ACTIVE ENERGY GROUP PLC

INTERIM REPORT AND UNAUDITED CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

30 JUNE 2014

CHAIRMAN'S STATEMENT
FOR THE SIX MONTH'S ENDED 30 JUNE 2014

I am pleased to present the Company's Interim Report for the six month's ended 30 June 2014. The detailed results are set out in full in the accompanying Financial Statements. A summary of these results is set out below.

FINANCIAL SUMMARIES

INCOME STATEMENT	6 months ended 30 June 2014	6 months ended 30 June 2013	12 months 31 Dec 2013
	£'000	£'000	£'000
Revenue	**6,418**	**106**	**5,247**
Cost of sales	(6,092)	-	(5,334)
Gross Profit	**326**	**106**	**(87)**
Admin Costs	(1,312)	(741)	(2,136)
Operating Loss	**(986)**	**(635)**	**(2,223)**
Other items	(62)	13	(45)
Loss for period	**(1,048)**	**(622)**	**(2,268)**
		BALANCE SHEET	
	£'000	£'000	£'000
NON-CURRENT ASSETS	**3,285**	**3,088**	**2,826**
Cash	2,411	2,910	948
Inventories	159	775	858
Other current assets	1,467	858	531
TOTAL CURRENT ASSETS	**4,037**	**4,543**	**2,337**
Short term loans	1,066	-	-
Trade and other payables	1,022	1,944	506
CURRENT LIABILITIES	**2,088**	**1,944**	**506**
NET CURRENT ASSSETS	**1,949**	**2,599**	**1,831**
Long term loans	2,562	857	877
Deferred Tax Liability	244	260	260
NON-CURRENT LIABILITIES	**2,806**	**1,117**	**1,137**
NET ASSETS	**2,428**	**4,570**	**3,520**

See below for a short reconciliation of the Group's adjusted operating losses this in order to reflect the non-cash and special project items which have impacted on our financial results for the period under review:

	30th June 2014	
		£'000
OPERATING LOSS		**986**
Less: Non-cash items		
Depreciation and Amortisation	(100)	
FX losses	(61)	
Share based payments	(86)	(247)
Less: New projects		
Pelleting	(134)	
Canada JV (PC)	(50)	(184)
Less:Non-Recurring costs (pro forma)		
Accounting, audit, professional	(100)	
Port relocation/start-up	(100)	(200)
ADJUSTED OPERATING LOSS		**355**

BUSINESS REVIEW

The matters on which I would like to briefly comment upon are shown below:

Biomass and MDF Woodchip Division

- The Company's strategy in H1-14 was to focus Ukrainian operations on increasing volumes to our Turkish customers. As the following tables demonstrates, we have achieved a significant increase in that core part of our business which delivers higher margins and makes lower cash demands due to the shorter payment cycles which characterize this part of our trade as compared with our biomass business.

Trade	H1 2014	H2 2013	Change % +/- H2-13	Q3-2014 (to date*)
Biomass	39,629	57,811	-31%	9,728
Black Sea	61,185	14,573	320%	42,816*
Total	**100,814**	**72,384**	**39%**	**52,544***

**Excludes "Sider King" due to sail 30 September 2014 from Yuzhny with a cargo of ~13,000 metric tonnes for delivery to Turkey.*

In contrast, Biomass has proven to deliver poor overall margins while placing a relatively high demand on working capital with payment cycles often being in excess of 30 days. As all Ukrainian-based biomass shipments have now ceased, the capacity underlying those volumes will be allocated in future to more profitable MDF cargoes. The biomass business in H1-2014 has continued to disappoint notwithstanding our efforts to open alternative supply routes from Spain and Montenegro. In particular, shipments from Montenegro have failed to meet the quantitative and qualitative criteria necessary to satisfy minimum product specifications; accordingly, management is maintaining a watching brief on the future of both of these supply channels.

- While the relocation of our port facilities from Mykolaiv to Yuzhny resulted in some level of cost pressure, the move has proved itself ever more justified as it has delivered 100% on the benefits expected from it. We now have an established presence in a modern, secure and efficient facility with greater access to all-year shipping lanes and the capacity to expand our core Black Sea business to meet the continuing requirements of our key Turkish customer base.
- In line with the new port development the company has initiated operational knowledge and training programmes to streamline the product supply chain, an investment at the grass roots level of our business which will deliver value in future periods.
- New capital equipment has been installed at Yuzhny port, which has substantially increased our chipping capacity in line with the growing customer demand from Turkey.
- Local currency devaluation in the Ukrainian Hyrvnia (UAH) has had a net positive impact on our cost base, resulting in a lower cost of sales per metric tonne loaded at the FOB level. However, this has been less than the "headline" change in the FX rate change mainly because of cost increases in a number of key areas which are either directly US$ denominated or US$ influenced, items such as port costs and fuel.

No commentary on any Ukrainian-based business would be complete without reiterating that the political (and some operational) issues in our core territory continue to generate highly challenging trading conditions. Be that the loss of what would have most likely proved to have been a source of good margin biomass product from Eastern Ukraine that is now denied to us, or the massive issues that have impacted on our CEO from the predations of the separatist movement in Donetsk which have so far lost him his home, operating a growing business in these circumstances is a huge challenge and it is a tribute to the fortitude of the executive that such positive developments have been achieved at all.

Of course, all of our stakeholders would have preferred to have seen progress more quickly achieved but I am confident that the operating indicators for the woodchip business are largely positive.

Administrative costs

- Administrative costs increased in part due to non-recurring (third party accounting service providers, re-structuring of Mykolaiv port operations), non-cash expenses and a continuing increase in the Company's operational tempo as it seeks to expand its sphere of operations both geographically (in North America in particular), and to new operations such as pelleting and, of course, the new operations that will most likely emerge from the Canadian project with the Métis Settlements.
- The pelleting project consumed initiation and early stage development costs in H1-14 amounting to some £134k.
- There has been an inevitable continuation in the Group spend on travel, legal and associated costs as a direct result of many initiatives being so actively developed.
- A restructuring programme was initiated in Q2 this year which is planned to result in a reduced level of underlying admin spend. This currently includes the provision of accountancy services in-house rather than being outsourced to third party service providers and will extend to the relocation out of London of all management reporting activities.

CURRENT TRADING AND PROSPECTS

The Black Sea Trade

- There is a strong forward focus on cargoes for MDF with expected continuing improvements in volumes and margins, this latter aspect due to the FOB cost of woodchip being anticipated to decrease in H2-14.
- Cost control and process improvements are being implemented to produce greater efficiencies in the supply chain to more consistently deliver the seamless supply of wood from forest to port to factory. Continuing staff and operative training should lead to fewer equipment breakdowns and, crucially, the minimization of demurrage costs that have sometimes resulted therefrom.
- Contracts are in place and customers are keen for the Company to ramp up both its rate and size of shipments. Implementation of robust supply chain processes means the Group can harness these willing markets.
- The current strategy of building our Black Sea trade to capture the improved margins and cash flows mentioned above continues to trend positively and serves to underscore the progress that management has so far made in this area through its various continuous improvement programmes.
- New customer opportunities are being actively pursued for both softwood and hardwood supplies which may lead to a possible further investment in additional chipping facilities at Yuzhny port. Specific announcements will be made as appropriate.
- While the aggregate gross margin on trading for the period under review has been only ~5%, as previously commented upon, this figure was depressed by the poor results arising from biomass cargoes. As a consequence of the process improvements currently being implemented and the continuation of positive economic influences, management expects that cargoes in future periods will produce significantly better results.

In short, the Black Sea trade continues to represent a considerable growth opportunity in line with the Board's original expectations. Notwithstanding that the rate of development has been less than hoped for, the core plan remains intact and accessible - subject only to the continuing availability of development capital and the absence of any material deterioration in the political climate in Ukraine.

Pelleting division

- This project established "proof of concept" in the successful system trials and demonstrations carried out in Belfast earlier this year. Since that time detailed discussions have been conducted by management with key partners in the project with a view to establishing a detailed business plan in early course.
- Management expects to bring this project to commercial development as soon as possible.

Canadian Joint Venture

- This project was first unveiled by the Company on 18 July when we announced the establishment of a joint venture with the Métis Indians to work with three of the eight Métis Settlements to commercialize the significant forestry assets controlled by them. At that time it was believed that the forestry assets controlled by the first three Settlements comprised at least 100,000 hectares of mature forest expected to yield more than 20 million cubic metres of commercial standing timber.
- As no land survey had then been commissioned and detailed legal due diligence had not been initiated, the project was recognised as having great potential, notwithstanding that much work would have to be done by both the

Company and its partners in order to establish the full physical and economic extent of the asset and its optimal path to commercialisation.
- Since that time, our CEO (with other members of the management team) has devoted a considerable amount of time and effort into kick-starting the base level of effort required to address the key issues facing the joint venture.
- On 28 August, and only a little over a month after the first announcement was made, the Company was pleased to inform the market that the JV company ("KAQUO Forestry and Natural Resources Development Corporation") had been formed and that a survey of 2% of the total land asset had been commissioned; that this work was expected to take around two months to complete, thereby indicating a market update on the project in late October/early November this year.
- This later announcement also reported that the asset was now believed to amount to double the area first estimated, now being assessed to be at least 200,000 hectares of high quality forestry.
- Detailed legal and commercial development elements of the project are being worked on contemporaneous with the forestry survey and the Company expects to make a series of announcements on these matters in the upcoming calendar quarter and beyond.

Group Outlook

- The Group has successfully concluded the integration of its new woodchip business and has made considerable progress in developing important initiatives in both its new pelleting operation and Canadian joint venture. It now stands ready to deliver on the very considerable opportunities that are currently vested in it which have the potential to realise significant growth in shareholder value.
- Current shipping volumes for Q3-14 to date continue to reflect the implementation of the trading strategy for our woodchip business, with a significant increase in cargoes for MDF with a concomitant reduction in those for biomass. This will also result in improved trading gross margins which are expected to show further positive growth as the benefits of operating efficiencies feed through.
- AEG is a small company that operates in difficult jurisdictions and with a current low margin core trade. Considerable investment in that trade has been expended in the last 12 months when trading losses have been incurred and growth has been hard won. Going forward, it therefore remain pivotal that volume and margin growth expectations continue to be met and that central costs are driven down consistent with the needs of the business and its capacity to develop and manage multiple operating channels.

Management

Shareholders will have noted the announcement on 26 September 2014 of the appointment to the Board of Brian Evans-Jones as Finance Director of the Group. Brian's appointment is part of the overall restructuring plan intended to both streamline reporting processes and drive down the overall administrative costs of the Group, to be achieved in part by the relocation of the accounting and finance function from its current London base.

This is also the time for me to announce that this will be my last Chairman's Statement for Active Energy Group as, by mutual consent, I will be stepping down from the Chair with immediate effect. I have served in this position for nearly two years and have been able to support the management team through the period when the Group sought first to acquire and then, in June last year, complete the acquisition of Nikofeso Group alongside the refinancing of the Company.

It is therefore appropriate that the Company should now seek a new chairman to support and guide management in what promise to be truly significant opportunities into which AEG will have to put a major level of effort from a Board able to deliver operationally in the resources sector and with a Chair that has demonstrable strengths in the sectors and regions in which AEG operates. A search process is already underway and an announcement as to my successor will be made as soon as appropriate.

As a shareholder myself, there is nothing more than I could wish for AEG than that it delivers fully on its inherent promise; management's interests remain closely aligned with all of our stakeholders and, alongside thanking my Board colleagues for their support during the last two years, I will close by wishing them, as well as all of our dedicated staff, every success for the future.

Colin Hill
Non-Executive chairman

London: 30th September 2014

INDEPENDENT REVIEW REPORT TO ACTIVE ENERGY GROUP PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT REVIEW REPORT TO ACTIVE ENERGY GROUP PLC

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

Emphasis of matter - Going concern

In forming our conclusion on the condensed set of financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 concerning the group's and parent's ability to continue as a going concern. As set out in note 1, there are material uncertainties that may cast significant doubt about the group's and parent company's ability to continue as a going concern and meet their liabilities as they fall due. In particular the ability of the group and parent to obtain additional funding to finance additional working capital requirements as and when required, or in the event that volume and margin improvements over the next twelve months fall below management's expectations. The condensed set of financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

BDO LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
29 September 2014

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Note	6 months to 30/06/14 Unaudited £	6 months to 30/06/13 Unaudited £	12 months to 31/12/13 Audited £
REVENUE	2	6,417,628	105,538	5,246,542
Cost of sales		(6,092,081)	-	(5,333,620)
GROSS PROFIT / (LOSS)		325,547	105,538	(87,078)
Administrative expenses		(1,311,143)	(740,900)	(2,135,873)
OPERATING LOSS		(985,596)	(635,362)	(2,222,951)
Finance income		5,200	6,182	13,958
Finance costs		(83,445)	(10,413)	(64,649)
LOSS BEFORE TAXATION		(1,063,841)	(639,593)	(2,273,642)
Income tax		16,086	17,877	6,015
LOSS FOR THE PERIOD	2	(1,047,755)	(621,716)	(2,267,627)
			Restated	
Loss per share (pence) – basic and fully diluted	10	(0.19)	(0.26)	(0.58)

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	6 months to 30/06/14 Unaudited £	6 months to 30/06/13 Unaudited £	12 months to 31/12/13 Audited £
LOSS FOR THE PERIOD	**(1,047,755)**	**(621,716)**	**(2,267,627)**
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations	**(215,546)**	**67,753**	**(182,925)**
TOTAL COMPREHENSIVE LOSS FOR PERIOD	**(1,263,301)**	**(553,963)**	**(2,450,552)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	30/06/14 Unaudited £	Restated 30/06/13 Unaudited £	31/12/13 Audited £
NON-CURRENT ASSETS				
Intangible assets	4	2,540,833	3,046,742	2,714,155
Property, plant and equipment	5	744,043	40,806	112,003
		3,284,876	3,087,548	2,826,158
CURRENT ASSETS				
Inventories		159,422	775,207	857,610
Trade and other receivables	6	1,466,687	858,805	531,467
Cash and cash equivalents		2,411,665	2,910,159	948,222
		4,037,774	4,544,171	2,337,299
TOTAL ASSETS		7,322,650	7,631,719	5,163,457
CURRENT LIABILITIES				
Trade and other payables	7	1,021,863	1,943,861	501,852
Income tax liability		-	-	4,253
Loans and borrowings	8	1,066,099	-	-
		2,087,962	1,943,861	506,105
NON-CURRENT LIABILITIES				
Deferred income tax liabilities		244,376	260,438	260,462
Loans and borrowings	8	2,562,088	857,160	876,808
		2,806,464	1,117,598	1,137,270
TOTAL LIABILITIES		4,894,426	3,061,459	1,643,375
NET ASSETS		2,428,224	4,570,260	3,520,082
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
Share capital		6,190,256	5,626,655	6,186,256
Share premium		4,385,335	4,222,354	4,380,335
Merger reserve		1,502,500	1,502,500	1,502,500
Foreign exchange reserve		(445,052)	21,172	(229,506)
Own shares held reserve		(899,570)	(719,420)	(899,570)
Convertible debt, warrant and capital reserve		698,458	621,873	621,873
Retained earnings		(9,003,703)	(6,704,874)	(8,041,806)
TOTAL EQUITY		2,428,224	4,570,260	3,520,082

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS TO 30 JUNE 2014

	Note	6 months to 30/06/14 Unaudited £	6 months to 30/06/13 Unaudited £	12 months to 31/12/13 Audited £
Cash outflow from operations	3	(909,038)	(227,153)	(2,580,106)
Income tax paid		(4,253)	(3,909)	(26,199)
Net cash outflow from operating activities		(913,291)	(231,062)	(2,606,305)
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired		-	67,674	67,674
Purchase of property, plant and equipment		(319,844)	-	(132,045)
Interest received		5,200	6,182	13,958
Net cash inflow/(outflow) from investing activities		(314,644)	73,856	(50,413)
Cash flows from financing activities				
Issue of equity share capital		-	1,880,862	2,467,012
Convertible loan from shareholder		-	1,000,000	1,000,000
Issue expenses		-	-	-
Interest paid on convertible loan note		(45,000)	-	(45,000)
Issue of debt		2,807,964	-	-
Net cash inflow from financing activities		2,762,964	2,880,862	3,422,012
Net increase in cash and cash equivalents		1,535,029	2,723,656	765,294
Cash and cash equivalents at beginning of period		948,222	158,004	158,004
Effect of exchange rate changes		(71,586)	28,499	24,924
Cash and cash equivalents at end of period		2,411,665	2,910,159	948,222