

22 February 2017

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

Operations and Trading Update

Active Energy, the London quoted international renewable energy, forestry management and timber processing business, provides an operations and trading update regarding its three standalone but complementary divisions; AEG CoalSwitch, AEG TimberLands and AEG WoodFibre.

AEG CoalSwitch

The Directors are confident that AEG's CoalSwitch division will be the Company's primary area of growth in 2017, as management focuses on commercialising this revolutionary technology. CoalSwitch utilises low value wood, timber, forestry and pulp mill/ saw mill by-products to produce the world's first 'drop-in' biomass fuel that can be mixed in any ratio with coal or completely replace coal in existing coal powered fire stations globally. Locations have been identified for the first reference plant in North America and management are confident the reference plant will be operational before the end of 2017.

In addition, the recent advancement of the CoalSwitch coal reduction initiative being developed by the Metis Settlements of Paddle Prairie, Peavine and East Prairie (the 'Metis Settlement Partners') in collaboration with Active Energy provides further encouragement for the division's growth outlook. A series of meetings and discussions have taken place in recent weeks between representatives of the Métis Settlement Partners, officials representing the interests of the Government of Alberta and members of the Active Energy board to discuss the requisite regulatory, legal, operational issues and establish the corporate framework for the CoalSwitch initiative.

In addition, the Company announces that it has expanded its commercial development pipeline with numerous groups, in North America (United States and Canada), as well as in Europe and Asia. Based upon these discussions, the Company hopes that an additional reference plant will also be established either in Malaysia or in the Baltic States during 2017, subject to available funding. Further announcements regarding the additional reference plant will be made as appropriate.

AEG Timberlands

The Company currently has harvesting rights over more than 100,000 hectares of forestry assets in Alberta and acquiring additional assets is currently a particular strategic focus as management aim to secure sufficient volumes of sustainable feedstock to complement AEG's CoalSwitch product.

As such, AEG Timberlands' remit is to identify and negotiate with governmental or private owners for significant tracts of timberland in logistically convenient locations in order to provide feedstock to the CoalSwitch plants located within or nearby these forestry assets. Management are currently in discussions with potential partners regarding the acquisition of additional harvesting rights for forestry assets in North America and Europe. Further information regarding these assets will be announced as appropriate. There can be no guarantee that these discussions will result in a favourable outcome for AEG.

AEG WoodFibre

AEG WoodFibre is centred on the sourcing of feedstock from forests and constructing and operating its WoodFibre processing plant at the Yuzhny Port, near Odessa in Ukraine. AEG remains the most significant supplier of wood fibre on the Black Sea region and supplies Turkey's largest MDF producers. However, as a result of the military coup in Turkey in July 2016, the Company experienced a slow-down in trading momentum. As such, AEG's revenues for this division for the financial year ended 31 December 2016 are anticipated to be lower than the revenues of \$24.378 million reported in the 2015 financial year. Despite these lower revenues, the Company expects gross profit to show an increase on a year on year basis. Following the events in Turkey, it was decided to complete the final stages of the installation of the softwood line as circumstances allowed. As such, management expect the final components for the completion of the softwood line will be in place by the end of April 2017.

The Company is focused on improving the trading prospects for AEG WoodFibre and, with the market having settled following the disruption in H2 2016, is executing its long-term investment plan to increase production output to meet demand for both hardwood and softwood in the region.

Richard Spinks, Chief Executive Officer of Active Energy said, "Given the significant global market opportunity for AEG CoalSwitch and international interest regarding the CoalSwitch development programme, we believe that this area of the Group's activities has the potential to experience significant growth in 2017 and beyond. AEG's CoalSwitch division is also attracting interest from regional and national governments globally and we intend to develop our management team and financial structure accordingly to accommodate future developments.

"Our AEG Timberland division focuses on securing forestry assets internationally. The business complements the CoalSwitch division and I look forward to providing shareholders with updates as we seek to acquire new forestry assets for this division as part of our overall growth strategy. "AEG WoodFibre has often had the backdrop of political and economic uncertainty to contend with, but we have persevered through many challenges in Ukraine over the past three years, developing a strong business and great relationships in the region's wood fibre industry. We were stymied by political unrest within our core sales market, Turkey, for the first time in 2016, when the attempted coup unsettled our customers and the Turkish currency markets for a period

during the second half of 2016. We are disappointed with the impact this has had on our revenues during this period but anticipate a recovery in these markets in 2017.

"I believe that we are at an exciting juncture in AEG's development and I look forward to providing our shareholders with further updates as appropriate."

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

****ENDS****

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About Active Energy Group

Active Energy Group Plc (AIM: AEG.L) is a London Stock Exchange-listed international renewable energy business based upon forestry assets. Its model is focussed on capturing the entire forestry value chain through sourcing, utilising and commercialising assets, and setting a new standard in the sustainable management and optimisation of timber resources. This is achieved through three complementary divisions each with intrinsic value as standalone operations:

- **AEG CoalSwitch**, which is commercialising a revolutionary biomass coal replacement fuel;
- **AEG TimberLands**, a sustainable international forestry management business targeting Europe and Canada; and
- **AEG WoodFibre**, an established wood fibre production business with global roll-out potential

The Company is led by a highly technical and commercial team with the experience to execute its defined growth strategy and build its visibility, primarily as a London-listed timber opportunity with a revolutionary biomass fuel technology.