

Active Energy Group Plc

("Active Energy Group" or the "Group" or the "Company" or "AEG")

**Trading Update December 2015:
Positive Developments Across All Operating Divisions;
Synergies Introducing New Market and Margin Opportunities**

Active Energy Group Plc (AIM: AEG.L), the London Stock Exchange AIM-quoted international supplier of timberland management and development services, industrial wood fibre, and Biomass coal replacement fuels, is pleased to provide a brief trading update.

As reported in the RNS dated 29 September 2015, during the year the Group continued to make progress towards achieving the strategic vision that was established by the current management team when they assumed their roles in 2012; and AEG now has a significant presence across the entire timber supply chain, from forest to factory and fuel.

The Group's three trading divisions, which operate as independent business units but work together to optimise resources and opportunities, have made major advances over the period; and in an effort to differentiate them and to better communicate their individual offerings, the Board has decided that from December 2015, each will operate under its own distinct identity:

- **AEG TimberLands:** Forestry Asset Management and Development
- **AEG WoodFibre:** Processed Wood Fibre for Medium-Density Fibreboard (MDF) Manufacturing
- **AEG CoalSwitch:** Biomass Coal Replacement Fuels and Fuel Processing Systems

At the same time, the Group is unveiling a new corporate identity that aims to reflect its diverse trading operations, and emphasise its company-wide focus on providing commercial solutions that protect the environment and enhance the value and sustainability of the planet's natural resources.

Developments in each of the Group's business units during 2015 are briefly summarised below:

AEG TimberLands:

- In July 2014, AEG announced that it had entered into a major joint venture with the Métis Settlements of Peavine, Paddle Prairie and East Prairie to commercialise some 256,000 hectares of their lands in Alberta, Western Canada, which contain mature forestry and timber assets.
- The primary aim of the Alberta project remains to utilise, in a sustainable manner which enhances the management of the same, the Métis forestry assets to produce renewable energy fuel using the Group's recently-announced AEG CoalSwitch technology; to assist the Province of Alberta in reducing its dependence on highly-polluting coal-fired power generation; and to create a positive investment environment and significant economic development opportunities for the Métis Settlements and their members.
- Progress of the joint venture was unavoidably delayed while the Government of Alberta conducted a review of the Métis Settlements handling of their participation in it. The review was finally completed in September 2015, when a Ministerial Order was issued specifying certain conditions to be fulfilled by the Métis Settlements for the joint venture to proceed. Since that time, the AEG TimberLands team has been liaising closely with their Métis partners and with their professional advisors to ensure that those conditions are met; despite a new joint venture structure - which is unaffected by the review - having been formed to accommodate the new business structure, investments and partners.
- The Group is optimistic that in December 2015 a fourth Métis Settlement will join the Alberta environmental Métis economic development venture; the structure of which is currently being amended to accommodate them.
- The new joint venture structure is completely aligned with the new Alberta NDP government's stated objectives at all levels, and complies with Métis, provincial and federal legal requirements, as well as the Ministerial Order that was issued against the former structure, which, following the Ministerial Order being issued and to allow for further partners to be included in the venture, has now been liquidated in favour of the new structure.

- With over 6,500 pages of due diligence documentation compiled by the Group over the past year, the joint venture partners are currently finalising a detailed Forestry Management Plan, to include stewardship, management and a number of environmentally-sensitive commercialisation strategies. The Plan - which is being compiled in association with a world-leading Canadian forestry management consultancy in accordance with Albertan, Canadian and international best practices - will, for example, include identifying any culturally-sensitive sites.
- This planning process is almost complete, and a series of consultation meetings with the Métis Settlement communities and Alberta government representatives are scheduled to take place between 13-18 December 2015.
- The AEG Timberlands team anticipate that upon the successful conclusion of the processes detailed above, initial forestry operations, along with production roll-out, will commence in Q1:2016. At the same time, its longer-term plans, which include constructing and operating a plant for the Group's AEG CoalSwitch coal replacement fuel technology, continue to be developed in collaboration with our technical experts and regional partners in Alberta
- Finally, the Board notes that the recent announcements from the Alberta government regarding its policies to combat climate change, to reduce its reliance on coal-fired power generation, to promote renewable energy usage and technological development to create new employment opportunities, and to ensure the fair treatment of its indigenous peoples, all bode well for the Group's long-term involvement in the Province and for the social and economic wellbeing of our Métis partners, which has always been the prime objective of the joint venture project since its inception.

AEG WoodFibre:

- During the year, the Group made a significant investment in upgrading the handling and processing facilities at its AEG WoodFibre plant in Yuzhny Port. After some unavoidable delays, the new fully-automated hardwood production lines, which are capable of processing 3,000 tonnes of raw material per day, 7 days a week - and are one of the largest such plants in Europe - were fully-operational in early-October.
- The new production line represents the first stage in the Group's long-term plan for a 400% increase in processing capacity at the Yuzhny Port site, enabling it to meet the ever-increasing demand for wood fibre from its Turkish MDF manufacturing customer base. AEG WoodFibre is already the largest exporter of processed timber products from Ukraine, and the Board believes that this area of the Group's business has considerable growth potential.
- As evidence of the success of this expansion programme, over the past 30 days, AEG WoodFibre received, processed and loaded over 42,000 tonnes of high-quality finished product, a clear record for the division. On average, between 35-40 wagons, each containing 40-45 tonnes of raw timber, are now arriving by rail at the Yuzhny Port facility each day - more than twice the previous daily average - and for the first time three bulk cargo vessels were despatched in a 30-day period.
- Despite the inevitable downtime caused by the installation of the new production lines, the production and shipping volumes achieved in H1:2015 - 103,733 tonnes, representing a 70% increase over the same period in 2014 - have been exceeded in the subsequent period, and the Board is now anticipating that total volumes for the year will be over 220,000 tonnes, a 43% uplift over the 154,103 tonnes achieved in 2014.
- Apart from the period reported in the RNS of 12 August 2015, when wood prices soared for three months due to the Ukrainian ban on log exports - a situation which has now been reversed - gross margins at AEG WoodFibre have strengthened. Combined with the continuing success of efforts to reduce overheads - which are now lower than ever before - and new bulk shipping credit terms, the Board expects that these factors will have a further positive impact upon the division's financial performance.
- New 2016 off-take contracts with the Group's Turkish MDF manufacturing customers are expected to be concluded by year-end, as is usual. Even with the introduction of AEG WoodFibre's new softwood production line - now scheduled for Q2:2016 - the Board anticipates that as in previous years, customer demand is likely to far exceed its production capacity.

- Notwithstanding the positive outlook described above, profitable trading in the final quarter of the year has not, contrary to the Board's expectations, been sufficient to reverse all of the losses incurred in Q3:2015 due to price increases prior to the Ukrainian unprocessed wood export ban coming into effect. This combined with the investments made in the year into the Canadian and CoalSwitch ventures mean that the Board now anticipates that the Group will incur a loss for the full year.

AEG CoalSwitch:

- On 14 September 2015, the Group announced that it had entered into a new joint venture - AEG CoalSwitch - with Biomass Energy Enhancements LLC, inventors of a second-generation Biomass coal replacement fuel technology. Since that time, the AEG CoalSwitch team has been developing both the technology and the commercialisation strategy for this game-changing renewable energy solution.
- In the limited marketing undertaken since the joint venture announcement, AEG CoalSwitch has attracted significant international interest from coal-fired power generators, timberland and timber feedstock owners, fuel pellet manufacturers and governmental bodies, all of whom recognise and are excited by its considerable commercial, political and environmental potential.
- The AEG CoalSwitch technical team is currently preparing the 'deposition burn' testing of the fuel in a certified U.S. laboratory furnace. This key procedure - which measures the levels of deposits on furnace walls post-burning - will confirm its suitability for full-scale industrial utilisation, and will clear the way for commercial deployment in operational coal-fired power plants. The results, from an internationally-recognised certification laboratory, are expected to be received in Q1:2016.
- AEG CoalSwitch is in advanced negotiations with a leading European power generation utility, keen to use the fuel across its power station network, to conduct a 'burn test' at one of their industrial coal-fired power plants. The test, scheduled for Q1:2016, will represent the first 'real world' technical assessment of the second-generation Biomass fuel as a 'drop-in' replacement for coal, and the results could, if satisfactory, lead to the signing of a long-term partnership for CoalSwitch production and utilisation at one or more of their facilities.
- Once these tests are, as we anticipate, successfully concluded the Group intends to invest in the first CoalSwitch plant/s, which will likely be located in either Canada or the United Kingdom. The commissioning of this first commercial plant, capable of producing over 40 tonnes per hour of CoalSwitch fuel, will then trigger the roll-out of further plants on a likely constant basis, as we attempt to meet current and future demand from our potential partners.

Richard Spinks, CEO of Active Energy Group, commented: *"To quote Aristotle, 'The whole is greater than the sum of its parts', and that is certainly true at AEG. In the past three years we have considerably expanded our original wood fibre processing operations, and simultaneously introduced two entirely new - but complementary - business activities into the company."*

"Although each of our three trading divisions operate independently, the synergies between them are fundamental to the Group's future success. They not only allow us control of the entire timber supply chain - reducing our reliance on external suppliers and market factors - but enable us to maximise the value and margin potential across all of our activities, and have opened the doors to a number of exciting new market opportunities."

"As an example, introducing AEG CoalSwitch into our forestry development plans has not only dramatically increased the value of the low-grade and waste timber, which can be used as feedstock for fuel production, but has also enabled us to explore the potential for on-site CoalSwitch processing plants and power-generating facilities."

"I am delighted to report that this strategy is now generating considerable interest internationally, and my co-directors and I are currently developing high-level commercial and governmental relationships in each of the countries in which AEG operates. They include the potential to manage in excess of one million hectares of forestry assets, for environmentally-responsible commercialisation using our unique 'forest to factory and fuel' business model."

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NOTES TO EDITORS & CONTACT INFORMATION

ABOUT ACTIVE ENERGY GROUP PLC:

Active Energy Group Plc is a London Stock Exchange AIM-quoted company (AIM: AEG.L). Headquartered in the UK, it is a fast-expanding international business that has experienced exceptionally strong growth and diversification into complementary industry sectors since the current management team assumed responsibility in mid-2012.

The Group has considerable expertise across the entire timber industry supply chain - from forest to factory and fuel.

Its three trading divisions, which operate as independent business units but work together to optimise resources and opportunities, are focussed on providing environmentally-sensitive solutions to specific global market sectors:

- **AEG TimberLands:** Forestry Asset Management and Development
- **AEG WoodFibre:** Industrial Wood Fibre for Medium-Density Fibreboard (MDF) Manufacturing
- **AEG CoalSwitch:** Advanced Biomass Coal Replacement Fuels and Fuel Processing Systems

Active Energy Group Plc operates from four international locations:

- Ukraine, where it is the largest producer and exporter of wood fibre for the Turkish MDF manufacturing sector.
- Canada, where it has entered into a joint venture with several indigenous Métis Settlements to commercialise in excess of 300,000 hectares of their lands, which contain valuable forests and natural resources.
- The United Kingdom and United States of America, where it develops advanced Biomass fuels and fuel processing systems that convert waste wood and industrial/agricultural residues into coal replacement feedstock for clean energy power generation in a joint venture with Biomass Energy Enhancements LLC.

Active Energy Group Plc is led by a highly experienced management team, supported by forestry, timber processing and renewable energy experts within its trading divisions. All possess a proven track record in the industries and regions in which the company operates and from which its revenues are generated.

The Group has grown significantly in recent years, and has established a firm foundation, excellent reputation and international customer base upon which to deliver lasting value to all stakeholders.

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