

20 May 2021

Active Energy Group Plc
(“Active Energy”, “AEG”, or the “Company”)

Strategic Expansion and Operational Update

JV signed to accelerate expansion of CoalSwitch™ production in the US

Active Energy, the London quoted international biomass based renewable energy business, is pleased to provide an update on a strategic development, which will expand the production of CoalSwitch™ in the US, and an update on current activities at the Company’s Lumberton site in North Carolina (“Lumberton”). In addition AEG is giving an operational update on activities at Lumberton.

Highlights:

- AEG is seeing increasing demand for next generation pellet technologies from prospective customers resulting in the need for accelerated strategic expansion:
 - joint venture (the “JV”) entered into between AEG and Player Design, Inc. (“Player Design” or “PDI”) to complete a second production facility at Ashland in Maine, USA (the “Ashland Facility”);
 - temporary operating permit granted by the State of Maine to permit the production of an initial 1,000 tons of CoalSwitch™ by no later than 31 July 2021 (the “Initial Production Period”);
 - first CoalSwitch™ production due to commence before end of May 2021; and
 - AEG remains on track to deliver CoalSwitch™ to PacifiCorp, on time, in June 2021.
- Construction of the facilities for the reference plant at Lumberton were in the final stages of completion.
- AEG continues to await approval from the North Carolina Department of Environmental Quality (“NCDEQ”) for the amendment to the air and construction permit, which will allow installation of additional equipment to improve emissions controls to be completed.

Strategic expansion - JV entered into between AEG and PDI for a second CoalSwitch™ plant

Since completion of its balance sheet restructuring in February 2021, AEG has seen increased interest from potential customers and commercial partners in the opportunity to produce and utilise next generation biomass pellet technologies.

Prospective partners have shown specific interest in CoalSwitch™ production facilities, that can easily be combined with their existing lumber mill operations, to address their own environmental challenges regarding waste and residual matter. These parties require small scale CoalSwitch™ reactor facilities, which can be deployed within their existing lumber mill facilities and constructed to utilise the existing infrastructure within their lumber mill operations. The regions of most interest are situated in North Eastern United States and Atlantic Canada.

In order to accelerate, and deliver on this market opportunity, AEG and PDI have established the JV. The JV will focus on CoalSwitch™ production from PDI’s Ashland Facility in the State of Maine and develop the know-how for the development of new production facilities within the region. The JV aims to operate beyond the time limits of the current temporary permit approved by the State of Maine and expects to successfully build and operate the Ashland Facility in order to produce up to 35,000 tonnes of CoalSwitch™ per year.

Pursuant to the terms of the JV, a joint venture company, CSW2Maine LLC, which is owned equally by both AEG and PDI, has been formed. The JV will be led by a senior management team, including Tyler Player (PDI's founder and Chief Executive Officer) as CEO of CSW2Maine LLC, AEG's CEO Michael Rowan and AEG's Finance Director Andrew Diamond. The JV has been established to operate for an initial period of one year following the initial production period to 31 July 2021, after which the parties, subject to the achieving of various milestones, intend to extend the JV.

Both AEG and PDI have made capital contributions toward the JV at the outset. AEG has provided additional CoalSwitch™ equipment, including spare reactors and pelletising equipment, formerly located at Lumberton, to accelerate development and construction at the Ashland Facility. AEG has also provided a licence to enable the JV to utilise the Company's CoalSwitch™ and PeatSwitch™ IP. PDI has reconfigured some of its existing fire log mill operations at the Ashland Facility to accommodate the CoalSwitch™ production plant, completed construction of this facility and is initially providing key personnel to operate the Ashland Facility. PDI will also train AEG personnel for forthcoming operations at Lumberton.

Pursuant to the JV, AEG and PDI have agreed to an equal share of profits generated on all CoalSwitch™ or PeatSwitch™ activity at the Ashland Facility.

Permit granted for the Ashland Facility by the State of Maine

PDI already has an operational log processing facility at the Ashland Facility, which has been expanded to accommodate CoalSwitch™ production. PDI and AEG were granted a temporary operating permit by the State of Maine in April 2021 to allow the construction of a CoalSwitch™ production facility (the "Permit"). This Permit was granted to allow immediate operations from 15 May 2021 to 31 July 2021 to produce an initial amount of 1,000 oven dried tons of fuel and obliges all relevant operating and environmental data to be supplied to the State of Maine.

All parties intend to present the operating data from this facility to the Department of Environmental Protection within the State of Maine as soon as production commences in late May, with the aim of securing a long term operating permit for the Ashland Facility.

Production from the Ashland Facility due to commence in May 2021

Construction of the CoalSwitch™ equipment at the Ashland Facility commenced in late April 2021 in anticipation of finalising the JV and it is expected that the Ashland Facility will be ready to commence CoalSwitch™ production before the end of May 2021, with first deliveries of CoalSwitch™ commencing shortly thereafter.

The JV has already secured sufficient waste hardwood residuals for the first CoalSwitch™ production from lumber partners in close proximity to the Ashland Facility, enabling AEG to meet its existing and future product orders.

Once the Ashland Facility is operational, AEG will also be able accelerate the CoalSwitch™ fuel testing and data programme which is currently being established. This data will also be useful in addressing any further concerns the NCDEQ may have about the prospective CoalSwitch™ operations at Lumberton.

Lumberton update

Construction work commenced at Lumberton in December 2020 and the core construction for the first reference plant at Lumberton (the "Lumberton Reference Plant") has been completed. Construction had been co-ordinated by PDI, who act as the engineering, procurement and construction contractor for the Lumberton Reference Plant.

As disclosed in the Company's announcement dated 7 May 2021, construction activity in regard to certain components of the Lumberton Reference Plant has been suspended, pending the consent of the NCDEQ for amendments to the existing air and construction permit, which was issued on 4 August 2020. AEG has completed and filed all relevant applications and awaits the conclusion on this matter. The amendments to the permitted process represent operational improvements, with three pieces of equipment added to enhance recovery of air emissions. AEG is working with the NCDEQ, its partners in Robeson County and other North Carolina State officials to expedite this process. The Company was in the final stages of construction, including the delivery of certain key equipment, prior to this issue arising and, as the completion of construction is dependent on approval from NCDEQ, AEG is not currently able to provide a revised timetable for completion of the Lumberton Reference Plant. The Company will update the market as soon as more information is received.

Lumber and timber operations at Lumberton

During the second quarter of the current financial year, the Company has focused its management time and resources on the dual track construction of the CoalSwitch™ facilities at Lumberton and Ashland and the commencement of CoalSwitch™ operations.

The Company's primary goal for the lumber operations has always been to identify reliable local lumber suppliers and to source relevant feedstock materials for initial CoalSwitch™ production. The lumber mill operations have successfully produced the requisite feedstock and currently, over 5,000 tonnes of material is now ready for use towards the Company's forthcoming CoalSwitch™ production at Lumberton.

The saw mill and timber operations at Lumberton have continued to operate throughout the period, albeit at a lower production rate. As a result, the Board now expects that revenues from the Company's lumber and timber operations in the current year will be materially below prior expectations. Given the low margin nature of these lumber and timber operations, and the anticipated increase in revenues from additional CoalSwitch™ production, the Board anticipates that there will not be a material impact on the Company's financial results for the current financial year.

With the recent construction delays for the Lumberton Reference Plant, the Board are now re-evaluating the Company's lumber and timber operations at Lumberton and the Company will update shareholders in the announcement of the Company's results for the year ended 31 December 2020, which are expected to be released in the first half of June 2021.

Michael Rowan, CEO, Active Energy Group:

"Since completing the balance sheet restructuring in February, the Company has seen increasing commercial interest for next generation pellets from prospective customers in North America. In order to meet the initial demand to test CoalSwitch™ product and deliver on AEG's long-term strategy of scaling up production, AEG has completed a joint venture agreement with Player Design to construct a second CoalSwitch™ plant at the Ashland Facility in Maine.

"Planning for this project has been underway for some time, preceding the unfortunate and unforeseen construction delays at Lumberton. To optimise timing for the project, existing AEG assets have been utilised to ensure that this second plant is operational before month end. Building two CoalSwitch™ plants simultaneously has proven challenging for all parties but with the opportunity of completing two 5 tonne per hour CoalSwitch™ plants in different geographic locations in North America, future commercial milestones will be more easily achievable for AEG.

"The JV with Player Design will enable AEG to increase production volumes and also offers the prospect of a secondary CoalSwitch™ production facility in a region which is highly important for the growth of CoalSwitch™ and AEG's long term strategy."

Tyler Player, CEO of Player Design, said:

"PDI has built a close working relationship with the team at AEG over many months. We have seen the potential that CoalSwitch™ can present to the biomass industry. The opportunity to add a new production facility in Maine is important, not only to allow Player Design to further demonstrate the potential of the fuel and its production process, but also to enable a wider North American audience to appreciate the future of next generation biomass fuels.

"I am also grateful to the State of Maine for their ongoing support".

Troy Jackson, President of the Maine Senate, said:

"The State of Maine is excited for the prospects of CoalSwitch™ production at the Ashland Facility. The State of Maine wants to see new technologies developed for the biomass industry and assisting companies like PDI and AEG to develop new commercial, environmentally-friendly processes is our utmost priority".

Regulatory Information

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

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Enquiries		
Active Energy Group Plc	Michael Rowan (Chief Executive Officer) Andrew Diamond (Chief Financial Officer)	info@aegplc.com
SP Angel Corporate Finance LLP <i>Nominated Adviser and Joint Broker</i>	David Hignell / Caroline Rowe (Corporate Finance) Rob Rees (Sales)	Office: +44 (0)20 3470 0470
Allenby Capital Limited <i>Joint Broker</i>	Nick Naylor/James Reeve (Corporate Finance) Amrit Nahal (Sales/Corporate Broking)	Office: +44 (0)20 3328 5656
Camarco <i>Financial PR Adviser</i>	Gordon Poole / Tom Huddart / Emily Hall	aeg@camarco.co.uk Office: +44 (0)20 3757 4980

About Active Energy Group:

Active Energy Group plc is a London listed (AIM: AEG) renewable energy company that has developed a proprietary technology which transforms low-cost biomass material into high-value green fuels. Its patented product CoalSwitch™ is the world's only drop-in biomass fuel that can be mixed at any ratio with coal or completely replace coal in existing coal-fired power stations without requiring plant modification. Active Energy Group's immediate strategic focus is the production and commercialisation of CoalSwitch™ and a low emission CoalSwitch™ blend that utilises other waste materials.