Active Energy Group Plc
Annual Report and Accounts
For the year ended 31 December 2021

ACTIVE ENERGY GROUP

CONTENTS

Frequently used abbreviations/definitions

Active Energy Group Plc	"Active Energy", "AEG", "Group", the "Company"
Tonnes per annum	"tpa"
North Carolina Department of Environmental Quality	"NCDEQ"
CoalSwitch®, the registered trademark	"CoalSwitch"
1885 Alamac Road, Lumberton, North Carolina, USA	"Lumberton" or "Lumberton Site"
CoalSwitch® production facility:	
• Lumberton, North Carolina, USA	"Lumberton Facility"
• Ashland, Maine, USA	"Ashland Facility"

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

The Company has developed a proprietary technology which transforms waste biomass material into high-value renewable fuels. Its patented product, CoalSwitch®, is a leading drop-in renewable fuel that can be co-fired with coal, or completely replace coal as an alternative feedstock without requiring significant plant modifications or replace existing biomass feedstock resources.

Active Energy Group's immediate strategic focus is on the production and commercialisation of CoalSwitch® and further CoalSwitch® fuel blends that utilise other waste wood and residual materials.

OPERATIONAL HIGHLIGHTS

- Independent burn testing completed on CoalSwitch® which confirms superior performance to alternate biomass fuels.
- Completed construction of the Company's first reference plant at the Ashland Facility and subsequently began production of commercial volumes of CoalSwitch®.
- Commenced negotiations with potential customers both in the United States, Japan and worldwide for the sale of CoalSwitch®.
- Supplied CoalSwitch® samples to twelve prospective customers worldwide (both power generators and industrial partners), with ongoing discussions to establish long-term supply agreements.
- Significantly advanced the Company's strategy towards the commercial rollout of CoalSwitch® as a next generation biomass fuel.

FINANCIAL HIGHLIGHTS

- Successful financial restructuring of the Company's balance sheet and raising of additional equity funding to complete the construction of the first CoalSwitch® reference plant at the Ashland Facility.
- Revenue for the year of US$644,914 (2020: US$1,588,140).
- Loss for the year of US$5,881,768 (2020: US$8,757,919).
- Basic and diluted loss per share of 0.16 cents (2020: 0.65 cents).

ACTIVITIES AFTER THE YEAR END

- Positive co-firing test results received from Utah, USA, further proving the benefits of co-firing CoalSwitch® with coal, including;
  - a minimal impact on heating values when co-fired with coal in furnaces;
  - a material reduction of ash compared to burning 100% coal;
  - a significant reduction in Nitrogen Oxide (NOx) and Sulphur Dioxide (SO_2) emissions compared to burning 100% coal; and
  - CoalSwitch®, when blended with coal, can be milled in an unmodified bowl mill and burnt in existing coal-fired burners without significant additional capital expenditure and with lower energy consumption.
- Test results further demonstrated the premium qualities of the pellet compared to existing white pellet, including:
  - increased heating value of 9,313 British Thermal Units per pound (BTU/lb), which represents a 12.9% premium to traditional white pellets;
  - its hydrophobic properties allow easier logistics and storage options.
- Received certification confirming compliance with the Forest Stewardship Council® ("FSC") standards for its CoalSwitch® fuel, confirming that the fuel is responsibly sourced.
- Sale of the Lumberton site for US$4.65 million, subject to due diligence and closing.
- Commercial conversations continuing with potential customers to purchase CoalSwitch®.

Dear Shareholders

In last year's letter I informed you that the Board had sharpened the Group's strategy for the development and commercial roll-out of CoalSwitch®. We believe that we can differentiate CoalSwitch® as a 'next generation' biomass product which is distinct from existing biomass products, both in terms of feedstock sourcing and in the manufacture of a renewable fuel which exceeds existing performance parameters for pelletised fuels. We believe strongly in the positive environmental impact this product can have on the operations of current coal consumers, and at the same time assisting the lumber industry in making strides in utilising residual waste products as feedstock. Our aim is to create an environmental win-win for both industries as the world transitions towards energy consumption within strict sustainable criteria.

In the year that has passed, we have worked hard to stay focussed on this objective. Timber cutting permits in Ukraine and Newfoundland, which were not aligned with the strategy, were abandoned or relinquished. The saw log and sawmill operations in Lumberton, which would have required significant additional investment to scale up to profitable operations, and which were also not directly aligned with the biomass strategy, were exited.

An important landmark in February 2021 saw the completion of the balance sheet restructuring of the Convertible Loan Notes (the "CLNs"). We were grateful for the support of the CLN holders throughout the process to allow the Company to restructure the balance sheet and release the Group from onerous financial restrictions which were increasingly restricting the Company's strategy. We are also grateful to those shareholders and new investors who contributed toward the simultaneous £7.0 million (gross) capital raise. The Company immediately deployed those funds toward the construction of future CoalSwitch® production facilities.

COALSWITCH® HAS MOVED FROM BEING A CONCEPT TO BECOME A VIABLE NEW BIOMASS FUEL WITH PROVEN BENEFITS AND PROVEN INDUSTRIAL PROCESS FOR SCALED MANUFACTURE

Developing a new technology brings inevitable challenges and CoalSwitch® has been no exception. The permit issues which suspended construction activities in Lumberton in May 2021, and later in the year the suspension of production in Ashland following a component failure, were the most significant issues faced by the management team during 2021. The Company relocated production from Lumberton to Ashland in Maine and, during Q2 2021 the Company achieved its long-stated goal of scaled CoalSwitch® production as well as delivering CoalSwitch® to PacifiCorp Inc. as part of its STEP Program. The subsequent co-firing test program, completed in Q4 2021, co-ordinated by Brigham Young University and Utah University, provided considerable encouraging performance data and know-how for CoalSwitch®.

CoalSwitch® has moved from being a concept to become a viable new biomass fuel with proven co-firing benefits and a proven industrial process for scaled manufacture. Product and design enhancements have already been identified to improve the CoalSwitch® fuel alongside additions towards the manufacturing process to create further efficiencies for future production volumes. In addition to the pellet analysis program in Utah (the "STEP Program"), the Group established new partnerships to accelerate the analysis of CoalSwitch® and its properties. The positive independent product testing results from the University of New Brunswick in Q3 2021 continue to assist the Group's sales activities providing additional product credibility.

The last quarter of the year saw continued product and manufacturing developments for CoalSwitch® co-ordinated by the Company and working closely with Player Design Inc. ("PDI") in Maine. In addition, the Company continued its capital raising activities. The completion of the £3.0 million (gross) equity fundraise at the end of the year allowed the planning and engineering for the CoalSwitch® program to continue in 2022 as the work with the State of Maine moves forward for permitting to allow full scale production at the Ashland facility. The Board were particularly pleased that Tyler Player participated in this fundraising (by both investing funds and converting certain liabilities into new shares in the Company).

The current global environment and the terrible events in Ukraine have continued to shift customer objectives towards security of supply, sustainability and reducing pricing volatility. This has created a positive backdrop for the launch of CoalSwitch® into the commercial marketplace as a next generation black pellet fuel. New supply sources of biomass fuels have become of critical importance and the Company's plan to establish production volumes in the next twelve months could not be more opportune.

On behalf of the Company, I also wish to express our ongoing concern for the safety and wellbeing of former employees, advisers and their families who worked for Active Energy in its former Ukrainian operations over the last few years. All at Active Energy support Ukraine during this unfortunate conflict.

2021 was a challenging year for Active Energy and its operations. Working within the continuing Covid restrictions, both in the UK and the US, resulted in additional delays and obstructions to travel into the US which impacted the decision-making timelines in Lumberton. However, I would like to thank the members of the Board for each of their contributions and tireless support through these unprecedented times. I would also like to share the key reasons why I believe in the future of this Company:

- AEG is now singularly focused on its strategic goal to deliver CoalSwitch® to coal burning industries and existing biomass facilities.
- AEG has produced CoalSwitch® at industrial scale and independent analysis has validated its superior properties, and its ability to co-fire with coal. These achievements are attracting prospective customers both in North America and internationally.
- Working with PDI as an engineering partner has created strong alignment of goals and brought necessary engineering expertise within the Company.
- A restructured, unencumbered balance sheet has allowed AEG to open additional financing discussions to fund the Group's future development and growth.

In 2021, the Company has built the necessary foundations for AEG and its business. The Company's start-up phase is nearing its end and now the goals of production delivery and securing orders are the prime focus for the management team. This will include establishing a base in Maine which can represent the forefront of all AEG's forthcoming activities.

Post year-end, encouraging discussions have been held with potential customers from both industry and power generators worldwide, which continues to provide us with confidence that future orders for CoalSwitch® will be forthcoming. As a result the ability to supply CoalSwitch® in commercial volumes remains our highest priority. The Board remains confident about the future for AEG and I remain grateful for the ongoing support of all our stakeholders and look forward to the future with confidence.

James Leahy
Non-executive Chairman

26 May 2022

CoalSwitch® samples, July 2021.

WHAT IS THE STRATEGY FOR AEG?

- Advance CoalSwitch® as a next generation biomass fuel which can be supplied as a drop-in renewable fuel to be co-fired with coal or completely replace coal as an alternative feedstock (or replace existing biomass resources).
- Use waste biomass materials to produce a fuel which reduces customer's emissions without requiring significant plant modifications.
- To focus on sourcing feedstock to produce CoalSwitch® from relevant forestry residual and waste materials which are not currently fully utilised by the existing biomass industry.
- To achieve these objectives on an industrial scale production and to monetise the CoalSwitch® technology for the benefit of shareholders.

WHAT ARE THE KEY PERFORMANCE INDICATORS

- Production off-take agreements, or trial orders, with existing power generators or utilities or industrial partners in North America and the rest of the world.
- Establish production capacity through the completion of a CoalSwitch® production facility in Maine.
- Establishing feedstock supply agreements and joint venture agreements with established forestry product providers for the provision of residual and waste materials to produce CoalSwitch® and the construction of additional production facilities.
- Increased shareholder returns.

HOW HAVE WE PERFORMED IN 2021?

- Completion of balance sheet restructuring with the conversion of CLN's and the raising of equity funding to support the construction of a first reference plant to demonstrate the capabilities of CoalSwitch®.
- Construction at Lumberton, North Carolina well underway before receiving suspension notices regarding the existing construction permit in Q2 2021.
- Rapid relocation of key production assets from Lumberton to Ashland, Maine and relevant permit approvals obtained to allow the construction and completion of the first reference plant.
- First volumes of CoalSwitch® produced and delivered in Q2 2021.
- In Q3 2021, a component failure halted production shortly before the expiry of the temporary permit. Nonetheless, the completion of production of CoalSwitch® fuel, acquisition of manufacturing data and know-how gave the Board requisite information to approve construction of a production facility.
- Additional fundraising late in 2021 enabled the continuation of engineering and design works and application for the relevant permits in Ashland for the industrial-scale production facility.

OUR STRATEGY IS TO COMMERCIALISE COALSWITCH®, A PROPRIETARY TECHNOLOGY WHICH TRANSFORMS WASTE BIOMASS MATERIAL INTO HIGH-VALUE SUSTAINABLE FUELS WHICH CAN CO-FIRE WITH EXISTING FOSSIL FUELS

WHAT ARE THE KEY PRIORITIES FOR 2022?

- Construction of a CoalSwitch® manufacturing facility of industrial-scale at Ashland.
- Sign product off-take agreements and trial orders for CoalSwitch® with customers operating in the power generation and industrial sectors, in North America and worldwide.
- Obtain sufficient capital funding to:
  1) ensure completion of the first production plant;
  2) expand the Group's production facilities, either on a proprietary or joint venture basis; and
  3) expand the Company's platform in the US.
- Maintain the key sustainability criteria for biomass fuels throughout, by:
  1) ensuring all feedstock meets all appropriate environmental standards before use in CoalSwitch® manufacture;
  2) obtaining additional sustainable forestry certifications; and
  3) continuing to develop the manufacturing process focussing on additional sustainable benefits.

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

- Execution risks and time delays in the permitting and construction of the CoalSwitch® production plant in Maine, notably in the current trading environment.
- Existing consumers, either of coal or biomass, are not able to recognise the economic or environmental benefits of CoalSwitch® over existing feedstocks.
- Inability to secure long-term off-take agreements for CoalSwitch® or delays in this commercial process.
- Delays in securing sufficient waste wood resources from feedstock partners to allow production to establish and expand.
- Inability to secure sufficient funding in a timely manner to allow for the completion of the first manufacturing facility at Ashland and further expand production capabilities to meet growing demand during the next 18 months.

Further key risks and uncertainties faced by the Group are disclosed on pages 17 to 19.

Introduction

AEG is focussed on developing next generation biomass products and on the manufacturing processes and technologies required to produce them. The Directors believe that CoalSwitch® represents a step change for the biomass pellet industry, due to its utilising steam treatment technologies to produce a superior biomass fuel, thereby addressing both environmental and energy concerns for industry in the immediate future.

In 2021, AEG achieved a number of significant milestones:

- the successful financial restructuring of the Company's balance sheet and raising of additional equity funding to complete the construction of the first CoalSwitch® reference plant;
- completed construction of a plant at Ashland, Maine (the "Ashland Facility") and commenced production of CoalSwitch®;
- established sales and marketing activities in North America, Japan and in other countries to promote future sales of CoalSwitch®;
- supplied CoalSwitch® samples to twelve prospective customers worldwide (both power generators and industrial partners), with discussions ongoing to establish long-term supply agreements; and
- completed independent testing of first CoalSwitch® production to show that CoalSwitch® is a superior biomass pellet fuel to existing white pellets in terms of heating value, bulk density and its ability to be co-fired with coal within existing infrastructure without the need for additional capital expenditure.

CoalSwitch® at Ashland, July 2021.

SUSTAINABLE WOOD BIOENERGY PROJECTED TO REDUCE NET GLOBAL EMISSIONS BY 600 MILLION TONNES OF CO2 EQUIVALENT ANNUALLY BY 2030

Future role of biomass in energy supply

In recent months, economies have had to contemplate the possibilities of energy shortages and reconsider their fossil fuel policies. The world is continuing to examine their alignment with the goals surrounding sustainability. To add to the complexity, energy security has now become a material issue that every country is now forced to re-assess. Within these agendas, biomass as an alternative fuel source is also being re-examined.

The tragic conflict in Ukraine has highlighted questions surrounding fossil fuel dependency, but more importantly, it has had a significant impact on pricing for all fossil fuels. Biomass has seen a dramatic increase in price with prices for white pellet rising over 110% in the last twelve months and 32% within the last four months. In addition, given that Russia was the fourth largest biomass producer by volume in 2021, the biomass market is now having to plan for a reduction of up to 4 million tonnes (circa 6% of the global market) of future supply to take effect by mid-2022. These supply constraints affect both short-term and long-term contractual commitments for biomass, mainly in Europe.

The biomass market is currently looking for all forms of additional capacity to accommodate existing demand, without even considering the opportunities presented in the new growth markets, notably Japan. New capacity will arise from identified future production projects for white pellet coming on stream over the next 24 months. Nonetheless, given that much of this future production is already under off-take contract, there will remain a shortage of supply.

Black pellets, including CoalSwitch®, are increasingly being recognised as a future source of additional biomass supply. The market is acknowledging the operational and environmental benefits, including the ability to utilise waste residual feedstocks, increase bulk density and provide greater energy. The balance between economics and sustainability remains the industry driver.

In the long term, the future for the biomass industry remains robust. The International Energy Agency's ("IEA") *Net Zero by 2050* report shows a scenario of a global increase of 20 exajoules in biomass power to 2050 (equivalent to 12% of China's current annual electricity consumption) up from 7 exajoules to date. The Glasgow Declaration on Sustainable Bioenergy stated that sustainable wood bioenergy would be projected to reduce net global emissions by 600 million tonnes of CO_2 equivalent annually by 2030.

To date, Europe has led the way in the future use of biomass in power generation and this will remain the case in the short term. Nonetheless, a number of Asian countries, including Japan and South Korea, are adopting similar policies toward biomass which is expected to lead to future growth in these markets. Their focus is already upon next generation pellets, such as CoalSwitch® which meet modern demands for improved heating values and improved sustainability. North America faces similar challenges to accommodate consistent fuel supply on economic terms and to start to decrease the dependence on coal consumption amidst forthcoming emissions legislation. Next-generation biomass fuels, including CoalSwitch®, have never had a greater opportunity.

Strategy

Our strategy is to commercialise CoalSwitch®, a proprietary technology which transforms waste biomass material into high-value sustainable fuel which can co-fire with existing fossil fuels to produce immediate environmental and emissions benefits or replace existing biomass feedstock.

The Board believes that CoalSwitch®'s proprietary qualities and development program, have reached important milestones. CoalSwitch® has:

- utilised waste biomass material as a core feedstock for the fuel;
- validated its steam treatment technology on an industrial scale from running the test reactors at Ashland;
- acquired additional technical product knowledge and manufacturing know-how during the first production cycles at Ashland;
- verified the properties of CoalSwitch® pellets, both as a next generation fuel, and in its performance to co-fire with coal and reduce emissions; and
- produced positive market interest in CoalSwitch® as an alternative renewable fuel.

Next generation biomass fuels (such as CoalSwitch®) will play an important part in addressing the increasing legislative and regulatory requirements being imposed on power generators and heavy industry worldwide. This, combined with increasing public awareness of sustainability, provides commercial opportunities for CoalSwitch®.

Production of CoalSwitch® from the first reference plant at Ashland in the summer of 2021 provided considerable manufacturing data and know-how. As a result of this data, the Board decided to commence construction of an industrial scale facility to produce CoalSwitch®. The market requires a scalable solution to produce next generation pellets in volume and the Directors believe that AEG now has the technical solutions to deliver black pellets, in commercial quantities, via its steam treatment technology.

CoalSwitch® – a fuel with solid credentials

To date, AEG has supplied fuels to twelve prospective clients and universities for their own independent analysis in North America and Japan. Each customer is assessing the fuel to meet its own individual consumption requirements.

The first test results from production volumes were published by the Wood Science and Technology Center at the University of New Brunswick on 2 September 2021 and demonstrated the premium qualities of CoalSwitch® as a biomass pellet compared to existing white pellets. The pellets were analysed for their proprietary qualities, namely the quality of the pellet produced from the Ashland Facility using waste feedstock, its heating value and organic elemental analysis in a laboratory environment.

The results from the analysis of these CoalSwitch® pellets were as follows:

- produced to industry standard size and met the initial hydrophobic tests set by the Pellet Fuels Institute;
- bulk density of 42.17 lb/ft^3 (or 672 kg/m^3) – a substantial premium to existing white pellets;
- produced less ash (circa 3% inorganic ash) – a significant reduction to customary ash content for coal;
- the elemental analysis contained circa 55% carbon and less than 0.5% sulphur content – a significant improvement from white pellet; and
- an increased heating value over white pellet, namely 10,042 btu/lb (with the potential for even greater heating value yields by reducing the underlying moisture content which had been attained during first production runs).

In addition, CoalSwitch® was delivered to PacifiCorp in June 2021 as part of the STEP Program in Utah. The program has been funded by Rocky Mountain Power's Sustainable Transportation and Energy Plan to analyse next generation fuels. The STEP Program was designed to evaluate the burning and material handling properties of various black pellets including CoalSwitch®. The STEP Program involved an analysis of each phase of the pellet burning process, including materials handling as well as co-firing and emissions properties.

Utah test furnace, October 2021.

CoalSwitch® was tested through a bowl mill to better understand materials handling when combining with coal and subsequently co-fired into a pulverised coal research furnace operating at 1.3 megawatt of thermal output. The coal research furnace, operated by Brigham Young University, has a firing system and direct operational representation of industrial-scale utility boilers used by power generators throughout the United States. As part of this assessment, CoalSwitch® was tested over a one-week period both on its own, as well as blended with Utah bituminous coal at various ratios. CoalSwitch® and coal were successfully milled, with the milled fuel blends subsequently used for combustion testing with a reduction in energy consumption.

The STEP Program was co-ordinated by Brigham Young University, Rocky Mountain Power (a subsidiary of PacifiCorp), the University of Utah, Chalmers University of Technology and Reaction Engineering International. The STEP Program completed the materials analysis and burn testing in Q4 2021. The first conclusions were reported in January 2022. The testing results were very encouraging for AEG and demonstrate that CoalSwitch® is a viable solution for coal consumers seeking to reduce their emissions.

The summary of key findings from the report on the testing were as follows:

- CoalSwitch® can be milled in an unmodified mill with only small changes required to the mill settings;
- a material reduction in mill power requirements occurs when milling CoalSwitch® compared to pure coal or other alternative biomass fuels;
- heating value of CoalSwitch® alone was 9,313 BTU/lb, represented a 12.9% premium to traditional white pellets currently produced for the market by the Company's competitors;
- on a blended mix of 75% coal and 25% CoalSwitch®, the heating value increased to 11,807 BTU/lb, representing only a 7% drop from normal coal burning values used in conventional coal fired facilities;
- CoalSwitch® consumed in the furnace produced 77% less ash than coal;
- CoalSwitch® burnt in the furnace reduced NOx emissions by 20% versus existing coal consumption; and
- CoalSwitch® reduced sulphur dioxide emissions by 60% vs coal.

The results of these independent testing programmes have proven the superior performance credentials of CoalSwitch® which AEG had always believed to be the case. More importantly, this independent research is important for prospective customers as they commence their analysis toward testing and evaluating CoalSwitch® and look toward long-term supply contracts. Following the year end, AEG has been reviewing test burn data received from prospective customers and these conclusions mirror all the analysis completed in 2021. This provides a favourable backdrop towards commercial discussions.

CoalSwitch® production at Ashland, July 2021.

CoalSwitch® meets established sustainability criteria

Post year-end, in April 2022, AEG obtained Chain of Custody ("CoC") and Controlled Wood certification compliant with the Forest Stewardship Council® ("FSC®") standards for its CoalSwitch® fuel produced in Maine. The application process commenced in Q4 2021 to attain market standard accreditation for both CoalSwitch® and AEG. The certification process included an audit by an independent accredited certification body, which examined the full CoalSwitch® production process, encompassing the entire supply chain from feedstock source to final production of fuel. AEG's certification to these FSC® standards confirms that the production of CoalSwitch® will use forest-based materials from responsible sources and that the Company's suppliers have committed to the strictest standards currently governing forest management.

The FSC® certification is the basic market prerequisite to permit any biomass products to be sold into many of AEG's target markets, notably Japan. Certification for AEG from FSC® represents another significant milestone as the Company seeks to establish CoalSwitch® as a 'true alternative fuel' and engages with a wider range of prospective customers who also share our commitment toward sustainability.

INDEPENDENT TESTING PROGRAMMES HAVE PROVEN THE SUPERIOR PERFORMANCE CREDENTIALS OF COALSWITCH®

Sales and marketing activities for CoalSwitch® fuel

Signing trial orders and long-term off-take agreements with prospective customers both from the power generation sector and heavy industry is the priority for AEG. Since first production was completed in Q3 2021, the Group has focussed its sales activities both in North America and worldwide. Personnel have been retained both in the USA and Japan to develop sales and marketing opportunities in each region.

Within the USA, the prime focus has been to examine opportunities with existing power utilities and other coal-consuming industries such as cement and aggregate industries. Their interest is focussed on co-firing opportunities needing to address the immediate environmental concerns over the current consumption of coal or alternate biomass products. The team are currently working with various prospective customers who wish to receive trial volumes at specified locations in the USA. Based upon this success, these customers will look to conclude long-term supply contracts and AEG is already receiving additional enquiries as to planned additional production facilities in the USA. Whilst the current discussions are positive, AEG anticipates that many of these off-take agreements will not be signed until later this year or early next year.

The sales opportunity in Japan is on a greater scale. Japan has publicly stated its goals for future biomass consumption, with a need to examine various types of fuels. Black pellet, particularly CoalSwitch®, has been identified as a potential fuel. AEG's marketing efforts in Japan are focussed on specific future biomass plant projects and working with engineering, procurement and construction ("EPC") partners to supply fuel on long-term contracts. First samples of CoalSwitch® fuel were delivered to prospective customers and EPC partners in H2 2021 and in 2022 where testing produced suitably favourable results compared with white pellet. Once again, AEG is working towards securing long-term supply contracts with fuel deliveries commencing no earlier than 2024 and contractual negotiations have already commenced to work within these infrastructure project deadlines.

Financial results for 2021

Following the ceasing of activities, the sawmill and saw log businesses have been accounted for as discontinued operations.

Losses for the year ended 31 December 2021 amounted to US$5.9 million (2020: US$8.8 million). The current year losses included an impairment of US$2.0 million relating to the damaged reactors following the component failure at Ashland. The basic and diluted loss per share for total operations was 0.16 cents (2020: 0.65 cents).

The balances restructuring in February 2021, during which the full CLN obligation was redeemed or converted into equity, and £7.0 million (gross) of equity was raised, resulted in a net cash position at 31 December 2021 of US$2,087,402 (2020: net debt of US$21,467,000). This allowed the Group to progress with the construction of the CoalSwitch® reference plants. In addition, the restructuring resulted in the release of the corporate debenture which was held as security for the CLN's. The Group was fully unencumbered at 31 December 2021. Further analysis of the results for the period are set out in the financial review below.

Operational update

During 2021, AEG's operational activities were focussed 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. The locations were chosen to allow association with the relevant wood baskets of New England and the Appalachia and to allow AEG to make the greatest impact toward the industry changes required of the biomass industry.

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. 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 existing facility at Ashland.

In April 2021, a joint venture arrangement was established to combine AEG's existing CoalSwitch® manufacturing equipment with PDI's existing operating infrastructure at the site to construct a reference plant at the Ashland Facility. The Board decided to proceed with this second development before the permitting issues arose in Lumberton during May 2021.

With the subsequent events at Lumberton (which are described below), resources within AEG and PDI were refocussed toward completion of construction of the reference plant and for it to become operational within the existing timetables agreed under the STEP Program. 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 STEP Program were made in June 2021.

The Ashland Facility reference plant continued to produce volumes of CoalSwitch® and operate to capacity until 5 August 2021 when a monitoring component failure resulted in a suspension of production. The Board, together with PDI, completed a detailed analysis of the manufacturing failure during Q3 2021 and were able to conclude that, save for the component failure, the steam treatment technology within the reactors had performed as planned and that the process could be expanded towards an industrial scale production system. The component failure rendered both reactors inoperable but all other production equipment at Ashland remained fully operable and capable of recommencing CoalSwitch® production operations.

The reference plant at Ashland had validated the steam treatment technology to produce next generation biomass fuels on an industrial scale and identified the requirements to build larger scale facilities. Further, AEG has acquired valuable manufacturing and product data necessary for the future development of production facilities both in North America and elsewhere.

Since the beginning of 2022, both PDI and AEG have been working on the engineering and permit activities to complete construction of a CoalSwitch® production facility at Ashland. PDI is in a regular dialogue with the State of Maine to address all relevant permit issues, including all permits required for land use, water disposal and emissions. This process is ongoing and will continue until the CoalSwitch® production facility is fully operational.

As this work has progressed, PDI and AEG have also been developing and redesigning new larger scale CoalSwitch® production reactors and a larger industrial scale manufacturing process. The intention is to build out an industrial scale facility which should accommodate expansion of production capacity with minimal disruption to production in the medium term. The new production facility will also reuse equipment formerly at Lumberton, in order to accelerate the current construction process. The current environment for sourcing equipment is challenging in the USA and PDI are working to resolve these issues to deliver an operational facility as soon as possible.

Operations at Lumberton, North Carolina

The property in Lumberton was purchased in 2019 to become the initial production hub for CoalSwitch® and a variety of associated lumber activities, including the production of rail ties and other lumber products. These activities were believed to be complementary given AEG's primary aim was to demonstrate that biomass fuel production could achieve sustainability goals for the existing activities of the lumber operations. This operating model attracted interest from prospective lumber partners throughout the USA and Canada during 2021 and continues to attract the attention of the lumber industry.

In respect of the lumber activities during the year, there were 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 during Q1 2021 which disrupted log supplies to the Lumberton Site, ongoing supply chain and logistics disruption globally for product distribution and continuing operational limitations occurring in North Carolina and the USA as a result of Covid-19 through 2021 (including preventing the Company's management being able to visit the site on a regular basis).

During Q1 2021, the Board undertook a review of the lumber and saw log activities at the Lumberton Site and 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, in the first half of the year the Board took the decision to cease the Company's lumber and saw log activities in AERP at Lumberton.

Since Q4 2020, AEG's focus at Lumberton was the production of CoalSwitch® after relevant permits had been issued by the North Carolina Department of Environmental Quality ("NCDEQ") in August 2020. Preparatory engineering work was completed late in 2020 and AEG hired the engineering services of PDI. Following completion of the fund raising and balance sheet reconstruction in February 2021, engineering and construction activities accelerated 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. No commercial activity has taken place at the Lumberton Site since the issuance of this notice. However, the NCDEQ then requested additional information on emissions including data from an operational facility in order to revise and re-issue the permits. During this period, AEG was required to suspend all construction activities of the first reference plant at the Site. NCDEQ made it clear that AEG could not resume the permit approval process without independent emissions analysis being submitted. This resulted in AEG having to refocus its efforts toward Ashland to ensure that such data might be presented to the NCDEQ. As a result of the events at Ashland during Q3 2021, independently analysed emissions data was not acquired and accordingly no further effort has been made to amend the original permit.

CoalSwitch® plant in construction at Lumberton.

Lumberton Site, May 2021.

GLOBAL CONDITIONS HAVE NEVER BEEN BETTER FOR THE LAUNCH OF A NEXT GENERATION BIOMASS FUEL

In addition to these operational issues at Lumberton, AEG received a series of legal challenges from the Southern Environmental Law Center ("SELC") based in North Carolina during 2021 regarding alleged operational permit breaches from an existing wastewater treatment plant located within the facility. The alleged action correlates to the period when the Group first assumed ownership of the property. Throughout the time of ownership of Lumberton, the Company has complied with all federal and state environmental regulations imposed at the facility and ensured that all reporting obligations and records have been correctly maintained. Accordingly, the Directors are confident that the Group has fully complied with its environmental and permit obligations and wholly refutes SELC's claims. Based on the legal advice that it has received the Company strongly believes that there is no merit in any of the SELC's claims and allegations and will continue to vigorously defend its position.

In late 2021, the Board reviewed the options for Lumberton. Our operational experience at Ashland had demonstrated the exact site requirements any future CoalSwitch® facility may require and it was agreed that other options should be considered given the existing circumstances. As part of the options, Lumberton was placed on the market during Q4 2021, either to sell or for lease to third parties. On 31 March 2022, AEG announced that it had entered into a sale and purchase agreement with Phoenix LLC for the sale of the Lumberton Site for gross cash proceeds of US$4.65 million. The sale is subject to a 75-day due diligence and closing period, with closing of the transaction and receipt of sale proceeds expected in June 2022. At present, the sale and due diligence process continue as expected.

As part of this process, all production equipment acquired in 2020 and 2021 for future CoalSwitch® manufacture will be transferred to the Ashland facility for use in the new scaled manufacturing plant including the former proprietary CoalSwitch® reactors which may continue to be used for further product development activities.

Intellectual property and registered trademarks

During 2021, AEG continued to develop its intellectual property portfolio and production know-how regarding CoalSwitch® and its manufacture. The award of the patent in the USA in December 2020 (Patent Number 10,858,607) has accelerated additional patent applications in the USA. Complimentary patent applications surrounding the beneficiation process have been submitted in the USA to further protect the manufacture process during 2021.

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. On 1 November 2021, AEG announced the formal award of the Canadian patent (Canadian Patent Number 2,999,447). These patents follow in substance the patents already issued in the USA. The Company continues to file further patent applications around the world with complementary patent applications currently in progress in South-East Asia and the EU.

Production data and the future manufacturing plans for larger scale reactors necessitate the development of additional activities for CoalSwitch® intellectual property program within North America and internationally.

Post year-end, in April 2022, AEG was awarded the registered trademark of CoalSwitch® for use on all future black pellet production created by AEG or its authorised licencees in the USA. This approval process has taken over 18 months to complete. Additional trademark applications have commenced for registration of the trademark in international markets.

Technology licensing

Finally, throughout the year, AEG has continued to focus on opportunities for production joint ventures and partners for production licensing, using AEG's proprietary intellectual property and manufacturing know-how. Ongoing conversations continue with prospective partners in South-East Asia and South Africa. Completion and operation of the first manufacturing plant in Ashland will demonstrate the opportunities that CoalSwitch® and its production technologies represent.

Going concern

The Directors have given careful consideration to the appropriateness of the going concern basis in the preparation of the Annual Report and Accounts for the year ended 31 December 2021. Further details of our current financial position and material 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 1 of the Financial Statements.

At the time of completion of the equity fundraise in December, shareholders were advised that the funding required to complete the production facility in Ashland was more than the proceeds raised. The net proceeds from the sale of the Lumberton Site, will allow the Company to further the development of the Ashland Facility, but additional sources of funding will be required for its completion.

Whilst there can be no guarantee that funding will be available on terms that will be acceptable to the Company, or at all, the Directors are confident that the funding required for the Group to continue as a going concern will be secured within a period of twelve months from the date of approval of the Financial Statements and have therefore prepared the Financial Statements on a going concern basis.

Outlook

In the current economic and geopolitical environment, the role of biomass has increased in importance as an alternative renewable fuel in recent months. The sharp spikes in the pricing for biomass fuel in recent weeks may prove to be short term, but the tragic events in Ukraine have highlighted energy security concerns across Europe, US and Asia. Biomass, sourced from North America, has clear advantages in terms of energy security and this fact is proving an important consideration for our potential customers.

To add to this, the questions surrounding sustainability, particularly amongst industrial companies, continue to gather momentum. The consumption of coal continues but the legislative pressure increases to seek immediate solutions towards reduction in coal usage and corresponding reduction in emissions. With this backdrop, accelerating level of enquiries from prospective customers worldwide continue to seek volumes of CoalSwitch® fuel as soon as possible. In spite of the current disruption, global conditions have never been better for a next generation biomass fuel with the capacity to be co-fired in coal operations without the need for additional capital expenditure.

The priority for AEG is to begin commercial production of CoalSwitch® at the earliest opportunity. Technical design for the new production facility has been completed, encapsulating the current requests from the State of Maine and AEG is currently negotiating equipment and plant delivery schedules. By re-deploying the equipment formerly at Lumberton and reinvesting the proceeds from the sale of the Lumberton site, AEG is examining all optimum ways to accelerate toward that first date of commercial production.

The medium-term strategic focus will subsequently evolve to locating and developing additional production sites in the USA and Canada to meet future customer offtake commitments. Current discussions with prospective customers are proving invaluable in planning this strategy.

We look forward to delivering CoalSwitch® to customers in North America and worldwide.

Michael Rowan
Chief Executive Officer

26 May 2022

The Consolidated Financial Statements for the year ended 31 December 2021 ("current year") is compared to the year ended 31 December 2020 ("prior year").

Positioning to move forward – a restructured balance sheet

In January 2021, Advanced Biomass Solutions Plc ("ABS"), a subsidiary of the Company, agreed a debt facility up to £1.0 million and drew down £550,000. The loan allowed the Company to manage its working capital requirements in advance of the February fundraising. The debt was repayable within twelve months with monthly capital repayments following a four-month repayment holiday. Initiation fees of 7% were payable, and interest was charged at 10% per annum payable quarterly in arrears. The Company provided a corporate guarantee as security. ABS had fully repaid the obligation at 31 December 2021, and the securities had been released. Following that, in February 2021, the CLN holders agreed to either convert their CLN's or have them redeemed and agreed to a release of the corporate debenture previously held over the Group's assets by the CLN holders.

These actions restructured the Group's balance sheet, positioning it to advance CoalSwitch® production. The Group reports a net cash position at 31 December 2021 of US$1.8 million (2020: net debt position of US$21.5 million). In addition to this improvement, the Group's balance sheet was unencumbered at year end, as opposed to the stringent securities in place in the prior year. As the Group looks forward to developing CoalSwitch®, after completion of the first production facility in Ashland, it will have the option to debt finance future developments.

Fundraising activities through 2021

At the same time as the CLN conversion, the Company raised £7.0 million (gross) in an equity fundraising. The proceeds received by the Company, after certain CLN redemptions, were used to progress the construction of the reference plants at Lumberton and Ashland.

In December 2021, the Company raised a further £3.0 million (gross) in an equity fundraising. The proceeds of this fundraise have been used to:

- Complete engineering and design work required for the Ashland Facility;
- Complete the application for the necessary operational and construction permits for the Ashland Facility;
- Order additional engineering equipment with long lead-times required for the construction of the Ashland Facility; and
- To accommodate the Company's general working capital requirements.

The December fundraise included a subscription of US$1.0 million by Tyler Player, owner of PDI, the Company's technology partner for construction and design of CoalSwitch® plants. The Group is very pleased to have Tyler Player as a significant shareholder of the Company, and PDI as its technology partner as it readies itself for CoalSwitch® commercialisation and production expansion. As at 31 December 2021, Tyler Player held 6.64% of the Company's ordinary share capital.

We thank the new shareholders who participated in the two fundraisings for their confidence in the Group, and our existing shareholders for their ongoing support.

Going concern

The Financial Statements have been prepared on a going concern basis. Note 1 of the Financial Statements lays out the material uncertainties relating to the Company's ability to continue as a going concern.

At the time of the December fundraise, shareholders were advised that the funding required to complete the production facility in Ashland was considerably more than the amount raised.

The nature of the Company's strategy, which is focussed on delivery of the first CoalSwitch® production facility in Ashland, means that the precise timing of milestones and funds generated during the early years of development projects are difficult to predict. The Directors have prepared financial forecasts to estimate the likely cash requirements of the Group over the next twelve months from the date of approval of the Financial Statements. The forecasts show that the Group requires the near-term disposal of the Lumberton facility to be successful as well as additional external funding within the twelve-month forecast period to be able to continue as a going concern. At the date of approval of the Financial Statements the buyer is in the due diligence phase prior to completion and no additional funding is as yet committed.

Whilst there can be no guarantee that funding will be available on terms that will be acceptable to the Company, or at all, the Directors are confident that the funding required for the Group to continue as a going concern will be secured within a period of twelve months from the date of approval of the Financial Statements and have therefore prepared the Financial Statements on a going concern basis. The Directors are considering a number of options for securing the additional funding including via the sale of assets, the raising of debt or equity or a combination of both. The Directors have also identified alternative options which could be pursued to provide additional working capital to enable the Group to meet its liabilities as they fall due over the next twelve-month period.

The Financial Statements do not include any adjustments that would arise if the Group were unable to continue as a going concern.

CoalSwitch® development

Having suspended construction activities for a CoalSwitch® reference plant in Lumberton, on 20 May 2021, the Company announced its 50/50 joint venture arrangement with PDI. Under this joint venture, AEG and PDI jointly owned a CoalSwitch® plant in Ashland, Maine. This reference plant construction was completed and production commenced in May 2021 under a temporary production permit obtained by PDI and AEG.

On 5 August 2021, a monitoring component failure resulted in an unexpected interruption in production cycles. As a result of this failure, both reactors at the Ashland Facility were rendered inoperable, resulting in an impairment charge of US$2.0 million (see Note 4). All other equipment remains operable and will be incorporated in the Ashland CoalSwitch® production facility along with other plant and equipment currently located in Lumberton.

Subsequent events

The Company announced the sale of the Lumberton site in March 2022 for gross cash proceeds of US$4.65 million. The sale is subject to a 75-day due diligence and closing period, with the closing of the transaction and receipt of sale proceeds expected in June 2022.

During 2021, the Southern Environmental Law Center has commenced a legal action against the Group for alleged permit breaches in operational activities at the Lumberton Site. Upon receipt of legal advice, the Directors are confident that the Group has fully complied with its environmental and permit obligations since ownership of the Site and strongly believes that there is no merit in any of the SELC's claims and allegations and will continue to vigorously defend its position.

Performance

In the first half of 2021, the Board 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 was not able to operate the saw log export business at a scale to produce profitable returns. Furthermore, the equipment operated by the sawmill business restricted production expansion, and the business struggled to operate profitably. The level of capital investment required to scale up and operate both businesses 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 these businesses. In accordance with IFRS 5, the results for these businesses have been accounted for as discontinued operations.

Continuing operations

Gross loss in the current year of US$517,238 (2020: US$nil) reflects the non-capitalised expenses of the Ashland reference plant during the period of production.

Impairment charges of US$2,000,000 (2020: US$4,758,707) account for the two reactors which were damaged following the component failure at Ashland.

Administrative costs were US$3,191,554 (2020: US$1,644,480). The increase reflects the non-cash share-based payment charge of US$639,746 (2020: US$56,382) arising from LTIP and warrant awards. Certain administrative costs previously transferred to operating entities and reflected in cost of goods sold are now fully reflected within administrative costs.

Other income of US$361,237 (2020: US$96,405) reflects the forgiveness of CLN indebtedness.

Finance costs reflects the impact of the CLN conversion and redemption, as well as the foreign exchange impacts on funds raised during the year.

Discontinuing operations

The termination of the saw log and sawmill businesses is disclosed in the loss from discontinued operations of US$919,211 (2020: US$1,923,593). The losses reflect the difficult trading conditions and the impact of operating below optimal scale operations. Costs associated with the closure of the saw log and sawmill businesses have been fully accounted for. The Group does not currently have any revenue generating operations.

Loss for the year was US$5,881,768 (2020: US$8,757,919), and total basic and diluted loss per share was 0.16 cents (2020: 0.65 cents).

Financial position

Non-current assets

As part of the December fundraising, AEG acquired the remaining 50% of the joint venture from PDI. Know-how of US$400,000, acquired during the CoalSwitch® production period, was recognised. Going forward with the construction of the CoalSwitch® facility in Ashland, AEG will own 100% of the assets and operations of the facility.

Additions to plant and production equipment of US$3,957,944 (2020: US$1,323,499) 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$253,788 of plant and equipment.

Current assets

Trade and other receivables of US$1,628,959 (2020: US$270,755) consist mainly of US$1,190,315 of project advances to PDI for the development of the Ashland Facility.

Current liabilities

Trade and other payables were US$1,222,030 (2020: US$2,241,657). An accrual of approximately US$700,000 for Lumberton and Ashland construction costs was included in 2020 with the remaining reduction owing largely to the cessation of timber trading activities and stringent cost management.

Non-current liabilities

Loans and borrowings of US$143,931 (2020: US$22,105,551) reflects the impact of the removal of the CLN obligation. The removal of all securities accompanied the CLN removal.

Cashflow

Operating cash outflows were US$5,618,404 (2020: US$1,302,560). The increased outflow of US$4,315,844 comprises US$2,236,562 relating to operating performance, and US$2,079,282 attributable to working capital reduction.

Investing outflows of US$4,375,624 (2020: US$1,400,932) relate to the purchase of relevant equipment related to the CoalSwitch® facilities in Lumberton and Ashland.

Financing activities included US$12,722,200 of net equity raised in the fundraisings in February 2021 and December 2021, less US$1,571,222 of CLNs redeemed as part of the balance sheet restructuring process.

US$1,940,871 of cash and cash equivalents was on hand at year end (2020: US$999,631).

Section 172 Statement

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

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

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

Further corporate governance matters related to this Section 172 Statement can be found on page 26.

Andrew Diamond
Finance Director

26 May 2022

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

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

Risk (Board's view of the change in status since 2020)	2021 Outcome and Mitigation Action
STRATEGIC	**The Group is reliant on the growth of the biomass industry for the development of the CoalSwitch® product and monetisation of its assets and intellectual property**
The acceptance of biomass as a credible form of renewable energy **(Better)**	Globally the focus on climate change and sustainability continues to increase. COP26 highlighted carbon emissions and in particular encouraged coal reduction. Nonetheless COP26 reaffirmed the future market opportunity and benefits for biomass as a long-term future fuel source.
Governmental development of policies to support an environmental improvement agenda **(Better)** Favourable US policies within which CoalSwitch® becomes a viable choice for industrial coal consumers **(Better)**	Whilst limited in the resources to affect global or US federal policy change, the Group will utilise the resources at its disposal to positively affect policy direction. Despite the current lack of legislative direction, many coal-fired power producers and large-scale coal consumers are considering the operational viability based on the environmental concerns associated with coal. Once in production, the environmental benefits of CoalSwitch® can be readily demonstrated, however the Group will be challenged to convince these producers that the environmental and cost benefits exceed the current pricing. Current coal pricing presents an economic argument for CoalSwitch® but future circumstances cannot be guaranteed.
CoalSwitch® as the next generation pellet is found to be sub-efficient in calorific value, emissions reductions and/or ability to be co-fired with coal in existing applications **(Significantly better)**	Independent laboratory testing of both the fuel's composition and its ability to co-fire with coal have produced favourable results, demonstrating the superior qualities of CoalSwitch®. The burn test results have validated CoalSwitch®'s ability to be co-fired with coal in existing operations, in particular in coal-fired power stations. The results of these tests are included in the Group's marketing activities.
Political and regulatory uncertainty and delays or refusal in granting permits may severely inhibit expansion plans **(Better)**	Despite permitting setbacks during 2021, the production of CoalSwitch® in Ashland has provided manufacturing knowledge and data, which the Group is able to share with regulatory bodies to assist with all components of permitting process.
Inability to secure long-term take-off agreements for CoalSwitch® or delays in the process of uptake **(Better)**	Power producers and large-scale industrial coal consumers are not known to be quick adopters of new technologies. Despite traditional barriers to transition, economic and sustainability agendas are creating metrics at corporate board levels to demand an increased focus. The Group's sales efforts are focussed on the parameters of sustainability, economics and energy security.

Risk (Board's view of the change in status since 2020)	2021 Outcome and Mitigation Action
FINANCIAL	**Growth and expansion are reliant on access to capital**
Insufficient cash resources to finance key projects and expansions required to build out production of CoalSwitch® and to continue as a going concern **(Unchanged)**	Cash management is critical at this vital point in our expansion. Management has a tight control over the Group's cash resources and is frugal in capital allocation, most notably ensuring the money is spent in pursuit of the Group's core strategies. The Company raised gross proceeds of £7.0 million in February 2021, and a further £3.0 million in December 2021 through the issue of new shares. The proceeds of these fundraises have been put to work as intended, however shareholders were made aware that the completion of the Ashland Facility would require additional funding. The proceeds from the Lumberton property sale will support the construction, however additional funding will be required to reach completion. The Company is aware of shareholders concerns regarding past performance and the lack of off-take agreements or trial orders and is working to resolve both. Given current equity capital market conditions, the Company remains at risk regarding its ability to raise sufficient capital to complete construction of the Ashland facility.
The Group's ability to access funding to meet commitments and development plans **(Unchanged)**	There is no guarantee that current market conditions will permit the raising of necessary funds, by way of debt financing or issue of new equity, as and when the Group requires in the coming months. As noted above, the expansion of CoalSwitch® production capacity will require additional funding. The Board is consistently monitoring the timing and nature of additional funding requirements.
The Group's ability to access local government support in each jurisdiction we operate within **(Unchanged)**	Engagement with local regulatory authorities is key to the Group's future success. The Group will use all the tools it has available to ensure this engagement is productive and that all requisite support is obtained both for initial approvals and on an on-going basis.
Inflationary pressure on capital and operating costs **(Worse)**	Current global inflationary and supply pressures may result in the Group being unable to deliver capital projects on time and on budget. Additionally, inflation impacts operating costs, transport and logistics costs and feedstock pricing, all of which are currently under immense pressure and difficult to confirm. It is also uncertain whether any or all of these costs may be passed on to customers in the contract pricing for CoalSwitch®. Price escalations may impact the operational profitability for the Company.

Risk (Board's view of the change in status since 2020)	2021 Outcome and Mitigation Action
REGULATORY	**Production of CoalSwitch® will be subject to scrutiny from various regulatory and environmental bodies in each of the jurisdictions we elect to operate in**
Failure to comply with construction/environmental permitting and emissions requirements **(Unchanged)**	Compliance is a key driver in the success of the business. The issuance of the suspension notice at Lumberton demonstrated the significant impact a lack of continuous engagement with relevant authorities may have on future operations. Management seeks to maintain open and transparent dialogue with all relevant authorities. The Board acknowledges the importance of continuous compliance in all areas of operations.
Failure to comply with law and regulations in the jurisdictions in which we operate **(Unchanged)**	It is important that the Group employs people with the required skill sets to manage and operate the Group's business within applicable laws and regulations. Where required the Group will provide the necessary training to staff to ensure they remain up to date with laws and regulations. At the same time, the USA is a litigious environment to operate in, and as demonstrated by the ongoing litigation with the Southern Environmental Law Center, the Group will take all necessary legal steps to defend itself and its reputation.
OPERATIONAL	**Operational challenges in producing and selling CoalSwitch®**
Health and safety risks to employees, contractors and local communities **(Unchanged)**	The Group has a strong safety track record. The Group will continue with Health and Safety Risk assessment processes to induct and protect all employees and other stakeholders. As a result of the established safety procedures in Ashland, there were no injuries reported from the component failure. The Group carried out a detailed safety and procedural check after the failure and the Board considered all details of the event. The Group complies with health and safety requirements in the jurisdictions within which it operates.
Project execution risk associated with capital intensive activities **(Better)**	The Group outsources construction projects to established engineering, procurement and construction ("EPC") contractors for its projects. The process of selecting an EPC contractor is rigorous to eliminate risk of failure. Careful analysis is done on relevant project experience and transaction success. PDI, the Group's engineering and construction partner, has a proven track record. The experience gained from the construction and operation of the Ashland reference plant has further led to significant process and design improvements.
Reliance on key management/staff and inability to scale up the business with talented resources fast enough to support a growing Group as production expands **(Unchanged)**	The Group does have a very small compliment of employees and is required to outsource many activities. By its nature the Group is extremely reliant on a small handful of individuals. As the Group demonstrates success with its CoalSwitch® product and starts to grow it will need to employ people in diverse applications to further all business activities. The Group rewards individuals appropriately for their time and efforts in order to retain them. In February 2021, the Group implemented a LTIP scheme to reward senior management on a basis aligned with shareholder interests.

At its core AEG is seeking to improve the quality of the environment. Whilst the credentials of biomass are debated in various communities, the development of CoalSwitch® as a next generation sustainable biomass fuel utilising waste biomass remains the core purpose of the Company. A biomass fuel capable of co-firing with coal which can result in significantly reduced emissions represents an important sustainable power source during the transitionary period as the world moves away from consumption of fossil fuels. The requirement is to increase power generation whilst reducing all emissions and consumption of natural resources. We believe CoalSwitch® is uniquely positioned to contribute towards those sustainability goals for the biomass fuel sector, the associated sectors of coal consuming industries and the lumber industry.

Corporate Responsibility

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

Covid-19

The emergence and spread of Covid-19 had a significant impact on the Group's operations. Whilst precautions were taken in relation to ongoing operations at the Lumberton site, it has experienced operational disruptions. The additional restrictions imposed on international travel made it difficult for the executive management to travel to the USA for significant periods of time through 2020 and 2021. The Board believes that these conditions did negatively impact on the activities at Lumberton. The Group continues to monitor the development of Covid-19 and complies with the requirements in each of the jurisdictions within which it operates.

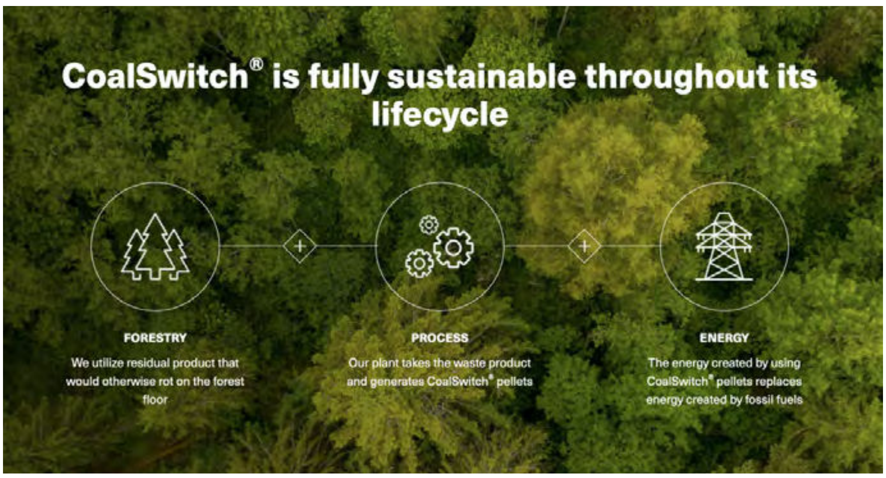
THE BOARD IS COMMITTED TO ESTABLISH AND FOLLOW INTERNATIONAL PRINCIPLES OF ENVIRONMENTAL SUSTAINABILITY AND RENEWABILITY

Environment

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

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

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



On 15 March 2022, the Group announced that it had achieved Chain of Custody ("CoC") and Controlled Wood certification compliant with the Forest Stewardship Council® ("FSC®") standards for its CoalSwitch® fuel. The process of attaining this certification included an audit by an independent accredited certification body. The audit examined the full CoalSwitch® production process, encompassing the entire supply chain from feedstock source to final production of fuel. AEG's certification to these FSC® standards confirms that the production of CoalSwitch® will use forest-based materials from responsible sources and that the Company's suppliers have committed to the strictest standards currently governing forest management.

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. Previous hazardous sawmill and saw log operations were ceased during 2021. A component failure at the Ashland Facility on 5 August 2021 resulted in damage to the two CoalSwitch® reactors, and halted production, but did not lead to any injuries.

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

Community relations

As the Group moves into the Ashland, Maine community, we will seek to engage with the local community on issues as they arise, and more generally in everyday matters. The Group will employ locally to provide opportunities for those in the communities within which we operate, will support local initiatives, and will pay local taxes and other fiscal contributions as they become due.

Gender and diversity

The Board does not currently have female representation. As the Company executes its growth strategy and requires additional board representation, the question of gender equality will be included in the nominations committee brief for consideration.

The Group finished the year having scaled back the Lumberton operations to a core maintenance staff, the majority of which will no longer be required following the sale of the Lumberton property. The Company hires local representatives on a non-discriminatory basis. As the construction of the Ashland Facility progresses, the process of hiring operational staff will be cognisant of gender and diversity.

Enhanced governance

Governance processes are discussed in the Corporate Governance Statement on pages 24 to 26. The Board remains committed to improving the governance of the Company and encourages stakeholders who identify opportunities for improvement to notify the Board.

The Strategic Report has been approved by the Board of Directors and signed on behalf of the Board.

James Leahy
Non-Executive Chairman

26 May 2022

James Leahy
Non-Executive Chairman

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.

Michael Rowan
Chief Executive Officer

Michael was appointed Chief Executive officer in July 2018 after a three-year tenure as a non-executive director of the Group. Michael is a qualified solicitor, qualified corporate financier with a broad range of banking, commercial and legal experience.

After graduating from the University of Cambridge, he practised as a solicitor at Linklaters in London, Hong Kong and New York. He then moved to Merrill Lynch International in London and New York, and over a ten-year period, he worked in Equity Capital Markets and Investment Banking division, with responsibility for origination, execution and commercial negotiation of equity and equity-linked transactions, including major privatisations and demutualisations 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 was appointed as Chief Executive Officer in July 2018.

Andrew Diamond
Finance Director

Andrew has over 20 years of relevant experience, particularly working for London listed companies, as demonstrated by his previous role as Finance Director at Victoria Oil & Gas Plc, an AIM listed gas production and utility business. Throughout the four years Andrew held this role, he was involved in two substantial equity raises, a successful M&A transaction and multiple capital and debt restructuring exercises.

Prior to this, Andrew worked for a number of companies in the resources sector, performing financial and reporting based roles. Andrew also has relevant experience working in the USA, which benefit AEG's operations.

Jason Zimmermann
Non-Executive Director

Jason Zimmermann has over 20 years' experience in the timber resource sector. He is currently the President of Zimmfor Management Services Ltd ("Zimmfor"), an industry leading consulting firm focused on sustainable forestry management, and Managing Partner at GreenRaise Consulting GbmH and Global Forest Support GmbH – both businesses focus on carbon offset project implementation. Jason has field and technical expertise relating to timberland assets worldwide and Zimmfor has worked with AEG in previous projects in Canada and Ukraine. He is a Registered Professional Forester and a graduate of the University of British Columbia with a Bachelor of Science in Forestry.

Max Aitken
Non-Executive Director

Max Aitken is an 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 ten years Estover Energy has established itself as a leader in the UK biomass industry developing three wood-fuelled biomass CHP plants producing up to 70 MW in the UK, financed with £375.0 million 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.

Country of Incorporation
England and Wales
03148295

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

Secretary
Cargill Management Services Limited
27- 28 Eastcastle Street
London W1W 8DH

Registered Office
27- 28 Eastcastle Street
London W1W 8DH

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 Advisor& Broker
Allenby Capital Limited
5th Floor, 5 St Helen's Place
London EC3A 6AB

Joint Broker
Panmure Gordon (UK) Limited
One New Change
London EC4M 9AF

Registrars
Share Registrars
The Courtyard, 17 West Street
Farnham GU9 7DR

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

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

Board

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

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

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

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

The Board is aware of other commitments and interests of its directors and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board. Executive directors are employed on a full-time basis, whereas non-executive directors provide a minimum of two days per month plus additional time as required.

The Board holds a minimum of four scheduled meetings each year. Additional meetings are held where necessary to consider matters of importance which cannot be held over until the next scheduled meeting. During the current year, the Board held four scheduled meetings and also met a further fifteen times. The Board may, when required, approve matters by written resolutions and/or appoint a committee to approve specific matters. Details of the attendance of the Directors at eligible meetings, together with meetings of the Audit and Remuneration Committees are set out below.

Directors	Board (Scheduled)	Board (Additional)	Audit Committee	Remuneration Committee
James Leahy	4 of 4	15 of 15	2 of 2	1 of 1
Michael Rowan	4 of 4	15 of 15		1 of 1
Andrew Diamond[a]	4 of 4	15 of 15		
Max Aitken	4 of 4	13 of 15		
Jason Zimmermann	4 of 4	14 of 15		1 of 1
Antonio Esposito[b]	–	1 of 15		

[a] Andrew Diamond was appointed on 1 January 2021.

[b] Antonio Esposito resigned as a Director on 1 February 2021.

The Company has engaged an external company, Cargill Management Services Limited, to perform company secretarial services. The company secretary is responsible for all corporate filings, compliance, preparation of board materials and attendance of the AGM.

Board Committees

Audit Committee

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

During 2021, the Committee met twice. Additional meetings are held where necessary to consider matters referred by the Board. It is responsible for ensuring that the financial activities of the Group are properly monitored, controlled and reported on, complying with relevant legal requirements. The Committee receives and reviews reports from management and the Group's auditors relating to the Group's Report and Accounts, the interim results and review of the accounting policies. Meetings are held at least twice a year with the auditors, once at the audit planning stage to consider the scope of the audit and thereafter at the reporting stage, to receive post-audit findings. The ultimate responsibility for reviewing and approving the Annual Report remains with the Board of Directors. The Committee is also responsible for reviewing the relationship with the external auditors, making recommendations to the Board on their appointment and remuneration, monitoring their independence, as well as assessing scope and results of their work, including any non-audit work. The Committee authorises any non-audit work to be carried out by the external auditors and ensures that the objectivity and independence of the external auditor has not been impaired in anyway by the nature of the non-audit work undertaken, the level of non-audit fees charged for such work or any other factors.

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

Remuneration Committee

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

The Remuneration Committee sought external advice for the implementation of the LTIP scheme during the year.

Nomination Committee

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

Board Evaluation

Internal evaluation of the Board, the committees and individual Directors is seen as an important next step in the development of the Board. The Directors are currently reviewing the timing and process through which this evaluation will be undertaken, including peer appraisal, questionnaires and discussions to determine the effectiveness and performance in various areas as well as continued independence.

Succession planning is considered periodically by the Board as a whole, although at present both the current Board along with the Senior Management team are focused on successfully executing the Company's short to medium term growth strategy.

No external evaluation of the Board took place during the year.

Other Corporate Governance Matters

The matters below relate to the Section 172 statement on page 16.

Environment

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

Employees

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

Suppliers and Contractors

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

Health and Safety

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

Shareholders

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

The Board recognises the AGM as an important opportunity to meet with private shareholders. In normal circumstances, the Non-Executive Directors attend the shareholders' meetings and are available to answer any relevant questions. Regrettably, in common with all public companies, the impact of the Covid-19 related restrictions and social distancing requirements required us to hold the 2021 AGM as a closed meeting. This has inevitably impeded the ability of shareholders to communicate with the Board. The 2022 AGM will allow shareholders to communicate with the Board and we look forward to meeting with those shareholders who attend.

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

Internal Controls and Risk Management

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

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

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

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

Internal Controls and Risk Management continued

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

Principal Activities, Business Review & Strategies

The Company has developed a proprietary technology which transforms low-cost biomass material into high-value sustainable fuel. Its patented product CoalSwitch® is a leading drop-in sustainable fuel that can be co-fired with coal or completely replace coal as an alternative feedstock without requiring significant power plant modifications. Active Energy Group's immediate strategic focus is the production and commercialisation of CoalSwitch® using waste and residual materials.

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

Directors

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

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

In accordance with the Company's Articles of Association, at the Annual General Meeting ("AGM") held on 8 July 2021, James Leahy retired by rotation, and Andrew Diamond retired having been appointed after the previous AGM. Both were duly re-elected.

Dividends

No dividend is proposed for the year ended 31 December 2021 (2020: $nil).

Directors' Indemnities

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

Research and Development

The Company constructed reference plants in Lumberton, NC and Ashland, Maine during the year and will continue to develop its CoalSwitch® product.

Auditors

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

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006. A resolution to re-appoint the auditors, Jeffreys Henry LLP, was duly approved at the AGM held on 8 July 2021.

Significant Shareholders

At the time of reporting the Company has 5,665,209,745 Ordinary Shares in Issue ("OSI"). The Company had received notification from the following shareholders of interests in excess of 3% of the Company's OSI:

Shareholder	Number of shares	Percentage of OSI
Linarus FZE	716,942,300	12.66%
Premier Fund Managers Limited	598,128,418	10.56%
Lombard Odier Asset Management (EU) Limited	509,800,000	9.00%
Tyler Player	375,940,001	6.64%
AXA Investment Managers UK	249,914,300	4.41%

Share Capital

Details of changes to share capital in the year are set out in Note 23.

Information set out in the Strategic Report

The Directors have chosen to disclose likely future developments in the Strategic Report which would otherwise be required to be contained in the Directors' Report.

Capital and financial risk management

Details of the Group's capital and financial risks and the management thereof is set out in Note 27.

Going Concern

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

The Directors have given careful consideration to the appropriateness of the going concern basis in the preparation of the Financial Statements. In performing their assessment of going concern, the Directors have reviewed operating and cash forecasts in respect of the operating activities and planned work programmes of the Group's assets to 31 May 2023. The expected cash flows, plus available cash on hand, after allowing for funds required for administration and capital project costs, working capital improvement and debt servicing, are not expected to fully cover these activities.

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

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

Annual General Meeting

The Company's AGM will be held on 4 July 2022. A notice of the meeting will be distributed in due course.

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

By Order of the Board

James Leahy
Non-Executive Chairman

26 May 2022

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

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

Remuneration Policy

The Company's policy is to maintain levels of remuneration sufficient to recruit and retain senior executives of the required calibre who can deliver growth in shareholder value. The Committee desires to create a strong alignment of interest between executives and shareholders. Consequently, the Committee seeks to strike an appropriate balance between fixed and performance-related reward, with a clear link between pay and performance.

Aligned with the position and performance of the Company, senior executives did not receive performance related pay during 2020 or 2021. The Company's remuneration policy during the financial year consisted only of salary. There were no annual bonuses awarded in the current financial year. The Committee intends to create a short-term incentive plan once production metrics are available to measure performance. The Committee recognises that the salary component is below market related benchmarks, but believes this is appropriate in the Company's position.

Last year the Committee indicated that it would seek to ensure salaries and performance pay are market-related to attract and retain the right calibre executive, including the introduction of pension, medical insurance and life insurance benefits for Executive Directors. With the exception of medical insurance benefits to Andrew Diamond, the Company's position did not permit initiation of these benefits, nor for any salary benchmark adjustments. The Committee will re-evaluate these benefits when the company is on a stronger footing.

Long Term Incentive Plan

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

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

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

James Leahy, as Non-Executive Chairman, was not granted LTIP awards.

There were no further share based payment awards to Directors during 2021. The Committee has not granted any further LTIP awards to date.

Directors' Service Contracts

Executive Directors

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

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

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

Non-Executive Directors

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

James Leahy	31 October 2022	5 months
Max Aitken	20 January 2023	8 months
Jason Zimmermann	20 January 2023	8 months

Directors' Remuneration

Remuneration and benefits for Directors were as follows:

12-months to 31 December 2021	Gross fees and salary US$	Benefits US$	Bonus US$	Total US$
Directors at 31 December 2021				
T M Rowan	240,787	–	–	240,787
J Leahy	92,875	–	–	92,875
A Diamond[(a)]	227,028	3,066	–	230,094
M Aitken	48,157	–	–	48,157
J Zimmermann	48,157	–	–	48,157
	657,004	**3,066**	**–**	**660,070**
Other Directors during the year				
A Esposito	70,821	–	–	70,821
	727,825	**3,066**	**–**	**730,891**

[(a)] Andrew Diamond was appointed on 1 January 2021 and receives medical insurance benefits.

In light of the Company's financial position at 31 December 2021, the Directors collectively had unpaid fees and salary amounting to US$87,142, which have been paid during 2022.

12-months to 31 December 2020	Gross fees and salary US$	Benefits US$	Bonus US$	Total US$
T M Rowan	331,695	–	–	331,695
A Esposito	203,203	–	–	203,203
J Leahy	32,101	–	–	32,101
M Aitken[(b)]	36,669	–	–	36,669
J Zimmermann[(b)]	39,812	–	–	39,812
	643,480	**–**	**–**	**643,480**

[(b)] Max Aitken and Jason Zimmermann were appointed on 20 January 2020.

Directors' Interests in Share Capital of the Company

The interests of Directors who held office at 31 December 2021 are set out in the table below:

	Ordinary shares held			Ordinary share options and LTIPs	
	1 January 2021	31 December 2021	26 May 2022	31 December 2021	Weighted exercise price
T M Rowan	8,486,250	27,486,250	27,486,250	83,530,776	3.86
J Leahy	4,000,000	20,000,000	20,000,000	–	–
A Diamond	–	3,000,000	3,000,000	13,657,181	2.77
M Aitken	1,000,000	4,000,000	4,000,000	4,877,565	2.77
J Zimmermann	1,961,500	4,461,500	4,461,500	4,877,565	2.77

James Leahy
Non-Executive Chairman

26 May 2022

Statement of Directors Responsibility

For the year ended 31 December 2021

Responsibility Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company Financial Statements in accordance with United Kingdom adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company for that period and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

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

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

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

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

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

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

By order of the Board

James Leahy
Non-Executive Chairman

26 May 2022

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 2021 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 United Kingdom adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is applicable law and United Kingdom adopted International Accounting Standards, 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 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted International Accounting Standards;
- the parent Company Financial Statements have been properly prepared in accordance with United Kingdom adopted International Accounting Standards 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 in the next twelve months to commercialise or develop its core businesses. The Directors have identified short-term potential sources of funds including issue of additional equity and/or debt and sale of assets. In addition, the Directors have identified additional cost reductions which may be implemented if necessary.

These events or conditions, along with the other matters as set out in Note 1, indicate that a material uncertainty exists that may cast doubt on the Group's and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

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

The forecast includes a number of assumptions related to future cash flows and associated risks. Our audit work has focussed 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 Note 1.

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.
- Assessing the reasonableness of production reserve, expenses and costs established.
- Reviewing the latest management accounts to gauge the financial position.
- Reviewing the status of permits.
- Performing stress tests.
- Considered the Group's historic ability to raise funds, and
- Reviewing the financing options available to the Group to evaluate the ability of the Group to pay their debts as they become due.

Finally, we also evaluated the alternative measures that might be necessary should the forecast not be achieved.

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's ability to continue as a going concern.

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

OUR AUDIT APPROACH

Overview

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the material uncertainty paragraph relating to the going concern, we have determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

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

These are explained in more detail below.

Audit scope

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

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

Key audit matters

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Carrying value of intangible assets The Group had intangibles of US$5,659,024 at the year-end (2020: US$5,259,024). Included within intangible assets were additions relating to capitalised development costs of US$400,000 which represent development costs under IAS 38. The intangibles relate to intellectual property costs incurred to secure the rights and knowledge associated with the CoalSwitch® and PeatSwitch™ technology. The Directors have a duty to confirm that all intangibles are correctly recognised. IAS 36 Impairment of assets ("IAS 36") states that assets must be assessed for indicators of impairment at each reporting period, for all cash-generating units ("CGUs"). Should such indicators exist the recoverable amount of the asset will be compared to the carrying value, and if the carrying value exceeds the recoverable amount, the difference is recorded as an impairment loss. Key assumptions for the CoalSwitch® input model are: • Discount rate applied • Average selling price per tonne • Cost of associated feedstock • Consumption rate of feedstock • Cost inflation • Forecasted capital expenditure • Tonnes per annum capacity for the CoalSwitch® plants • Other operational cost assumptions Refer to Note 1 of the Financial Statements for discussion of the related accounting policy.	We have performed the following audit procedures: Tested management's assessment of indicators of impairment by considering various sources of internal and external information. Assessed the methodology used by management to estimate the future profitability of the Group and recoverable value of the investment. Ensured key judgements are robust by review of events surrounding the judgement and validating the judgements by agreeing to supporting evidence. Reviewed management's assessment of future operating cashflows and indicators of impairment. Where indicators of impairment were identified, we challenged management's assessment of any recoverable amounts calculated. Where no indicators of impairment were highlighted by management, we challenged the judgements made in management's assessment by identifying contradictory signs of any potential indicators of impairment. Confirmed whether all assets which remain capitalised are included in future budgets and, if they are not, understanding the basis by which management anticipate being able to recover the amounts that have been capitalised. We reviewed the carrying value of the Group's development costs in respect of CoalSwitch® to ensure no impairment required. We tested to see if capitalised costs agreed to IAS 38 Development costs. Management has prepared a financial model for CoalSwitch®. This shows positive economics of the CoalSwitch® technology going forward. The key model inputs have been assessed. We tested management's assumption that no impairment existed by carrying out sensitivity analysis through changing the assumptions used and re-running the cash flow forecast. We corroborated the Group's assumption to externally derived data in relation to key inputs such as discount rates, commodity prices, labour costs, exchange rates, inflation cost and tax rate.

Key audit matters continued

<table>
<tr><th>KEY AUDIT MATTER</th><th>HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER</th></tr>
<tr><td>Carrying value of property, plant and equipment
The Group had property, plant and equipment of US$11,512,953 at the year-end (2020: US$10,443,641).

Included in property, plant and equipment is additions of US$3,957,944 which mainly relates to the work performed on the CoalSwitch® equipment. Disposals of US$642,172 relate to the termination of the lease and associated right of use asset and disposal of other plant and equipment held within the Group.</td><td>We vouched additions in the year to corresponding supporting evidence.

The CoalSwitch® plant's construction continued during the current year, and we have assessed this against management's CoalSwitch® economics to determine whether any potential indicators of impairment exist.

The terminal value has been calculated using the net present value of future cash flows. The CoalSwitch® IP and CoalSwitch® Plant have been assessed together which gives a significant surplus.

Ensured key judgements are robust by review of events surrounding the judgement and validating the judgements by agreeing to supporting evidence.</td></tr>
<tr><td>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$25,296,460 (2020: US$23,204,528).

A debt for equity swap for intercompany loans owing by Timberlands International Limited and Advanced Biomass Solutions Limited to the Company occurred during the year, which resulted in a conversion of debt of US$10,200,000 and a reversal of previous impairments of US$5,200,000. Amounts advanced during the current year totalled to US$7,317,719.

There is a risk that these inter-company receivables are not recoverable.</td><td>We reviewed the carrying value of the investments and loans to fellow subsidiaries. The review considered the current position of the subsidiaries and the future outlook and forecasts prepared by management, taking Covid-19 and the underlying recoverable assets into account.

We reviewed the subsidiary accounts and forecasts and have assessed the financial position of the subsidiaries.

We have also discussed the assumptions made on the recovery of the loans with the Directors to confirm recoverability.

We have also assessed the impairment reviews performed by management as set out under the impairment review work on intangibles noted above being that these are the underlying assets which hold value in the subsidiaries.</td></tr>
</table>

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$388,000 (2020: US$465,600)	US$207,200 (2020: US$160,200)
How we determined it	Based on 10% of loss for the year, excluding impairments.	Based on 10% of loss for the year, excluding impairments.
Rationale for benchmark applied	We believe that the loss for the period is a primary measure used by shareholders in assessing the performance of the Group, and as the significant impairments raised during the year are not ordinary transactions in the normal course of business, these have been excluded.	We believe that the loss for the period is a primary measure used by shareholders in assessing the performance of the Group, and as the significant impairments raised during the year are not ordinary transactions in the normal course of business, these have been excluded.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components is ranged from US$1,000 and US$207,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above US$19,400 (Group audit) (2020: US$23,280) and US$10,350 (Company audit) (2020: US$8,010) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

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

How we tailored the audit scope

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

The Group Financial Statements are a consolidation of eight 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 eight reporting units.

The Group engagement team performed all audit procedures.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our Auditor's Report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 31, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

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

- the senior statutory auditor ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.
- we identified the laws and regulations applicable to the Company through discussions with directors and other management.
- we focused on specific laws and regulations which we considered may have a direct material effect on the Financial Statements or the operations of the Company, including taxation legislation, data protection, anti-bribery, employment, environmental, health and safety legislation and anti-money laundering regulations.

- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence.
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit; and
- we assessed the susceptibility of the Company's Financial Statements to material misstatement, including obtaining an understanding of how fraud might occur, by:
  - making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
  - considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

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

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

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

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

Other matters which we are required to address

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

Use of this report

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

Sachin Ramaiya
Senior Statutory Auditor

For and on behalf of
Jeffreys Henry LLP (Statutory Auditors)
Finsgate
5-7 Cranwood Street
London EC1V 9EE

26 May 2022

Consolidated Statement of Income and Other Comprehensive Income

For the year ended 31 December 2021

	Note	31 Dec 2021 US$	31 Dec 2020 US$
CONTINUING OPERATIONS			
REVENUE	3	**–**	–
GROSS LOSS		**(517,238)**	–
Impairment charges	4	**(2,000,000)**	(4,191,039)
Administrative expenses	5	**(3,191,554)**	(1,644,480)
Other income		**361,237**	96,405
OPERATING LOSS		**(5,347,555)**	(5,739,114)
Net finance costs	7	**382,208**	(1,309,388)
LOSS BEFORE TAXATION		**(4,965,347)**	(7,048,502)
Taxation	8	**2,790**	214,176
LOSS FROM CONTINUING OPERATIONS		**(4,962,557)**	(6,834,326)
LOSS FROM DISCONTINUED OPERATIONS	9	**(919,211)**	(1,923,593)
LOSS FOR THE YEAR – ATTRIBUTABLE TO THE PARENT COMPANY		**(5,881,768)**	(8,757,919)
Basic and Diluted loss per share (US cent) – Continuing operations	10	**(0.13)**	(0.51)
Basic and Diluted loss per share (US cent) – Discontinued operations	10	**(0.03)**	(0.14)
Basic and Diluted loss per share (US cent) – Total operations	10	**(0.16)**	(0.65)
OTHER COMPREHENSIVE LOSS			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of operations	10	**(2,239,354)**	(117,701)
Revaluation of other financial assets		**–**	(539,327)
Total other comprehensive loss		**(2,239,354)**	(657,028)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(8,121,122)**	(9,414,947)

The notes on pages 43 to 71 form part of these Financial Statements.

Consolidated and Company Statement of Financial Position

As at 31 December 2021

	Note	Group 2021 US$	Group 2020 US$	Company 2021 US$	Company 2020 US$
NON-CURRENT ASSETS					
Intangible assets	11	**5,659,024**	5,259,024	**-**	–
Property, plant and equipment	12	**11,512,953**	10,443,641	**2,573**	900
Investment in subsidiaries	13	**-**	–	**6,417,741**	1,495,943
Long term loans	14	**-**	–	**25,296,460**	23,204,528
Other financial assets	15	**922,275**	931,312	**922,275**	931,312
		18,094,252	16,633,977	**36,639,049**	25,632,683
CURRENT ASSETS					
Inventory	16	**27,250**	237,506	**-**	–
Trade and other receivables	17	**1,628,959**	270,755	**432,041**	–
Cash and cash equivalents	18	**1,940,871**	999,631	**1,915,571**	811,901
		3,597,080	1,507,892	**2,347,612**	811,901
TOTAL ASSETS		**21,691,332**	18,141,869	**34,986,661**	26,444,584
CURRENT LIABILITIES					
Trade and other payables	19	**1,222,030**	2,241,657	**602,062**	1,183,827
Lease liabilities	22	**-**	136,891	**-**	–
Loans and borrowings	21	**14,013**	21,772	**13,015**	21,772
		1,236,043	2,400,320	**615,077**	1,205,599
NON-CURRENT LIABILITIES					
Deferred taxation	20	**147,349**	150,139	**-**	–
Lease liabilities	22	**-**	202,417	**-**	–
Loans and borrowings	21	**143,931**	22,105,551	**47,029**	21,961,104
		291,280	22,458,107	**47,029**	21,961,104
TOTAL LIABILITIES		**1,527,323**	24,858,427	**662,106**	23,166,703
NET ASSETS/ (LIABILITIES)		**20,164,009**	(6,716,558)	**34,324,555**	3,277,881
EQUITY					
Share capital – Ordinary shares	23	**786,867**	219,436	**786,867**	219,436
Share capital – Deferred shares	23	**18,148,898**	18,148,898	**18,148,898**	18,148,898
Share premium		**55,349,883**	18,711,637	**55,349,883**	18,711,637
Merger reserve		**2,350,175**	2,350,175	**2,350,175**	2,350,175
Foreign exchange reserve		**(2,424,329)**	(184,975)	**(2,004,424)**	(124,920)
Own shares held reserve		**(268,442)**	(268,442)	**(268,442)**	(268,442)
Convertible debt/warrant reserve		**1,165,911**	3,701,803	**1,165,911**	3,701,803
Retained earnings		**(55,449,600)**	(49,899,736)	**(41,204,313)**	(39,460,706)
Revaluation reserve		**504,646**	504,646	**-**	–
TOTAL EQUITY		**20,164,009**	(6,716,558)	**34,324,555**	3,277,881

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent Company Income Statement. The parent Company's loss after tax for the year is US$2,075,511.

The Financial Statements were approved and authorised for issue by the Directors on 26 May 2022 and were signed on their behalf by:

Michael Rowan
Chief Executive Officer

Company number 03148295

The notes on pages 43 to 71 form part of these Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

Group	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$	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**
Loss for the year	–	–	–	–	–	–	(8,757,919)	–	(8,757,919)
Other comprehensive income	–	–	–	(117,701)	–	–	(539,327)	–	(657,028)
Total comprehensive income	–	–	–	(117,701)	–	–	(9,297,246)	–	(9,414,947)
Issue of share capital	835,801	1,381,401	–	–	–	–	(452,467)	–	1,764,735
Conversion of CLN	267,154	27,077	–	–	–	–	–	–	294,231
Embedded derivative on CLN issue	–	–	–	–	–	211,182	–	–	211,182
Share based payments	–	–	–	–	–	–	56,382	–	56,382
AT 31 DECEMBER 2020	**18,368,334**	**18,711,637**	**2,350,175**	**(184,975)**	**(268,442)**	**3,701,803**	**(49,899,736)**	**504,646**	**(6,716,558)**
Loss for the year	–	–	–	–	–	–	(5,881,768)	–	(5,881,768)
Other comprehensive income	–	–	–	(2,239,354)	–	–	–	–	(2,239,354)
Total comprehensive income	–	–	–	(2,239,354)	–	–	(5,881,768)	–	(8,121,122)
Issue of share capital	334,391	13,087,809	–	–	–	–	–	–	13,422,200
Conversion of CLN	233,040	23,550,437	–	–	–	(2,843,734)	–	–	20,939,743
Share based payments	–	–	–	–	–	307,842	331,904	–	639,746
AT 31 DECEMBER 2021	**18,935,765**	**55,349,883**	**2,350,175**	**(2,424,329)**	**(268,442)**	**1,165,911**	**(55,449,600)**	**504,646**	**20,164,009**

The purpose and nature of each of the above reserves is described in Note 25.

The notes on pages 43 to 71 form part of these Financial Statements.

Company Statement of Changes in Equity

For the year ended 31 December 2021

Company	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 2019	**17,265,379**	**17,303,159**	**2,350,175**	**(468,793)**	**(268,442)**	**3,490,621**	**(31,791,515)**	**7,880,584**
Loss for the year	–	–	–	–	–	–	(6,733,779)	(6,733,779)
Other comprehensive income	–	–	–	343,873	–	–	(539,327)	(195,454)
Total comprehensive income	–	–	–	343,873	–	–	(7,273,106)	(6,929,233)
Issue of share capital	835,801	1,381,401	–	–	–	–	(452,467)	1,764,735
Conversion of CLN	267,154	27,077	–	–	–	–	–	294,231
Embedded derivative on CLN issue	–	–	–	–	–	211,182	–	211,182
Share based payments	–	–	–	–	–	–	56,382	56,382
AT 31 DECEMBER 2020	**18,368,334**	**18,711,637**	**2,350,175**	**(124,920)**	**(268,442)**	**3,701,803**	**(39,460,706)**	**3,277,881**
Loss for the year	–	–	–	–	–	–	(2,075,511)	(2,075,511)
Other comprehensive income	–	–	–	(1,879,504)	–	–	–	(1,879,504)
Total comprehensive income	–	–	–	(1,879,504)	–	–	(2,075,511)	(3,955,015)
Issue of share capital	334,391	13,087,809	–	–	–	–	–	13,422,200
Conversion of CLN	233,040	23,550,437	–	–	–	(2,843,734)	–	20,939,743
Share based payments	–	–	–	–	–	307,842	331,904	639,746
AT 31 DECEMBER 2021	**18,935,765**	**55,349,883**	**2,350,175**	**(2,004,424)**	**(268,442)**	**1,165,911**	**(41,204,313)**	**34,324,555**

The purpose and nature of each of the above reserves is described in Note 25.

The notes on pages 43 to 71 form part of these Financial Statements.

Consolidated and Company Statement of Cash Flows

For the year ended 31 December 2021

	Note	Group 2021 US$	Group 2020 US$	Company 2021 US$	Company 2020 US$
Cash (outflow)/inflow from operations	26	**(5,618,404)**	(1,302,560)	**(3,416,684)**	(1,761,243)
Income tax paid		**–**	–	**–**	–
Net cash (outflow)/inflow from operating activities		**(5,618,404)**	(1,302,560)	**(3,416,684)**	(1,761,243)
Cash flows from investing activities					
Purchase of intangible assets		**–**	(661,939)	**–**	–
Advances to acquire property, plant and equipment		**(800,000)**	–	**–**	–
Purchase of property, plant and equipment		**(3,957,944)**	(738,993)	**(2,979)**	(1,222)
Sale of property, plant and equipment		**382,320**	–	**–**	–
Net cash outflow from investing activities		**(4,375,624)**	(1,400,932)	**(2,979)**	(1,222)
Cash flows from financing activities					
Issue of equity share capital, net of share issue costs		**12,722,200**	1,754,489	**12,722,200**	1,754,489
Issue of CLN		**–**	1,467,778	**–**	1,467,778
Redemption of CLN		**(1,571,222)**		**(1,571,222)**	
Intercompany loans advanced		**–**	–	**(6,617,719)**	(1,076,176)
Unsecured debt repaid		**(1,040,400)**	–	**(8,547)**	–
Unsecured debt proceeds		**885,234**	212,600	**–**	68,153
Principal elements of lease payments		**(57,900)**	(95,758)	**–**	–
Finance expenses		**–**	(37,842)	**–**	–
Net cash inflow from financing activities		**10,937,912**	3,301,267	**4,524,712**	2,214,244
Net increase in cash and cash equivalents		**943,884**	597,775	**1,105,049**	451,779
Cash and cash equivalents at beginning of the year		**999,631**	397,323	**811,901**	360,622
Exchange losses on cash and cash equivalents		**(2,644)**	4,533	**(1,379)**	(500)
Cash and cash equivalents at end of the year	18	**1,940,871**	999,631	**1,915,571**	811,901

The notes on pages 43 to 71 form part of these Financial Statements.

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 23 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. Certain prior year disclosures have been restated to account for discontinued operations in accordance with IFRS 5.

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.

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

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

Going concern

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

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 were revoked. The Group had loans of US$0.2 million at 31 December 2021, consisting of government support loans on favourable terms, with a low annual repayment burden. The balance sheet is entirely unencumbered.

At the same time as the balance sheet restructuring, the Company recapitalised the business by raising equity of £7.0 million (gross) and in December 2021 it raised a further £3.0 million (gross). The earlier fundraise proceeds were used for the construction of the Lumberton and Ashland CoalSwitch® reference plants, certain CLN redemptions and improvement of the working capital position. The December proceeds were used principally to enhance the CoalSwitch® reactor design and engineering and initiation of the permitting process in Ashland for the construction of a production facility.

At the time of the December fundraise, shareholders were advised that the funding required to complete the production facility in Ashland was considerably more than the amount raised.

The nature of the Company's strategy, which is focussed on delivery of the first CoalSwitch® production facility in Ashland, means that the precise timing of milestones and funds generated during the early years of development projects are difficult to predict. The Directors have prepared financial forecasts to estimate the likely cash requirements of the Group over the next twelve months from the date of approval of the Financial Statements.

The cash forecast includes the following assumptions:

- the requisite permits are obtained to commence with construction of the Ashland facility. At the time of reporting an application for air and construction permits has been submitted to the State of Maine;
- the near-term disposal of the Lumberton facility. As announced on 31 March 2022, the sale of the property has been agreed and the buyer is in the due diligence phase prior to completion. The sale will provide funding for the Ashland facility and reduce overhead costs at Lumberton;
- a suitable long-term off-take agreement for CoalSwitch® will be secured enhancing the Company's ability to secure investors to provide development funding for completion of the Ashland facility; and
- the current overhead cost run rate.

The forecasts show that the Group requires the near-term disposal of the Lumberton facility to be successful as well as additional external funding within the twelve-month forecast period to be able to continue as a going concern. However, as stated above, at the date of approval of these Financial Statements the buyer is in the due diligence phase prior to completion and no additional funding is as yet committed.

1. ACCOUNTING POLICIES CONTINUED

Going concern continued

Whilst there can be no guarantee that funding will be available on terms that will be acceptable to the Company, or at all, the directors are confident that the funding required for the Group to continue as a going concern will be secured within a period of twelve months from the date of approval of the financial statements and have therefore prepared the financial statements on a going concern basis. The Directors are considering a number of options for securing the additional funding including via the sale of assets, the raising of debt or equity or a combination of these. The Directors have also identified alternative options which could be pursued to provide additional working capital to enable the Group to meet its liabilities as they fall due over the next twelve-month period.

Should additional funding not be secured within twelve months from the date of approval of these Financial Statements, the Group would not be a going concern. As such, these conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The Financial Statements do not include any adjustments that would arise if the Group were unable to continue as a going concern.

New and amended standards which are effective for these Financial Statements

A number of new and amended standards became mandatory and are effective for annual periods beginning on or after 1 January 2021 including Amendment to IFRS 9, IAS 39 and IFRS7 – Interest Rate Benchmark Reform Phase 1, and they have not had a material impact on the Financial Statements.

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

There are a number of new and amended standards and interpretations that are not mandatory for the 31 December 2021 reporting period and have not been early adopted by the Company. These will be adopted in the period when they became mandatory unless otherwise indicated.

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

Basis of consolidation

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

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

Ref	Title	Summary	Application date of Standards (Commencing)
IAS 1	Presentation of Financial Statements	Amendments regarding the classification of liabilities as current or non-current	1 January 2024
		Changes to help users distinguish between changes in accounting estimates and changes in accounting policies	1 January 2023
IAS 12	Deferred tax	Recognition of deferred tax on transactions that on initial recognition give rise to equal amounts of taxable and deductible temporary differences	1 January 2023
IAS 16	Property, plant and equipment	Prohibits deduction of sales proceeds whilst an asset is in preparation for intended use	1 January 2022
IAS 37	Provisions and contingent assets and contingent liabilities	Specifies which costs should be included when assessing whether a contract will be loss making	1 January 2023
IFRS 1, IFRS 9, IFRS 16	Annual improvements	Minor amendments to improve disclosure	1 January 2022
IFRS 17	Insurance contracts	Replaces IFRS 4 and will fundamentally change the accounting by all entities that issue insurance contracts	1 January 2023

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

Goodwill and business combinations

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

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

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

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 the 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 in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

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

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

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

Intangible assets

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

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

1. ACCOUNTING POLICIES CONTINUED

Intangible assets continued

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 11.

Property, plant and equipment

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

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

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

Inventories

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

Segment reporting

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

Financial assets and liabilities

The Group classifies its financial assets at inception into three measurement categories; 'amortised cost', 'fair value through other comprehensive income' ("FVOCI") and 'fair value through profit and loss' ("FVTPL"). The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost. Management determines the classification of its investments at initial recognition. A financial asset or financial liability is measured initially at fair value. At inception transaction costs 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 obligations are discharged, cancelled or expire.

1. ACCOUNTING POLICIES CONTINUED

Financial assets and liabilities continued

Impairment

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

Taxation

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

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

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

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

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

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

Foreign currencies

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

Transactions entered into by Group entities in a currency other than their functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

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

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the Consolidated Statement of Comprehensive Income as part of the profit or loss on disposal. The key US$/GBP exchange rates used to prepare the accounts were as follows: rate at 31 December 2021: 1.350; average for year-ended 31 December 2021: 1.376; rate at 31 December 2020: 1.363.

Convertible debt

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

1. ACCOUNTING POLICIES CONTINUED

Convertible debt continued

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 IAS 23.

Leased assets

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

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

Share-based payments

Where employees receive remuneration in the form of shares or share options, the fair value of the share-based employee compensation arrangement at the date of the grant is recognised as an employee benefit expense in the consolidated income statement. The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non-market-based vesting conditions) at the date of the grant. The assumptions underlying the number of awards expected to vest are subsequently adjusted for the effects of non-market-based vesting to reflect the conditions prevailing at the year-end date.

Fair value is measured using a valuation tool (Monte Carlo or Black Scholes). The expected life used in the model has been adjusted, based on management's best estimate, for the effects of the non-transferability, exercise restrictions and behavioural considerations.

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

Own shares held

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

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

Investment in subsidiaries

Investments in subsidiaries are stated at cost less provision for impairment in the Company Financial Statements.

Critical accounting judgements and key sources of estimation uncertainty

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

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

1. ACCOUNTING POLICIES CONTINUED

Impairment of goodwill, intangible fixed assets, property plant and equipment and other assets

Previously impaired goodwill and intangibles has been written off in the current year where businesses have been ceased, sold or terminated. Residual intangible assets relate solely to CoalSwitch® and PeatSwitch™ patents, trademarks and know-how (see Note 11). The Group has property plant and equipment in the form of the Lumberton industrial site and CoalSwitch® production equipment. The CoalSwitch® reactors damaged as a result of the component failure at Ashland have been impaired, with the remaining CoalSwitch® production equipment were subjected to a value in use assessment to determine whether further impairment was required. The use of these methods similarly requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the estimated future cash flows. Furthermore, these methods require an assessment of various strategies to develop and monetise these assets as well as an assessment of the success of these strategies. Actual outcomes may vary.

Revaluation of land and buildings

At the date of this report the Lumberton industrial site is undergoing due diligence for sale. The sales price, subject to completion, would indicate that the property is fairly valued. The outcome of the sale process is not guaranteed, actual proceeds may vary.

Share-based payments

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

Recognition of development costs within intangible fixed assets

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

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 once in use. 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.

Recoverability of intercompany loans

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

2. SEGMENTAL INFORMATION

The Group reports three business segments:

- "CoalSwitch®" denotes the Group's renewable wood pellet business.
- "Wood processing" denotes the Group's sawmill and saw log activities and the Lumberton property. The sawmill and saw log activities ceased during 2021 and are reported as discontinuing operations. The results of these operations are not included in the segmental reporting.
- "Corporate and other" denotes the Group's corporate and other costs.

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

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

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

Measurement of operating segment profit or loss

The Group evaluates segmental performance on the basis of profit or loss from operations calculated in accordance with IFRS but excluding the results from discontinued operations in accordance with IFRS 5.

2. SEGMENTAL INFORMATION CONTINUED

	2021 CoalSwitch® US$	2021 Wood processing US$	2021 Corporate and other US$	2021 Total US$
Revenue	–	–	–	–
Operating segment (loss)	(2,952,909)	(268,855)	(1,743,583)	(4,965,347)
Segment (loss) before tax	(2,952,909)	(268,855)	(1,743,583)	(4,965,347)
Tax credit	–	2,790	–	2,790
Segment (loss) for the year	**(2,952,909)**	**(266,065)**	**(1,743,583)**	**(4,962,557)**
Total assets	**13,971,415**	**4,447,457**	**3,272,460**	**21,691,332**
Total liabilities	**355,952**	**501,047**	**670,324**	**1,527,323**
Other segmental information				
Additions to intangibles	400,000	–	–	400,000
Additions to PPE	3,942,465	12,500	2,979	3,957,944
Depreciation and amortisation	–	72,000	1,264	73,264
Impairments	2,000,000	–	–	2,000,000

	2020 Restated CoalSwitch® US$	2020 Restated Wood processing US$	2020 Restated Corporate and other US$	2020 Restated Total US$
Revenue	–	–	–	–
Operating segment (loss)	(215,262)	(64,859)	(6,768,381)	(7,048,502)
Segment (loss) before tax	(215,262)	(64,859)	(6,768,381)	(7,048,502)
Tax credit	–	2,790	211,386	214,176
Segment (loss) for the year	(215,262)	(62,069)	(6,556,995)	(6,834,326)
Total assets	**11,206,616**	**5,057,262**	**1,877,991**	**18,141,869**
Total liabilities	**431,342**	**1,197,093**	**23,229,992**	**24,858,427**
Other segmental information				
Additions to intangibles	231,325	567,668	189,262	988,255
Additions to PPE	584,506	978,394	1,222	1,564,122
Depreciation and amortisation	–	159,397	151,363	310,760
Impairments	–	–	4,191,039	4,191,039

Segmental results of the activities in 2020 included in the forestry and natural resources segment, including the impairment of these assets, are reflected in the corporate and other segment.

A reconciliation of segment results to loss for the year:

	2021 US$	2020 Restated US$
Segment result	**(4,962,557)**	(6,834,326)
Loss from discontinued operations (see Note 9)	**(919,211)**	(1,923,593)
Loss for the year	**(5,881,768)**	(8,757,919)

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

	2021 US$	2020 US$
United Kingdom	**924,848**	932,212
United States	**17,169,404**	15,701,765
	18,094,252	16,633,977

3. REVENUE

	2021 US$	2020 Restated US$
Group		
Continuing operations	–	–
Discontinued operations		
Sales of product	**528,062**	1,491,735
Other income	**116,852**	318,471
	644,914	1,810,206

Sawmill and saw log activities ceased during the year and are accounted for as discontinued operations (see Note 9). The Group had three customers contributing 10% or more of the Group's revenue during the current year, contributing US$483,807 or 75% (2020: three customers contributed US$1,611,377). All revenue was generated in the USA.

4. IMPAIRMENT CHARGES

	2021 US$	2020 Restated US$
Continuing operations		
Intangible assets	–	4,191,039
Property, plant and equipment	**2,000,000**	–
	2,000,000	4,191,039
Discontinued operations		
Goodwill	–	567,668
	2,000,000	4,758,707

Impairment of intangible assets, property plant and equipment and goodwill were charged through the Statement of Comprehensive Income.

5. EMPLOYEE COSTS AND DIRECTORS

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

	2021 US$	2020 Restated US$
Group		
Continuing operations		
Directors' fees and salaries	**733,051**	951,448
Social security costs	**89,544**	72,110
	822,595	1,023,558
Share based payments – Directors	**314,530**	17,446
Share based payments – others	**8,387**	38,937
	1,145,512	1,079,941
Discontinued operations		
Wages and salaries	**416,071**	613,468
Social security costs	**37,076**	49,995
	453,147	663,463
Share based payments – others	**8,987**	–
	462,134	663,463
	1,607,646	1,743,404

5. EMPLOYEE COSTS AND DIRECTORS CONTINUED

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

	2021	2020 Restated
Continuing operations		
Directors	**5**	5
Administration	**2**	2
Discontinued operations		
Production	**12**	30
	19	37

Directors' and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. During the year these were considered to be the Directors of the Company, as listed on pages 22 and 23.

	2021 US$	2020 US$
Directors' emoluments	**730,891**	643,480
Share based payments	**314,530**	17,446
	1,045,421	660,926

The emoluments of the highest paid Director for the year, excluding non-cash share-based payments, were US$240,787 (2020: US$331,695).

6. OPERATING LOSS

	2021 US$	2020 Restated US$
Group		
The loss before income tax is stated after charging/(crediting):		
Continuing operations		
Amortisation of intangible assets	**–**	150,991
Impairment charges	**2,000,000**	4,191,039
Depreciation	**73,264**	159,766
Loss on disposal of fixed assets	**6,064**	–
Auditors' remuneration – parent company and consolidation	**58,133**	51,362
Auditors' remuneration – subsidiaries	**35,086**	29,533
Auditors' remuneration – taxation services	**5,504**	75,353
Auditors' remuneration – other services	**3,715**	22,139
Share based payments	**630,759**	56,382
Discontinued operations		
Impairment charges	**–**	567,668
Depreciation	**100,643**	78,128
Depreciation on right-of-use assets	**72,511**	108,767
Auditors' remuneration	**9,288**	7,704
Share based payments	**8,987**	–

7. NET FINANCE COSTS/GAINS

	2021 US$	2020 Restated US$
Group		
Continuing operations		
Finance gains		
Foreign exchange	**(685,920)**	(56,086)
Finance costs		
Interest on convertible loan	**164,400**	1,365,474
Other loan interest and charges	**139,312**	–
	303,712	1,365,474
	(382,208)	1,309,388
Discontinued operations		
Finance costs		
Right-of-use lease interest	**22,265**	36,242
Other loan interest and charges	**7,322**	1,600
	29,587	37,842

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

8. TAXATION

	2021 US$	2020 Restated US$
Group		
Continuing operations		
Current tax	**–**	–
Deferred tax		
Reversal of temporary differences – continuing operations	**(2,790)**	(214,176)
Total income tax credit	**(2,790)**	(214,176)
Discontinued operations		
Total income tax credit	**–**	–

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:

	2021 US$	2020 US$
Loss before income tax – total operations	**(5,884,558)**	(8,972,095)
Standard rate of corporation tax	**19%**	19%
Loss before tax multiplied by standard rate of corporation tax	**(1,118,066)**	(1,704,698)
Effects of:		
Non-deductible expenses	**492,956**	1,130,662
Overseas tax rate difference from UK rate	**(9,492)**	(120,069)
Other	**–**	(26,421)
Losses not recognised	**631,812**	506,350
Total income tax credit	**(2,790)**	(214,176)

8. TAXATION CONTINUED

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

	2021 US$	2020 US$
Tax losses brought forward – 1 January	**35,969,354**	22,886,605
Adjusted loss per A/c's	**3,466,886**	5,916,468
True up to prior losses	**4,001,471**	7,166,281
Tax losses carried forward – 31 December	**43,437,711**	35,969,354

This equates to a potential deferred tax asset at 19% of US$8,416,860 at the year-end 2021 (2020: US$6,834,177), which has not been recognised due to uncertainties regarding the recoverability of this balance.

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

	2021 US$	2020 US$
Impairment of intercompany balances	**–**	1,012,021
Impairment of goodwill	**–**	107,857
Impairment of property, plant and equipment	**380,000**	–
Share based payments	**121,552**	10,713
Sundry items	**(8,596)**	71
	492,956	1,130,662

9. DISCONTINUED OPERATIONS

During 2021 the Group discontinued its sawmill and saw log operations, under the wood processing segment. The results of these businesses are disclosed as a single line item in the Consolidated Statement of Income in accordance with IFRS 5.

The subsidiary carrying out the sawmill and saw log operations has not been disposed therefore no gain or loss on disposal is applicable.

The analysis between continuing and discontinued operations is as follows:

Year ended 31 December 2021	Continuing operations US$	Discontinued operations US$	Total US$
Revenue	**–**	**644,914**	**644,914**
Gross loss	(517,238)	(851,211)	**(1,368,449)**
Impairment charges	(2,000,000)	–	**(2,000,000)**
Administrative expenses	(3,191,554)	(84,960)	**(3,276,514)**
Other income	361,237	46,547	**407,784**
Operating loss	(5,347,555)	(889,624)	**(6,237,179)**
Finance costs	382,208	(29,587)	**352,621**
Loss before taxation	(4,965,347)	(919,211)	**(5,884,558)**
Taxation	2,790	–	**2,790**
Loss for the year	**(4,962,557)**	**(919,211)**	**(5,881,768)**
Cash outflows from operating activities	(5,655,274)	36,870	**(5,618,404)**
Cash outflows from investing activities	(4,305,224)	(70,400)	**(4,375,624)**
Cash inflows from financing activities	10,937,912	–	**10,937,912**

9. DISCONTINUED OPERATIONS CONTINUED

Year ended 31 December 2020	Continuing operations Restated US$	Discontinued operations Restated US$	Total Restated US$
Revenue	**–**	**1,588,140**	**1,588,140**
Gross loss	–	(1,344,930)	(1,344,930)
Impairment charges	(4,191,039)	(567,668)	(4,758,707)
Administrative expenses	(1,644,480)	(195,219)	(1,839,699)
Other income	96,405	222,066	318,471
Operating loss	(5,739,114)	(1,885,751)	(7,624,865)
Finance costs	(1,309,388)	(37,842)	(1,347,230)
Loss before taxation	(7,048,502)	(1,923,593)	(8,972,095)
Taxation	214,176	–	214,176
Loss for the year	**(6,834,326)**	**(1,923,593)**	**(8,757,919)**
Cash outflows from operating activities	(1,884,551)	581,991	(1,302,560)
Cash outflows from investing activities	(725,604)	(675,328)	(1,400,932)
Cash inflows from financing activities	3,156,820	144,447	3,301,267

10. LOSS PER SHARE

	2021 US$	2020 US$
Loss for the year		
Continuing operations	**4,962,557**	6,834,326
Discontinued operations	**919,211**	1,923,593
Total operations	**5,881,768**	8,757,919
Weighted number of Ordinary Shares in issue	**3,585,753,053**	1,342,513,670
Basic and diluted loss per share (cents):		
Continuing operations	**0.13**	0.51
Discontinued operations	**0.03**	0.14
Total operations	**0.16**	0.65

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

11. INTANGIBLE ASSETS

	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
Additions	–	400,000	–	400,000
Written off	(567,668)	–	(6,503,975)	(7,071,643)
At 31 December 2021	**–**	**5,659,386**	**–**	**5,659,386**
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
Amortisation charge for the year	–	–	–	–
Written off	(567,668)	–	(6,503,975)	(7,071,643)
At 31 December 2021	**–**	**362**	**–**	**362**
Net book value				
At 31 December 2021	**–**	**5,659,024**	**–**	**5,659,024**
At 31 December 2020	–	5,259,024	–	5,259,024

Goodwill:

Acquisition of wood processing and export business

Goodwill raised on the acquisition of Renewable Logistics Systems LLC ("RLS") in 2019 was fully impaired in 2020. The associated sawmill and saw log operations ceased during 2021 and accordingly the goodwill has been written off in 2021.

Intellectual property

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

Recoverability of intellectual property assets is dependent on successfully commercialising CoalSwitch®, which is subject to uncertainties including: the capital costs required to construct a CoalSwitch® facility; feedstock pricing; market conditions and product sales prices; production efficiencies; logistics costs; and the ability of the Group to access financial resources to develop the projects and bring the product to economic maturity and profitability. Management assessed each of these key assumptions and benchmarked these against available industry data. An industry expert was consulted to support the assumptions. The recoverable amount of the intellectual property has been determined based on a value in use calculation. The calculation uses cash flow projections utilising managements best estimates of the key assumptions covering a 20-year period, and a discount rate of 9.5% (2020: 10.5%). The determined recoverable amount exceeded the carrying value of the assets and management determined that no impairment was required. The discounting rate is a key sensitivity in assessing the recoverable value. An increase of 1% in the discounting rate would not result in an impairment of the assets. Management will continue to monitor the recoverability of these assets.

Intellectual property is not currently amortised. It is managements intention to amortise these assets once production of CoalSwitch® commences.

Timber licences

Canadian and Ukrainian timber licences were fully impaired in 2020. Following the sale of AE Ukraine and the revoking of the Newfoundland commercial cutting permit, these intangibles were written off in 2021.

12. PROPERTY, PLANT AND EQUIPMENT

Group	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	41,206	1,281,071	1,222	1,323,499
Assets acquired in the acquisition of RES LLC	240,623	–	–	240,623
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	–	3,954,965	1,222	3,957,944
Disposals	–	(872,079)	–	(872,079)
Transfers	210,220	(337,444)	–	(127,224)
Foreign exchange differences	–	–	(158)	(158)
At 31 December 2021	**4,492,049**	**9,318,697**	**13,170**	**13,823,916**
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 year	128,366	116,788	1,264	246,418
Impairment charge	–	2,000,000	–	2,000,000
Disposals	–	(229,907)	–	(229,907)
Transfers	(96,343)	(30,881)	–	(127,224)
Foreign exchange differences	–	–	(116)	(116)
At 31 December 2021	**198,000**	**2,102,366**	**10,597**	**2,310,963**
Net book value				
At 31 December 2021	**4,294,049**	**7,216,331**	**2,573**	**11,512,953**
At 31 December 2020	4,115,852	6,326,889	900	10,443,641

Following the termination of a lease, right-of use assets under IFRS 16, previously reflected within plant and equipment, are included as disposals. See Note 21 for further information.

Right-of-use assets with a carrying value of $326,299 were included within Plant and Equipment in 2020. The lease for these assets was terminated during the year and the assets are according reflected as a disposal in the current year (see Note 22).

A component failure during the year resulted in damage to certain items of Plant and equipment. The damaged items have no recoverable value and have accordingly been fully impaired (see Note 4).

Recoverability of plant and equipment assets is dependent on successfully commercialising CoalSwitch®, which is subject to uncertainties including the ability of the Group to access financial resources to develop the projects and bring the product to economic maturity and profitability. Recoverability of these assets is assessed using the same value in use calculation and key assumptions as for the assessment for intangible assts (see Note 11). The determined recoverable amount exceeded the carrying value of the assets and, management determined that no further impairment was required. The discounting rate is a key sensitivity in assessing the recoverable value. An increase of 1% in the discounting rate would not result in additional impairment of the assets. Management will continue to monitor the recoverability of these assets.

12. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Company – office equipment

	2021 US$	2020 US$
Cost		
At beginning of the year	**10,349**	8,960
Additions	**2,979**	1,222
Foreign exchange differences	**(158)**	167
	13,170	10,349
Accumulated depreciation		
At beginning of the year	**9,449**	8,960
Charge for the year	**1,264**	373
Foreign exchange differences	**(116)**	116
	10,597	9,449
Net book value	**2,573**	900

13. INVESTMENTS IN SUBSIDIARIES

	Company 2021 US$	Company 2020 US$
Cost		
At beginning of the year	**5,992,561**	5,951,709
Additions	**10,200,000**	–
Disposal	**(4,496,618)**	–
Foreign exchange differences	**(141,831)**	40,852
	11,554,112	5,992,561
Impairment provision		
At beginning of the year	**4,496,618**	4,496,618
Impairment charge	**1,295**	–
Transfer from long term loans (Note 13)	**5,200,000**	–
Disposal	**(4,496,618)**	–
Foreign exchange differences	**(64,924)**	–
	5,136,371	4,496,6181
Net carrying value	**6,417,741**	1,495,943

During the year the Company converted US$10,200,000 of loans to subsidiaries into equity investments. The associated impairment provision relating to a portion of the loans of US$5,200,000 has been transferred to investment in subsidiaries. See Note 14.

The company sold its interest in AE Ukraine for US$1 during the year. The investment value of US$4,496,618 and equivalent impairment provision have been recorded as a disposal.

13. INVESTMENT IN SUBSIDIARIES CONTINUED

At 31 December 2021 the Group held share capital and had a controlling interest in each of the following companies:

Subsidiary undertaking	Country of incorporation	Nature of business	Percentage holding 2021	Percentage holding 2020
Advanced Biomass Solutions Limited	United Kingdom	Biomass for energy development	**100**	99
Lumberton Energy Holdings LLC	United States	Property Holding Company	**100**	100
Active Energy Renewable Power LLC [1]	United States	Biomass for energy development	**100**	100
CSW2Maine LLC	United States	Biomass for energy development	**100**	50
AEG Trading Limited	United Kingdom	Wood chip distribution	**100**	100
AEG CoalSwitch Limited (formerly Active Energy Services UK Limited)	United Kingdom	Biomass for energy development	**100**	100
Timberlands International. Limited	United Kingdom	Biomass for energy development	**100**	76
Timberlands Newfoundland & Labrador Inc	Canada	Biomass for energy development	**100**	76
Active Energy Services UK Limited (formerly AEG Coalswitch Limited) [2]	United Kingdom	Corporate Services	**89**	89
AEG Coalswitch USA LLC	United States	Biomass for energy development	**100**	100
Renewable Energy Systems	United States	Wood processing and distribution	**100**	100
AE Ukraine [3]	Ukraine	Woodchip processing and distribution	**–**	100
Nikofeso Holdings Limited [4]	Cyprus	Wood chip distribution	**100**	100

Notes

[1] Active Energy Renewable Power LLC held the discontinued sawmill and saw log operations. The entity has not been sold (see Note 9).

[2] Active Energy Services UK Limited applied to be dissolved on 30 March 2022.

[3] AE Ukraine was sold on 31 December 2021 for $1.

[4] Application was made prior to 31 December 2021 to dissolve Nikofeso Holdings Limited.

14. LONG-TERM LOANS

	Company 2021 US$	Company 2020 US$
Carrying value at beginning of the year	**23,204,528**	23,272,315
Loans advanced during the year	**7,153,319**	6,387,462
Transferred to Investments in Subsidiaries (Note 13)	**(10,200,000)**	-
Impairment provision transferred to Investments in Subsidiaries (Note 13)	**5,200,000**	-
Provision for impairment	**–**	(8,662,410)
Accrued interest	**164,400**	2,207,161
Foreign exchange differences	**(225,787)**	–
Carrying value at end of the year	**25,296,460**	23,204,528

Long-term loans are loans made to subsidiaries of the Company and are considered to be related party transactions (see Note 28). Interest on intercompany loans is accrued at a rate of 12%, at the discretion of the Company, which is considered to be a market rate. The loans have no set date of repayment.

During the year the Company converted US$10,200,000 of loans to subsidiaries into equity investments. The associated impairment provision relating to a portion of the loans of US$5,200,000 has been transferred to investment in subsidiaries. See Note 13.

Impairment was raised in 2020 against loans made to AE Ukraine and Timberlands Int. Limited were written off in 2021.

15. OTHER FINANCIAL ASSETS

	Group 2021 US$	Group 2020 US$	Company 2021 US$	Company 2020 US$
Fair value at beginning of the year	**931,312**	1,470,639	**931,312**	1,470,639
Fair value adjustment	**–**	(539,327)	**–**	(539,327)
Foreign exchange differences	**(9,037)**	–	**(9,037)**	–
Fair value at end of the year	**922,275**	931,312	**922,275**	931,312

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

This asset is valued according to Level 3 inputs as defined by IFRS 13 and is therefore subject to management's judgement of unobservable inputs. Management will continue to monitor this asset for indications of impairment.

16. INVENTORY

	Group 2021 US$	Group 2020 US$	Company 2021 US$	Company 2020 US$
Raw materials	**27,250**	167,993	**–**	–
Finished goods	**–**	69,513	**–**	–
Total inventory	**27,250**	237,506	**–**	–

17. TRADE AND OTHER RECEIVABLES

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

	Group 2021 US$	Group 2020 US$	Company 2021 US$	Company 2020 US$
Project advances	**1,190,315**	–	**–**	–
Prepayments	**83,529**	54,362	**79,926**	–
Corporation tax credit receivable	**–**	142,238	**–**	–
Other receivables	**355,115**	74,155	**355,115**	–
Total	**1,628,959**	270,755	**432,041**	–

Trade and other receivables that have not been received within the payment terms are classified as overdue. As at 31 December 2021 trade receivables of US$nil (2020: US$nil) were overdue and accordingly no impairment provisions have been raised (2020: US$nil). An analysis of the Group's trade and other receivables classified as financial assets by currency is provided in Note 26.

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

18. CASH AND CASH EQUIVALENTS

	Group 2021 US$	Group 2020 US$	Company 2021 US$	Company 2020 US$
Cash at bank	**1,940,871**	999,631	**1,915,571**	811,901

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.

19. TRADE AND OTHER PAYABLES

	Group 2021 US$	Group 2020 US$	Company 2021 US$	Company 2020 US$
Trade payables	**775,709**	1,340,213	**345,196**	515,3091
Accruals and deferred income	**232,639**	367,780	**194,217**	282,547
Social security and other taxes	**63,682**	383,664	**62,649**	385,971
Other payables	**150,000**	150,000	**–**	–
	1,222,030	2,141,657	**602,062**	1,183,8271

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

The amounts shown are undiscounted and represent the contractual cash-flows. An analysis of the Group's trade and other payables classified as financial liabilities by currency is provided in Note 26.

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

20. DEFERRED TAXATION

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

	Group 2021 US$	Group 2020 US$	Company 2021 US$	Company 2020 US$
Carrying value at beginning of the year	**150,139**	364,316	**–**	–
Reversal of temporary differences	**(2,790)**	(214,177)	**–**	–
	147,349	150,139	**–**	–

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

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

21. LOANS AND BORROWINGS

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

Group	Book value 2021 US$	Fair value 2021 US$	Book value 2020 US$	Fair value 2020 US$
Non-current				
Convertible debt	–	–	21,914,723	21,914,723
Other loans	**143,931**	**143,931**	190,828	190,828
	143,931	**143,931**	22,105,551	22,105,551
Current				
Other loans	**14,013**	**14,013**	21,772	21,772
Total loans and borrowings	**157,944**	**157,944**	22,127,323	22,127,323

Company	Book value 2021 US$	Fair value 2021 US$	Book value 2020 US$	Fair value 2020 US$
Non-current				
Convertible debt	–	–	21,914,723	21,914,723
Other loans	**47,029**	**47,029**	46,381	46,381
	47,029	**47,029**	21,961,104	21,961,104
Current				
Other loans	**13,015**	**13,015**	21,772	21,772
Total loans and borrowings	**60,044**	**60,044**	21,982,876	21,982,876

Convertible debt

In February 2021, the Company received conversion notices in respect of £16.6 million CLNs pursuant to which the Company subsequently issued 1,660,873,700 New Ordinary Shares to the relevant CLN holders. Outstanding CLNs of £1.4 million were redeemed and a further £0.4 million of CLNs were cancelled to fully extinguish the CLN debt. The corporate debenture providing security to the CLN holders was revoked when the CLNs were extinguished.

Other loans

Other loans at 31 December 2021, consist of UK and US government Covid support loans. The loans are repayable over 5 and 30 years respectively, with interest rates of 2.5% p.a. and 3.75% p.a. and are secured by the respective governments.

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

Group	0-1 year US$	1-2 years US$	2-5 years US$	More than 5 years US$	Total US$
At 31 December 2021	**14,013**	**15,400**	**40,324**	**88,207**	**157,944**
At 31 December 2020	21,772	58,468	43,179	89,181	212,600

Company	0-1 year US$	1-2 years US$	2-5 years US$	More than 5 years US$	Total US$
At 31 December 2021	**13,015**	**13,346**	**33,683**	**–**	**60,044**
At 31 December 2020	21,772	9,907	36,474	–	68,153

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

22. RIGHT-OF-USE ASSETS AND LIABILITIES

Group	2021 US$	2020 US$
Non-current asset – Plant and equipment		
At 1 January	**326,299**	–
Additions	**–**	435,066
Depreciation	**(72,511)**	(108,767)
Disposals	**(253,788)**	–
Net book value – Plant and equipment	**–**	326,299
Lease liability		
At 1 January	**339,308**	–
Additions	**–**	435,066
Interest expense on leases	**22,265**	36,242
Lease payments	**(57,900)**	(132,000)
Lease termination	**(303,673)**	–
Total lease liability	**–**	339,308
Current lease liability	**–**	136,891
Non-current lease liability	**–**	202,417
Total lease liability	**–**	339,308

Sawmill and saw log activities ceased during the year and the associated leases were terminated.

23. CALLED UP SHARE CAPITAL

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

	2021 Number	2021 US$	2020 Number	2020 US$
Allotted, called up and fully paid				
Ordinary shares of 0.01p each				
At 1 January	**1,541,178,043**	**219,436**	1,201,906,951	17,265,379
Issue of shares	**4,124,031,702**	**567,431**	339,271,092	1,102,955
Share subdivision	**–**	**–**	–	(18,148,898)
At 31 December	**5,665,209,745**	**786,867**	1,541,178,043	219,436
Deferred shares of 0.99p each				
At 1 January	**1,287,536,163**	**18,148,898**	–	–
Share subdivision	**–**	**–**	1,287,536,163	18,148,898
At 31 December	**1,287,536,163**	**18,148,898**	1,287,536,163	18,148,898
Total share capital		**18,935,765**		18,368,334

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.

Following equity placings during the year, the Company had 5,665,209,745 Ordinary Shares in issue at 31 December 2021 (31 December 2020: 1,541,178,043). During 2021 the Company issued 4,124,031,702 Ordinary Shares and received net proceeds of US$12.7 million (2020: 339,271,092 Ordinary Shares issued, net proceeds of US$1.8 million).

24. SHARE OPTIONS AND WARRANTS

From time to time the Company has entered into share option and warrant arrangements under which the holders are entitled to subscribe for a percentage of the Company's Ordinary Share capital. Options under the LTIP and JSOP (detailed below) as well as a further 41,000,000 (2020: 41,000,000) options have various market, service and performance conditions determining the date of vesting. All other options and warrants vest immediately. The number of warrants and share options exercisable at 31 December 2021 was 226,896,211 (2020: 108,450,000).

	2021 Weighted average exercise price (UK pence)	**2021 Number of warrants and share options**	2020 Weighted average exercise price (UK pence)	2020 Number of warrants and share options
At 1 January	**3.57**	**108,450,000**	3.46	123,001,619
Cancelled	**–**	**–**	2.22	(19,551,619)
Granted	**2.43**	**118,446,211**	1.00	5,000,000
At 31 December	**2.97**	**226,896,211**	3.57	108,450,000

At 31 December 2021, the weighted average remaining contractual life of warrants and share options exercisable was 5.38 years (2020: 4.29 years). There were 86,469,468 share options issued under the LTIP (2020: Nil) and a further 31,976,743 warrants issued during the year (2020: 5,000,000). The weighted average exercise price of the options and warrants granted was 2.43 pence (2020: 1.0 pence).

The charge for equity settled share-based payments of US$639,733 was recognised in the Statement of Comprehensive Income (2020: US$56,382).

LTIP's, options and warrants outstanding at 31 December 2021 were exercisable as follows:

Exercise price range (Pence, US cents in brackets)	**2021 Number**	2020 Number
0.50p (0.66 cent)	**15,000,000**	15,000,000
1.00p (1.32 cent)	**20,000,000**	20,000,000
1.00p (1.26 cent)	**5,000,000**	5,000,000
1.29p (1.77 cent)	**21,317,829**	–
1.50p (2.02 cent)	**7,500,000**	7,500,000
1.94p (2.65 cent)	**10,658,914**	–
2.01p (2.82 cent)	**43,234,734**	–
3.00p (4.05 cent)	**13,450,000**	13,450,000
3.52p (4.93 cent)	**43,234,734**	–
4.50p (6.28 cent)	**20,500,000**	20,500,000
5.00p (6.75 cent)	**2,000,000**	2,000,000
6.00p (8.09 cent)	**4,500,000**	4,500,000
8.50p (11.86 cent)	**20,500,000**	20,500,000
At 31 December	**226,896,211**	108,450,000

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

LTIP awards

In February 2021, the Company implemented the Long Term Incentive Plan ("LTIP") to incentivise the Company's Executive Directors, certain other Directors and members of the Senior Management team.

Awards under the LTIP take the form of premium priced options over the Company's Ordinary Shares which are exercisable from the third anniversary of the date of grant (subject to several market standard specific exceptions). LTIP options have an expiry date of ten years from the award date. The LTIP allows for up to 7% of the Company's issued share capital to be allocated to participants and includes malus and clawback clauses.

24. SHARE OPTIONS AND WARRANTS CONTINUED

LTIP awards continued

The Group measures the fair value of LTIP awards using the Black Scholes valuation model. The share-based payment expense is recorded over the vesting period of the option. Share based payment expenses are recognised in the Income Statement in accordance with the provisions of IFRS2.

At inception on the scheme, 86,469,468 LTIP options were granted to Directors and other participants. No further awards were granted during the year. Half of the options have an exercise price of 2.01p (a premium of 50% to the grant date share price) and the remaining options are exercisable at a price of 3.52p (a premium of 75% to the grant date share price).

JSOP awards

Under the Joint Share Ownership Plan ("JSOP"), shares in the Company were 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 Company no longer utilises the JSOP to incentivise employees.

The Company awarded JSOP shares in 2013 and has made no further awards since. The JSOP share-based payment charge was expensed during the vesting period. There was no associated share-based payment charge in 2021 (2020: US$nil). At 31 December 2021 there were 14,000,000 fully vested shares held in the JSOP Trust (31 December 2020: 14,000,000). No JSOP shares were sold during the year (2020: Nil). The JSOP share-based charge has been fully expensed and there was no charge recorded in the current year or prior years.

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.

25. 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.

26. NOTE SUPPORTING THE STATEMENT OF CASH FLOWS

Reconciliation of loss before taxation to cash outflows from operating activities:

Group	2021 US$	2020 US$
Loss for the year	**(5,881,768)**	(8,757,919)
Adjustments for:		
Share based payment expense	**639,746**	56,382
Depreciation	**246,418**	346,661
Gain on redemption of Loans/CLNs	**(407,776)**	–
Amortisation of intangibles	**–**	150,990
Impairment of PPE and intangible assets	**2,000,000**	4,758,707
Gain on disposal of right of use assets	**(49,885)**	–
Gain on disposal of PPE	**6,064**	–
Foreign currency translations	**(1,261,221)**	(56,080)
Finance expenses	**162,531**	1,403,316
Income tax	**(2,790)**	(214,176)
	(4,548,681)	(2,312,119)
Decrease/(increase) in inventories	**210,256**	(213,414)
(Increase)/decrease in trade and other receivables	**(258,204)**	589,449
(Decrease)/increase in trade and other payables	**(1,021,775)**	633,524
Net cash (outflow) from operating activities	**(5,618,404)**	(1,302,560)

Company	2021 US$	2020 US$
Loss for the year	**(2,075,511)**	(6,733,779)
Adjustments for:		
Share based payment expense	**639,746**	56,382
Depreciation	**1,264**	373
Gain on redemption of Loans/CLNs	**(361,229)**	–
Impairment of intercompany loans	**–**	5,326,430
Foreign currency translations	**(608,102)**	281,370
Finance income	**–**	(1,326,585)
Finance expenses	**3,102**	1,365,474
	(2,400,730)	(1,030,335)
Increase in trade and other receivables	**(432,041)**	(471,542)
Decrease in trade and other payables	**(583,913)**	(259,366)
Net cash (outflow) from operating activities	**(3,416,684)**	(1,761,243)

Non-cash transactions are excluded from cash flows.

Cash to net debt reconciliation

	Group 2021 US$	Group 2020 US$	Company 2021 US$	Company 2020 US$
Cash and cash equivalents	**1,940,871**	999,631	**1,915,571**	811,901
Borrowings	**(157,944)**	(212,600)	**(60,044)**	(68,153)
Convertible loan notes	**–**	(21,914,723)	**–**	(21,914,723)
Right-Of-Use Lease Liability	**–**	(339,308)	**–**	–
Net debt	**1,782,927**	(21,467,000)	**1,855,527**	(21,170,975)
Cash and liquid investments	**1,940,871**	999,631	**1,915,571**	811,901
Fixed rate instruments	**(157,944)**	(22,466,631)	**(60,044)**	(21,982,876)
Net debt	**1,782,927**	(21,467,000)	**1,855,527**	(21,170,975)

26. NOTE SUPPORTING THE STATEMENT OF CASH FLOWS CONTINUED

Net Debt Reconciliation for the Group

	Cash and cash equivalents US$	Unsecured loans US$	Convertible loan notes US$	Right-of-use lease liability US$	Total debt US$	Net debt US$
Net debt at 1 January 2021	**999,631**	**(212,600)**	**(21,914,723)**	**(339,308)**	**(22,466,631)**	**(21,467,000)**
Cashflows	943,884	17,048	1,571,222	35,635	1,623,905	2,567,789
FX adjustments	(2,644)	(8,939)	(957,512)	–	(966,451)	(969,095)
Loans forgiven	–	46,547	361,229	–	407,776	407,776
Shares issued to settle CLNs	–	–	23,783,477	–	23,783,477	23,783,477
Release of reserves	–	–	(2,843,693)	–	(2,843,693)	(2,843,693)
Obligations released on termination of lease	–	–	–	303,673	303,673	303,673
Net debt at 31 December 2021	**1,940,871**	**(157,944)**	**–**	**–**	**(157,944)**	**1,782,927**

Net Debt Reconciliation for the Company

	Cash and cash equivalents US$	Unsecured loans US$	Convertible loan notes US$	Right-of-use lease liability US$	Total debt US$	Net debt US$
Net debt at 1 January 2021	**811,901**	**(68,153)**	**(21,914,723)**	**–**	**(21,982,876)**	**(21,170,975)**
Cashflows	1,105,049	7,593	1,571,222	–	1,578,815	2,683,864
FX adjustments	(1,379)	516	(957,512)	–	(956,996)	(958,375)
Loans forgiven	–	–	361,229	–	361,229	361,229
Shares issued to settle CLNs	–	–	23,783,477	–	23,783,477	23,783,477
Release of reserves	–	–	(2,843,693)	–	(2,843,693)	(2,843,693)
Net debt at 31 December 2021	**1,915,571**	**(60,044)**	**134,883**	**–**	**74,839**	**1,855,527**

27. 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

27. FINANCIAL INSTRUMENTS CONTINUED

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

Financial assets

	Group 2021 US$	Group 2020 US$	Company 2021 US$	Company 2020 US$
Loans and receivables				
Cash and cash equivalents	**1,940,871**	999,631	**1,915,571**	811,901
Amounts due from group companies	**–**	–	**25,296,460**	23,204,528
Advances	**1,190,315**	–	**–**	–
Other receivables	**355,115**	74,155	**355,115**	–
	3,486,301	1,073,786	**27,567,146**	24,016,429
Financial investments	**922,275**	931,312	**922,275**	931,312
Total financial assets	**4,408,576**	2,005,098	**28,489,421**	24,947,741

Financial liabilities

	Group 2021 US$	Group 2020 US$	Company 2021 US$	Company 2020 US$
Financial liabilities at amortised cost				
Trade payables	**775,709**	1,340,213	**345,196**	513,309
Other current liabilities	**150,000**	150,000	**–**	–
Loans and borrowings	**157,944**	22,127,323	**60,044**	21,982,876
Total financial liabilities	**1,083,653**	23,617,536	**405,240**	22,498,185

Fair value measurement

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):
Level 1: Quoted prices in active markets for identical items (unadjusted)
Level 2: Observable direct or indirect inputs other than Level 1 inputs
Level 3: Unobservable inputs (i.e. not derived from market data).

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

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

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

Market Risk

Currency risk

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

27. FINANCIAL INSTRUMENTS CONTINUED

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

	Group 2021 US$	Group 2020 US$	Company 2021 US$	Company 2020 US$
US Dollar	**25,607**	727,890	**764**	670,169
UK Pound Sterling	**1,915,136**	271,651	**1,914,679**	141,650
Euro	**128**	90	**128**	82
	1,940,871	999,631	**1,915,571**	811,901

The Group holds cash and cash equivalents in interest free accounts and does not earn interest.

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

	Group 2021 US$	Group 2020 US$	Company 2021 US$	Company 2020 US$
US Dollar	**1,531,393**	124,155	**334,475**	–
UK Pound Sterling	**97,566**	146,600	**97,566**	–
	1,628,959	270,755	**432,041**	–

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

	Group 2021 US$	Group 2020 US$	Company 2021 US$	Company 2020 US$
US Dollar	**617,297**	1,041,744	**13,609**	–
UK Pound Sterling	**599,934**	1,189,913	**583,654**	1,183,827
Euro	**4,799**	–	**4,799**	–
Other currencies	**–**	10,000	**–**	–
	1,222,030	2,241,657	**602,062**	1,183,827

The effect of a 5% strengthening of the US Dollar at the reporting date on the foreign denominated net financial instruments carried at that date would, all variables held constant, would have resulted in a reduction in net assets of US$67,054 (2020: an increase in net assets of US$9,762). A 5% weakening in the exchange rate would, on the same basis, have reduced the net loss and increased net assets by the same amount.

Interest rate risk

The Group and Company finances its operations through a mixture of equity and loans. The restructuring of the Group's Convertible Loan Note debt has significantly reduced the interest rate exposure. Remaining debt consists of long-term government provided debt with fixed rates of interest. See Note 21.

Credit risk

Operational

The Group is currently non-operational and its exposure to credit risk is negligible. The Group does not enter into any derivatives to manage credit risk. Further information on trade and other receivables are presented in Note 17.

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.

27. FINANCIAL INSTRUMENTS CONTINUED

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the payments associated with the Group's suppliers. The Group retains operational liquidity risk, with material uncertainties identified surrounding going concern (see Note 1) as the Group starts to commercialise CoalSwitch®. During this period there is a risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

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

The Group had unsecured loans at 31 December 2021 of US$157,944 (2020: unsecured debt of US$212,600 and secured Convertible Loan Notes of US$21,914,723). 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.

28. RELATED PARTY DISCLOSURES

Details of Director's remuneration are given in the Directors' Remuneration Report. At 31 December 2021, the Directors had US$87,142 of unpaid salary and fees. These fees have been paid in 2022.

During 2021, the Group paid US$43,342 to INJ London Limited for sales and marketing services. This company is owned by Max Aitken (2020: US$nil).

During 2021, the Group paid US$2,327 to Zimmfor Management Services for an assessment of carbon credits related to CoalSwitch®. This company is owned by Jason Zimmermann (2020: US$10,000).

Transactions between the Company and its subsidiaries, which are related party transactions, have been eliminated on consolidation. These transactions, which were incurred in the ordinary course of business and under normal commercial terms, were as follows:

	2021 US$	2020 US$
Sale of property, plant and equipment	**588,392**	–
Allocation of management time and expenses	**205,650**	501,870
Interest charges	**164,400**	2,207,161

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

	2021 US$	2020 US$
Amounts due from Group companies	**25,296,460**	23,204,528

29. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2021 (2020: US$750,000).

30. SUBSEQUENT EVENTS

On 30 March 2022 the Group entered into a purchase and sale agreement for the sale of the Lumberton site in North Carolina. The gross cash proceeds of the transaction are US$4.65 million. The sale is subject to a 75-day due diligence and closing period, with closing of the transaction and receipt of sale proceeds expected in June 2022.

31. ULTIMATE CONTROLLING PARTY

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

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