Active Energy Group plc
Annual Report and Accounts
For the year ended 31 December 2022

Frequently used abbreviations/definitions

Active Energy Group plc	'Active Energy', the 'Group' or the 'Company'
Ton per annum	'tpa'
Tonne per annum	'ttpa'
North Carolina Department of Environmental Quality	'NCDEQ'
CoalSwitch®, the registered trademark	'CoalSwitch'
1885 Alamac Road, Lumberton, North Carolina, USA	'Lumberton' or the 'Lumberton Site'
CoalSwitch® US reference production facilities, namely:	
• Lumberton, North Carolina, USA	the 'Lumberton Facility'
• Ashland, Maine, USA	the 'Ashland Reference Facility'
United States Dollar	'USD' or '$'
Active Energy Group's CoalSwitch® Test Program	the 'CoalSwitch® Program'

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

The Company 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, 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 the development of additional CoalSwitch® blends that utilise other low value waste wood and residual materials and achieve improved emissions and performance goals.

CONTENTS

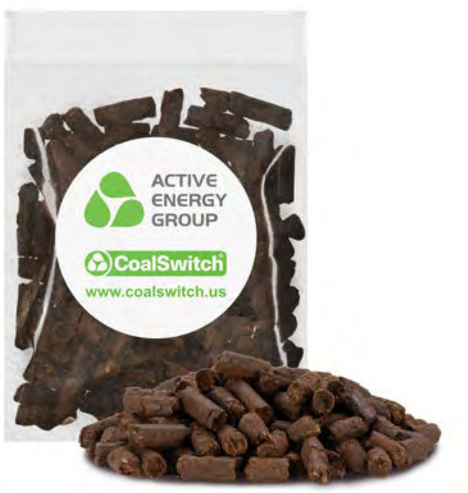
Highlights of the Year

For the year ended 31 December 2022

OPERATIONAL HIGHLIGHTS:

- Expansion of the Company's sales function in USA and Europe:
  - first order for CoalSwitch® from Carolina Stalite for CoalSwitch® fuel; and
  - written indications of interest of the supply of up to 10,000 tonnes of fuel for clients in the UK in 2023.
- Extension of IP protection, including the award of the Malaysian Patent for future CoalSwitch® production in the South East Asian Region.
- In March 2022, the Group achieved Chain of Custody and Controlled Wood Certification compliant with the Forest Stewardship Council® ('FSC®') standards for its CoalSwitch® fuel.
- Completion of the Karbone Renewable Energy Credit and Environmental Attribute Report published in November 2022, demonstrating CoalSwitch® could qualify for significant production and consumption subsidies from individual US states, ranging up to US$90 per ton.
- Positive results received following the completion of the independent study by LifeCycle Analysis in California on the carbon impact of CoalSwitch® production published in June 2022, showing a reduction of CO_2 by 99% relative to coal.
- Appointment of Michelle Fagan as the Company's interim Chief Financial Officer in November 2022.

CoalSwitch® sample



FINANCIAL HIGHLIGHTS:

- Sale of the Lumberton Site completed on 30 June 2022 with;
  - gross consideration of US$4.65 million; and
  - net cash proceeds of US$3.92 million received.
- Operating loss for the year of US$1,343,745 (2021: US$5,881,768).
- Cash at bank as at 31 December 2022 US$2,614,472 (2021: US$1,940,871).
- Basic and diluted loss per share from continuing operations of US$0.35 cents (2021 Restated: US$4.57 cents).

ACTIVITIES POST THE YEAR END:

- Permit awarded to the Company's engineering partner, Player Design International ('PDI') at the Ashland Reference Facility (announced on 24 May 2023):
  - final engineering and construction to commence and first fuel production and deliveries expected to commence in Q3 2023;
  - PDI confirms that full scale production volumes from Ashland are anticipated to remain at a target rate of 35,000 tons per annum.
- Annual renewal of Custody and Controlled Wood certification with the Forest Stewardship Council standards for its CoalSwitch® fuel production from Ashland.
- Appointment of Steve Schaar as Chief Operating Officer for the Group to focus on the specific development of CoalSwitch® production facilities in the United States and Canada.
- Patents and Trademarks for CoalSwitch® awarded in the US, Canada, Europe (including the UK) and additional trademark applications have commenced throughout Asia, including Japan.

The last twelve months have seen Active Energy Group continue to make progress toward its goal of becoming one of the leading manufacturers of next generation biomass pellets, focused primarily on new technologies for black pellet production. Whilst awaiting the issuance of the permit for the construction and operation of the first CoalSwitch® production facility at Ashland, the Company has used the time to invest in additional product development, establish the Company's marketing operations and strengthen the management team.

The Company has seen a substantial increase in the number of commercial enquiries for CoalSwitch® fuel, driven primarily by sales teams in the US and in the UK and aided by an increasing market demand for an improved biomass pellet, accommodating revised environmental regulation in the US and elsewhere, and continuing market supply issues requiring alternative long-term sources of biomass supply.

Active Energy has obtained first orders for CoalSwitch®, which the Board believes will lead to long-term off take contracts for the fuel and create future joint venture production opportunities, both in the US and internationally.

Looking into 2023, the Company has to focus upon several key milestones, including:

i) working with Player Design, Inc. ('PDI') to obtain production of commercial volumes of CoalSwitch® from the Ashland Reference Facility;
ii) delivering this fuel to identified prospective customers in the US and internationally; and
iii) commence planning to expand production of CoalSwitch®, principally through partnerships with other parties, thereby establishing CoalSwitch® as the market standard for next generation biomass fuels in the coming years. In order to achieve these milestones Active Energy has started building a US based management team and this will continue in 2023.

Companies and utilities around the world are being pressed to reduce emissions. By converting lower value wood waste into high-value biomass fuel that can either co-fire with coal or replace existing biomass pellets, CoalSwitch® offers a turnkey, cost-effective and scalable solution. The Board believes that CoalSwitch® represents a transformational opportunity for biomass as a cleaner fuel helping global sustainability goals.

The Board remains confident about the future for Active Energy Group, 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

5 June 2023

AEG HAS SEEN A SUBSTANTIAL INCREASE IN THE NUMBER OF COMMERCIAL ENQUIRIES FOR COALSWITCH® FUEL

"TO COMMERCIALISE COALSWITCH®, A PROPRIETARY TECHNOLOGY WHICH TRANSFORMS WASTE BIOMASS MATERIAL INTO NEXT GENERATION BIOMASS FUELS WHICH CAN EITHER REPLACE EXISTING BIOMASS FUELS OR CO-FIRE WITH EXISTING FOSSIL FUELS"

WHAT IS THE STRATEGY FOR ACTIVE ENERGY?

- To advance CoalSwitch® as a next generation biomass fuel to be delivered as an alternative feedstock creating a new drop-in renewable biomass fuel, which can be co-fired with coal, replace coal entirely or alternatively replace existing biomass sources.
- To develop additional and complementary production technologies to create further variants of CoalSwitch® improving the fuel properties and extending the range of waste feedstock sources to be utilised.
- To utilise waste biomass materials to produce a fuel which reduces customer's emissions without requiring significant plant modifications or capital expenditure.
- To focus on sourcing feedstock, utilising established sustainability criteria, 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 production scale and to develop and monetise the CoalSwitch® technology for the benefit of shareholders.

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WHAT ARE THE COMPANY'S KEY PERFORMANCE INDICATORS?

- Establish production capacity through the commencement of the first CoalSwitch® production operations in Ashland Reference Plant.
- Replicate these production facilities and construct additional production facilities for CoalSwitch® at alternate sites in North America and internationally.
- Complete off-take agreements, through trial orders, with industrial partners, heating pellet suppliers or power generators in North America and the rest of the world.
- Establish feedstock supply agreements with established forestry product providers for the long-term supply of low-value residual and waste materials, which meet established sustainability criteria, to produce CoalSwitch®.
- Develop CoalSwitch® production technologies to further improve the fuel performance and introduce new production technologies to increase production efficiency and maximise economics.
- Increased shareholder returns.

HOW HAVE WE PERFORMED IN 2022?

- Worked with PDI to develop the first CoalSwitch® production platform at Ashland, Maine. Key engineering and component design work was completed. All key production components engineered, designed and ordered.
- Site preparation, including securing all relevant construction and operational permits for the Ashland Reference Facility commenced.
- Commenced an active sales and marketing program for CoalSwitch® fuel both in North America and internationally and secured first customer orders for initial CoalSwitch® production volumes.
- Established a testing and verification process under the CoalSwitch® program with the delivery of fuel samples for testing throughout the US, UK, Europe and Japan. This data to be shared with prospective customers.
- Completed the sale of existing facility at Lumberton to allow focus on first production at the Ashland Reference Facility. The proceeds of the sale have been utilised toward development of the CoalSwitch® program.

WHAT ARE THE KEY PRIORITIES FOR 2023?

- Completion of construction of the Ashland Reference Facility and commencement of production of scale volumes of CoalSwitch®.
- Identify additional production facilities or joint ventures in North America to secure an expansion of CoalSwitch® production volumes.
- Develop additional and complimentary production technologies to further improve both CoalSwitch® as a biomass fuel and to create greater future production efficiencies and emissions benefits.
- Sign product off-take agreements and trial orders for CoalSwitch® with customers operating in the heavy industrial sector and power generation sector, in North America and worldwide.
- Obtain sufficient capital funding to:
  1) analyse expansion of the Ashland Reference Facility;
  2) expand the Group's production facilities, either on a proprietary or joint venture basis in the US; and
  3) expand the Company's corporate 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 the manufacturing of CoalSwitch®;
  2) obtaining additional sustainable forestry certifications; and
  3) continuing to develop the manufacturing processes, focussing on further sustainable benefits exceeding current regulatory thresholds.

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

- Execution risks in regard to the construction and future operation of the CoalSwitch® production plant at the Ashland Reference Facility.
- Existing consumers, either of coal or biomass, are not able to fully utilise the economic or environmental benefits of CoalSwitch® over existing fossil fuel or biomass 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 additional production to establish and expand.
- Inability to secure sufficient funding in a timely manner to allow for the future development of the Ashland Reference Facility and to expand production capabilities to meet growing market demand during the next 24 months.

Further key risks and uncertainties faced by the Group are disclosed on pages 14 to 16.

Chief Executive Officer's Statement
For the year ended 31 December 2022

Executive Summary

Active Energy Group plc ('Active Energy' or the 'Company') spent 2022 strategically focused on three key areas: Product and Production Development; Market Development; and Building for Growth.

1. Product and Production Development: We knew at the beginning of 2022 that it could take some time for our production partner Player Design, Inc. ('PDI') to complete production design and engineering, receive the required permits to complete construction, install the requisite equipment and operate the first production plant. We are pleased to report that as of 24 May 2023, the relevant Permit has been granted and PDI is moving forward on construction at the Ashland Reference Facility and commencing future CoalSwitch® production.
2. Market Development: We spent the past year driving leads and customer interest by investing in new sales leaders in the US and UK and via direct marketing, event sponsorship and thought leadership. We also developed a strategy to obtain carbon credits and renewable energy incentives in the US to make CoalSwitch® cost-comparable to coal, helping to eliminate a barrier to adoption.
3. Building for Growth: We added depth and breadth to the team with the addition of a Chief Financial Officer and a US based Chief Operating Officer; extended our patent and IP portfolio; and secured a listing on the US Stock Exchange. In 2023 we will continue to invest in building our US based management team. We also sold our Lumberton facility and associated litigation proceeded toward closure. We continued to develop and improve the core CoalSwitch® production technology.

As we proceed through the second quarter, we remain positive on our prospects. Fuel production is expected to commence in the third quarter of the current year, which will drive customer testing and orders and the process of market adoption for black pellets can accelerate. New regulations in the US continue to drive coal users to seek new and cleaner options and concerns about the sustainability of using plantation trees for biomass are not abating.

We believe we have the right product, the right team and the right time for commercialisation.

WE BELIEVE WE HAVE THE RIGHT PRODUCT, THE RIGHT TEAM AND THE RIGHT TIME FOR COMMERCIALISATION

1. PRODUCT AND PRODUCTION DEVELOPMENT

Working with PDI, the Company spent the past year focused on engineering and design, permits, certifications and other regulatory requirements needed to manufacture and sell CoalSwitch®.

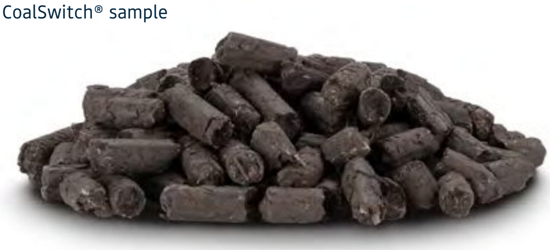
Construction and Operational Permit for the Ashland Reference Plant

Construction of the Ashland Reference Facility has commenced and Active Energy announced that the appropriate permit had been awarded to PDI by the Department of Environmental Protection in the State of Maine on 24 May 2023. Active Energy, in close discussion with PDI, has made every effort to provide the clearest timetable toward production. However, we recognise that this timeline has extended beyond the expectations that we initially set and then updated

With this permit in place, construction activities have now commenced, and the key manufacturing components will be delivered to Ashland shortly. PDI has confirmed to the Company that CoalSwitch® deliveries to Active Energy's customers should commence in Q3 2023. The Company continues to receive requests, both from the US and internationally, to visit operations at the Ashland Reference Facility at the earliest opportunity.

Since the first CoalSwitch® production in mid-2021, Active Energy has been working with PDI to improve the production process. PDI successfully produced samples of CoalSwitch® fuel in the summer of 2021 using the original steam treatment process under Active Energy's patented technology. Since then, the CoalSwitch® production process has been developed to enable PDI to increase volumes efficiently and to create an economic production process.

CoalSwitch® sample



Improving Production Technology

Throughout 2022 and in 2023 to date, PDI has been developing CoalSwitch® production operations at Ashland, Maine. PDI has developed a new production reactor, and, with Active Energy's assistance, the pro-forma design and development of these reactors was completed during 2022. The revised configuration utilises some of the Company's existing CoalSwitch® technology and develops the steam explosion production technology to accommodate increased production volumes of black pellets. This process has involved not only designing a revised engineering configuration but also substantial work on the environmental impact (resulting in PDI working closely with the Department of Environmental Protection in Maine).

Forest Stewardship Council Standards

Post the period-end, Active Energy has also renewed its Chain of Custody ('CoC') and Controlled Wood certification with the Forest Stewardship Council® ('FSC®') standards for its CoalSwitch® fuel production in Maine thereby maintaining a significant component of Active Energy's sustainability criteria.

ENplus A1 Certificate for CoalSwitch®

Throughout 2022 and in 2023, Active Energy delivered test quantities of fuel for independent analysis by European customers and independent laboratories alike. Active Energy will continue to ensure that the CoalSwitch® program attains all the relevant industry standard certifications, which in the UK will include ENplus A1 certification. To date, the UK results have all consistently demonstrated CoalSwitch®'s improved pellet performance goals, namely the premium heating value properties, the lower emissions and less ash content and the improved material handling qualities which the industry is seeking. The Company is aiming to obtain final approvals once new CoalSwitch® supplies become available during Q3 2023.

CoalSwitch® reactor – Ashland

2. MARKET DEVELOPMENT

At its Annual General Meeting ('AGM') in July 2022, the Company announced that, while PDI would focus on the engineering development activities for the CoalSwitch® program, Active Energy would focus on market development activities, both in the US and internationally.

Hiring experienced sales leaders

Since mid-2022, the number of market enquiries for a 'black pellet alternative' for biomass fuels has increased dramatically as the biomass industry urgently seeks alternate sustainable solutions. Over the last twelve months, Active Energy has created a market presence which will secure a future pipeline of fuel orders ahead of first production volumes from the Ashland Reference Facility. To achieve this, since July 2022, Active Energy has hired dedicated sales personnel both in the UK and the US to secure orders for CoalSwitch®. The Company has hired experienced personnel not only from the biomass industry but also from traditional fossil fuel industries to assist in marketing and sales activities which have to not only promote CoalSwitch® fuel but also create the future market.

Marketing activities in Europe

In the UK and Europe, the biomass industry has an established presence and the consumption and performance of traditional 'white pellet' biomass is well known. Active Energy's sales strategy has focused toward these established white pellet consumers and the sales team has had to demonstrate the economic and environmental benefits of CoalSwitch® against these existing biomass fuels.

To date, the Company obtained indications of interest for the supply of up to 10,000 tonnes of fuel from various parties in the UK seeking the fuel as an alternate and improved heating supply source. Initial conversations with prospective customers in the UK have indicated a future pipeline in excess of 50,000 tonnes of CoalSwitch® fuel, more than the Ashland Reference Facility could currently supply. During 2022, the Company also signed various Non-Disclosure Agreements with a range of European utilities who wish to assess the proprietary qualities of CoalSwitch® for long-term supply contracts and who also confirmed their desire to visit the Ashland Reference Facility in 2023.

As a result of the Company's marketing activities, it has also created an opportunity to sell MaineFlame pressed logs in the UK. This product, which is primarily focused for domestic use, is currently produced at Ashland by PDI. As CoalSwitch® marketing activities have progressed in the UK, future customers have requested if Active Energy could additionally supply the pressed logs. During Q1 2023, the Company obtained the relevant authorisations and completed product testing to permit sales of the fuel in the UK. With first orders having already been delivered, Active Energy expects the revenues from these activities to be modest, but profit margins are healthy, and the immediate sales have provided an additional boost to the Company's credibility with future CoalSwitch® customers in the UK.

Marketing activities in North America

Unlike Europe, North America does not have an established base of biomass consumers. As a result, Active Energy has had to not only initiate efforts to sell CoalSwitch® fuel, but also create new market opportunities aligned to the current consumption of fossil fuels. The focus has been to develop a market for co-firing CoalSwitch® with coal.

During 2022, the first orders for fuel were obtained and a sales pipeline was established. Active Energy's first US CoalSwitch® fuel order came from Carolina Stalite ('Stalite'), an aggregates producer based in North Carolina. Stalite remains eager for fuel deliveries at the earliest opportunity during 2023. Their interest extends beyond fuel deliveries and early-stage discussions have been established for a future production joint venture in closer proximity to their existing manufacturing facilities.

Ashland operations

The sales activities and potential customer interest have also focused beyond the conventional power generation industry and include various heavy industries including cement, pulp and paper industries where local and national emissions regulations continue to expand. Active Energy remains confident of future commercial success and prospective customers on the US East Coast are finalising terms for initial test volumes of fuel at identified facilities. Active Energy's sales team have been required to educate prospective clients, local regulators and address production, consumption and emissions concerns. The fact that the US sales team is now experienced and knowledgeable on many of these issues is providing the Company with a competitive advantage.

The approval of the Inflation Reduction Act in Washington DC in August 2022 provided a significant boost for the sustainability agenda in the US. During Q4 2022, the US sales team received a notable increase in commercial enquiries on the benefits of co-firing CoalSwitch® with coal and, once the Ashland Reference Facility is in operation, the Company anticipates a further increase in commercial enquiries and orders for fuel.

In addition to developing the sales pipeline for CoalSwitch® fuel in the US, Active Energy has also received enquiries from parties wishing to acquire a CoalSwitch® production licence or work on a joint venture basis to develop the additional CoalSwitch® production facilities. In recent weeks, the Company has also received enquiries to further develop the CoalSwitch® production technology to further improve the fuel quality and to accommodate larger scale production volumes from existing lumber production facilities. Active Energy is now actively working with these prospective partners and such arrangements will involve future licensing and production royalty revenues for the Company, as well as additional CoalSwitch® revenues.

Once CoalSwitch® fuel is in production at the Ashland Reference Facility, Active Energy believes that demand from prospective customers will increase and the process of commercial negotiations, appropriate testing at specific facilities and determining fuel supplies under long-term contract will commence. There is no question that all the pre-marketing activities of the last twelve months has allowed the Company to develop this sales pipeline and has provided the Board with increasing confidence that future sales volumes will accelerate rapidly once first production commences.

ONCE COALSWITCH® FUEL IS IN PRODUCTION ACTIVE ENERGY BELIEVES DEMAND FROM PROSPECTIVE CUSTOMERS WILL INCREASE

International marketing activities

In addition to marketing activities in Europe and North America, during 2022 Active Energy continued its sales activities in Japan through its partners based in Tokyo. Samples of fuel were delivered throughout 2022 into Japan to various customers for initial test analysis. The results have been consistent with the global results from the CoalSwitch® program. In South Africa, commercial production partners continue to work on opportunities to address immediate environmental concerns in regard to its current coal supplies and consumption. In each instance, a process of fuel verification (confirmed by independent testing) has been completed and the Company is now in discussions on future commercial arrangements.

Secured guidance on availability of credits and incentives in the US

During Q4 2022, the Company appointed Karbone, a financial services platform focused on renewable energy and decarbonisation markets, to analyse the economic value of CoalSwitch® in its production and future use. The Karbone analysis report demonstrated that the consumption of CoalSwitch® creates opportunities for subsidies in the US and Canada in terms of Renewable Energy Credits ('RECs') and Regional Greenhouse Gas Incentives ('RGGIs') credits and the creation of carbon credits marketable in the Voluntary Carbon Markets ('VCM').

The Karbone analysis shows that CoalSwitch® could qualify for significant subsidies from individual US states of up to US$90 per ton in consumption which makes CoalSwitch® cost competitive with coal consumption in the US. This has opened up significant new commercial sales opportunities for CoalSwitch® sales in the US and Canada. Further projects are being finalised with Karbone and these activities continue alongside existing collaboration with Brigham Young University and the University of Utah on future co-firing test projects and new customer projects.

3. BUILDING FOR GROWTH

The Company also took several key steps to prepare for growth and scale expected after commencement of commercial production, including technology development, IP extension and senior management team additions.

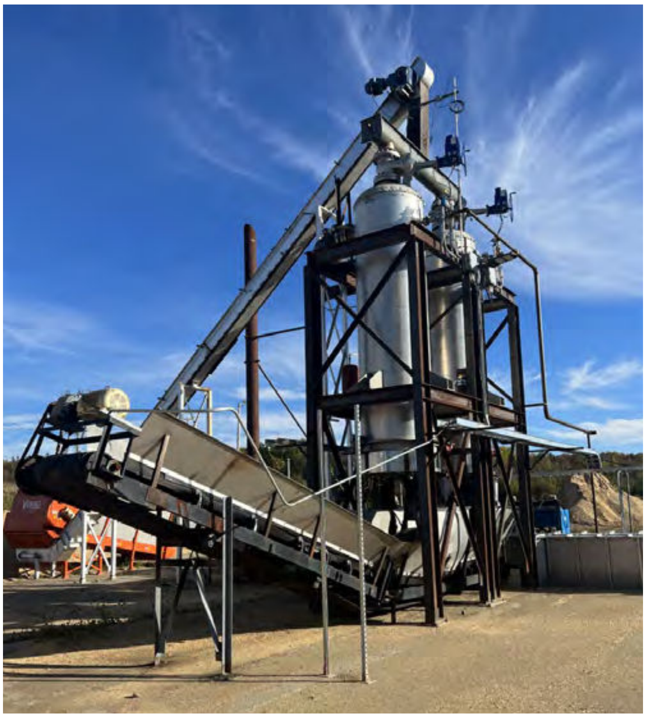
Readied Technology for Commercialisation

The Board are pleased with the technology developments that have been achieved and with the underlying engineering and regulatory work that has been completed whilst PDI and the Company awaited issuance of the permit.

The new reactor will initially run toward a production target double that of the initial CoalSwitch® production reactors and once operational, PDI plans to increase the scale of production volumes through Q3 and Q4 so as to achieve its initial goal of an annualised target production rate of 35,000 tons per year. Upon initial analysis, PDI has informed the Company that it believes that the Ashland Reference Facility could increase toward higher production volumes, but this will be reviewed through the initial production phase in H2 2023.

Production of CoalSwitch® from the Ashland Reference Facility will allow Active Energy to demonstrate an operational production facility to identified and prospective customers of the fuel alike and show prospective joint venture production partners or licensees the benefits of the revised CoalSwitch® production process.

CoalSwitch® reactor – Ashland



Strengthened management team

In November 2022, Michelle Fagan was appointed as the Company's interim Chief Financial Officer. Michelle has been working with the Company's management team since October 2020 and has 24 years' experience as a finance professional.

In March 2023, the Company appointed Steve Schaar as Chief Operating Officer to focus on the development of CoalSwitch® production in the United States. Steve has more than 25 years' experience of operations, project development, programme management and new product launches from a broad range of industries.

The Company is in discussions with a number of senior executives within the biomass sector in the US and intends to make further hires in the coming months to strengthen its US operations. This investment is in response to the significant number of opportunities that the Company has in the US and the developing market environment. The Board believes that the future growth of Active Energy will require further investment in a US management team.

Extended IP Protection

During 2022, Active Energy continued to develop and extend its intellectual property portfolio for CoalSwitch® and production know-how. On the 3 June 2022, the Company was awarded the Malaysian Patent for future CoalSwitch® production in the region to complement the existing patent awards in North America. More importantly, the CoalSwitch® trademark has now been registered and approved on all territories including US, Canada, Europe (including the UK) and additional trademark applications have commenced throughout Asia, including Japan.

THE AWARD OF THE TRADEMARKS AND PATENTS REMAIN AN IMPORTANT STEP FOR ACTIVE ENERGY AS IT GROWS ITS INTELLECTUAL PROPERTY PORTFOLIO

In Japan, Active Energy has a pending new trademark application for CoalSwitch under application No. 2023-047762, and in Canada the CoalSwitch mark has been officially registered by the Canadian Intellectual property Office. A new EU IPO trademark application for the mark CoalSwitch has also been filed claiming priority to Active Energy's UK trademark registration.

The award of the Trademarks and Patents remain an important step for Active Energy as it grows its intellectual property portfolio through the continued development of its CoalSwitch® technology but also create brand awareness for the future of black pellet.

US$ quotation for Active Energy's shares in the US

The Company successfully completed its listing on OTCQB (Ticker: ATGVF) in the US in August 2022, which will provide enhanced investor benefits, including easier trading access for investors located in the US, greater liquidity due to a broader pool of potential investors and an increased corporate profile in the US.

Ashland operations

Completion of the Sale of Lumberton Site

On 31 March 2022, the Company 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 transaction closed successfully by 30 June 2022 and the net proceeds of US$3.92 million were delivered to Active Energy. Active Energy continues to work with commercial partners in North Carolina to look for future opportunities for CoalSwitch® production.

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 2022. Further details of the Company's 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. 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.

Post period-end and outlook

The final approvals for PDI to complete the construction of and commence operations at the Ashland Reference Facility in May 2023 marked the next key stage for the development and introduction of CoalSwitch® as the next generation biomass fuel. It is a better pellet than current biomass fuel supplies and through all the work done over many years, Active Energy is actively addressing the obvious sustainability concerns for biomass focussing on utilising low value waste feedstocks and producing a high-grade fuel which demonstrates improved burn and emissions test results.

Fuel deliveries to customers are now expected to commence in Q3 2023 and that will further increase prospective customer interest. Deliveries to traditional coal intensive industries, not known for their use of biomass, creates new markets and commercial opportunities for CoalSwitch® and for Active Energy. Given the increasing regulatory environment, particularly in the US, this should prove to be an opportune time for Active Energy.

In recent months, notably with the hire of Steve Schaar, the level of commercial and technology expertise within Active Energy has increased significantly. Steve has brought an immense operational knowledge to Active Energy and the Company is actively developing new market opportunities. Operations at the Ashland Reference Facility will prove to be just the start of the progress toward a production goal of 500,000 tons of CoalSwitch® fuel by 2025, with the Company involved at a number of production sites throughout North America.

It is expected that the CoalSwitch® production technologies will also be developed to provide complimentary technologies that will further enable improved black pellet fuel performance and ensure production to larger scale volumes to accommodate current market demand. These technologies will be IP protected, and Active Energy will seek to license this technology to additional production centres both inside and outside the US.

Most importantly, biomass is currently being re-reviewed for its sustainability criteria. The application of this criteria means that white pellet consumption is increasingly under question and investigation. The market opportunity for Active Energy to become a premium supplier of black pellet and develop its black pellet production technologies has never been greater. CoalSwitch® should become the market standard for black pellet fuel.

I would like to thank all my colleagues and commercial partners for all their work and commitment toward the CoalSwitch® program in 2022 and look forward to achieving commercial success in 2023.

Michael Rowan
Chief Executive Officer

5 June 2023

The Consolidated Financial Statements for the year ended 31 December 2022 ('Current Year') is compared to the year ended 31 December 2021 ('Prior Year').

Financing

The Group started 2022 with a restructured balance sheet, following the actions taken during 2021, and did not raise debt or equity finance during the year. The Group had net cash of US$2.6 million at the end of the year (2021: US$1.9 million) and is well positioned to seek additional funding to expand operations at the Ashland Reference Facility, develop complementary CoalSwitch® production technologies and commercialise CoalSwitch®.

Subsequent events

Since the period year end, the Company has continued to work with Player Design, Inc. ('PDI') to progress towards the commencement of fuel production at the Ashland Reference Facility. PDI has confirmed the award of a construction and operational permit on 24 May 2023 and final engineering and construction activities have commenced. Active Energy has a 'take or pay' contract with PDI for all production from the Ashland Reference Facility for the next three years

Fundraising activities through 2022

There were no fundraising activities, either of equity or debt, during 2022.

Performance

In the first half of 2022, the Company sold the Lumberton site property and ceased all operations at Lumberton by 30 June 2022. The Board agreed that moving the equipment from Lumberton to Ashland and building the CoalSwitch® plant at Ashland was the best strategy available at the time.

During the second half of 2022, the Company invested in establishing a sales and marketing operations in both the United States and the United Kingdom. During the year the Company completed a series of independent laboratory analyses of the CoalSwitch® fuel in the United States, United Kingdom, Europe, and Japan and incurred appropriate costs in such exercise.

The Company incorporated tight financial controls and treasury management to its finance department during late 2022 to ensure use of funds is kept in line with enhancing shareholder's investment and this has continued to date. The financial focus as the Company moves toward first stages of production from Ashland will be to focus on enhancing shareholders return on investment in the most efficient and effective way it possibly can.

Continuing operations

Impairment charges of US$1,000,000 (2021: US$2,000,000) relate to one of the reactors which is being used for Research and Development at Ashland.

Administrative costs were consistent with the prior year at US$2,855,199 (2021: US$2,904,311). The net finance income of US$24,173 (2021: net finance costs of US$303,712) represents interest received on deposited funds less interest payable on borrowings.

Discontinued operations

The termination of the saw log and sawmill businesses at Lumberton during 2022 and the disposal of the Lumberton property was completed on 30 June 2022 and resulted in net cash proceeds of US$3,920,000 to the Group.

The overall operational loss for the year was US$1,343,745 (2021: US$5,881,768) with a basic and diluted loss per share of 0.83 cents (2021: 5.74 cents). Net finance income was interest receivable on cash held on deposit less interest payable on borrowings.

Financial position

Non-current assets

The Lumberton property was sold during the year along with certain associated plant and equipment.

Additions to plant and equipment of US$231,087 and to intellectual property of US$730,213 primarily relate to future activities, including design and engineering for the forthcoming Ashland Reference Facility, which is now under construction.

Current assets

Trade and other receivables of US$905,924 (2021: US$1,628,959) consist mainly of US$774,668 of project advances to PDI for the development of the Ashland facility.

Current liabilities

Trade and other payables were US$1,199,796 (2021: US$1,222,030). The largest reduction is due to stringent cost management reducing the trade payables due at year end significantly. Trade payables was US$428,106 in 2022 and US$775,709 in 2022.

Non-current liabilities

Loans and borrowings, related to COVID-19 Government loans, decreased slightly to US$133,940 (2021: US$143,931) due to repayments on the UK government guaranteed loan, which is repayable over five years. Repayments on the US government loan commenced in December 2022.

Cashflow

Operating cash outflows were US$2,554,563 (2021: US$5,618,404). The reduced outflow results from the cessation of sawmill and saw log operations during 2021 and Q1 2022 along with reductions in working capital and cost management measures.

The net cash inflow from investing activities of US$3,037,257 (2021: net outflow of US$4,375,624) comprises proceeds of US$3,767,471 from the disposal of the Lumberton Site less cash of US$730,714 expended on the creation of intellectual property and know how in relation to the new Ashland Reference Facility.

Cash and cash equivalents of US$2,614,472 were on hand at December 2022 year end (2021: US$1,940,871).

Going concern

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

Subsequent to the balance sheet date PDI has been granted the permits required to construct and operate CoalSwitch® production at the plant in Ashland. However, there is uncertainty around the timing of production which could affect both the Group's future cash requirements and the timing of revenue cash generation from sales of CoalSwitch®.

The Directors have concluded that additional funding may be required to execute the Board's strategy of commercialising CoalSwitch®. While there can be no guarantee that funding will be available on terms that are acceptable to the Company, or at all, the Directors are confident that the Company will be able to secure sufficient equity finance at the required time.

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

Section 172 Statement

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

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

The Board recognises that the long-term success of the Group requires positive interaction with its stakeholders, including shareholders, 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 23.

Michelle Fagan
Interim Chief Finance Officer

5 June 2023

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 2021)	2022 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 & COP 27 highlighted carbon emissions and in particular encouraged reduction in coal consumption. Nonetheless, each conference reaffirmed the future market opportunity and benefits for biomass as a long-term future fuel source. The Group is actively promoting the environmental benefits of biomass to various industry and renewable energy conferences, including the recent presentation at the Advanced Bioeconomy Leadership Conference in Washington DC in March 2023 by the Group's Chief Executive Officer.
Governmental development of policies to support an environmental improvement agenda **(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.
Favourable US policies within which CoalSwitch® becomes a viable choice for industrial coal consumers **(Significantly Better)**	With recent changes in legislative direction, including the Inflation Reduction Act passed in August 2022, 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 evidence to these consumers that the environmental and cost benefits outweigh the current pricing. Current coal pricing presents an economic argument for CoalSwitch® but future circumstances cannot be guaranteed. However, the ability to create Renewable Energy Credits/ Regional Greenhouse Gas Incentive credits and Voluntary Carbon Credits as offset revenues incentivises coal burning plants to adopt CoalSwitch®.
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 and prospective customer laboratory testing over the last twelve months of both the fuel's composition and its ability to co-fire with coal have produced favourable and consistent results, demonstrating the superior qualities of CoalSwitch®. The burn test results have validated CoalSwitch®'s ability against traditional forms of biomass, to be co-fired with coal in existing coal fired operations, including all coal-fired power generators. 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 the permitting setbacks during 2021 in North Carolina, the preparation and planning for CoalSwitch® production in Maine has provided manufacturing knowledge and data, which the Group is able to share with other regulatory and environmental bodies to assist with all components of permitting process. This knowledge will be used in alternate states of the US/territories and/or international jurisdictions.
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 focused on the parameters of sustainability, economics and energy security. Development has been completed to create fuel derivatives which can increase customer interest to enter into long-term contracts.

Risk (Board's view of the change in status since 2021)	2022 Outcome and Mitigation Action
FINANCIAL	**Growth and expansion are reliant on access to capital**
1) Insufficient cash resources to maintain as a going concern 2) Ability to access funding to expand production **(Unchanged)**	Cash management remains critical at this vital point in our expansion. Management has and continues to maintain a tight control over the Group's cash resources and is frugal in capital allocation, most notably ensuring all monies are spent in pursuit of the Group's core strategies. The Company raised net cash proceeds of US$3.92 million in June 2022 from the sale of the Lumberton facility. The proceeds of this exercise provided working capital for the Company to expand its sales and marketing activities, with some proceeds applied toward the future development at the Ashland Facility. First revenues from the sale of production from the Ashland Facility will assist to maintain the current business, however, the Company will have to access the capital markets during the next twelve months.
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 the 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. Given current equity capital market conditions, the Company remains at risk regarding its ability to raise sufficient capital to accelerate and increase production activities and increase production volumes.
The Group's ability to access local government or local regulatory support in each jurisdiction we operate within **(Unchanged)**	Engagement with local government or 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 operational basis.
Inflationary pressure on capital and operating costs **(Worse)**	Current global inflationary and supply pressures continue and 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 remain 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 2021)	2022 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)**	Regulatory compliance is a key driver in the success of the business. The preparatory work at Ashland has created the foundations for future engagement with relevant authorities who will have an impact of the future operations at Ashland and these will extend to future production facilities both within the state of Maine and within other states in the US. Management seeks to maintain open and transparent dialogue with all relevant regulatory and environmental authorities. The Board is aware of the importance of continuous compliance in all areas of operations and uses its best efforts to develop these relationships.
Failure to comply with law and regulations in the jurisdictions in which we operate **(Unchanged)**	The Group employs people with the requisite experience and skill sets to manage and operate the Group's business within all 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.

OPERATIONAL	**Operational challenges in producing and selling CoalSwitch®**
Health and safety risks to employees, contractors and local communities **(Unchanged)**	The Group has a positive safety track record and applies a policy of continuous review of all applicable and prospective health and safety regulation. The Group will continue with Health and Safety Risk assessment processes to induct and protect all employees during their employment and all other stakeholders involved at production facilities. Established safety procedures in Ashland are currently being reviewed to accommodate the forthcoming production processes to manufacture CoalSwitch®. PDI has confirmed that there were no injuries reported from any activities related to CoalSwitch® activities at the Ashland facility during 2022. 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 EPC contractors. The process of selecting an EPC contractor is rigorous to minimise the risk of failure. Careful analysis is done on relevant project experience, engineering and technical knowledge and previous project success. In regard to the project at Ashland PDI, the Group's engineering and construction partner, has a proven track record of completion of projects in the state of Maine. In regard to future projects, the Group will assess various candidates and assess their suitability based upon relevant experience, project suitability, technical knowledge and pricing. The experience the Group has already gained from the construction planning for future operation of the Ashland Reference Plant has already provided significant technical knowledge which will lead to further significant technology, process and design improvements for future plants and production facilities.
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 **(Improving)**	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 recent hire of Steve Schaar as Chief Operating Officer signifies an important shift toward an industry experienced management based in the US. 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. No LTIP awards were made in 2022 but the LTIP will be utilised going forward to reward employees throughout the organisation.

At its core Active Energy is seeking to improve the quality of the environment. CoalSwitch® is a next generation biomass fuel utilising low value forestry residuals. The production of CoalSwitch® 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 existing 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.

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.

At the Ashland Reference Facility, Maine, USA, the Company works closely with Player Design, Inc. ('PDI'), the owner of the site, to ensure it complies with all environmental related requirements in the state of Maine.

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 operational environment and improve any environmental impact at all stages of the CoalSwitch® production process.

In March 2022, the Group announced that it had achieved Chain of Custody 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. Active Energy'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.

In June 2022, Life Cycle Associates LLC, an independent business and environmental consultancy, conducted independent analysis that pellet made from lumbermill waste, such as CoalSwitch® reduces CO_2 by: 99% relative to coal; and 97% relative to natural gas. The analysis demonstrates CoalSwitch® is sustainably sourced, performs the same or better as coal and natural gas, and is a net-zero, clean energy option for power generation.

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. The Group will always remain vigilant in this regard to ensure the health and safety of all stakeholders and with forthcoming production, will provide increased regulation to all current and future production facilities.

Community relations

Active Energy seeks to engage with the local communities, in which the Company operates, on issues as they arise, and more generally in everyday matters. The Group employs locally to provide opportunities for those in the communities within which we operate, will support local initiatives, and will pay local taxes and other fiscal contributions as they become due.

Gender and diversity

As the Company executes its growth strategy and requires additional board representation, the question of gender and sexual equality will be included in the Nominations Committee brief for consideration.

The Company hires local representatives on a non-discriminatory basis. As the construction of the Ashland Reference 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. 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.

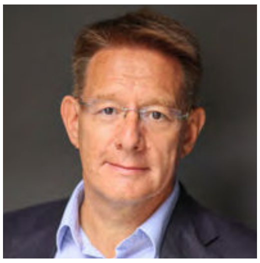
James Leahy
Non-Executive Chairman

5 June 2023

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 Capital Metals Plc.

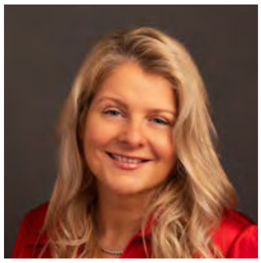


Michael Rowan
Chief Executive Officer

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.

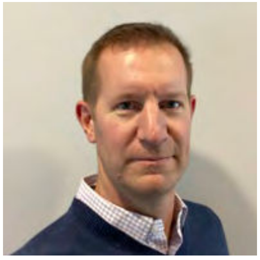
Since leaving Merrill Lynch, Michael has been involved in the management of various start up and microcap companies over the last decade. His focus has been on technology and renewable energy sectors. The companies have been based in London, the US and Canada and have included both private companies and companies listed on the junior stock markets, including AIM and OTC.

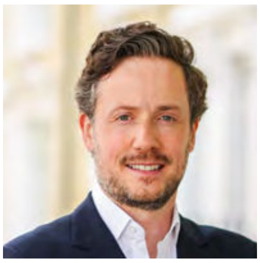


Michelle Fagan
Interim Chief Finance Officer

Michelle Fagan was appointed Interim Chief Finance Officer in November 2022. Ms Fagan is a qualified FCCA accountant with 24 years' experience as a finance professional. Ms Fagan is a detailed orientated driven CFO, who is highly regarded for leadership, integrity, and specialised excellence in all finance areas. After completing her training at Bank of Ireland, she then went onto roles as a CFO at Nowtel Group, Assured Asset Energy Group, and Chemistry Strategic Communications.

Whilst at Bank of Ireland, Ms Fagan worked on Sarbanes-Oxley reporting, with the focus being on Balance Sheet Reporting. At Nowtel Group Ms Fagan gained experience putting together a restructure of a complex group set of companies to combine revenue and resources to produce a targeted net profit and improve shareholder return on investment. Throughout her CFO role at Assured Asset Energy Group, Ms Fagan was responsible for a complex model reporting to private equity funders.



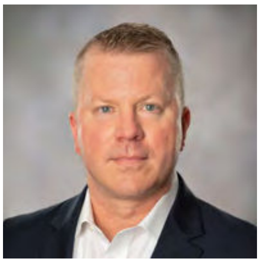


Jason Zimmermann
Non-Executive Director

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 GmbH 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 Active Energy 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 has founded and been instrumental in the financing of several businesses in the energy industry. He founded and is CEO of Estover Energy, a leader in the UK biomass industry which built wood-fuelled biomass CHP plants using over 700,000 tonnes of fuel annually, financed with £350 million of capital. He is a trustee of the Beaverbrook Foundation in London, and President of the Beaverbrook Canadian Foundation in Montreal. He is Chairman of 3ti, a fast-growing solar EV charging business.



Steve Schaar
Chief Operating Officer

Steve Schaar is Chief Operating Officer for Active Energy Group focusing on the engineering and commercial development of the CoalSwitch® program in the US. Steve has more than 25 years' experience of operations, project development, programme management and new product experience from a broad range of industries.

Before joining Active Energy, Steve led a US$180.0 million capital expansion project for Burnham RNG, developing and operating renewable energy projects in the US. Prior to this role, Steve worked at Enviva Biomass, managing some of their operating production assets and acting as plant manager in the Mid-Atlantic and Wilmington regions for the production facilities at Sampson, North Carolina and Southampton, Virginia. In addition, during his career, Steve has managed global new product programs and large capital growth expansion projects for John Deere Crop Harvesting, and operations for GE Oil & Gas and Ford Motor Company.

Steve holds a Master of Business Administration from Baker College and a Bachelor of Science Degree in Automated Manufacturing Engineering Technology from the University of Akron.

Brian Aug
Senior Sales Co-ordinator

Brian has spent his entire professional career in the energy industry including natural gas trading, coal buying, coal selling and most recently biomass sales. After he graduated from Thomas More College, Brian began working in the natural gas industry with a broker that bought and sold natural gas to commercial and industrial users. He then got his start in coal with Duke (a large US power generator) where he bought coal for their mid-western plants. Later, Brian transitioned over to the coal sales side of the business with now Appalachian Resource Co. While at Appalachian Resource Co. he's held the role of VP of Sales and Marketing giving him responsibility of all US domestic and export sales of both thermal and metallurgical coals. Brian then joined Carbon Partners Inc. as VP of Sales and Marketing where he brokers coal from U.S. producers to large industrials, utilities and metallurgical end users.

He is responsible for all US sales and sales to international corporates.

Company Information

For the year ended 31 December 2022

Country of Incorporation

England and Wales
Company Number 03148295

Directors

J Leahy
T M S Rowan
M Aitken
J Zimmermann

Secretary

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27-28 Eastcastle Street
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Registered Office

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Nominated Advisor & Broker

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Registrars

Share Registrars
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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 four members, comprising the Non-Executive Chairman, Chief Executive Officer and two independent Non-Executive Directors. Max Aitken and Jason Zimmermann joined as independent Non-Executive Directors in January 2020. James Leahy was appointed Non-Executive Chairman on 1 February 2021, replacing Michael Rowan, who moved to the role of 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 biofuels 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 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 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.

Attendance Record during 2022:

Directors	Board (Scheduled)	Board (Additional)	Audit Committee	Remuneration Committee
James Leahy	4 of 4	11 of 11	2 of 2	1 of 1
Michael Rowan	4 of 4	11 of 11	2 of 2	1 of 1
Andrew Diamond[(a)]	4 of 4	9 of 11	N/A	N/A
Max Aitken	4 of 4	11 of 11	2 of 2	N/A
Jason Zimmermann	4 of 4	9 of 11	N/A	1 of 1

[(a)] Andrew Diamond resigned as a Director on 22 November 2022.

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 Annual General Meeting ('AGM').

Board Committees

Audit Committee
The Audit Committee is chaired by James Leahy. The Chief Executive Officer and other members of the Board attend the Audit Committee meetings by invitation. The Committee meets at least twice a year. Meetings are held in compliance with the QCA Code regarding the composition of Audit Committees.

During 2022, 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.

The Committee aims to meet with the auditors at least twice a year, 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 AGM and respond to any shareholder questions on the Committee's activities.

The Remuneration Committee sought external advice for the implementation and review 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 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 13.

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.

Other Corporate Governance Matters continued

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, 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. The 2023 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.

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 renewable fuel that can be co-fired with coal, or completely replace coal as an alternative feedstock without requiring significant power plant modifications or the need to replace existing biomass feedstock resources. Active Energy Group's immediate strategic focus is the production and commercialisation of CoalSwitch® and the development of CoalSwitch® fuel blends that utilise low value wood 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:

- James Leahy (Non-Executive Chairman)
- Michael Rowan (Chief Executive Officer)
- Max Aitken (Non-Executive Director)
- Jason Zimmermann (Non-Executive Director)
- Andrew Diamond (Finance Director – resigned 22 November 2022)

In accordance with the Company's Articles of Association, at the Annual General Meeting ('AGM') held on 4 July 2022, Michael Rowan retired by rotation and was duly re-elected.

Dividends

No dividend is proposed for the year ended 31 December 2022 (2021: US$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

Working with Player Design, Inc. ('PDI'), the Company continued to work on the technology for CoalSwitch® production and the planning toward completion of the reference plant in Ashland, Maine during the year. The Company will continue to develop its CoalSwitch® product to meet market requirements and develop additional manufacturing processes to produce improved fuels and increased production volumes.

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. Jeffreys Henry LLP has indicated that it will not seek re-appointment as the Company's Auditor at the AGMs. Following a business reorganisation Jeffreys Henry LLP will provide audit services to clients from another company in the Group, Gravita Audit Limited. A resolution to appoint Gravita Audit Limited as the Company's Auditor will be proposed at the AGM.

Significant Shareholders

At the time of reporting the Company has 161,863,136 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	20,484,065	12.66
Premier Fund Managers Limited	17,089,383	10.56
Celaschi J Esq	16,350,000	10.10
Hargreaves Landsdown Stockbrokers	11,009,001	6.80
Lombard Odier Asset Management (EU) Limited	10,940,832	6.76
Tyler Player	10,741,142	6.64
AXA Investment Managers UK	7,140,408	4.41
Interactive Investor Services Limited	6,905,893	4.27

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 considered the appropriateness of the going concern basis in the preparation of the Financial Statements. In performing their assessment of going concern, the Directors have reviewed operating and cash forecasts in respect of the operating activities and planned work programmes of the Group's assets to 30 June 2024. 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 may 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, the share consolidation in June 2022 and the progress made in the development of CoalSwitch®, they are confident additional funding can be accessed when it is required and are considering all options available.

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 11 July 2023. A Notice of Meeting will be ••after•• publication of these Report and Accounts.

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

5 June 2023

As an AIM quoted 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 2021 or 2022. 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.

In 2021 and 2022 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 during 2021 or 2022, 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

In early 2021, following a recommendation from the Remuneration Committee, 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.

On 4 July 2022 the Company's Ordinary shares were consolidated on a 1 for 35 basis and corresponding adjustments have been made to the number and exercise price of the LTIP options.

During 2021 the Board approved the granting of 2,470,556 share options under the LTIP to Executive Directors and senior management (RNS 26/02/21), 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 of these share options (on 50% of each participants award) is 70.44 pence which represents a 75% premium to the Company's mid-market price on 25 February 2021. The second exercise price is set at a further 75% premium over the first exercise price, 123.27 pence, for the remainder of the participant's awards. Share options were granted to Directors as follows:

Michael Rowan	1,672,308
Andrew Diamond	390,205
Max Aitken	139,359
Jason Zimmermann	139,359

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

No LTIP awards were made during the year ended 31 December 2022.

Directors' Service Contracts

Executive Directors

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

Michael Rowan	12 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 under letters of appointment for an initial term of approximately three years with a notice period of one month from the Company or Non-Executive Director. At the reporting date the expiry of the term of each Non-Executive Director was as follows:

James Leahy	To be re-elected at the 2025 AGM
Max Aitken	To be re-elected at the 2023 AGM
Jason Zimmermann	To be re-elected at the 2023 AGM

Directors' Remuneration

Remuneration and benefits for Directors were as follows:

Twelve-months to 31 December 2022	Gross fees and salary US$	Benefits US$	Bonus US$	Total US$
Directors at 31 December 2022				
T M Rowan	221,661	–	–	221,661
J Leahy	86,602	–	–	86,602
M Aitken	43,301	–	–	43,301
J Zimmermann	43,301	–	–	43,301
	394,865	**–**	**–**	**394,865**
Other Directors during the year				
A Diamond[a]	205,966	6,341	–	212,307
	600,831	**6,341**	**–**	**607,172**

[a] Andrew Diamond resigned on 22 November 2022 and was the only director to receive medical insurance benefits.

Twelve-months to 31 December 2021	Gross fees and salary US$	Benefits US$	Bonus US$	Total US$
T M Rowan	240,787	–	–	240,787
A Diamond[a]	227,028	3,066	–	230,094
J Leahy	92,875	–	–	92,875
A Esposito	70,821	–	–	70,821
M Aitken	48,157	–	–	48,157
J Zimmermann	48,157	–	–	48,157
	727,825	**3,066**	**–**	**730,891**

Directors' Interests in Share Capital of the Company

The interests of Directors who held office at 31 December 2022 are set out in the table below:

	Ordinary shares held			Ordinary share options and LTIPs	
	1 January 2022	31 December 2022	24 May 2023	31 December 2022	Weighted exercise price (p)
T M Rowan	27,486,250	1,785,321	1,785,321	2,386,594	135.1
J Leahy	20,000,000	686,428	686,428	–	–
A Diamond[a]	3,000,000	85,714	85,714	390,205	96.95
M Aitken	4,000,000	114,285	114,285	139,359	96.95
J Zimmermann	4,461,500	127,471	127,471	139,359	96.95

[a] Andrew Diamond resigned on 22 November 2022.

James Leahy
Non-Executive Chairman

5 June 2023

Statement of Directors Responsibility

For the year ended 31 December 2022

Responsibility Statement

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group and Company Financial Statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the United Kingdom 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 IFRSs as adopted by the United Kingdom, 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

5 June 2023

Independent Auditor's Report to the members of Active Energy Group Plc

For the year ended 31 December 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 2022 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 Statements of Changes in Equity, the Consolidated and Parent Company Statement of Cash Flows 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 2022 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.

Strategic Report
Corporate Governance
Financial Statements

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$8,064,585 at the year-end (2021: US$5,659,024). Included within intangible assets were additions relating to capitalised development costs of US$730,213 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. There is also a transfer of US$1,675,348 from Tangible Assets relating to a reclassification of the knowhow for developing the Reactors. 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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Carrying value of property, plant and equipment The Group had property, plant and equipment of US$4,772,530 at the year-end (2021: US$11,512,953). Included in property, plant and equipment is additions of US$375,357 (2021: US$3,957,944) which mainly relates to the work performed on the CoalSwitch® equipment. Disposals of US$4,420,319 (2021: US$642,172) relate to the sale of assets in Lumberton held within the Group. There is also a transfer of US$1,675,348 to Intangible Assets relating to a reclassification of the knowhow for developing the Reactors.	We vouched additions in the year to corresponding supporting evidence. The CoalSwitch® plant's engineering, preparation and 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. We vouched the disposal that incurred in the year to corresponding supporting evidence and gained assurance over the adequacy of accounting treatment. Ensured key judgements are robust by review of events surrounding the judgement and validating the judgements by agreeing to supporting evidence.
The carrying value of investments and inter-company loans to subsidiaries (Company-only risk) The Company has investments in subsidiaries of US$5,732,103 (2021: US$6,417,741) and amounts due from Group companies of US$21,444,342 (2021: US$25,296,460). There is a risk that these inter-company receivables are not recoverable.	We reviewed the carrying value of the investments and loans to fellow subsidiaries. The review considered the current position of the subsidiaries and the future outlook and forecasts prepared by management, taking the underlying recoverable assets into account. We reviewed the subsidiary accounts and forecasts and have assessed the financial position of the subsidiaries. We have also discussed the assumptions made on the recovery of the loans with the Directors to confirm recoverability. We have also assessed the impairment reviews performed by management as set out under the impairment review work on intangibles noted above being that these are the underlying assets which hold value in the subsidiaries.

Our application of materiality

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

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

	GROUP FINANCIAL STATEMENTS	COMPANY FINANCIAL STATEMENTS
Overall materiality	US$170,000 (2021: US$388,600)	US$92,100 (2021: US$207,200)
How we determined it	Based on 1% of Gross Assets (2021: Based on 10% of loss for the year, excluding impairments).	Based on 1% of Gross Assets, limited to a percentage of Group materiality (2021: 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$130,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above US$8,200 (2021: US$19,400) for the Group audit and US$5,000 (2021: US$10,350) for Company audit 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 seven 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 seven 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 29, 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 non-compliance. 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.

Sudhir Rawal
Senior Statutory Auditor

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

5 June 2023

Consolidated Statement of Income and Other Comprehensive Income

For the year ended 31 December 2022

	Note	31 December 2022 US$	Restated 31 December 2021 US$
CONTINUING OPERATIONS			
REVENUE	3	–	–
GROSS LOSS		–	(517,238)
Impairment charges	4	**(1,000,185)**	(2,000,000)
Administrative expenses		**(2,855,384)**	(2,904,311)
Other income		–	361,237
OPERATING LOSS	6	**(3,855,384)**	(5,060,312)
Net finance income/(costs)	7	**24,173**	(303,712)
Foreign exchange gains		**3,269,176**	685,920
LOSS BEFORE TAXATION		**(562,035)**	(4,678,104)
Taxation	8	–	–
LOSS FROM CONTINUING OPERATIONS		**(562,035)**	(4,678,104)
LOSS FROM DISCONTINUED OPERATIONS	9	**(781,710)**	(1,203,664)
LOSS FOR THE YEAR – ATTRIBUTABLE TO THE PARENT COMPANY		**(1,343,745)**	(5,881,768)
Basic and diluted loss per share (US cents) – Continuing operations	10	**(0.35)**	(4.57)
Basic and diluted loss per share (US cents) – Discontinued operations	10	**(0.48)**	(1.17)
Basic and diluted loss per share (US cents) – Total operations	10	**(0.83)**	(5.74)
OTHER COMPREHENSIVE LOSS			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of operations		**(3,426,765)**	(2,239,354)
Total other comprehensive loss		**(3,426,765)**	(2,239,354)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(4,770,510)**	(8,121,122)

The notes on pages 41 to 68 form part of these Financial Statements.

Consolidated and Company Statement of Financial Position

As at 31 December 2022

	Note	**Group 2022 US$**	Group 2021 US$	**Company 2022 US$**	Company 2021 US$
NON-CURRENT ASSETS					
Intangible assets	11	**8,064,585**	5,659,024	**–**	–
Property, plant and equipment	12	**4,772,530**	11,512,953	**1,015**	2,573
Investment in subsidiaries	13	**–**	–	**5,732,103**	6,417,741
Long-term loans	14	**–**	–	**21,444,342**	25,296,460
Other financial assets	15	**823,744**	922,275	**823,744**	922,275
		13,660,859	18,094,252	**28,001,204**	32,639,049
CURRENT ASSETS					
Inventory	16	**–**	27,250	**–**	–
Trade and other receivables	17	**905,924**	1,628,959	**131,197**	432,041
Cash and cash equivalents	18	**2,614,472**	1,940,871	**2,545,913**	1,915,571
		3,520,396	3,597,080	**2,677,110**	2,347,612
TOTAL ASSETS		**17,181,255**	21,691,332	**30,678,314**	34,986,661
CURRENT LIABILITIES					
Trade and other payables	19	**1,199,796**	2,222,030	**351,255**	602,062
Loans and borrowings	21	**13,724**	14,013	**11,920**	13,015
		1,213,520	1,236,043	**363,175**	615,077
NON-CURRENT LIABILITIES					
Deferred taxation	20	**–**	147,349	**–**	–
Loans and borrowings	21	**133,940**	143,931	**30,085**	47,029
		133,940	291,280	**30,085**	47,029
TOTAL LIABILITIES		**1,347,460**	1,527,323	**393,260**	662,106
NET ASSETS		**15,833,795**	20,164,009	**30,285,054**	34,324,555
EQUITY					
Share capital – Ordinary shares	23	**786,867**	786,867	**786,867**	786,867
Share capital – Deferred shares	23	**18,148,898**	18,148,898	**18,148,898**	18,148,898
Share premium		**55,349,883**	55,349,883	**55,349,883**	55,349,883
Merger reserve		**2,350,175**	2,350,175	**2,350,175**	2,350,175
Foreign exchange reserve		**(5,851,094)**	(2,424,329)	**(5,744,107)**	(2,004,424)
Own shares held reserve		**(268,442)**	(268,442)	**(268,442)**	(268,442)
Convertible debt/warrant reserve		**690,937**	1,165,911	**690,937**	1,165,911
Retained earnings		**(55,373,429)**	(55,449,600)	**(41,029,157)**	(41,204,313)
Revaluation reserve		**–**	504,646	**–**	–
TOTAL EQUITY		**15,833,795**	20,164,009	**30,285,054**	34,324,555

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent Company's Income Statement. The parent Company's loss after tax for the year was US$740,114 (2021: US$2,075,511).

The Financial Statements were approved and authorised for issue by the Directors on 5 June 2023 and were signed on their behalf by:

Michael Rowan
Chief Executive Officer

Company number 03148295

The notes on pages 41 to 68 form part of these Financial Statements.

Group Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

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 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 and warrants	–	–	–	–	–	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**
Loss for the year	–	–	–	–	–	–	(1,343,745)	–	(1,343,745)
Other comprehensive income	–	–	–	(3,426,765)	–	–	–	–	(3,426,765)
Total comprehensive income	–	–	–	(3,426,765)	–	–	(1,343,745)	–	(4,770,510)
Realisation of revaluation reserve	–	–	–	–	–	–	504,646	(504,646)	–
Share based payments and warrants	–	–	–	–	–	(474,974)	915,270	–	440,296
AT 31 DECEMBER 2022	**18,935,765**	**55,349,883**	**2,350,175**	**(5,851,094)**	**(268,442)**	**690,937**	**(55,373,429)**	**–**	**15,833,795**

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

The notes on pages 41 to 68 form part of these Financial Statements.

Company Statement of Changes in Equity

For the year ended 31 December 2022

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 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 and warrants	–	–	–	–	–	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**
Loss for the year	–	–	–	–	–	–	(740,114)	(740,114)
Other comprehensive income	–	–	–	(3,739,683)	–	–	–	(3,739,683)
Total comprehensive income	–	–	–	(3,739,683)	–	–	(740,114)	(4,479,797)
Share based payments and warrants	–	–	–	–	–	(474,974)	915,270	440,296
AT 31 DECEMBER 2022	**18,935,765**	**55,349,883**	**2,350,175**	**(5,744,107)**	**(268,442)**	**690,937**	**(41,029,157)**	**30,285,054**

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

The notes on pages 41 to 68 form part of these Financial Statements.

Consolidated and Company Statement of Cash Flows
For the year ended 31 December 2022

	Note	**Group 2022 US$**	Group 2021 US$	**Company 2022 US$**	Company 2021 US$
Cash (outflow) from operations	26	**(2,554,563)**	(5,618,404)	**(711,370)**	(3,416,684)
Income tax paid		**–**	–	**–**	–
Net cash (outflow) from operating activities		**(2,554,563)**	(5,618,404)	**(711,370)**	(3,416,684)
Cash flows from investing activities					
Purchase of intangible assets		**(730,213)**	–	**–**	–
Advances to acquire property, plant and equipment		**–**	(800,000)	**–**	–
Purchase of property, plant and equipment		**–**	(3,957,944)	**–**	(2,979)
Sale of property, plant and equipment		**3,767,471**	382,320	**–**	–
Net cash inflow/(outflow) from investing activities		**3,037,258**	(4,375,624)	**–**	(2,979)
Cash flows from financing activities					
Issue of equity share capital, net of share issue costs		**–**	12,722,200	**–**	12,722,200
Redemption of CLN		**–**	(1,571,222)	**–**	(1,571,222)
Intercompany loans received/(advanced)		**–**	–	**1,150,373**	(6,617,719)
Unsecured debt repaid		**(13,652)**	(1,040,400)	**(13,174)**	(8,547)
Unsecured debt proceeds		**–**	885,234	**–**	–
Principal elements of lease payments		**–**	(57,900)	**–**	–
Net cash (outflow)/inflow from financing activities		**(13,652)**	10,937,912	**1,137,199**	4,524,712
Net increase in cash and cash equivalents		**469,043**	943,884	**425,829**	1,105,049
Cash and cash equivalents at beginning of the year		**1,940,871**	999,631	**1,915,571**	811,901
Exchange gains/(losses) on cash and cash equivalents		**204,558**	(2,644)	**204,513**	(1,379)
Cash and cash equivalents at end of the year	17	**2,614,472**	1,940,871	**2,545,913**	1,915,571

The notes on pages 41 to 68 form part of these Financial Statements.

1. ACCOUNTING POLICIES

General information

Active Energy Group plc is a public limited company, limited by shares, incorporated in England and Wales and quoted on the AIM market of the London Stock Exchange. Its registered office address is 27/28 Eastcastle Street, London, W1W 8DH. The principal activity of the Group is described in the Strategic Report.

Basis of preparation

The principal accounting policies adopted in the 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 the requirements of IFRS 5.

On 31 December 2020, International Financial Reporting Standards ('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 constituted a change in accounting framework, however there was no impact on recognition, measurement or disclosure 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 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 certain financial assets and liabilities, including derivative financial instruments, held at fair value through profit and loss.

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

Going concern

In preparing the Financial Statements the Directors are required to make an assessment of the Company's ability to continue as a going concern and whether it is appropriate to prepare the Financial Statements on a going concern basis.

Subsequent to the balance sheet date Player Design, Inc. has been granted the permit required to construct and operate CoalSwitch® production at the plant in Ashland. However, there is uncertainty around the timing to finalise construction which could affect both the Group's future cash requirements and the timing of revenue cash generation from sales of CoalSwitch®.

The Directors have prepared cash flow forecasts to estimate the Group's future cash requirements, and the resources available to it, and these indicate that the Company should have sufficient cash resources to continue in operation for the foreseeable future. These forecasts involve a number of assumptions, the most significant of which are:

- the timing of completion of the Ashland plant and the commencement of CoalSwitch® production;
- the level and timing of revenue generated by sales of CoalSwitch®;
- the successful disposal of surplus assets and the timing of disposal proceeds; and
- the value and timing of pending tax credit claims.

The Directors have concluded that additional funding may be required to execute the Board's strategy of commercialising CoalSwitch®. While there can be no guarantee that funding will be available on terms that are acceptable to the Company, or at all, the Directors are confident that the Company will be able to secure sufficient equity finance at the required time.

The Board are of the opinion that the factors set out above constitute material uncertainties in relation to the Company's ability to continue as a going concern.

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

Restatement of prior period

The Statement of Comprehensive Income for the year ended 31 December 2021 has been restated to report the 2021 loss from operations discontinued during 2022 within the *loss from discontinued operations* line (see note 9). The overall loss for the year ended 31 December 2021, the total comprehensive loss for the year and net assets at 31 December 2021 are unaffected.

The Company consolidated its Ordinary Shares during 2022 and consequently the loss per share and share options and warrants disclosures for the year ended 31 December 2021 have been restated to reflect the consolidated share capital (see notes 10 and 24). The loss for the year ended 31 December 2021 and net assets at 31 December 2021 are unaffected

1. ACCOUNTING POLICIES CONTINUED

New and amended standards which are effective for these Financial Statements

A number of amended standards became mandatory and are effective for annual periods beginning on or after 1 January 2022 including amendments to IFRS 16 (Covid-19 related rent concesions), IAS 16 (proceeds before intended use) and IAS 37 (onerous contracts), and the Annual Improvements Cycle 2018-2020. These 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 year ended 31 December 2022 and have not been early adopted in these Financial Statements. These will be adopted in the period when they became mandatory unless otherwise indicated.

These new and amended standards are not expected to have a material impact on the Group.

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 (accounting periods commencing)
IAS 1	*Presentation of Financial Statements*	Amendments: classification of liabilities as current or non-current	1 January 2023
		Amendments: requirement to disclose 'material' accounting policies instead of 'significant' accounting policies	1 January 2023
		Amendments: clarification of the impact of post balance sheet date conditions on the classification of liabilities as non-current	1 January 2024
IAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	Amendments: definition of accounting estimates and clarification of the treatment of changes in accounting estimates	1 January 2023
IAS 12	*Income Taxes*	Amendments: clarification of how deferred tax is accounted for on certain transactions	1 January 2023
IFRS 16	*Leases*	Amendments: clarification of the measurement of sale and leaseback transactions that qualify as sales transactions under IFRS 15	1 January 2024
IFRS 17	*Insurance Contracts*	Replaces IFRS 4 '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 satisfies 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 the 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.

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.

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.

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, are 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 the obligor, breach of contract, or it becomes probable that the 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.

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 Pounds 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 2022: 1.2056; average for year-ended 31 December 2022: 1.237; rate at 31 December 2021: 1.350.

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.

There were no outstanding convertible debt instruments as at 31 December 2022 as these were all converted in the prior year

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 IFRS 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. Management's consideration of going concern is discussed elsewhere in the accounting policies note. The other 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

Critical accounting judgements and key sources of estimation uncertainty continued

Impairment of goodwill, intangible fixed assets, property, plant and equipment and other assets
Intangible assets relate solely to CoalSwitch® and PeatSwitch™ patents, trademarks and know-how. The Group has property, plant and equipment in the form of the 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 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 will 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 it will arise; the technical feasibility of completing the asset; that the Group intends and is able to complete the asset; and there are available and adequate technical, financial and other resources to complete the asset. All these matters involve technical and economic judgement and changes to these assessments can result in significant variations in the carrying value and amounts charged to the Consolidated Statement of Comprehensive Income in specific periods.

Recoverability of intercompany loans
The Active Energy Group plc Company balance sheet includes various loans to subsidiaries. Certain of these loans have been impaired on the basis that the counterparty is unlikely to generate sufficient future cashflows to repay the loans. This is based on an assessment of the assets (including goodwill) of the counterparty and its ability to monetise those assets in the future. Actual results will vary.

2. SEGMENTAL INFORMATION

The Group reports three business segments:
- 'CoalSwitch®' denotes the Group's renewable wood pellet business.
- 'Wood processing' at the Lumberton site 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.

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

	2022 CoalSwitch® US$	2022 Wood processing US$	2022 Corporate and other US$	2022 Total US$
Revenue	–	–	–	–
Operating (loss)	(1,659,253)	–	(2,196,131)	(3,855,384)
Profit/(loss) before tax	(1,659,274)	–	1,097,239	(562,035)
Profit/(loss) for the year	**(1,659,274)**	**–**	**1,097,239**	**(562,035)**
Total assets	**13,649,225**	**49,589**	**3,482,441**	**17,181,255**
Total liabilities	**640,768**	**332,861**	**373,831**	**1,347,460**
Other segmental information				
Additions to intangibles	730,213	–	–	730,213
Additions to PPE	231,087	–	–	231,087
Depreciation and amortisation	–	–	1,318	1,318
Impairment charges	1,000,000	–	–	1,000,000

	2021 CoalSwitch® US$	Restated 2021 Wood processing US$	2021 Corporate and other US$	Restated 2021 Total US$
Revenue	–	–	–	–
Operating segment (loss)/profit	(2,952,909)	18,388	(1,743,583)	(4,678,104)
(Loss)/profit before tax	(2,952,909)	18,388	(1,743,583)	(4,678,104)
(Loss)/profit for the year	**(2,952,909)**	**18,388**	**(1,743,583)**	**(4,678,104)**
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	–	–	1,264	1,264
Impairment charges	2,000,000	–	–	2,000,000

Non-current assets are located as follows:

	2022 US$	2021 US$
United Kingdom	**824,759**	924,848
United States	**12,836,100**	17,169,404
	13,660,859	18,094,252

3. REVENUE

Group	2022 US$	2021 US$
Continuing operations	–	–
Discontinued operations		
Sales of product	–	528,062
Other income	–	116,852
	–	644,914

Sawmill and saw log activities ceased during 2021 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 2021, contributing a total of US$483,807 (75%) of revenue. All revenue was generated in the USA.

4. IMPAIRMENT CHARGES

	2022 US$	2021 US$
Property, plant and equipment	**1,000,000**	2,000,000
	1,000,000	2,000,000

All impairment charges relate to continuing operations.

5. EMPLOYEE COSTS AND DIRECTORS

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

Group	2022 US$	2021 US$
Continuing operations		
Directors' fees and salaries	**607,172**	733,051
Social security costs	**77,421**	89,544
	684,593	822,595
Share based payments – Directors	**339,375**	314,530
Share based payments – others	**18,746**	8,387
	1,042,714	1,145,512
Discontinued operations		
Wages and salaries	**106,699**	416,071
Social security costs	**9,323**	37,076
	116,022	453,147
Share based payments – others	–	8,987
	116,022	462,134
	1,158,736	1,607,646

5. EMPLOYEE COSTS AND DIRECTORS CONTINUED

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

Group	2022 Number	2021 Number
Continuing operations		
Directors	**5**	5
Administration	**2**	2
Discontinued operations		
Production	**1**	12
	8	19

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. These are considered to be the Directors of the Company.

	2022 US$	2021 US$
Directors' emoluments	**607,172**	730,891
Termination benefits	**48,726**	–
Share based payments	**339,375**	314,530
	995,273	1,045,421

The emoluments of the highest paid Director for the year, excluding non-cash share-based payments, were US$230,104 (2021: US$240,787).

6. OPERATING LOSS

Group	2022 US$	Restated 2021 US$
The loss before income tax is stated after charging:		
Continuing operations		
Impairment charges	**1,000,000**	2,000,000
Depreciation	**1,318**	1,264
Loss on disposal of fixed assets	**–**	6,064
Auditors' remuneration – parent Company and consolidation	**68,663**	58,133
Auditors' remuneration – subsidiaries	**34,610**	35,086
Auditors' remuneration – taxation services	**6,495**	5,504
Auditors' remuneration – other services	**2,023**	3,715
Share based payments	**358,121**	630,759
Discontinued operations		
Loss on disposal of fixed assets	**455,140**	–
Depreciation	**18,556**	172,643
Depreciation on right-of-use assets	**–**	72,511
Auditors' remuneration	**–**	9,288
Share based payments	**–**	8,987

7. NET FINANCE INCOME/(COSTS)

Group	2022 US$	2021 US$
Continuing operations		
Finance income		
Interest income	**28,412**	–
	28,412	–
Finance costs		
Other loan interest and charges	**(4,239)**	(164,400)
	(4,239)	(139,312)
	24,173	(303,712)
Discontinued operations		
Finance costs		
Right-of-use lease interest	**–**	(22,265)
Other loan interest and charges	**(6,662)**	(7,322)
	(6,662)	(29,587)

8. TAXATION

Group	2022 US$	Restated 2021 US$
Continuing operations		
Current tax	**–**	–
Deferred tax	**–**	–
Total income tax expense	**–**	–
Discontinued operations		
Total income tax (credit)	**(1,395)**	(2,790)

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:

	2022 US$	Restated 2021 US$
Loss before taxation	**(1,345,140)**	(5,884,558)
Standard rate of corporation tax	**19%**	19%
Loss before tax multiplied by standard rate of corporation tax	**(255,577)**	(1,118,066)
Effects of:		
Non-deductible expenses	**353,655**	492,956
Different tax rates in overseas jurisdictions	**(7,519)**	(9,492)
Tax credit included within loss from discontinued operations	**1,395**	2,790
Losses (used)/not recognised	**(91,954)**	631,812
Tax expense/(credit)	**–**	–

8. TAXATION CONTINUED

The Group's tax loss position can be summarised as follows:

	2022 US$	2021 US$
Tax losses brought forward at 1 January	**43,437,711**	35,969,354
Taxable(profit)/loss for the year	**(517,596)**	3,466,886
Adjustment in respect of prior periods	**(2,630,178)**	4,001,471
Tax losses carried forward at 31 December	**40,289,937**	43,437,711

9. DISCONTINUED OPERATIONS

During 2021 the Group discontinued its sawmill and saw log operations under the wood processing operating segment. During 2022 the Group sold the Lumberton property that was used for these operations. The results of these businesses are disclosed as a single line item in the Consolidated Statement of Income in accordance with IFRS 5.

The analysis between continuing and discontinued operations is as follows:

Year ended 31 December 2022	Continuing operations US$	Discontinued operations US$	Total US$
Revenue	**–**	**–**	**–**
Gross loss	–	(321,292)	(321,292)
Impairment charges	(1,000,000)	–	(1,000,000)
Administrative expenses	(2,855,384)	(14,700)	(2,870,084)
Loss on disposal of PPE	–	(455,140)	(455,140)
Other income	–	14,689	14,689
Operating loss	(3,855,384)	(776,443)	(4,631,827)
Finance income/(costs)	3,293,349	(6,662)	3,286,687
Loss before taxation	(562,035)	(783,105)	(51,345,140)
Taxation	–	1,395	1,395
Loss for the year	**(562,035)**	**(781,710)**	**(1,343,745)**
Cash outflows from operating activities	(2,261,629)	(292,934)	(2,554,563)
Cash outflows from investing activities	(730,212)	3,767,469	3,037,257
Cash inflows from financing activities	(13,174)	(478)	(13,652)

9. DISCONTINUED OPERATIONS CONTINUED

Year ended 31 December 2021	Restated Continuing operations US$	Restated 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	(2,904,311)	(372,203)	(3,276,514)
Other income	361,237	46,547	407,784
Operating loss	(5,060,312)	(1,176,867)	(6,237,179)
Finance income/(costs)	382,208	(29,587)	352,621
Loss before taxation	(4,678,104)	(1,206,454)	(5,884,558)
Taxation	–	2,790	2,790
Loss for the year	**(4,678,104)**	**(1,203,664)**	**(5,881,768)**
Cash outflows from operating activities	(5,440,031)	(178,373)	(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

10. LOSS PER SHARE

	2022 US$	Restated 2021 US$
Loss for the year		
Continuing operations	**(562,035)**	(4,678,104)
Discontinued operations	**(781,710)**	(1,203,664)
Total operations	**(1,343,745)**	(5,881,768)
Weighted number of Ordinary Shares in issue	**161,863,136**	102,450,087
Basic and diluted loss per share (US cents):		
Continuing operations	**(0.35)**	(4.57)
Discontinued operations	**(0.48)**	(1.17)
Total operations	**(0.83)**	(5.74)

On 4 July 2022 the Company's Ordinary Shares were consolidated on a 1 for 35 basis and the weighted average number of shares in issue in 2022 has been adjusted to reflect this. The weighted average number of shares and loss per share for 2021 have been restated on the basis of the consolidated share capital and to reflect the apportionment of the 2021 loss relating to the operations discontinued in 2022.

11. INTANGIBLE ASSETS

Group	Goodwill US$	Intellectual property US$	Timber licences US$	Total US$
Cost				
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
Additions	–	730,213	–	730,213
Transferred from PPE	–	1,675,348	–	1,675,348
At 31 December 2022	**–**	**8,064,947**	**–**	**8,064,947**
Accumulated amortisation				
At 31 December 2020	567,668	362	6,503,975	7,072,005
Released on assets written off	(567,668)	–	(6,503,975)	(7,071,643)
At 31 December 2021	–	362	–	362
At 31 December 2022	**–**	**362**	**–**	**362**
Net book value				
At 31 December 2022	**–**	**8,064,585**	**–**	**8,064,585**
At 31 December 2021	–	5,659,024	–	5,659,024

Goodwill:

Goodwill arising 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 was written off in 2021.

Intellectual property

Intellectual property comprises costs incurred to secure the rights and knowledge associated with the CoalSwitch® and PeatSwitch™ technologies. These assets are accounted for as indefinite life assets and assessed for impairment at each balance sheet date. Recoverability of the 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 sufficient financial resources to develop the product to economic maturity and profitability. Management assessed each of these assumptions, benchmarked them against available industry data and consulted with an industry expert. The key assumption in estimating the recoverable amount is considered to be the future selling price of the CoalSwitch® product.

The recoverable amount of the intellectual property has been estimated based on a value in use calculation. The calculation uses a discounted cash flow model covering a three year period and extrapolated to five years assuming no further growth, with a discount rate of 12.5%. The estimated recoverable amount exceeds the carrying value of the assets of the cash generating unit and management have therefore concluded that the intellectual property assets are not impaired.

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 2020	4,281,829	6,573,255	10,349	10,865,433
Additions	–	3,954,965	2,979	3,957,944
Disposals	–	(872,079)	–	(872,079)
Transfers	210,220	(337,444)	–	(127,224)
Foreign exchange movements	–	–	(158)	(158)
At 31 December 2021	**4,492,049**	**9,318,697**	**13,170**	**13,823,916**
Additions	–	375,357	–	375,357
Disposals	(4,492,049)	(247,192)	–	(4,739,241)
Transferred to intangible assets	–	(1,675,348)	–	(1,675,348)
Foreign exchange movements	–	–	(1,405)	(1,405)
At 31 December 2022	**–**	**7,771,514**	**11,765**	**7,783,279**
Accumulated depreciation				
At 31 December 2020	165,977	246,366	9,449	421,792
Depreciation 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 movements	–	–	(116)	(116)
At 31 December 2021	**198,000**	**2,102,366**	**10,597**	**2,310,963**
Charge for the year	18,000	556	1,318	19,874
Impairment charge	–	1,000,000	–	1,000,000
Disposals	(216,000)	(102,922)	–	(318,922)
Foreign exchange movements	–	–	(1,166)	(1,166)
At 31 December 2022	**–**	**3,000,000**	**10,749**	**3,010,749**
Net book value				
At 31 December 2022	**–**	**4,771,514**	**1,016**	**4,772,530**
At 31 December 2021	4,294,049	7,216,331	2,573	11,512,953

The additions to plant and equipment in both 2021 and 2022 represent expenditure on assets under construction.

Recoverability of the plant and equipment assets is dependent on successfully commercialising CoalSwitch®, which is subject to uncertainties including: the capital costs required to construct a CoalSwitch® production facility; feedstock pricing; market conditions and product sales prices; production efficiencies; logistics costs; and the ability of the Group to access sufficient financial resources to develop the product to economic maturity and profitability. Management assessed each of these assumptions, benchmarked them against available industry data and consulted with an industry expert. The key assumption in estimating the recoverable amount is considered to be the future selling price of the CoalSwitch® product.

The recoverable amount of the plant and equipment has been estimated based on a value in use calculation. The calculation uses a discounted cash flow model covering a three year period and extrapolated to five years assuming no further growth, with a discount rate of 12.5%. The estimated recoverable amount exceeds the carrying value of the assets of the cash generating unit and management have therefore concluded that the plant and equipment assets are not impaired.

The US$1,000,000 impairment charge relates to a reactor that has been taken out of service and is being used for research and development purposes.

12. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Company – office equipment	2022 US$	2021 US$
Cost		
At 1 January	**13,170**	10,349
Additions	**–**	2,979
Foreign exchange movementss	**(1,407)**	(158)
At 31 December	**11,763**	13,170
Accumulated depreciation		
At 1 January	**10,597**	9,449
Charge for the year	**1,318**	1,264
Foreign exchange movements	**(1,167)**	(116)
At 31 December	**10,748**	10,597
Net book value	**1,015**	2,573

13. INVESTMENTS IN SUBSIDIARIES

	2021 US$	2020 US$
Cost		
At 1 January	**11,554,112**	5,992,561
Additions	**–**	10,200,000
Disposals	**–**	(4,496,618)
Foreign exchange movements	**(1,234,383)**	(141,831)
At 31 December	**10,319,729**	11,554,112
Impairment provision		
At 1 January	**5,136,371**	4,496,618
Impairment charge	**–**	1,295
Transfer from long-term loans	**–**	5,200,000
Disposals	**–**	(4,496,618)
Foreign exchange movements	**(548,745)**	(64,924)
At 31 December	**4,587,626**	5,136,371
Net book value	**5,732,103**	6,417,741

During 2021 the Company converted US$10,200,000 of loans to subsidiaries into equity investments. The associated impairment provision of US$5,200,000 against these loans has therefore been transferred to investments in subsidiaries.

The Company sold its interest in AE Ukraine for US$1 during 2021.

13. INVESTMENT IN SUBSIDIARIES CONTINUED

At 31 December 2022 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	Dissolution date
Advanced Biomass Solutions Limited	United Kingdom	Biomass for energy development	**100**	100	
Lumberton Energy Holdings LLC	United States	Property Holding Company	**100**	100	
Active Energy Renewable Power LLC	United States	Biomass for energy development	**100**	100	
CSW2Maine LLC	United States	Biomass for energy development	**100**	100	
Timberlands Newfoundland & Labrador Inc.	Canada	Biomass for energy development	**100**	100	9/08/22
AEG Trading Limited	United Kingdom	Wood chip distribution	**100**	100	24/01/23
Timberlands International Limited	United Kingdom	Biomass for energy development	**100**	100	24/01/23
Nikofeso Holdings Limited	Cyprus	Wood chip distribution	**–**	100	23/09/22
Renewable Energy Systems	United States	Wood processing and distribution	**100**	100	29/08/22
Active Energy Services UK Limited (formerly AEG CoalSwitch® Limited)	United Kingdom	Corporate Services	**–**	89	28/06/22
AEG CoalSwitch® USA LLC	United States	Biomass for energy development	**100**	100	01/03/20

14. INTERCOMPANY LOANS

	Group 2022 US$	Group 2021 US$	**Company 2022 US$**	Company 2021 US$
Carrying value at beginning of the year	**–**	–	**25,296,460**	23,204,528
Loans received/(advanced) during the year	**–**	–	**(1,150,373)**	7,153,319
Capitalised as investments in subsidiaries (see Note 13)	**–**	–	**–**	(10,200,000)
Impairment provision transferred to investments in subsidiaries	**–**	–	**–**	5,200,000
Interest accrued	**–**	–	**–**	164,400
Foreign exchange movements	**–**	–	**(2,701,745)**	(225,787)
Carrying value at end of the year	**–**	–	**21,444,342**	25,296,460

Long term loans are loans made to subsidiaries of the Company and are repayable on demand.

15. OTHER FINANCIAL ASSETS

	Group 2022 US$	Group 2021 US$	Company 2022 US$	Company 2021 US$
Fair value at beginning of the year	**922,275**	931,312	**922,275**	931,312
Foreign exchange movements	**(98,531)**	(9,037)	**(98,531)**	(9,037)
Fair value at end of the year	**823,744**	922,275	**823,744**	922,275

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. The asset is currently held at its historic cost which represents management's best estimate of its fair value.

16. INVENTORY

	Group 2022 US$	Group 2021 US$	Company 2022 US$	Company 2021 US$
Raw materials	**–**	27,250	**–**	–
Total inventory	**–**	27,250	**–**	–

17. TRADE AND OTHER RECEIVABLES

The carrying value of trade and other receivables, after deduction of appropriate allowances for irrecoverable amounts, approximates to their fair value. These assets are not interest bearing and are received over a short period of time with an insignificant risk of changes in fair value.

	Group 2022 US$	Group 2021 US$	Company 2022 US$	Company 2021 US$
Project advances	**774,669**	1,190,315	**–**	–
Prepayments	**73,461**	83,529	**73,461**	76,926
Other receivables	**57,794**	355,115	**57,736**	355,115
Total	**905,924**	1,628,959	**131,197**	432,041

Trade and other receivables that have not been received within the payment terms are classified as overdue. There were no trade and other receivables overdue at 31 December 2022 or 31 December 2021 and accordingly there were no impairment provisions at either date. An analysis of the Group's trade and other receivables by currency is provided in Note 27.

18. CASH AND CASH EQUIVALENTS

	Group 2022 US$	Group 2021 US$	Company 2022 US$	Company 2021 US$
Cash at bank	**2,614,472**	1,940,871	**2,545,913**	1,915,571

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 2022 US$	Group 2021 US$	Company 2022 US$	Company 2021 US$
Trade payables	**428,106**	775,709	**170,975**	345,196
Accruals and deferred income	**587,106**	232,639	**145,696**	194,217
Social security and other taxes	**34,584**	63,682	**34,584**	62,649
Other payables	**150,000**	150,000	**–**	–
	1,199,796	1,222,030	**351,255**	602,062

The carrying value of trade and other payables approximates to their fair value. Payments occur over a short period and the risk of 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 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 27.

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 2022 US$	Group 2021 US$	Company 2022 US$	Company 2021 US$
Carrying value at beginning of the year	**147,349**	150,139	**–**	–
Reversal of temporary differences	**(147,349)**	(2,790)	**–**	–
	–	147,349	**–**	–

The deferred tax provision at 31 December 2021 related to the revaluation of land and buildings which were sold during 2022.

A deferred tax asset has not been recognised in respect of the Group's tax losses due to uncertainties around the Group's ability to utilise the losses.

21. LOANS AND BORROWINGS

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

Group	**Book value 2022 US$**	**Fair value 2022 US$**	Book value 2021 US$	Fair value 2021 US$
Non-current				
Other loans	**133,940**	**133,940**	143,931	143,931
Current				
Other loans	**13,724**	**13,724**	14,013	14,013
Total loans and borrowings	**147,664**	**147,664**	157,944	157,944

Company	**Book value 2022 US$**	**Fair value 2022 US$**	Book value 2021 US$	Fair value 2021 US$
Non-current				
Other loans	**30,085**	**30,085**	47,029	47,029
Current				
Other loans	**11,920**	**11,920**	13,015	13,015
Total loans and borrowings	**42,005**	**42,005**	60,044	60,044

Convertible debt

Convertible Debt was converted In February 2021 and all obligations were extinguished. There is no further debt.

Other loans

Other loans comprise a bank loan to the Company guaranteed by the UK government and a loan to a subsidiary from the US government. The loans are repayable over 5 and 30 years respectively, with interest rates of 2.5% p.a. and 3.75% p.a. respectively. The US government loan is secured against the assets of the subsidiary by way of a floating charge.

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 2022	**13,724**	**14,095**	**23,924**	**95,921**	**147,664**
At 31 December 2021	14,013	15,400	40,324	88,207	157,944

Company	0-1 year US$	1-2 years US$	2-5 years US$	More than 5 years US$	Total US$
At 31 December 2022	**11,920**	**12,221**	**17,864**	**–**	**42,005**
At 31 December 2021	13,015	13,346	33,683	–	60,044

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

22. RIGHT-OF-USE ASSETS AND LIABILITIES

Group	2022 US$	2021 US$
Non-current asset – Plant and equipment		
At 1 January	–	326,299
Additions	–	–
Depreciation	–	(72,511)
Disposals	–	(253,788)
Net book value – Plant and equipment	–	–
Lease liability		
At 1 January	–	339,308
Additions	–	–
Interest expense on leases	–	22,265
Lease payments	–	(57,900)
Lease termination	–	(303,673)
Total lease liability	–	–
Current lease liability	–	–
Non-current lease liability	–	–
Total lease liability	–	–

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

23. CALLED UP SHARE CAPITAL

	2022 Number	2022 US$	2021 Number	2021 US$
Ordinary shares				
At 1 January	**5,665,209,745**	**786,867**	1,541,178,043	219,436
Issue of shares	**15**	**–**	4,124,031,702	567,431
Share consolidation	**(5,503,346,624)**	**–**	–	–
At 31 December	**161,863,136**	**786,867**	5,665,209,745	786,867
Deferred shares of £0.0099 each				
At 1 January	**1,287,536,163**	**18,148,898**	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**		18,935,765

All shares have been allotted, called up and fully paid. The Ordinary Shares of £0.0001 each were consolidated into Ordinary Shares of £0.0035 each on 4 July 2022 (see below).

At the Company's Annual General Meeting on 4 July 2022, shareholders approved a 1 for 35 share consolidation of the Company's Ordinary Shares. Following the share consolidation, the Company had 161,863,136 Ordinary Shares of £0.0035 each.

During 2021 the Company issued 4,124,031,702 Ordinary Shares and received net proceeds of US$12,700,000.

The Deferred Shares have not been admitted to trading on the Alternative Investment Market, carry no voting rights and are purchasable for an aggregate sum of £1.

24. SHARE OPTIONS AND WARRANTS

On 4 July 2022 the Company's Ordinary Shares were consolidated on a 1 for 35 basis and corresponding adjustments have been made to the number and exercise price of the share options and warrants in issue. All share options and warrants disclosures for 2021 within this note have been restated to reflect the effect of the share consolidation.

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 are detailed below. All other options and warrants vest immediately. The number of warrants and share options exercisable at 31 December 2022 was 5,768,463 (2021: 6,482,749). During the year 714,286 (2021: nil) options and warrants expired.

The movements of warrants and share options during the year was as follows:

	2022 Weighted average exercise price (British pence)	2022 Number of warrants and share options	Restated 2021 Weighted average exercise price (British pence)	Restated 2021 Number of warrants and share options
At 1 January	**103.95**	**6,482,749**	124.95	13,098,571
Expired	**35.00**	**(714,286)**	–	–
Granted	**–**	**–**	85.05	3,384,178
At 31 December	**112.68**	**5,768,463**	103.95	6,482,749

At 31 December 2022, the weighted average remaining contractual life of warrants and share options exercisable was 4.95 years (2021: 5.38 years). There were no share options issued under the LTIP in 2022 (2021: 2,470,556) issued. No warrants were issued in 2022 (2021: 913,622 issued). No options were granted in 2022; the weighted average exercise price of the options and warrants granted in 2021 was 85.05 pence).

A charge of US$358,121 (2021: US$639,746) has been recognised in the Statement of Comprehensive Income in respect of equity settled share based payments.

LTIPs, options and warrants outstanding at 31 December 2022 and 2021 were exercisable as follows:

Restated Exercise price range (British pence, US cents in brackets)	2022 Number	Restated 2021 Number
17.50p (23.10 cents)	**428,571**	428,571
35.00p (46.20 cents)	**–**	571,429
35.00p (44.10 cents)	**–**	142,857
45.15p (61.95 cents)	**609,081**	609,081
52.50p (70.70 cents)	**214,286**	214,286
67.90p (92.75 cents)	**304,540**	304,540
70.35p (98.70 cents)	**1,235,278**	1,235,278
105.00p (141.75 cents)	**384,287**	384,287
123.20p (172.55 cents)	**1,235,278**	1,235,278
157.50p (219.80 cents)	**585,714**	585,714
175.00p (236.25 cents)	**57,143**	57,143
210.00p (283.15 cents)	**128,571**	128,571
297.50p (415.10 cents)	**585,714**	585,714
At 31 December	**5,768,463**	6,482,749

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

24. SHARE OPTIONS AND WARRANTS CONTINUED

LTIP awards

In February 2021, the Company implemented its 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.

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 the inception of the scheme, 2,470,556 LTIP options were granted to Directors and other participants. No further awards were granted during 2021 or 2022. Half of the options have an exercise price of 70.44p (a premium of 75% to the share price on 25 February 2021) and the remaining options are exercisable at a price of 123.27p (a premium of 75% to the exercise price of the first tranche).

JSOP awards

Under the Joint Share Ownership Plan ('JSOP'), shares in the Company were jointly purchased at fair market value by the sole 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. There is only one participant in the JSOP and 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 and there was no associated share based payment charge in 2022 or 2021. At 31 December 2022 and 31 December 2021 there were 400,000 fully vested shares held in the JSOP Trust. No JSOP shares were sold during either year.

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 interests of more than 90% in subsidiaries.
Foreign exchange reserve	Gains and losses arising from 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/warrant reserve	Equity component of the convertible loan and warrants issued that do not form part of a share-based payment.
Revaluation reserve	Surpluses arising on the revaluation of property, plant and equipment.
Retained earnings	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	2022 US$	2021 US$
Loss for the year	**(1,343,745)**	(5,881,768)
Adjustments for:		
Share-based payment expense	**358,121**	639,746
Depreciation	**19,874**	246,418
Gain on redemption of Loans/CLNs	**–**	(407,776)
Impairment of PPE and intangible assets	**1,000,000**	2,000,000
Gain on disposal of right of use assets	**–**	(49,885)
Loss on disposal of PPE	**212,626**	6,064
Foreign currency translations	**(3,456,479)**	(1,261,221)
Finance expenses	**9,473**	162,531
Income tax	**(1,395)**	(2,790)
	(3,201,525)	(4,548,681)
Decrease in inventories	**27,250**	210,256
Decrease/(increase) in trade and other receivables	**641,946**	(258,204)
(Decrease) in trade and other payables	**(22,234)**	(1,021,775)
Net cash (outflow) from operating activities	**(2,554,563)**	(5,618,404)

Company	2022 US$	2021 US$
Loss for the year	**(740,114)**	(2,075,511)
Adjustments for:		
Share-based payment expense	**358,121**	639,746
Depreciation	**1,318**	1,264
Gain on redemption of Loans/CLNs	**–**	(361,229)
Foreign currency translations	**(381,967)**	(608,102)
Finance expenses	**5,474**	3,102
	(757,168)	(12,400,730)
Decrease/(increase) in trade and other receivables	**300,844**	(432,041)
(Decrease) in trade and other payables	**(255,046)**	(583,913)
Net cash (outflow) from operating activities	**(711,370)**	(3,416,684)

Cash to net debt reconciliation

	Group 2022 US$	Group 2021 US$	Company 2022 US$	Company 2021 US$
Cash and cash equivalents	**2,614,472**	1,940,871	**2,545,913**	1,915,571
Borrowings	**(147,664)**	(157,944)	**(42,005)**	(60,044)
Net cash/(debt)	**2,466,808**	1,782,927	**2,503,908**	1,855,527
Cash and liquid investments	**2,614,472**	1,940,871	**2,545,913**	1,915,571
Fixed rate instruments	**(147,664)**	(157,944)	**(42,005)**	(60,044)
Net cash/(debt)	**2,466,808**	1,782,927	**2,503,908**	1,855,527

26. NOTE SUPPORTING THE STATEMENT OF CASH FLOWS CONTINUED

Net Debt Reconciliation

Group	Cash and cash equivalents US$	Unsecured loans US$	Total debt US$	Net debt US$
Net cash/(debt) at 1 January 2022	**1,940,871**	**(157,944)**	**(157,944)**	**1,782,927**
Cashflows	469,042	4,179	4,179	473,221
Foreign exchange movements	204,559	6,101	6,101	210,660
Net cash/(debt) at 31 December 2022	**2,614,472**	**(147,664)**	**(147,664)**	**2,466,808**

Company	Cash and cash equivalents US$	Unsecured loans US$	Total debt US$	Net debt US$
Net cash/(debt) at 1 January 2022	**1,915,571**	**(60,044)**	**(60,044)**	**1,855,527**
Cashflows	425,831	11,939	11,939	437,770
Foreign exchange movements	204,511	6,100	6,100	210,611
Net cash/(debt) at 31 December 2022	**2,545,913**	**(42,005)**	**(42,005)**	**2,503,908**

27. FINANCIAL INSTRUMENTS

The Group's treasury policy is to avoid transactions of a speculative nature. In the course of trading 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.

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

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

A summary of the financial instruments held is provided below:

Financial assets

	Group 2022 US$	Group 2021 US$	**Company 2022 US$**	Company 2021 US$
At amortised cost:				
Cash and cash equivalents	**2,614,472**	1,940,871	**2,545,913**	1,915,571
Amounts due from Group companies	**–**	–	**21,444,342**	25,296,460
Other receivables	**38,366**	355,115	**38,308**	355,115
	2,652,838	2,295,986	**24,028,563**	27,567,146
At fair value:				
Financial investments	**823,744**	922,275	**823,744**	922,275
Total financial assets	**3,476,582**	3,218,261	**28,852,307**	28,489,421

27. FINANCIAL INSTRUMENTS CONTINUED

Financial liabilities

	Group 2022 US$	Group 2021 US$	Company 2022 US$	Company 2021 US$
At amortised cost:				
Trade payables	**428,106**	775,709	**170,975**	345,196
Other current liabilities	**150,000**	150,000	**–**	–
Loans and borrowings	**147,664**	157,944	**42,005**	60,044
Total financial liabilities	**725,770**	1,083,653	**212,980**	405,240

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.

Market Risk

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

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

	Group 2022 US$	Group 2021 US$	Company 2022 US$	Company 2021 US$
US Dollars	**2,062,984**	25,607	**1,996,724**	764
UK Pounds Sterling	**551,456**	1,915,136	**549,157**	1,914,679
Euros	**32**	128	**32**	128
	2,614,472	1,940,871	**2,545,913**	1,915,571

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

	Group 2022 US$	Group 2021 US$	Company 2022 US$	Company 2021 US$
US Dollars	**774,727**	1,531,393	**–**	334,475
UK Pounds Sterling	**131,197**	97,566	**131,197**	97,566
	905,924	1,628,959	**131,197**	432,041

27. FINANCIAL INSTRUMENTS CONTINUED

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

	Group 2022 US$	Group 2021 US$	Company 2022 US$	Company 2021 US$
US Dollars	**848,541**	617,297	**–**	13,609
UK Pounds Sterling	**351,255**	599,934	**351,255**	583,654
Euros	**–**	4,799	**–**	4,799
	1,199,796	1,222,030	**351,255**	602,062

The effect of a 5% strengthening of the US Dollar at the reporting date on the foreign currency denominated net financial instruments carried at that date would, all other variables held constant, have been a reduction in net assets of US$15,782 (2021: US$67,054). A 5% weakening of the US Dollar would, on the same basis, have increased net assets by the same amount.

Interest rate risk

The Group and Company finance their operations through a mixture of equity and loans. The restructuring of the Group's Convertible Loan Note debt has significantly reduced interest rate exposure. The remaining debt consists of government issued or guaranteed debt with fixed rates of interest.

Credit risk

Operational

The Group is not currently generating revenue and its exposure to credit risk is therefore limited. The Group does not enter into derivative contracts to manage credit risk. Further information on trade and other receivables is 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.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the payments to its suppliers. The Group retains operational liquidity risk as is starts to commercialise CoalSwitch®. During this period there is a risk that the Group will encounter difficulties 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 fall 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' going concern assessment are set out in Note 1.

The Group had loans of US$147,664 at 31 December 2022 (2021: US$157,944). 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

As at 31 December 2022 all fees complied with Directors' contractual obligations and were paid up to date. Details of Directors' remuneration are set out in the Directors' Remuneration Report.

During 2022, the Group paid US$53,539 (2021: US$43,342) to INJ London Limited for sales and marketing services. This company is owned by Max Aitken, a Director of the Company.

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, a Director of the Company.

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

	2022 US$	2021 US$
Sale of property, plant and equipment	**–**	588,392
Allocation of management time and expenses	**65,826**	205,650
Interest charges	**–**	164,400

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

	2022 US$	2021 US$
Amounts due from Group companies	**21,444,342**	25,296,460

29. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2022 or 31 December 2021.

30. SUBSEQUENT EVENTS

There have been no disclosable events since the balance sheet date.

31. ULTIMATE CONTROLLING PARTY

The Company has no overall controlling party.

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