granted	0.79	35,000,000	4.31	76,000,000
Outstanding at end of the period	<u>3.46</u>	<u>123,001,619</u>	<u>3.77</u>	<u>124,825,099</u>

At 31 December 2019, the weighted average remaining contractual life of warrants and share options exercisable was 4.63 years (2018 – 4.55 years). Total share options and warrants of 35,000,000 (2018: 41,000,000) were granted during the year at a weighted average exercise price of 0.78 pence (2018: 6.5 pence).

There was charge for equity settled share based payments to employees and directors of US\$368,851 (2018: US\$895,430) in the income statement for the year ended 31 December 2019. During the year ended 31 December 2019 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 (2018: US\$ 810,109). This was not shown in the income statement for the year ended 31 December 2018, but was recorded as a reserve transfer.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

21. SHARE OPTIONS AND WARRANTS (continued)

Options and warrants outstanding at 31 December 2019 were exercisable as follows:

Exercise price range (Pence, US cents in brackets)	2019	2018
	Number	Number
0.5p (0.657 cent)	15,000,000	-
1.000p (1.315 cent)	20,000,000	-
1.500p (2.023 cent)	7,500,000	7,500,000
1.750p (2.360 cent)	19,047,619	19,047,619
1.750p (2.2341 cent)	-	35,000,000
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
6.375p (8.600 cent)	-	1,823,480
8.500p (11.863 cent)	20,500,000	20,500,000
20.000p (26.982 cent)	504,000	504,000
At the end of the period	123,001,619	124,825,099

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

JSOP awards

Under the 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.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

21. SHARE OPTIONS AND WARRANTS (continued)

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 2019 (2018:US\$Nil). The share based payment charge for the year is US \$Nil (2018: US\$Nil) related to the JSOP awards.

22. 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.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

23. NOTES SUPPORTING THE STATEMENT OF CASH FLOWS

Reconciliation of loss before taxation to cash outflows from operating activities

Group	2019	2018
	US\$	US\$
Loss for the period	(2,470,222)	(3,186,479)
Adjustments for:		
Share based payment expense	368,850	895,430
Depreciation	66,055	-
Amortisation of intangibles	150,991	44,845
Impairment of property plant & equipment	-	65,000
Impairment of intangible assets	-	950,700
Loss/ (profit) on disposal of PP&E	678,803	1,778
Revaluation of investments for resale	-	34,658
Foreign currency translations	612,747	(966,788)
Finance expenses	1,744,188	1,047,283
Income tax	122,731	(142,584)
	1,274,143	(1,256,157)
(Increase)/decrease in inventories	-	20,349
(Increase)/decrease in trade and other receivables	557,595	(1,186,508)
(Decrease)/increase in trade and other payables	(155,907)	907,017
Net cash outflow from operating activities	1,675,831	(1,515,299)

Company	2019	2018
	US\$	US\$
Profit/ (loss) for the period	1,105,751	(1,800,792)
Adjustments for:		
Share based payment expense	368,850	895,430
Foreign currency translations	722,054	(932,168)
Finance expenses	1,744,188	1,047,283
	3,940,843	(790,247)
Increase in trade and other receivables	(5,267,287)	(3,799,666)
Increase/(decrease) in trade and other payables	2,528,309	347,156
Net cash inflow/(outflow) from operating activities	1,201,865	(4,242,757)

Non-cash transactions relating to the issue of Convertible Loan Notes to acquire Land & Buildings or to repay creditors are excluded from cash flows.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

24. 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 2019 US\$	Group 2018 US\$	Company 2019 US\$	Company 2018 US\$
<i>Loans and receivables</i>				
Cash and cash equivalents	397,323	298,768	360,622	234
Amounts advanced to joint venture partners	200,000	-	200,000	-
Amounts due from group companies	-	-	23,961,083	17,752,012
Other receivables	48,321	-	21,507	-
VAT	43,957	77,212	43,957	77,212
Prepayments	50,000	-	-	-
Corporation tax credit receivable	804,537	1,627,198	-	327,278
	1,544,138	2,003,178	24,587,169	18,156,736
Available-for-sale financial asset	1,470,639	752,215	1,470,639	752,215
Total financial assets	3,014,777	2,755,393	26,057,808	18,908,951

Financial liabilities	Group 2019 US\$	Group 2018 US\$	Company 2019 US\$	Company 2018 US\$
<i>Financial liabilities at amortised cost</i>				
Trade payables	1,615,201	2,038,818	747,864	798,603
Social security and other taxes	136,193	3,122	42,758	3,122
Accruals and deferred income	639,835	809,753	650,971	667,889
Loans and Borrowings	18,299,582	13,000,445	18,190,732	12,672,738
	20,690,811	15,852,138	19,632,325	14,142,352

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

24. 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 only financial asset carried at fair value consists of the available for sale financial asset, which is classified as level 3.

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 trade and other receivable financial instruments are denominated in the following currencies:

	Group 2019 US\$	Group 2018 US\$	Company 2019 US\$	Company 2018 US\$
US Dollar	291,199	-	24,177,282	17,752,012
UK Pound sterling	855,616	1,704,410	49,265	404,490
	<u>1,146,815</u>	<u>1,704,410</u>	<u>24,226,547</u>	<u>18,156,502</u>

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

	Group 2019 US\$	Group 2018 US\$	Company 2019 US\$	Company 2018 US\$
US Dollar	267,529	2,397	261,311	-
UK Pound sterling	125,873	296,371	99,303	234
Euro	3,921	-	8	-
	<u>397,323</u>	<u>298,768</u>	<u>360,622</u>	<u>234</u>

Information about the Group's loans and borrowings are provided in note 19.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

24. FINANCIAL INSTRUMENTS (continued)

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

	Group 2019 US\$	Group 2018 US\$	Company 2019 US\$	Company 2018 US\$
US Dollar	856,202	1,371,978	-	-
UK Pound sterling	1,441,593	1,469,614	1,441,593	1,469,614
Euro	-	-	-	-
Ukrainian Hryvnia	93,434	10,101	-	-
	<u>2,391,229</u>	<u>2,851,693</u>	<u>1,441,593</u>	<u>1,469,614</u>

The effect of a 5 per cent strengthening of the US Dollar at the reporting date on the foreign denominated financial instruments carried at that date would, all variables held constant, would have resulted in an increase in net assets by US\$24,734 (2018: decreased in net assets US\$46,713). 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 19.

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 15.

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.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

24. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the coupon payments associated with the group's convertible loan notes. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

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 convertible loan notes. 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 no bank loans or invoice finance facilities at 31 December 2019 (2018: US\$Nil). The Group had an overdraft at 31 December 2019 of US\$Nil (2018: US\$843) which is disclosed within other payables as a liability on the balance sheet. As of 31 December 2019 there were US\$20,190,995 convertible loan notes (undiscounted) in issue (2018: US\$13,335,583). 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.

25. RELATED PARTY DISCLOSURES

Details of Director's remuneration are given in the Report of the Directors. In July 2019 the Group announced that it had entered into a Joint Venture arrangement with Renewable Logistics Systems LLC, to develop saw log exports at AEG's Lumberton site. This agreement was in addition to an existing rental agreement between RLS and AEG Plc. Antonio Esposito holds a 30% interest in Renewable Logistics Systems LLC via his wife, Lisa Esposito. During the remainder of 2019 AEG Plc advanced US\$200,000 to Renewable Logistics Systems LLC in order to finance the start up of these joint venture activities. This balance is recorded within advances to joint venture partners on the group and Company statement of financial position.

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:

	2019 US\$	2018 US\$
Amounts due from Group companies	23,796,415	17,752,012

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

26. 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. 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 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 Lybomyi). Details of these assets are contained in the operations report and note 10 to the accounts. 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 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.

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's shares. Such assumptions are based on publicly available information and reflect market expectations and advice taken from qualified personnel. Different assumptions about these factors to those made by the Group 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.

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 assessment can result in significant variations in the carrying value and amounts charged to the consolidated statement of comprehensive income in specific periods.

ACTIVE ENERGY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

26. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Recoverability of intercompany loans

The AEG Plc company only balance sheet contains various intercompany loans. These loans have not been impaired on the basis that the counterparty will 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.

27. CAPITAL AND OPERATING COMMITMENTS

Capital commitments at the 31 December 2019 were US\$Nil (2018: US\$Nil). Operating lease commitments at the 31 December 2019 were US\$Nil (2018: US\$Nil). All amounts were due within one year.

28. SUBSEQUENT EVENTS

The key business developments since 31 December 2019 were as follows:

- On 20 January 2020 AEG announced that Max Aitken and Jason Zimmermann had joined the board.
- On 14 February 2020 AEG announced that it had reached an agreement with all of its bondholders to revise the terms and conditions of the outstanding CLN. Specifically, it had been agreed that the Company has the option to decide that the coupon payment maybe by either (1) in cash or (2) via the issuance of additional Bonds in regard to each relevant quarter for the remainder of 2019.
- On 31 March 2020 AEG announced that it had entered into an agreement with its joint venture partner Renewable Logistics Systems LLC whereby AEG (through its 100% owned subsidiary Active Energy Renewable Power LLC) secured 100% control and ownership of the sawmill and saw log export activities based at AEG's industrial site in Lumberton, North Carolina.
- AEG has continued to work with the local authorities in order to secure the necessary permits to enable the commissioning of the CoalSwitch™ reference plant at AEG's industrial site in Lumberton, North Carolina.

Further details are provided in the Chief Executive Officer's statement.

29. ULTIMATE CONTROLLING PARTY

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