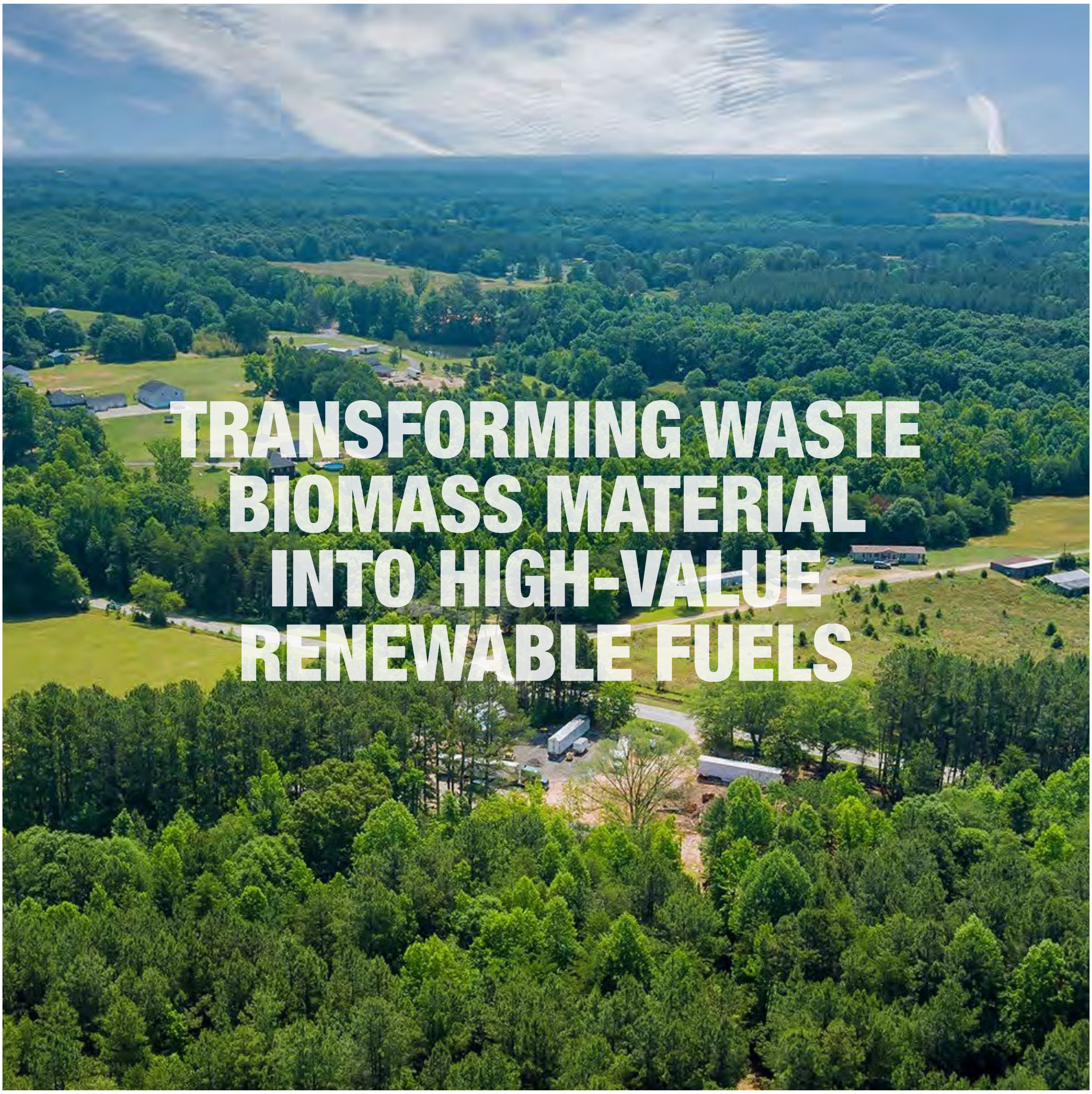
Active Energy Group Plc

Unaudited Interim Condensed Consolidated Financial Statements

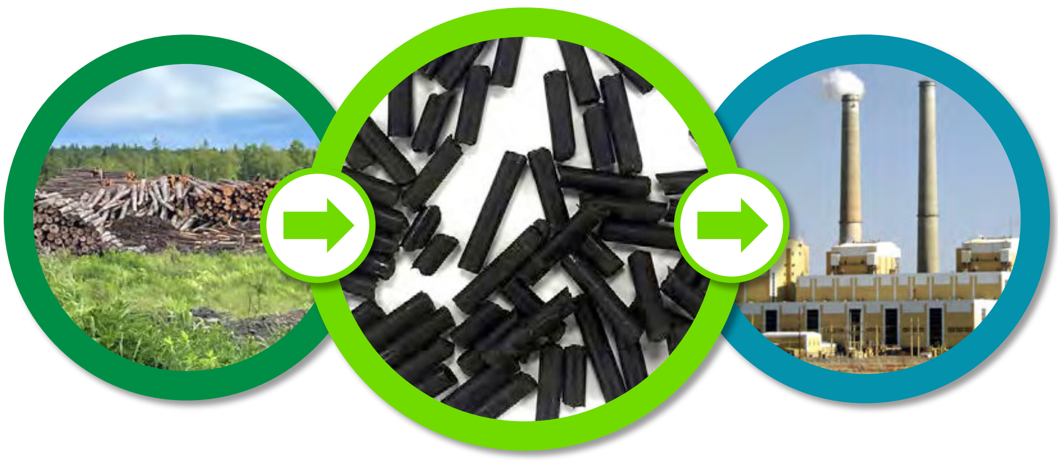
For the six months to 30 June 2021



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

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

CoalSwitch™ is a registered trademark belonging to Active Energy Group Plc ("CoalSwitch").



Biomass – critical part of a zero carbon economy

Biomass central to current European and Asian de-carbonization

- Europe has led the way, Asia is the next growth area
- Essential to grid stability: only source of renewable baseload power other than nuclear
- Fast implementation at scale: conversion of existing coal power stations is rapid and well-understood
- Fuel comes overwhelmingly from USA

Biomass with Carbon Capture is critical to 2050 net-zero plans

- IEA assumes global increase of 40EJ in biomass power to 2050
- By comparison, 40EJ is roughly 33% of China's current total primary energy demand

Once USA decides to decarbonize, biomass will likely be part of it

- Huge sustainable and certified domestic biomass feedstock
- Advantages means energy security and rural job creation
- Replacement of the dying pulp industry

Operational Highlights

- Construction of a second CoalSwitch reference plant at Ashland, Maine ("Ashland Facility") as part of a joint venture with Player Design Inc.
  - First CoalSwitch production commenced at Ashland Facility in May 2021
  - Transition from conceptual technology to production of next generation biomass fuel
  - Initial deliveries of CoalSwitch to University of Utah, Brigham Young University and PacifiCorp in June 2021
  - Samples of CoalSwitch delivered to twelve prospective customers
- Independent CoalSwitch analysis from University of New Brunswick confirm the product's superior qualities to white pellets as well as its suitability as a sustainable substitute for carbon emitting fuels
- Construction of CoalSwitch reference plant at Lumberton, N.C. ("Lumberton Facility") near completion but suspended and requiring permit amendment
- Company ceases lumber and saw log activities in order to focus on strategy of delivering a next generation biomass pellet

Financial Highlights

- Major balance sheet restructuring successfully completed
  - Equity fundraise of £7.0 million (gross of expenses)
  - Conversion and redemption of outstanding convertible loan notes and removal of security over the Company's assets
- Revenue for H1 21 of US$636,241 (H1 20: US$499,893)
- Loss for the reporting period of US$2,039,316 (H1 20: US$593,914)

Post-Period End

- Design and engineering commenced for a larger proprietary reactor that would be capable of accommodating production volumes of up to 70,000 tonnes of CoalSwitch per annum
- Component failure at Ashland Facility resulting in production suspension – options to re-establish near-term production at Ashland Facility currently being evaluated

Outlook

- AEG continues to be well placed to deliver on the growing need for more sustainable power sources
- The Board is more convinced than ever that CoalSwitch fuel can form part of the energy transition process
- The next key step: design and construction of a 70,000 tonne per annum CoalSwitch facility

Michael Rowan, CEO of Active Energy, said:

"I am pleased to report a successful period for AEG that saw the first production volumes of CoalSwitch and the completion of construction of a second reference plant in Maine. CoalSwitch has now transitioned from a concept to a deliverable biomass fuel, and the manufacturing process know-how obtained in the last three months is invaluable.

We expect next generation biomass fuels will play a key role in the transition toward the zero carbon economy. CoalSwitch's superior qualities to white pellets as well as its suitability as a sustainable substitute for carbon emitting fuels, positions AEG extremely well in the evolving global shift towards renewable energy. With product in hand and increasing market interest, AEG is now providing CoalSwitch samples to prospective long term customers.

With a restructured balance sheet, AEG's next key goal is to expand its production capacity to become a leading biomass fuel producer of next generation biomass fuels. The road to produce CoalSwitch is challenging, but the achievements of 2021 to date have provided confidence to the Board of the next phase for growth."

Dear Shareholders,

Introduction

AEG is focussed on developing next generation biomass products and the manufacturing processes and technology required to produce them.

The Directors believe that CoalSwitch represents a step change for the pellet industry, utilising steam technologies to produce a more efficient fuel addressing environmental and energy concerns for the immediate future.

In the first half of 2021, AEG achieved a number of significant milestones:

- the successful financial restructuring of the Company's balance sheet and raising of equity funding to construct the first CoalSwitch reference plant;
- sales and marketing activities moved from conceptual discussions to testing and analysis of sample fuel quantities produced at Ashland, Maine (the "Ashland Facility");
- supply of CoalSwitch samples to twelve prospective customers, with ongoing discussions with a number of interested parties, including discussions for technology licensing; and
- independent testing of initial CoalSwitch production has been completed to show that CoalSwitch is a superior biomass pellet fuel to existing white pellets in terms of heating value and bulk density.

The role of biomass in future energy supply

In the shift towards sustainability, there is an increasing recognition of the need for a balanced energy supply. The provision of a consistent level of base-load electricity within existing electricity grid systems currently requires a combination of energy sources which includes biomass fuels.

The International Energy Agency's ("IEA") "Net Zero by 2050" report shows a scenario of a global increase of 50 exajoules in biomass power to 2050 (equivalent to one-third of China's current annual electricity consumption). The IEA report noted that "Solid bioenergy provides flexible low-emissions generation to complement generation from solar PV and wind and it removes CO_2 from the atmosphere when equipped with CCUS (Carbon capture)".

To date, Europe's regulation has led the way in the use of biomass power generation. Asia is fast adopting similar policies and this is expected to lead to future growth in these markets. The USA is now facing similar challenges to accommodate sustainability and maintain power supplies within its existing infrastructure. The interest in next-generation biomass fuels has never been greater. Against this backdrop, CoalSwitch is well positioned.

Strategy

The Board has drawn further confidence from:

- the utilisation of waste biomass material as a core feedstock;
- the validation of the steam explosion production process in scale from running the test reactors at Ashland;
- the additional technical product knowledge and know-how obtained during the first production cycles at Ashland; and
- the positive market interest in CoalSwitch received to date.

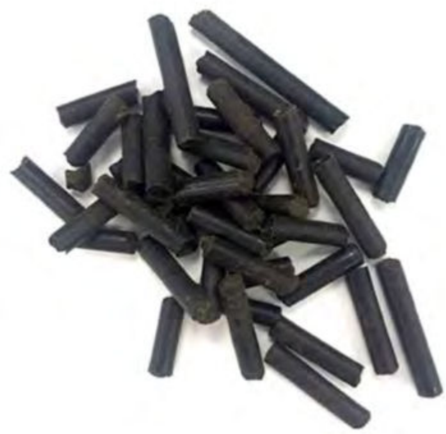
The Board is watching regulatory and technology developments, where recent supply challenges have identified potential power shortages. Next generation biomass fuels (such as CoalSwitch) will play an important part in addressing the shortcomings of renewable energies within existing electricity grid systems.

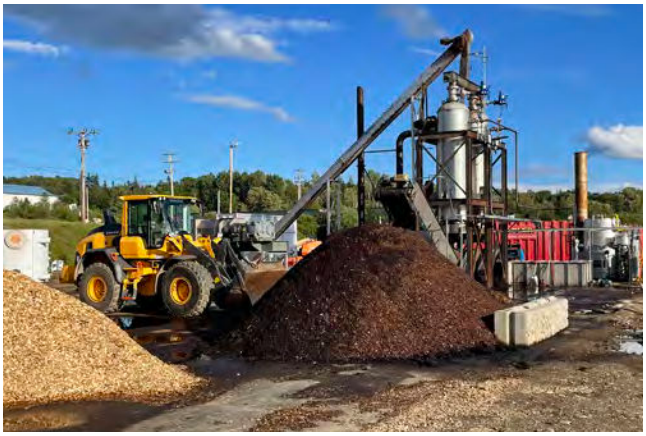
Developing a new technology has inevitable challenges and CoalSwitch is no different – notably the recent suspension of production at Ashland in August. However, we have now produced CoalSwitch through an industrial scale facility providing considerable manufacturing data and know-how. Design improvements for the reactors have already been identified alongside ways to simplify the manufacturing process to reduce costs of production.

The market requires a scalable solution to produce next generation pellets and the Directors believe that AEG now has the technical solutions to deliver pellets that have been produced via steam technologies. The Company's strategy is to construct scalable production facilities starting with the design and build of the first 70,000 tonne per year CoalSwitch plant in Ashland.

Operational update

During the first six months of the year, AEG focused its operational activities in two centres on the US East Coast, namely Ashland, Maine and Lumberton, North Carolina. AEG remains focussed on developing manufacturing capacity in the USA, which is at the heart of the current global biomass manufacturing industry. Our locations also allow AEG to make the greatest impact toward the industry changes that the biomass industry needs to make in the coming years.





Operations at Ashland, Maine

During construction of the Lumberton reference plant, AEG and Player Design Inc. ("PDI") received additional commercial enquiries about the possibility of combining CoalSwitch production facilities within existing lumber mill operations in North Eastern USA. This model aligned with the strategy being pursued in Lumberton and the Group was keen to expand into this region. In April 2021, AEG and PDI worked with the State of Maine to obtain a temporary operating permit to allow a second CoalSwitch reference plant to be constructed at PDI's facility at the Ashland Facility.

AEG had sufficient equipment to build a second facility when combined with PDI's existing operating infrastructure at the Ashland Facility. The Board therefore decided to proceed with this development before the permitting and construction issues arose in Lumberton during May 2021. With the subsequent events at Lumberton, resources within AEG and PDI were refocused toward completion of construction of the second reference plant and for it to become operational within the existing timetables. As a result, the reference plant at the Ashland Facility was completed and operational within 14 weeks from the date of issuance of the relevant temporary operating permit. First CoalSwitch fuel production commenced in May 2021 and first deliveries of CoalSwitch to the program organised by the University of Utah, Brigham Young University ("BYU") and PacifiCorp ("PacifiCorp") were made in June 2021.

The Ashland Facility reference plant continued to operate until 5 August 2021 when a monitoring component failure resulted in a suspension of production, rendering both reactors inoperable and requiring replacement. All other equipment at the Ashland Facility remains operable and capable of recommencing CoalSwitch production operations at any time. More importantly, production from the second reference plant validated the steam explosion process to produce next generation biomass fuels on an industrial scale. During the production period, valuable manufacturing and product data was acquired which provides key information to allow the construction of larger scale production facilities.

Operations at Lumberton, North Carolina

Lumberton (the "Lumberton Site") was purchased in 2019 to become a strategic hub for a variety of lumber activities, including the production of next generation biomass fuels, such as CoalSwitch, and performing various ancillary lumber activities, including the production of rail ties and other lumber products. These activities were seen as complementary given AEG's aim to demonstrate that biomass fuel production must work within sustainability goals. By situating all the activities within one facility, AEG sought to demonstrate that biomass fuel manufacture can be successfully accommodated within an integrated lumber producing facility. This model has attracted increasing interest from prospective lumber partners throughout the USA and Canada during 2021 and remains a core component of the Company's strategy.

In respect of the lumber activities during the period, the first quarter provided a number of operational issues for Active Energy Renewable Power LLP ("AERP"), the Company's operating subsidiary at Lumberton. These issues included adverse weather conditions which disrupted log supplies to the Lumberton Site, ongoing supply chain disruption for product distribution and the continuing operational limitations occurring as a result of COVID-19. The Board had set modest goals to operate AERP's lumber and saw log activities at breakeven by the 2020 year-end but did not achieve the operational scale to attain these targets. The Board's review of the lumber and saw log activities at the Lumberton Site determined that they neither aligned with the Group's strategic intent of utilising residual materials in the production of biomass fuels, nor could the investment required to achieve scale for these businesses be justified at the expense of developing CoalSwitch. As a result, the Board took the decision to cease the Company's lumber and saw log activities in AERP.

Since the fourth quarter of 2020, AEG's focus at the Lumberton Site has been the production of CoalSwitch where relevant permits had been issued by the North Carolina Department of Environmental Quality ("NCDEQ") in August 2020. Preparatory engineering work commenced in the third quarter of 2020 using the engineering services of PDI. The Board set a target for first production by May 2021 and fuel available for customer delivery by June 2021. Construction activities commenced in early February 2021, with regular monitoring carried out by the NCDEQ.

In May 2021, AEG received a notice of violation from NCDEQ in respect of the installation of additional control devices to enhance emissions reduction which required an amendment to the existing air quality permits issued by NCDEQ in 2020. AEG and its representatives immediately submitted the relevant amendments to ensure construction might remain on schedule. Subsequent to this, the NCDEQ requested additional information on emissions including data from an operational facility in order to revise and re-issue the permits. AEG was required to suspend construction activities of the reference plant at the Site.

AERP has continued dialogue with the NCDEQ and the NCDEQ has made clear that AEG cannot resume the permit approval process without the independent emissions analysis being submitted. Nonetheless, it remains AEG's intention to develop the Lumberton Site given its optimal location in South-Eastern USA. Sales and marketing activities continue in the region with the aim of securing sizeable CoalSwitch offtake agreements. In the past AERP has leased out parts of the Lumberton Site. AERP continues to examine options to create economic value from the Lumberton Site.

AERP has received legal challenges from the Southern Environmental Law Centre ("SELC") based in North Carolina regarding alleged permit breaches at the Site from an existing wastewater treatment plant. This action correlates to the period when the Group first assumed ownership of the property in 2019. The Directors are confident that the Group fully complies with its environmental and permit obligations and wholly refutes SELC's claims. The Group has requested a dismissal of the legal challenge and awaits the verdict of this application.

Development of sales and marketing activities for CoalSwitch fuel and production technology

With the development plans for production of CoalSwitch underway through the first half of the year, the Group focussed on sales activities to look for long term supply contracts both in North America and internationally.

New personnel have been retained both in the USA and Japan to develop sales and marketing in each region. Within the USA, the prime focus has been to examine opportunities with existing power utilities and other key manufacturing industries who remain current users of coal, such as cement and aggregate industries. The interest remains to focus on co-firing opportunities with these industries that want to address their immediate environmental concerns in the consumption of coal.

The opportunity in Japan is different in that Japan has publicly stated its goals for future biomass consumption, which provides AEG with the opportunity to present its fuels to an incentivised audience. Our marketing efforts in Japan are progressing and samples of CoalSwitch fuel have been delivered and tested with favourable results. AEG is working toward securing long term supply contracts but it is acknowledged that this will take time and dedicated resources.

To date, AEG has supplied fuels to twelve prospective clients and universities for independent analysis within North America and internationally. The first test results, published by the Wood Science and Technology Centre at the University of New Brunswick on 2 September 2021, demonstrate, for the first time in three years, the premier qualities of CoalSwitch as a biomass pellet compared to white pellets.

STAGE 1	STAGE 2	STAGE 3	STAGE 4
CoalSwitch™ immediately from the reactors	Processed CoalSwitch™	Pelletized CoalSwitch™	CoalSwitch™ ready for delivery

The CoalSwitch delivered to BYU and PacifiCorp in June 2021 allowed the first stage of the test program (the "Test Program") to commence. The Test Program is designed to facilitate the analysis and co-firing qualities of CoalSwitch in both PacifiCorp and BYU facilities. Having completed the ball mill testing, the next stage of the Test Program is testing of the co-firing process. Additional quantities of CoalSwitch will be required for this next stage and, at this point, we are unable to supply sufficient volumes to complete this test. In the meantime, AEG is working with BYU to focus on an additional co-firing program to provide performance data on CoalSwitch utilising some of the existing fuel supplies in Utah. AEG is also in discussions with other commercial partners for additional co-firing opportunities within North America.

Intellectual property progress during the period

During the 2021, AEG has continued to develop its intellectual property portfolio and production know-how in regard to CoalSwitch and its manufacture. The award of the patent in the USA (Patent No: 10,858,607) has accelerated an additional patent application in the USA. On 4 June 2021, AEG was notified by the Canadian Intellectual Property Office of the grant of notice of allowance confirming the award of the Canadian patent. Since that announcement, AEG has completed the administrative formalities and awaits the formal award of the Canadian patent.

Production data and know-how acquired in recent weeks will further accelerate the intellectual property program for AEG within North America and internationally. Finally, throughout the period, AEG has continued to focus on opportunities for technology licensing using existing and recently developed intellectual property. Recent enquires from South-East Asia, South Africa and India have all demonstrated the underlying interest in steam technologies to produce biomass fuels. Progress has been slowed by the COVID-19 travel restrictions, but we are working with each of these partners to develop these opportunities.

Corporate

In January 2021, Andrew Diamond was appointed as the Group's Finance Director and in February 2021 Antonio Esposito resigned as Executive Director of the Company.

The Company's application to be listed on Nasdaq OTCQB is complete subject to compliance with the existing trading rules. When the Company's share price complies with these rules, the commencement of trading is expected to be formalised and a further announcement will be provided at that time.

Going concern

The Directors have given careful consideration to the appropriateness of the going concern basis in the preparation of the Unaudited Interim Condensed Consolidated Financial Statements. Further details of our current financial position and uncertainties which may affect the Company's ability to continue operating as a going concern are to be found in the Financial Review and in Note 3 of the Unaudited Interim Condensed Consolidated Financial Statements set out below.

Summary

The first half of 2021 has brought some challenges and a number of steps forward. With the support of our shareholders, CoalSwitch has moved from concept to the production of a next generation biomass fuel, which we have successfully produced and supplied to prospective customers. In addition, our balance sheet has been restructured and the Company is largely debt free.

The next key step for the Company is the design and construction of a facility to produce up to 70,000 tonnes of CoalSwitch per annum, to show that AEG can produce commercial volumes of CoalSwitch and meet market volume demand.. Engineering activities are underway to improve the reactor and process designs are underway, following which the Group will seek to obtain the appropriate permits from the State of Maine. It is imperative that we move quickly to achieve these steps.

To maintain our positive momentum, we are examining all options to re-establish limited production at Ashland as soon as practicable, subject to relevant operating permits being granted. Suitable existing test reactors remain available at Lumberton and we are analysing moving and modifying these, as a temporary measure, whilst new reactors are designed and fabricated.

Recent events within the global power industry have highlighted the need for stable and diverse sources of energy supply, including biomass, which of itself needs to evolve to meet increasing environmental criteria and regulation. The Board is more convinced than ever that CoalSwitch has these properties and has an important future role to play. The Board views the prospects of the Company with confidence.

James Leahy Non-executive Chairman	**Michael Rowan** CEO

27 September 2021

Financial Review

For the six-month period ended 30 June 2021

The Unaudited Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2021 ("reporting period" or "H1 21") is compared to the six-month period ended 30 June 2020 ("prior period" or "H1 20") as required by International Financial Reporting Standards ("IFRS")

The Group has made significant progress during H1 21. In February 2021, the convertible loan note ("CLN") holders agreed to either convert their CLN's or have them redeemed. Furthermore, the CLN holders agreed to a release of the security previously held over the Group's assets by the CLN holders. At the same time, the Company raised £7.0 million in an equity fundraising (before expenses), principally to progress the final stages of construction of the first reference plant at Lumberton Facility. These actions restructured the Group's balance sheet and positioned the Company to advance its CoalSwitch product.

On 20 May 2021, the Company announced its 50/50 joint venture arrangement with PDI. Under this joint venture, AEG and PDI jointly own a CoalSwitch plant in Ashland, Maine. The second reference plant was completed and production commenced in May 2021.

On 5 August 2021, a monitoring component failure resulted in an unexpected interruption in a production cycle. As a result of this failure, both reactors at the Ashland Facility are inoperable and will require replacement. All other equipment remains operable and capable of resuming CoalSwitch production operations at any time.

The Company has engaged sales and marketing representatives to establish CoalSwitch supply contracts in North America and internationally. Aside from initial deliveries to BYU and PacifiCorp, CoalSwitch samples have been sent to several prospective customers who have expressed an interest in the fuel and wish to test independently.

In January 2021, Advanced Biomass Solutions Plc ("ABS"), a subsidiary of the Company, agreed a debt facility up to £1 million and has drawn down £550,000 to date. The debt instrument is repayable within twelve months based on monthly capital repayments following a four-month repayment holiday. Initiation fees of 7% were payable, and interest is charged at 10% per annum payable quarterly in arrears. The Company has provided a corporate guarantee as security. The Company has been repaying the amounts drawn down and the balance outstanding at the date of reporting is £284,167.

Going concern

The Interim Financial Statements have been prepared on a going concern basis. Note 3 of the Interim Financial Statements lays out the material uncertainties relating to the Group's ability to continue as a going concern. The net proceeds of the fundraise in February 2021 received by the Company, after CLN redemptions, have been used to construct the CoalSwitch plants at Lumberton and Ashland. The Directors anticipate that further funding will be required in the coming twelve-month period in order to finance plant modifications, expand CoalSwitch production capacity, undertake additional research and testing programs and for marketing activities.

Whilst there can be no guarantee that funding will be available on terms that are acceptable to the Company or at all, the Directors are confident, based on the progress made to date on the production of CoalSwitch, and the restructured balance sheet of the Group, that it will be able to secure the funding required. The Directors are considering a number of options for securing the additional funding including debt and equity or a combination of both.

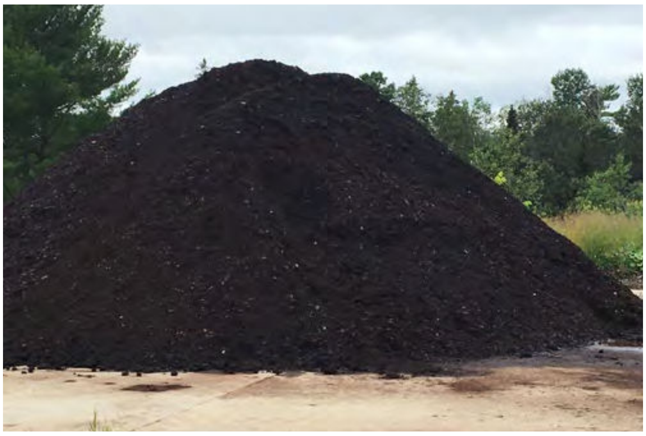
Performance

During H1 21, the Board has reassessed AEG's strategy and determined that the saw log export business, which involved loading saw logs into containers to be shipped to South-East Asia, did not align with AEG's environmental strategy to focus on the use of residual and waste forestry products from the lumber industry. In addition, the Company has not been able to operate the saw log export business at a scale to produce profitable returns. The level of capital investment required to scale up and operate profitably, to the detriment of CoalSwitch development, was deemed unacceptable and the Board decided it was in the best interests of the Company to cease the operations of this business.

Furthermore, the sawmill business struggled to operate profitably. With a limited pool of capital the Board believes that it is in the best interests of the Group to focus its time and capital allocations on the opportunities presented by CoalSwitch and therefore ceased sawmill activities.

Revenue for H1 21 was US$636,241 (H1 20: US$499,893). With the closure of the saw log and sawmill businesses, the Company does not anticipate further revenues from these businesses in H2 21.

Gross loss for H1 21 was US$496,588 (H1 20: profit of US$357,835) reflecting the difficulties in both trading conditions and the lack of scaled operations in the saw log and sawmill businesses.



Administrative costs were US$1,486,064 (H1 20: US$1,080,087). Costs associated with the operations and closure of the saw log and sawmill businesses have been fully accounted for. The ongoing costs associated with maintaining the Lumberton property have been reduced as far as possible.

The full conversion of the CLN's, which incurred interest charges to 31 January 2021, has reduced the interest cost charge. Foreign exchange costs, which are included in disclosed finance costs resulted in an increase in costs for the reporting period.

Loss for the reporting period was US$2,039,316 (H1 20: US$593,914), and basic and diluted loss per share was 0.06 cents (H1 20: 0.05 cents).

Financial Position

Non-current assets

Additions to plant and equipment of US$4,251,496 relate to the development of the Lumberton and Ashland CoalSwitch plants. The termination of leases following the cessation of the sawmill business resulted in a deemed disposal of US$435,066 of plant and equipment.

Liabilities

Trade and other payables of US$1,573,733 (31 December 2020: US$2,091,657) includes an accrual of approximately US$700,000 for Lumberton and Ashland construction costs which have not yet been invoiced.

Loans and borrowings of US$852,471 (31 December 2020: US$22,127,323) reflects the impact of the removal of the CLN obligation. The remaining balance mainly reflects the ABS debt facility referred to above.

Net debt

The Group reports a net cash position at 30 June 2021 of US$1,135,058 compared to a net debt of US$21,127,692 at 31 December 2020 (see note 11). The strong reduction in the liabilities of the Group reflects the actions taken to strengthen the balance sheet following the conversion and redemption of CLN obligations and the equity raised at the beginning of the year.

Cash Flows

Operating cash outflows of US$3,409,601 (H1 20: US$172,038) included US$1,047,804 of working capital reductions, reflected in the reduction of trade and other payables.

Investing outflows of US$3,543,036 (H1 20: US$95,420) relate to the purchase of equipment related to the CoalSwitch facilities in Lumberton and Ashland.

Financing activities included US$8,994,643 of net equity raised in the fundraising in February 2021, less US$1,484,728 of CLNs redeemed as part of the balance sheet restructuring process. Funds of US$750,296 were raised via the ABS facility in January 2021.

Directors' Responsibility Statement

The Directors confirm that to the best of their knowledge the unaudited Interim Financial Statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'.

Changes in Directors during the period is discussed in the Corporate section of the Chairman's letter. A list of the current Directors is available on the Company's website: www.aegplc.com

Andrew Diamond
Finance Director

27 September 2021

Condensed Consolidated Statement of Income and other Comprehensive Income

For the six-month period ended 30 June 2021

	Note	30 June 2021 (Unaudited) US$	30 June 2020 (Unaudited) US$
REVENUE	6	**636,241**	499,893
GROSS (LOSS)/PROFIT		**(496,588)**	357,835
Other operating income		**411,178**	–
Administrative expenses		**(1,486,064)**	(1,080,087)
OPERATING LOSS		**(1,571,474)**	(722,252)
Finance costs		**(469,237)**	111,844
LOSS FROM OPERATIONS		**(2,040,711)**	(610,408)
Tax		**1,395**	16,494
LOSS FOR THE PERIOD – ATTRIBUTABLE TO PARENT	6	**(2,039,316)**	(593,914)
Basic and diluted loss per share (US cent)	5	**(0.06)**	(0.05)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of operations		**(1,185,420)**	(247,604)
Revaluation of assets held for resale		**–**	(106,366)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(3,224,736)**	(947,884)

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Note	30 June 2021 (Unaudited) US$	31 December 2020 (Audited) US$
NON-CURRENT ASSETS			
Intangible assets	7	**5,259,024**	5,259,024
Property, plant and equipment	8	**14,277,041**	10,443,641
Available for sale financial assets		**945,803**	931,312
		20,481,868	16,633,977
CURRENT ASSETS			
Inventory		**241,347**	237,506
Trade and other receivables		**84,107**	270,755
Cash and cash equivalents		**1,987,529**	999,631
		2,312,983	1,507,892
TOTAL ASSETS		**22,794,851**	18,141,869
CURRENT LIABILITIES			
Trade and other payables	9	**1,573,733**	2,091,657
Lease liabilities		**–**	136,891
Other current liabilities		**150,000**	150,000
Loans and borrowings	10	**852,471**	21,772
		2,576,204	2,400,320
NON-CURRENT LIABILITIES			
Deferred income tax liabilities		**148,744**	150,139
Lease liabilities		**–**	202,417
Loans and borrowings	10	**–**	22,105,551
		148,744	22,458,107
TOTAL LIABILITIES		**2,724,948**	24,858,427
NET ASSETS/(LIABILITIES)		**20,069,903**	(6,716,558)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital – Ordinary shares	12	**550,694**	219,436
Share capital – Deferred shares	12	**18,148,898**	18,148,898
Share premium		**51,158,499**	18,711,637
Merger reserve		**2,350,175**	2,350,175
Foreign exchange reserve		**(1,370,395)**	(184,975)
Own shares held reserve		**(268,442)**	(268,442)
Convertible debt/warrant reserve		**858,069**	3,701,803
Retained earnings		**(51,862,241)**	(49,899,736)
Revaluation reserve		**504,646**	504,646
TOTAL EQUITY		**20,069,903**	(6,716,558)

Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2021

	Share capital US$	Share premium US$	Merger reserve US US$	Foreign exchange reserve US$	Own shares held reserve US$	Convertible debt and warrant reserve US$	Retained earnings US$	Revaluation Reserve US$	Total equity US$
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**
Total comprehensive loss	–	–	–	(353,970)	–	–	(593,914)	–	(947,884)
Issue of share capital	802,467	–	–	–	–	–	(452,467)	–	350,000
Conversion of CLN	172,413	4,578	–	–	–	(21,160)	–	–	155,831
Embedded derivative on CLN issue	–	–	–	–	–	208,532	–	–	208,532
Share based payments	–	–	–	–	–	–	69,632	–	69,632
AT 30 JUNE 2020	**18,240,259**	**17,307,737**	**2,350,175**	**(421,244)**	**(268,442)**	**3,677,993**	**(41,183,154)**	**504,646**	**207,970**
AT 31 DECEMBER 2020	**18,368,334**	**18,711,637**	**2,350,175**	**(184,975)**	**(268,442)**	**3,701,803**	**(49,899,736)**	**504,646**	**(6,716,558)**
Total comprehensive loss	–	–	–	(1,185,420)	–	–	(2,039,316)	–	(3,224,736)
Issue of share capital	98,218	8,896,425	–	–	–	–	–	–	8,994,643
Conversion of CLN	233,040	23,550,437	–	–	–	(2,843,734)	–	–	20,939,743
Share based payments	–	–	–	–	–	–	76,811	–	76,811
AT 30 JUNE 2021	**18,699,592**	**51,158,499**	**2,350,175**	**(1,370,395)**	**(268,442)**	**858,069**	**(51,862,241)**	**504,646**	**20,069,903**

Condensed Consolidated Statement of Cash Flows

For the six-month period ended 30 June 2021

	Note	30 June 2021 (Unaudited) US$	30 June 2020 (Unaudited) US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period		**(2,039,316)**	(593,914)
Adjustments for:			
Non-cash/separately disclosed items		**(403,481)**	(37,393)
Working capital (outflow)/inflow		**(1,047,804)**	459,269
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	15	**(3,490,601)**	(172,038)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		**–**	(50,250)
Purchase of property, plant and equipment		**(3,543,036)**	(45,170)
Sale of property, plant and equipment		**–**	–
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(3,543,036)**	(95,420)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of equity share capital, net of share issue costs		**8,994,643**	–
Redemption of CLNs		**(1,484,728)**	–
Loans repaid		**(97,251)**	–
Proceeds from loans advanced		**750,296**	–
Principal elements of lease payments		**(57,900)**	–
Finance expenses paid		**(87,752)**	–
NET CASH INFLOW FROM FINANCING ACTIVITIES		**8,017,308**	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**983,671**	(267,458)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**999,631**	397,323
Exchange gains on cash and cash equivalents		**4,227**	5,527
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**1,987,529**	135,392

1. GENERAL INFORMATION

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

The Company is incorporated in England and Wales (Company number 03148295) and the address of the registered office is 27-28 Eastcastle Street, London, W1W 8DH, United Kingdom.

2. BASIS OF PRESENTATION

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Active Energy Group Plc transitioned to UK-adopted International Accounting Standards in its Consolidated Financial Statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The Interim Condensed Consolidated Financial Statements for the half-year reporting period ended 30 June 2021 have been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in the Annual Financial Statements and should be read in conjunction with the Group's Consolidated Financial Statements for the year ended 31 December 2020. The Interim Financial Statements are presented in US Dollars, except as otherwise indicated. The Interim Financial Statements have been prepared on a going concern basis, under the historical cost convention, except for the revaluation of certain financial instruments.

The Interim Condensed Consolidated Financial Statements are unaudited and do not constitute full statutory accounts under Section 434 of the Companies Act 2006. The financial information in respect of the year ended 31 December 2020 has been extracted from the statutory accounts which have been delivered to the Registrar of Companies. The Group's Independent Auditor's Report on those accounts was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006. The Auditor's report on those accounts included a material uncertainty in relation to the going concern assumptions detailed in the notes to those accounts. The Auditor did not qualify their report in respect of this matter. The financial information for the half years ended 30 June 2021 and 30 June 2020 is unaudited and the twelve months to 31 December 2020 is audited.

The accounting policies applied by the Group in this financial information are the same as those applied by the Group in its Financial Statements for the year ended 31 December 2020 and which will form the basis of the 2021 Financial Statements, except for a number of new and amended standards which have become effective since the beginning of the previous financial year. These new and amended standards are not expected to materially affect the Group.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the most appropriate application in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing these Interim Financial Statements are not materially different from those disclosed in the Financial Statements for the year ended 31 December 2020.

These Interim Financial Statements were approved by the Board of Directors on 27 September 2021.

3. GOING CONCERN

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

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

During the six-month period ending 30 June 2021 ("current period") the Group progressed with the construction of the first reference plant at the Lumberton Facility. Construction of the reference plant was suspended owing to a requirement to amend the existing air quality permits to accommodate the installation of additional control devices. The Company signed a joint venture agreement with Player Design Inc., on a 50/50 basis, and constructed the second CoalSwitch reference plant in Ashland, Maine ("Ashland Facility"). The Ashland Facility is strategically located near to several large lumber product manufacturers who have significant wood residuals to dispose of. It commenced production in May 2021 and delivered the first CoalSwitch product to PacifiCorp in Utah in June 2021. On 5 August 2021, a monitoring component failure resulted in an unexpected interruption in a production cycle. As a result of this failure, both reactors at the Ashland Facility are inoperable and will require replacement. All other equipment remains operable and capable of resuming CoalSwitch production operations at any time.

Preliminary testing by the University of New Brunswick of CoalSwitch produced at the Ashland Facilty has validated the technical merits of the product, and sales and marketing activities both in the USA and internationally are currently underway with CoalSwitch samples sent to a number of prospective customers for independent testing.

At the reporting date the Group has sufficient funding for near-term administration, working capital costs and debt servicing but will need to seek additional funding to finance further plant expansions and modifications and/or new plant developments.

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

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

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

4. BASIS OF CONSOLIDATION

The financial information incorporates the results of AEG plc and entities controlled by the AEG plc (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 Interim Financial Statements present the financial results of AEG plc 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.

5. LOSS PER SHARE

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Weighted average ordinary shares in issue (Number)	**3,206,905,598**	1,239,618,243
Loss for the period (US$)	**(2,039,316)**	(593,914)
Basic and diluted loss per share (US Cent)	**(0.06)**	(0.05)

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

6. SEGMENTAL INFORMATION

The Group reports three business segments:

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

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

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

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

Measurement of operating segment profit or loss

The Group evaluates segmental performance on the basis of profit or loss from operations calculated in accordance with IFRS but excluding non-recurring losses, such as goodwill and asset impairments.

Six months to 30 June 2021 (Unaudited)	CoalSwitch US$	Wood processing US$	Corporate and other US$	Total US$
Revenue	–	636,241	–	636,241
Operating segment (loss)	(110,467)	(571,476)	(889,531)	(1,571,474)
Segment (loss) before tax	(216,463)	(596,982)	(1,227,266)	(2,040,711)
Tax	–	1,395	–	1,395
SEGMENT (LOSS) FOR THE PERIOD	**(216,463)**	**(595,587)**	**(1,227,266)**	**(2,039,316)**
TOTAL ASSETS	**15,418,397**	**691,664**	**6,684,790**	**22,794,851**
TOTAL LIABILITIES	**(1,418,977)**	**(427,230)**	**(878,741)**	**(2,724,948)**
Other segment information:				
Capital expenditure	4,235,999	12,500	2,997	4,251,496
Depreciation & amortisation	–	163,769	554	164,323

Six months to 30 June 2020 (Unaudited)	CoalSwitch US$	Wood processing US$	Corporate and other US$	Total US$
Revenue	–	499,893	–	499,893
Operating segment (loss)	(48,664)	(210,986)	(462,602)	(722,252)
Segment (loss) before tax	(48,664)	(210,986)	(350,758)	(610,408)
Tax	–	–	16,494	16,494
SEGMENT (LOSS) FOR THE PERIOD	**(48,664)**	**(210,986)**	**(334,264)**	**(593,914)**
TOTAL ASSETS	**10,955,003**	**1,232,142**	**11,087,960**	**23,275,105**
TOTAL LIABILITIES	**(761,265)**	**(862,645)**	**(21,443,225)**	**(23,067,135)**
Other segment information:				
Capital expenditure	463,651	776,099	970	1,240,720
Additions to intangibles	61,654	151,298	50,444	263,396
Depreciation & amortisation	–	17,547	75,495	93,042

7. INTANGIBLE ASSETS

Six months to 30 June 2021 (Unaudited)	Goodwill US$	Intellectual property US$	Timber licences US$	Total US$
COST				
At 31 December 2020 and 30 June 2021	567,668	5,259,386	6,503,975	12,331,029
ACCUMULATED AMORTISATION				
At 31 December 2020 and 30 June 2021	567,668	362	6,503,975	7,072,005
NET BOOK VALUE				
At 31 December 2020 and 30 June 2021	–	5,259,024	–	5,259,024

Twelve months to 31 December 2020 (Audited)	Goodwill US$	Intellectual property US$	Timber licences US$	Total US$
COST				
At 31 December 2019	–	5,028,061	6,314,713	11,342,774
Additions	567,668	231,325	189,262	988,255
At 31 December 2020	567,668	5,259,386	6,503,975	12,331,029
ACCUMULATED AMORTISATION				
At 31 December 2019	–	362	2,161,946	2,162,308
Impairment charge	567,668	–	4,191,039	4,758,707
Amortisation charge for the year	–	–	150,990	150,990
At 31 December 2020	567,668	362	6,503,975	7,072,005
NET BOOK VALUE				
At 30 June 2020	–	5,259,024	–	5,259,024

Intellectual property comprises costs incurred to secure the rights and knowledge associated with the CoalSwitch and PeatSwitch technologies.

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

8. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings US$	Plant and equipment US$	Furniture and office equipment US$	Total US$
COST				
At 31 December 2019	4,017,645	5,247,016	42,097	9,306,758
Additions	281,829	1,281,071	1,222	1,564,122
Disposals	(5,614)	–	–	(5,614)
Transfers	(12,031)	45,168	(33,137)	–
Foreign exchange differences	–	–	167	167
At 31 December 2020	4,281,829	6,573,255	10,349	10,865,433
Additions	–	4,248,499	2,997	4,251,496
Disposals	–	(435,066)	–	(435,066)
Foreign exchange differences	–	–	161	161
At 30 June 2021	4,281,829	10,386,688	13,507	14,682,024
ACCUMULATED DEPRECIATION				
At 31 December 2019	54,000	5,428	15,587	75,015
Charge for the year	111,977	201,198	33,486	346,661
Transfers	–	39,740	(39,740)	–
Foreign exchange differences	–	–	116	116
At 31 December 2020	165,977	246,366	9,449	421,792
Charge for the period	64,184	99,585	554	164,323
Disposals	–	(181,277)	–	(181,277)
Foreign exchange differences	–	–	145	145
At 30 June 2021	230,161	164,674	10,148	404,983
NET BOOK VALUE				
At 30 June 2021	4,051,668	10,222,014	3,359	14,277,041
At 31 December 2020	4,115,852	6,326,889	900	10,443,641

Plant and equipment additions relate to CoalSwitch equipment acquired for the Lumberton production facility. Right of use assets included within plant and equipment, with a cost of US$435,066, and accumulated depreciation of US$181,277, are reflected as a disposal following termination of the lease at the end of the current period.

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

9. TRADE AND OTHER PAYABLES

	30 June 2021 (Unaudited) US$	31 December 2020 (Audited) US$
Trade payables	**517,706**	1,340,213
Social security and other taxes	**213,434**	383,664
Accruals and deferred income	**842,593**	367,780
	1,573,733	2,091,657

Accruals includes an amount of US$700,000 relating to Lumberton and Ashland construction costs which have not yet been invoiced.

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

10. LOANS AND BORROWINGS

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

	30 June 2021 (Unaudited) US$	31 December 2020 (Audited) US$
Secured convertible debt	**–**	21,914,723
Unsecured loans	**165,888**	212,600
Secured loans	**686,583**	–
	852,471	22,127,323

Secured convertible debt

In February 2021, the convertible loan note ("CLN") holders agreed to either convert their CLN's or have them redeemed. Furthermore, the CLN holders agreed to a release of the securities held over the Companies assets in favour of the CLN holders.

Secured loans

In January 2021, Advanced Biomass Solutions Plc, a subsidiary of the Company, completed a debt facility of £1.0 million and drew upon £550,000. The debt instrument is repayable within twelve months based on monthly capital repayments following a four-month repayment holiday. Initiation fees of 7% were payable, and interest is charged at 10% per annum payable quarterly in arrears. The Company has provided a corporate guarantee as security.

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

11. NET CASH/(DEBT)

	30 June 2021 (Unaudited) US$	31 December 2020 (Audited) US$
Cash and cash equivalents	**1,987,529**	999,631
Loans and borrowings	**(852,471)**	(22,127,323)
	1,135,058	(21,127,692)

12. SHARE CAPITAL

	Number of shares	US$
ALLOTTED, CALLED UP AND FULLY PAID		
At 1 January 2020	1,201,906,951	17,265,379
Issue of shares	339,271,092	1,102,955
At 31 December 2020	1,541,178,043	18,368,334
Issue of shares	700,000,001	998,218
Conversion of CLNs	1,660,873,700	233,040
At 30 June 2021	3,902,051,744	18,699,592
This is split as follows between:		
Ordinary shares (0.01p each)	3,902,051,744	550,694
Deferred shares (0.99p each)	1,287,536,163	18,148,898
Total share capital		18,699,592

On 7 September 2020 the 1,287,536,163 Ordinary shares of 1p each in issue at that time were sub-divided into the same number of new Ordinary Shares of 0.01p each and one Deferred Share of 0.99p. The Deferred Shares were not admitted to trading on AIM, carry no voting rights and are purchasable at £1 in aggregate. At the Company's Annual General Meeting on 8 July 2021 the shareholders approved the reduction of the Deferred Shares.

13. RELATED PARTY DISCLOSURES

During 2021, the Group paid US$8,680 to INJ London Ltd for sales and marketing services. This company is owned by Max Aitken.

14. CAPITAL COMMITMENTS

There were no capital commitments at 30 June 2021.

15. RECONCILIATION OF LOSS FOR THE PERIOD TO CASH OUTFLOWS FROM OPERATING ACTIVITIES

	30 June 2021 (Unaudited) US$	30 June 2020 (Unaudited) US$
LOSS FOR THE PERIOD	**(2,039,316)**	(593,914)
Adjusted for:		
Share based payment expense	**76,811**	69,631
Depreciation	**164,323**	17,547
Amortisation of intangible assets	**–**	75,495
Gains on disposal of right of use assets	**(49,884)**	–
Gain on redemption of CLNs	**(411,177)**	–
Foreign currency translations	**(292,176)**	(1,525,962)
Finance expenses	**110,017**	1,342,390
Income tax	**(1,395)**	(16,494)
	(2,442,797)	(631,307)
Increase in inventories	**(3,841)**	(103,702)
Decrease in trade and other receivables	**186,648**	491,067
Increase in trade and other payables	**(1,230,611)**	71,904
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**(3,490,601)**	(172,038)

16. SUBSEQUENT EVENTS

The key business developments since 30 June 2021 were as follows:

- The Company was notified that its commercial cutting permit had been cancelled in the Province of Newfoundland and Labrador (the "Province"), owing to the requisite volume allocation not having been harvested within specified time limits. Covid-19 travel restrictions had further prevented AEG or any of its advisers from accessing the Province in the last 16 months. The permit was fully impaired in 2020.
- The Company held its Annual General Meeting on 8 July 2021. All of the resolutions were passed.
- On 5 August 2021, a monitoring component failure resulted in an unexpected interruption in a production cycle. As a result of this failure, both reactors at the Ashland Facility are inoperable and will require replacement. All other equipment remains operable and capable of resuming CoalSwitch production operations at any time.

17. COPIES OF THE INTERIM FINANCIAL STATEMENTS

Copies of the Consolidated Interim Financial Statements will be made available on the Company's website at www.aegplc.com.

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