Quadrise Fuels International plc

Company Registration No. 05267512

Interim Report and Consolidated Financial Statements

For the 6 month period to 31 December 2015

Chairman's Statement

Quadrise Fuels International plc ("Quadrise", "QFI", the "Company" and together with its subsidiaries the "Group") presents its interim results for the six months ended 31 December 2015

Business Overview

This interim report updates shareholders on material developments during the six months ended 31 December 2015 together with events and activities taking place after the balance sheet date.

The global oil and energy market conditions became progressively even more challenging through the review period, with oil and gas prices reflecting a combination of weakening demand for resources generally, geopolitical instability, escalating tensions and unconstrained supply. The resultant pressure on margins and viability across the sector globally continued to feed negative perceptions. The value of associated industries and businesses has been marked down severely, largely reflecting uncertainty and concerns about prospects for and implications of a deferred return to 'normality'.

Fortunately our shareholders have largely come to understand that the price of oil itself has only a limited indirect impact on the "Quadrise value-add". Instead it is the "price spread", or price differential, between Heavy Fuel Oil ("HFO") and distillate fuels (essentially diesel), which drives the value added by the Quadrise MSAR® technology. The recently prevailing US$30-35 per barrel crude oil prices have not impacted the programmes currently underway in our lead projects in the marine and power generation sectors where the economics remain sound. While the "price spread" between HFO and distillate fuels has narrowed it is still sufficient at present and projected levels to support conversion to MSAR® production for suitably configured semi-complex refineries. It is reassuring that the Quadrise business model has proved to be robust when subjected to conditions that represent a severe stress test. The combination of very low capital cost, short lead times and sustained demand in the global marine and selected power generation markets continue to amply support the attraction of conversion to MSAR® fuels production. Considering the size of the target markets and the refiner's ability to offer price and performance benefits even when the prices for conventional fuels are relatively low, the Company's latest assessments indicate that projected performance in "normalised" market circumstances may have been conservative. This has also been evidenced by the level of interest evident in continuing confidential discussions with refiners considering participation in the envisaged future global Marine MSAR® supply network.

Viewed on an objective basis Quadrise is actually advantaged by prevailing current oil and energy market conditions when compared with more conventional participants in the oil sector such as independent exploration and production companies and integrated oil companies. This, however, has yet to be widely recognised which frustrates Group management and shareholders alike, despite concerted efforts to create a deeper appreciation of the market drivers for the Quadrise business model. Management has therefore undertaken some research and analysis to better understand perceptions and correlations. While some investors still have difficulty recognising the Quadrise "value proposition", it is positive news-flow which correlates most closely with investor perceptions. Given the nature of the lead projects, and their respective planned programmes, the expected ability to provide more regular progress reporting (as is intended through 2016/17) should assist in differentiating Quadrise from the more conventional companies in the oil and gas sector with which some investors appear to associate the Company.

Quadrise targets specific sectors of very large global bulk fuels markets, and our present and intended clients are large companies which presently account for a substantial share of the production and combustion of HFO. Quadrise engages with refiners on the production and supply end of the value chain, and ship and steam and power generation plant owners and operators on the combustion end of the value chain. On the production side Quadrise contracts to license the application of our proprietary MSAR® technology and to supply specialised products and services which enable the refiner to produce a low cost and better performing substitute for conventional HFO.

By using only low value heavy residue from the crude oil refining process, and ultimately selling it as MSAR® emulsion fuel, the refiner is able to substantially increase the yield of high value distillate (principally diesel) fuels from their oil refinery. This adds significant value to the refining process at very low capital cost allowing the MSAR® fuel to be priced competitively and provides financial incentives to the user to switch from conventional HFO. Directionally, the progressive tightening of combustion emissions standards by regulatory bodies, at national and global levels, has positive implications for Quadrise MSAR® fuels in our target markets.

Quadrise is the "integrator" whose technology enables a win-win outcome for all participants by step-changing the process economics of residual fuel production, and simultaneously improving environmental performance relative to conventional HFO.

The HFO markets are very large at a global level, currently some 450 million tons per annum with a value approximating US$70 billion even at current market prices. The Marine market accounts for approximately 40% of this demand, most of which is for "open ocean" heavy bunker fuel oil. Given the scale of the HFO markets, and the objective of selective substitution for MSAR® fuel, Quadrise is not dependent on demand growth to create opportunity. Selective large scale substitution will be attractive to major bulk fuel users throughout the economic cycle. Also relevant is that the associated industries (shipping, power generation and refining) are all relatively mature. Large players dominate and competition is relentless. A material adjustment in cost or yield impacting large volumes of production or consumption aggregates to very material financial benefits and competitive advantage.

While the transition to continuous operations has taken longer than had been originally anticipated, even a modest participation by MSAR® fuels in these large global markets will very quickly transform the Company, bringing with it all of the demands and pressures this implies. This impending prospect, and the early stages of transition now in progress, have prompted changes to strengthen and better focus the organisation. Following on the appointment of sector focussed senior executives in 2015, the future requirements for effective management of operations, provision of services to refinery sites and research and development were assessed. This has led to a programme of changes involving expansion of facilities in the QRF, Quadrise's UK Research and Service base, association with the University of Surrey and coordination and integration of research and development including AkzoNobel support resources in Sweden. The resultant Quadrise coordinated R&D programme is tightly focussed on defined present and future business requirements.

Marine MSAR2® Bunker Fuel

The 200 million ton per annum global marine bunker fuel market has a value of approximately US$30 billion at current oil prices and is dominated by a relatively small number of very large shipping companies. In March 2010, Quadrise entered into a Joint Development Agreement ("JDA") with A.P. Moller-Maersk ("Maersk") to develop a qualifying Marine MSAR® fuel to participate in this very large market. Maersk is one of the world's largest shipping companies and marine fuel users, and is the global leader in container transportation.

The fuel supply system for international shipping is focussed on five "bunker hubs", of which Singapore is currently the volume leader. The largest hubs are also regional oil and petrochemical refining centres with all of the associated capacity to produce, store, blend and supply a full range of oil products to the shipping industry.

Marine MSAR® has entered the last stage of pre-commercial accreditation. Having commenced in 2010, development progressed through an extensive programme of seaborne service trials leading to the confirmation by Maersk that Marine MSAR® had satisfied the "Proof of Concept" ("POC") requirements in mid-2014.

For acceptance as a qualifying bunker fuel, a pre-requisite is the issue of a "Letter of no Objection" ("LONO") by the marine engine manufacturers. Two of the leading manufacturers, Wartsila and MAN Diesel have participated in the POC stage and have a considerable data base on associated trial results from both land based tests and "seaborne service".

In order to issue a LONO, the engine manufacturer requires performance data from extended operations for confirmation that results are compatible with the trial results already to hand. Typical requirements are for a total of 4,000 operating hours on a single engine powering a vessel in seaborne service. As the MSAR® fuels will only be used in open ocean operation the elapsed time required is up to 10 months. Intermediate inspections are planned and it is possible that periodic assessments could shorten or lengthen the LONO programme. This extensive programme - which could continue through to spring 2017 - also provides an ideal opportunity to refine and further de-risk fuel handling and operating practices especially with regard to techniques for fuel switching while in service.

Following an extended period of review, evaluation of alternatives and negotiation, the Company and CEPSA announced in September 2015 that agreement had been reached between Maersk Line, Quadrise and CEPSA for the installation of a commercial scale MSAR® Manufacturing Unit ("MMU") at the CEPSA San Roque refinery (adjacent to the Algeciras Mediterranean bunker hub). The manufacture of Marine MSAR® - initially to supply the requirements for the LONO programme - targets fuel availability by mid-2016. All elements and requirements for the first full specification, and potentially, permanent installation of a commercial scale MMU have been defined and integrated into a detailed project programme. Shipment of Quadrise equipment to the San Roque refinery has commenced to dovetail with completion of civil works and installation and commissioning of the MMU in early Q2 2016. The high level of enthusiasm in CEPSA management is evident in the very professional coordination of the programme, and their public statements and press releases regarding the MSAR® operational trial and the future opportunities that it presents.

Shareholders were also advised that the Company has agreed with Maersk to novate the long standing Royalty Agreement to Maersk Line (the Maersk group shipping company) and to extend the term of the contract from December 2022 to the tenth anniversary of the date of first fully commercial production of Marine MSAR® . Another important clarifying change to the agreement is the inclusion of a contractual commitment, by Maersk Line and Quadrise, to the commercialisation of Marine MSAR® to the shipping industry in the global marine fuels market subject to success with the extended operational trail and associated LONO certification. The latter aspect is already receiving the attention of both parties with current focus on broadening the supply base to extend future availability. Confidential discussions are proceeding on a selective basis with a number of refining companies to this end.

On environmental matters the new standards for Emission Control Areas ("ECAs") have been in force since January 2015 and are being enforced. Indications are that switching to high cost, low sulphur marine diesel fuel has been the principal means of compliance. A number of larger operators have, however, opted to comply with emission standards using a combination of HFO and emissions scrubbers. Quadrise is following these developments closely as they may present an opportunity for future ECA compliance across all key parameters by the use of Marine MSAR® and emission scrubbers. As the focus moves from sulphur to even lower NOx (nitrogen oxide) standards, and particulate (black soot) emissions become regulated, it may become possible to achieve ECA compliance with the "MSAR® plus scrubber" combination that would eliminate the switch to more costly fuels when entering and operating in these areas. As far as future "open ocean" standards and operations are concerned, the combination of Marine MSAR® and emission scrubbers appears to offer the most economic means of compliance.

The future potential for liquefied natural gas ("LNG") as a propulsion fuel for the marine market has gained more attention in a world anticipating significant additions on the supply side from conventional natural gas production and shale gas exploitation. Gas prices remain low and future projections suggest that this is unlikely to change in the medium term. However, pressures on the viability of the heavily indebted US shale gas industry and the high cost of development of US LNG export facilities could well constrain supplies from the US. In addition the field development and liquefaction plant costs present major challenges for the viability of new conventional projects which could lead to further deferments and cancellations. Oil prices have also fallen sufficiently to make HFO competitive to delivered LNG per unit of energy. It is, however, generally acknowledged that LNG will find a niche in the global marine market, but that its market share is likely to be constrained in the medium term if gas prices remain depressed. Clearly, large global shipping companies would not wish to be competitively disadvantaged by LNG developments and will seek to participate to advantage where it fits their operations. The Company does not anticipate that the entry of LNG into the marine market will have any material impact on the post LONO Marine MSAR® commercialisation and roll-out programme. The marine fuels market is very large and there is more than enough room for a range of competing fuels.

When LONO certification and other regulatory formalities have been completed the early commercial phase will get underway, subject to contract. The initial focus will be to service the Maersk Line nominated requirements which will be prioritised by location. As supply availability is expanded surpluses may become available to meet the requirements of associate and third party shipping operators and refiners' margins will be maximised by running their MMU's at full capacity. Since the capital cost of an MMU is relatively modest and "site and services" will generally have been designed and permitted for multi-MMU operation, capacity expansion is relatively low cost and requires short lead times. These features should enable a rapid run-up of supply capacity through the period to 2020 and beyond – this at a time when it is anticipated that the international marine bunker fuels market should have moved back to a growth phase.

Saudi Arabia

The scale and nature of the oil and power generation industries in the Kingdom of Saudi Arabia ("KSA") offers an enormous opportunity for both conversion from fuel oil to MSAR® production in very large refineries, and for the substitution of crude oil and HFO currently used in thermal power and other large scale applications. Quadrise and our local partner, the Rafid Group, have been working on a sustained basis for over 5 years with the oil industry in KSA to create an opportunity to demonstrate the MSAR® production process and trial MSAR® combustion in KSA thermal power generation on a commercial scale. This has involved several in-depth studies, reports, proposals and evaluation programmes undertaken jointly with the refineries and the planning and development division of the KSA national oil company.

After consideration of several alternatives a proposal for a 'fast track' pilot trial to demonstrate and test all facets from "production to combustion" was accepted in principle. This led to the designation of both the refining complex at which the MSAR® will be produced and the major coastal power station at which the combustion trial will take place.

Having undertaken projects of this kind elsewhere, Quadrise have been able to share its experience and assist with the scoping of requirements both in the refinery and the power station. Both the refining complex and the power station are very large and relatively complex by international standards and fitting the MSAR® project into their respective operating programmes on a coordinated basis requires considerable and detailed preparatory work. Fortunately the refining company was able to arrange for the installation of "tie ins" for the supply of hot heavy residue to the MMU production site during a planned maintenance shut down at the end of 2015.

The closer definition of requirements through the "production - supply - combustion" chain continues to inform the practicalities and sequence of preparatory engineering and site and services requirements and the associated timings of key elements on the critical path. Present indications are that the installations for the combustion trial will commence in the autumn of 2016 and will be completed by spring 2017.

Agreement has very recently been reached on the form and nature of the documentation required to record the intentions, principles and terms which will guide the relationship. Such documentation will record all material aspects of the joint activities to be undertaken, the associated objectives and the responsibilities of the parties. In practice preparations have not been unduly delayed by the contractual aspects and early elements of the programmes have been progressed by all parties where possible.

Quadrise specialists will have a very active role across all facets and in some cases will have direct responsibility for the performance management of operations including MSAR® plant commissioning, production and quality assurance.

The Company has full confidence that our Quadrise MSAR® technology will produce high quality and stable emulsion fuel and that the combustion trials will successfully demonstrate the considerable benefits offered by substitution. Equally relevant are first the potential benefits for the refining sector in terms of the added value of distillate production and, second, the potential benefits for the power sector not just in economic terms but also in the positive impact on particulate and NOx emissions. In the case of particulates that contain 'black soot' carbon from oil use, as MSAR® combustion eliminates carbon particulates and converts virtually all of the oil content to energy, conversion from HFO and crude oil should largely eliminate the considerable cost currently incurred in capturing and disposing 'black soot' in very large thermal power plants.

While the terms of the 2016/17 pilot programme do not commit any participants to proceed to a full commercial scale application programme, Quadrise understands that the future KSA power generation fuels strategy will include opportunity fuels such as residual emulsions.

When considering their relative merits, it is difficult to see how any alternatives would come close to the benefits offered by MSAR® substitution in existing KSA refineries currently supplying HFO. For the Saudi Electric Company ("SEC") alone, a domestic conversion could potentially result in the substitution of one third of the 33 million tons consumed by SEC per annum. The benefits, which could be expected to amount to several billion US Dollars over a 5 year period, and the associated returns on investment, would be exceptional. Such a programme, on whatever scale applied, will also surely serve to demonstrate to the global refining and the power generation industries the prospects of both the economic and environmental benefits offered by conversion from HFO to MSAR®.

Future Programmes

Asia

The association with YTL Power Seraya remains close and the prospective benefits continue to be material at present oil prices and price spreads, though lower gas prices are affecting competition in the Singapore power generation market. The Seraya project is dependent on MSAR® production by a major regional refiner and this is only likely to start when shipping companies are prepared to contract for Marine MSAR® bunker supplies in Singapore in the post LONO commercialisation programme from 2017 onwards. In such circumstances refiners will not be dependent on only one client and the risk of capitalising market entry will be reduced by having both marine and thermal power markets to service.

Major Global Oil, Energy and Engineering Companies

Quadrise has continuing associations with Oil Majors for whom several technical evaluations have been completed or are underway to confirm the suitability of specific oil processing residues for use in the manufacturing of Marine and Thermal Power MSAR® fuels. Given the likely locations of the processing residues, the associated opportunity is largely linked to the marine fuels market. The next logical step would involve a project in a large oil refining complex, and such a commitment would likely be dependent on confirmation of results from the 2016/17 LONO programme.

As reported in relation to the Marine programme, Quadrise has engaged with refiners – Majors, Independents and National Oil Companies – in the context of future expansion of the MSAR® supply points. These discussions provide opportunities to explore options for MSAR® production and conversion of refinery power and steam generation plant or sale to proximate HFO fired consumers. The potential use of MSAR® as an energy source for water desalination and kiln firing in cement manufacturing is also under consideration providing the scale of operations justify the modest investment.

The growing awareness of Quadrise technology by the process engineering industry has led to a number of enquiries usually relating to possibilities in programmes under development or consideration in their specialised field – mostly energy associated. The Company has agreed on a highly selective basis to work jointly in confidence on evaluating the technical and commercial merits of such applications where the indicated scale and potential warrants attention. All such work is done on a cost-plus basis with recovery from the partner/client.

Refinery Power and Steam Generation Refuelling

Early studies confirmed the benefits of producing MSAR® and substituting for HFO and other fuels used for on-site steam and power generation in oil refineries on a selective basis. The Company has since developed the criteria for selection and identified prospective clients. The first requirement in a marketing programme is to create a “reference site” where the application could be both proven and demonstrated. With this in view, a suitable opportunity was identified with a mid-sized refining company and, as previously reported, a programme was agreed and progressed. The client company’s policy requires that its name remains confidential until the detailed evaluation and feasibility study is completed and the contract executed for project implementation. By end 2015 Quadrise, working in association with the refinery engineers and the steam and power plant manufacturers, had completed the review and tabled the associated reports which confirmed the attractions of the proposition. External factors have since intervened and it has been agreed that any further work be postponed until the refining company confirms a date for the programme to be re-activated As the report endorsed the project as being low cost, feasible and profitable, and the refinery is considered intrinsically viable and competitive in the present market, the project is considered to be postponed rather than cancelled at this time.

Exploratory discussions have started with a number of parties on similar and related opportunities. Some effort is usually required to reach a stage where the exchange of confidential technical information required for preliminary assessments becomes possible. As these studies and evaluations can be time consuming, and given limited resources, selectivity is applied in committing to such additional programmes.

Risk Management, Resources and Service Capacity

The Group’s business plan is comprehensively reviewed, updated and considered for approval by the QFI board on an annual basis. In the 2015 cycle the process was enhanced by the addition of a comprehensive “Risk Management Review” designed to identify and rank the principal risks affecting planned performance, and how they could best be mitigated. This process is now integral to the management of the Company and directly affects aspects such as R&D focus and capacity, selective conversion of specialist consultants to executive employees, expansion of the QRF facilities and capacity to provide a range of operating and technical services to diverse MSAR® manufacturing and storage locations, management of partner and client relations etc.

The MMU installation in the CEPSA refinery is designed to meet standards applicable to “permanent continuous operation”. The same applies to all associated new construction and plant change – storage, pipelines and pump-sets etc. While not unusually complex, as would be expected in refinery operations, the standards are exacting. Quadrise specialists contribute to a multi-party team effort from definition to execution and commissioning. Whilst this has, of course, been done several times before on a smaller and less complex scale, the San Roque programme has proved a very useful experience. The Company is now better informed and prepared to assess future requirements and our personnel are gaining valuable experience. This will also help to inform judgements on future staffing requirements and the timing and focus of recruitment.

Financial Position

The Group recorded a loss of £2.4 million (of which £1.9 million was cash expenditure) for the six months to 31 December 2015 (H1 2014 loss was £2.2 million). There were no exceptional costs during the period. The increase in expenditure in the reporting period compared to the same period last year relates principally to the engagement of additional management resources to support the increasing project, research and development activities

The Group held cash and cash equivalents of £6.5 million as at 31 December 2015. No additional equity funding has been raised since March 2014 and the Company continues to operate on a debt free basis without any term loan exposures. Tight control of costs continued through the period with operating expenditure held below budget at the half year.

A review of the 2016 business plan and funding assessment confirmed that the Group holds sufficient funds to progress the lead programmes through to early commercial revenues from the Marine programme as now anticipated during 2017. This assessment has taken account of the increase in overhead costs related to organisational changes and future business support capacity preparation.

The 2017 business plan and associated budgets will be formulated during Q2 2016 for consideration and approval by the QFI board before mid-year. The Group continues to favour the "License Model" in the near term. This business mode minimises capital funding requirements for plant, facilities and fuel inventory. However, as various projects progress and new prospects arise it may be appropriate to review the mode of business and the related Group funding strategy and requirements. Judgements on these matters will be informed by the future business plan and related risk management review and the board could be expected to apply a prudent approach in judgements on risk, reserve requirements, and funding strategy, including the relevance of the financial standing of the Group in its relations with present and future partners and clientele.

Board and Management Continuity

As announced in February, Mr Mike Kirk has been appointed to the position of Executive Chairman of the Company effective 1 April 2016. This is the culmination of an 18 month programme in which the board has paid considerable attention to preparing the Company for the challenges represented by the now imminent transition to fully commercial operations. While attending to organisation restructuring and recruitment at senior executive level, attention was also focussed on assurance of effective continuity at the QFI board level. The board is delighted to have secured Mike Kirk's services, initially as a non-executive director in December 2015, and subsequently as Executive Chairman designate. Continuation of the role of Executive Chairman was seen to best serve the present stage of development of the business, and considerable effort has been applied to best assure effective continuity and to complement the specialised experience, strength and capabilities of the QFI board as a whole.

Outlook

Both the Marine and Saudi Arabia lead programmes have reached defining stages in their development and their commercial realisation is more assured than ever before. Awareness of Quadrise within the refining industry has also received a considerable boost by the public associations with Maersk, CEPSA and the KSA participants. The Company is engaged with more refining companies and potential MSAR® fuel users than ever before and new prospects have been identified for development by our expanded executive team when resources permit. We have every confidence in our technology and capacity to add value, and look forward with great expectation to the forthcoming results from the Marine and Saudi programmes.

While general concern in the energy sector is focussed on the oil price outlook and widespread economic uncertainties, these very factors may be said to strengthen the case for both refiners and large scale HFO users to produce and consume MSAR® fuels. The win-win formula remains valid and viable at current oil prices and HFO to diesel price spreads, implying that the hoped for oil price recovery should provide a progressive enhancement and further improve the returns for conversion and substitution in the future. As reported elsewhere the introduction and application of ever more stringent standards on combustion emissions creates more challenges for the oil industry and further opportunities for Quadrise with its material competitive advantage in NOx and particulates, especially in thermal power generation.

2016 promises to be a busy and eventful year, which should set the trend for the future. The outlook for shareholder value is surely informed by these circumstances and expectations. Quadrise is resourced and equipped to participate fully in these exciting programmes, and is fully committed to meet partner and client expectations, cognisant of the part that success will play in the determining the future value of the Company.

Ian Williams
Chairman
18 March 2016

Condensed Consolidated Statement of Comprehensive Income

For the 6 months ended 31 December 2015

	Note	**6 months ended 31 December 2015 Unaudited £'000**	6 months ended 31 December 2014 Unaudited £'000	Year ended 30 June 2015 Audited £'000
Continuing operations				
Revenue		**2**	58	66
Other income		**-**	26	39
Production and development costs		**(834)**	(552)	(1,268)
Adjustment to available for sale investments	7	**-**	-	(404)
Other administration expenses		**(1,083)**	(700)	(1,540)
Share option charge		**(460)**	(1,082)	(1,914)
Foreign exchange gain/(loss)		**7**	3	(3)
Operating loss		**(2,368)**	(2,247)	(5,024)
Finance costs		**(4)**	(3)	(7)
Finance income		**19**	29	56
Loss before tax		**(2,353)**	(2,221)	(4,975)
Taxation		**-**	-	72
Loss for the period from continuing operations		**(2,353)**	(2,221)	(4,903)
Other Comprehensive Income				
Changes in fair value of available for sale investments	7	**-**	-	(1,035)
Other comprehensive loss for the period net of tax		**-**	-	(1,035)
Total comprehensive loss for the period		**(2,353)**	(2,221)	(5,938)
Loss for the period attributable to:				
Owners of the Company		**(2,353)**	(2,216)	(4,898)
Non-controlling interest		**-**	(5)	(5)
Total comprehensive loss attributable to:				
Owners of the Company		**(2,353)**	(2,216)	(5,933)
Non-controlling interest		**-**	(5)	(5)
Loss per share – pence				
Basic	4	**(0.29)p**	(0.27)p	(0.61) p
Diluted	4	**(0.29)p**	(0.27)p	(0.61) p

Condensed Consolidated Statement of Financial Position

As at 31 December 2015

	Note	**As at 31 December 2015 Unaudited £'000**	As at 31 December 2014 Unaudited £'000	As at 30 June 2015 Audited £'000
Assets				
Non-current assets				
Property, plant and equipment	5	**1,043**	627	710
Intangible assets	6	**2,924**	2,924	2,924
Available for sale investments	7	**-**	1,439	-
Non-current assets		**3,967**	4,990	3,634
Current assets				
Cash and cash equivalents		**6,495**	9,805	8,361
Trade and other receivables		**230**	177	333
Prepayments		**81**	270	238
Current assets		**6,806**	10,252	8,932
TOTAL ASSETS		**10,773**	15,242	12,566
Equity and liabilities				
Current liabilities				
Trade and other payables		**522**	320	422
Current liabilities		**522**	320	422
Equity attributable to equity holders of the parent				
Issued share capital		**8,096**	8,088	8,096
Share premium		**69,216**	69,117	69,216
Revaluation reserve		**-**	1,035	-
Share option reserve		**4,605**	4,127	4,210
Reverse acquisition reserve		**522**	522	522
Accumulated losses		**(72,188)**	(67,967)	(69,900)
Total shareholders' equity		**10,251**	14,922	12,144
TOTAL EQUITY AND LIABILITIES		**10,773**	15,242	12,566

The interim accounts, accompanying policies and notes 1 to 12 (forming an integral part of these interim accounts), were approved and authorised for issue by the Board on 18 March 2016 and were signed on its behalf by:

I. Williams
Chairman

H. Thanawala
Finance Director

Condensed Consolidated Statement of Changes in Equity

For the 6 months ended 31 December 2015

	Issued share capital £'000s	Share premium £'000s	Revaluation reserve £'000s	Share option reserve £'000s	Reverse acquisition reserve £'000s	Accumulated losses £'000s	Total £'000s	Non-controlling interests £'000s	Total £'000s
As at 1 July 2015	**8,096**	**69,216**	**-**	**4,210**	**522**	**(69,900)**	**12,144**	**-**	**12,144**
Loss for the period	-	-	-	-	-	**(2,353)**	**(2,353)**	-	**(2,353)**
Total comprehensive loss for the period	-	-	-	-	-	**(2,353)**	**(2,353)**	-	**(2,353)**
Share option charge	**-**	**-**	**-**	**460**	**-**	**-**	**460**	**-**	**460**
Transfer of balances relating to expired share options	-	-	-	**(65)**	-	**65**	-	-	-
Shareholders' equity at 31 December 2015	**8,096**	**69,216**	**-**	**4,605**	**522**	**(72,188)**	**10,251**	**-**	**10,251**

	Issued share capital £'000s	Share premium £'000s	Revaluation reserve £'000s	Share option reserve £'000s	Reverse acquisition reserve £'000s	Accumulated losses £'000s	Total £'000s	Non-controlling interests £'000s	Total £'000s
As at 1 July 2014	8,072	68,633	1,035	3,045	522	(65,126)	16,181	(120)	16,061
Loss for the period	-	-	-	-	-	(2,216)	(2,216)	(5)	(2,221)
Total comprehensive income for the period	-	-	-	-	-	(2,216)	(2,216)	(5)	(2,221)
Share option charge	-	-	-	1,082	-	-	1,082	-	1,082
Acquisition of Minority Interest	16	484	-	-	-	(625)	(125)	125	-
Shareholders' equity at 31 December 2014	8,088	69,117	1,035	4,127	522	(67,967)	14,922	-	14,922

	Issued share capital £'000s	Share premium £'000s	Revaluation reserve £'000s	Share option reserve £'000s	Reverse acquisition reserve £'000s	Accumulated losses £'000s	Total £'000s	Non-controlling interests £'000s	Total £'000s
As at 1 January 2015	8,088	69,117	1,035	4,127	522	(67,967)	14,922	-	14,922
Loss for the period	-	-	-	-	-	(2,682)	(2,682)	-	(2,682)
Fair value adjustments	-	-	(1,035)	-	-	-	(1,035)	-	(1,035)
Total comprehensive income for the period	-	-	(1,035)	-	-	(2,682)	(3,717)	-	(3,717)
Share option charge	-	-	-	832	-	-	832	-	832
Exercise of share options	8	99	-	(43)	-	43	107	-	107
Transfer of balances relating to expired share options	-	-		(706)	-	706	-	-	-
Shareholders' equity at 30 June 2015	8,096	69,216	-	4,210	522	(69,900)	12,144	-	12,144

Condensed Consolidated Statement of Cash Flows

For the 6 months ended 31 December 2015

	Note	**6 months ended 31 December 2015 Unaudited £'000**	6 months ended 31 December 2014 Unaudited £'000	Year ended 30 June 2015 Audited £'000
Operating activities				
Loss before tax from continuing operations		**(2,353)**	(2,221)	(4,975)
Finance costs		**4**	3	7
Finance income		**(19)**	(29)	(56)
Depreciation	5	**64**	49	108
Loss on disposal of fixed assets		**2**	-	14
Adjustment to available for sale investments	7	**-**	-	404
Share option charge		**460**	1,082	1,914
Working capital adjustments				
Decrease/(increase) in trade and other receivables		**103**	(7)	(163)
Decrease/(increase) in prepayments		**157**	(194)	(162)
Increase in trade and other payables		**100**	79	181
Cash utilised in operations		**(1,482)**	(1,238)	(2,728)
Finance costs		**(4)**	(3)	(7)
Taxation received		**-**	-	72
Net cash outflow from operating activities		**(1,486)**	(1,241)	(2,663)
Investing activities				
Finance income		**19**	29	56
Purchase of fixed assets	5	**(399)**	(64)	(220)
Net cash outflow from investing activities		**(380)**	(35)	(164)
Financing activities				
Exercise of share options		**-**	-	107
Net cash inflow from financing activities		**-**	-	107
Net decrease in cash and cash equivalents		**(1,866)**	(1,276)	(2,720)
Cash and cash equivalents at the beginning of the period		**8,361**	11,081	11,081
Cash and cash equivalents at the end of the period		**6,495**	9,805	8,361

Notes to the Group Condensed Financial Statements

1. General Information

Quadrise Fuels International plc ("QFI", "Quadrise", or the "Company") and its subsidiaries (together with the Company the "Group") are engaged principally in the manufacture and marketing of emulsified fuel for use in power generation, industrial and marine diesel engines and steam generation applications. The Company's ordinary shares are quoted on the AIM market of the London Stock Exchange.

QFI was incorporated on 22 October 2004 as a limited company under the Companies Act 1985 with registered number 05267512. It is domiciled and registered at Gillingham House, 38-44 Gillingham Street, London, SW1V 1HU.

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

The interim accounts have been prepared in accordance with IAS 34 'Interim financial reporting' and on the basis of the accounting policies set out in the annual report and accounts for the year ended 30 June 2015, which have been prepared in accordance with International Financial Reporting Standards as adopted for use by the European Union. The interim accounts are unaudited and do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

The same accounting policies, presentation and methods of computation have been followed in these unaudited interim financial statements as those which were applied in the preparation of the Group's annual statements for the year ended 30 June 2015, upon which the auditors issued an unqualified opinion, and which have been delivered to the registrar of companies.

The interim accounts have been drawn up using accounting policies and presentation expected to be adopted in the Group's full financial statements for the year ended 30 June 2016.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not yet been adopted by the European Union.

The Directors do not expect that the adoption of these standards will have a material impact on the financial information of the Group in future periods.

The interim accounts for the six months ended 31 December 2015 were approved by the Board on 18 March 2016.

The directors do not propose an interim dividend.

3. Segmental Information

For the purpose of segmental information the reportable operating segment is determined to be the business segment. The Group principally has one business segment, the results of which are regularly reviewed by the Board. This business segment is a business to produce emulsion fuel (or supply the associated technology to third parties) as a low cost substitute for conventional Heavy Fuel Oil ("HFO") for use in power generation plants and industrial and marine diesel engines.

Geographical Segments
The Group's main geographical segments during the period were the UK and Canada. The following table presents certain asset information regarding the Group's geographical segments.

	31 December 2015 Unaudited £'000s	31 December 2014 Unaudited £'000s	30 June 2015 Audited £'000s
Non-current assets			
UK	**3,967**	3,551	3,634
Canada	**-**	1,439	-
Total	**3,967**	4,990	3,634

4. Loss Per Share

The calculation of loss per share is based on the following loss and number of shares:

	6 months ended 31 December 2015 Unaudited	6 months ended 31 December 2014 Unaudited	Year ended 30 June 2015 Audited
Loss for the period from continuing operations (£'000s)	**(2,353)**	(2,216)	(4,898)
Weighted average number of shares:			
Basic	**809,585,162**	807,859,828	808,656,176
Diluted	**809,585,162**	807,859,828	808,656,176
Loss per share:			
Basic	**(0.29)p**	(0.27)p	(0.61)p
Diluted	**(0.29)p**	(0.27)p	(0.61)p

Basic loss per share is calculated by dividing the loss for the period from continuing operations of the Group by the weighted average number of ordinary shares in issue during the period.

For diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive options and warrants over ordinary shares. Potential ordinary shares resulting from the exercise of share options and warrants have an anti-dilutive effect due to the Group being in a loss position. As a result, diluted loss per share is disclosed as the same value as basic loss per share. The 28.95 million share options issued by the Company and which are outstanding at the period-end could potentially dilute earnings per share in the future if exercised when the Group is in a profit making position.

5. Property, plant and equipment

	Leasehold improvements £'000s	Computer equipment £'000s	Software £'000s	Office equipment £'000s	Plant and machinery £'000s	Total £'000s
Cost						
Opening balance – 1 July 2015	**99**	**70**	**43**	**16**	**682**	**910**
Additions	**-**	**5**	**-**	**-**	**394**	**399**
Disposals	**-**	**-**	**-**	**-**	**(6)**	**(6)**
Closing balance – 31 December 2015	**99**	**75**	**43**	**16**	**1,070**	**1,303**
Depreciation						
Opening balance – 1 July 2015	**(26)**	**(14)**	**(15)**	**(9)**	**(136)**	**(200)**
Depreciation charge for the year	**(9)**	**(8)**	**(4)**	**(2)**	**(41)**	**(64)**
Disposals	**-**	**-**	**-**	**-**	**4**	**4**
Closing balance – 31 December 2015	**(35)**	**(22)**	**(19)**	**(11)**	**(173)**	**(260)**
Net book value at 31 December 2015	**64**	**53**	**24**	**5**	**897**	**1,043**

	Leasehold improvements £'000s	Computer equipment £'000s	Software £'000s	Office equipment £'000s	Plant and machinery £'000s	Total £'000s
Cost						
Opening balance – 1 July 2014	94	21	17	16	559	707
Additions	-	30	26	-	8	64
Closing balance – 31 December 2014	94	51	43	16	567	771
Depreciation						
Opening balance – 1 July 2014	(6)	(7)	(9)	(6)	(67)	(95)
Depreciation charge for the year	(9)	(2)	(2)	(2)	(34)	(49)
Closing balance – 31 December 2014	(15)	(9)	(11)	(8)	(101)	(144)
Net book value at 31 December 2014	79	42	32	8	466	627

	Leasehold improvements £'000s	Computer equipment £'000s	Software £'000s	Office equipment £'000s	Plant and machinery £'000s	Total £'000s
Cost						
Opening balance – 1 July 2014	94	21	17	16	559	707
Additions	5	49	26	-	140	220
Disposals	-	-	-	-	(17)	(17)
Closing balance – 30 June 2015	99	70	43	16	682	910
Depreciation						
Opening balance – 1 July 2014	(6)	(7)	(9)	(6)	(67)	(95)
Depreciation charge for the year	(20)	(7)	(6)	(3)	(72)	(108)
Disposals	-	-	-	-	3	3
Closing balance – 30 June 2015	(26)	(14)	(15)	(9)	(136)	(200)
Net book value at 30 June 2015	73	56	28	7	546	710

6. Intangible Assets

	QCC royalty payments Unaudited £'000s	MSAR® trade name Unaudited £'000s	Technology and know-how Unaudited £'000s	Total Unaudited £'000s
Cost				
Opening balance – 1 July 2015	**7,686**	**3,100**	**25,901**	**36,687**
Additions	-	-	-	-
Closing balance – 31 December 2015	**7,686**	**3,100**	**25,901**	**36,687**
Amortisation and Impairment				
Opening balance – 1 July 2015	**(7,686)**	**(176)**	**(25,901)**	**(33,763)**
Amortisation	-	-	-	-
Closing balance – 31 December 2015	**(7,686)**	**(176)**	**(25,901)**	**(33,763)**
Net book value at 31 December 2015	**-**	**2,924**	**-**	**2,924**

	QCC royalty payments Unaudited £'000s	MSAR® trade name Unaudited £'000s	Technology and know-how Unaudited £'000s	Total Unaudited £'000s
Cost				
Opening balance – 1 July 2014	7,686	3,100	25,901	36,687
Additions	-	-	-	-
Closing balance – 31 December 2014	7,686	3,100	25,901	36,687
Amortisation and Impairment				
Opening balance – 1 July 2014	(7,686)	(176)	(25,901)	(33,763)
Amortisation	-	-	-	-
Closing balance – 31 December 2014	(7,686)	(176)	(25,901)	(33,763)
Net book value at 31 December 2014	-	2,924	-	2,924

	QCC royalty payments Audited £'000s	MSAR® trade name Audited £'000s	Technology and know-how Audited £'000s	Total Audited £'000s
Cost				
Opening balance – 1 July 2014	7,686	3,100	25,901	36,687
Additions	-	-	-	-
Closing balance – 30 June 2014	7,686	3,100	25,901	36,687
Amortisation and Impairment				
Opening balance – 1 July 2014	(7,686)	(176)	(25,901)	(33,763)
Amortisation	-	-	-	-)
Closing balance – 30 June 2015	(7,686)	(176)	(25,901)	(33,763)
Net book value at 30 June 2015	-	2,924	-	2,924

Intangibles comprise intellectual property with a cost of £36.69m, including assets of finite and indefinite life. QCC royalty payments of £7.69m and the MSAR® trade name of £3.10m are termed as assets having indefinite life as it is assessed that there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Group. The assets with indefinite life are not amortised. The remaining intangibles amounting to £25.90m, primarily made up of technology and know-how, are considered as finite assets and are now fully amortised. The Group does not have any internally generated intangibles.

The Group tests intangible assets annually for impairment, or more frequently if there are indications that they might be impaired. As at 30 June 2015, the QCC royalty payments asset was fully impaired and the MSAR® trade name asset had a net book value of £2.924m. For the six month period to 31 December 2015, there was no indication that the MSAR® trade name asset may be impaired.

As a result, the Directors concluded that no impairment is necessary for the six month period to 31 December 2015.

7. Available for Sale Investments

	31 December 2015 Unaudited £'000s	31 December 2014 Unaudited £'000s	30 June 2015 Audited £'000s
Unquoted securities			
Opening balance	-	1,439	1,439
Changes in fair value	-	-	(1,035)
Impairment charge	-	-	(404)
Closing balance	-	1,439	-

Unquoted securities represent the Group's investment in Quadrise Canada Corporation ("QCC"), Paxton Corporation ("Paxton"), Optimal Resources Inc. ("ORI") and Porient Fuels Corporation ("Porient"), all of which are incorporated in Canada.

At the statement of financial position date, the Group held a 20.44% share in the ordinary issued capital of QCC, a 3.75% share in the ordinary issued capital of Paxton, a 9.54% share in the ordinary issued capital of ORI and a 16.86% share in the ordinary issued capital of Porient.

QCC is independent of the Group and is responsible for its own policy-making decisions. There have been no material transactions between QCC and the Group during the period or any interchange of managerial personnel. As a result, the Directors do not consider that they have significant influence over QCC and as such this investment is not accounted for as an associate.

The Group has no immediate intention to dispose of its available for sale investments unless a beneficial opportunity to realise these investments arises.

Given that there is no active market in the shares of any of above companies, the Directors have determined the fair value of the unquoted securities at 31 December 2015. In this regard, the Directors considered other factors such as past equity placing pricing and assessment of risked net present value of the enterprises to arrive at their conclusion on any impairment for all of the unquoted securities.

The shares in each of these companies were valued at CAD $nil on 1 July 2015. Shareholder communications received during the period to 31 December 2015 indicate that the business models for each of these companies remain highly uncertain, with minimal possibility of any material value being recovered from their asset base. On that basis, the directors have determined that the investments should continue to remain valued at CAD $nil at 31 December 2015.

8. Related Party Transactions

Non-Executive Director Laurence Mutch is also a director of Laurie Mutch & Associates Limited, which has provided consulting services to the Group. The total fees charged for the six month period to 31 December 2015 amounted to £23k (for the six month period to 31 December 2014: £16k). The balance payable at 31 December 2015 was £3.8k (as at 30 June 2015: £21k).

Ian Williams and Hemant Thanawala were directors of International Energy Services Limited ("IESL"). During the six month period ended 31 December 2014, QFI provided services to IESL for which it received income of £26k. No services were provided by QFI to IESL during the six month period ending 31 December 2015. The balance receivable at the statement of financial position date was £nil (as at 30 June 2015: £nil).

Jason Miles is a Director of ROE Projects Limited, which provided consulting services to the group until 22 October 2014. The total fees charged for the six month period to 31 December 2014 were £62k. No services were provided by ROE Projects Limited to the group during the six month period ending 31 December 2015. The balance payable at the statement of financial position date was £nil (as at 30 June 2015: £nil).

QFI defines key management personnel as the Directors of the Company. There are no transactions with Directors, other than their remuneration or disclosed above.

9. Seasonality

The operations of the Group are not affected by seasonal fluctuations.

10. Commitments and Contingencies

The Group and the Company have entered into a commercial lease for office rental. This lease expires on 25th March 2019, and there are no restrictions placed on the Group or Company by entering into this lease. The minimum future lease payments for the non-cancellable lease are as follows:

	31 December 2015 £'000s	31 December 2014 £'000s	30 June 2015 £'000s
Office premises:			
One year	**106**	106	106
Two to five years	**237**	343	293
After five years	-	-	-

The Group has no contingent liabilities as at the statement of financial position date.

11. Events After the End of the Reporting Period

On the 2 Feb 2016, Quadrise announced that its Executive Chairman Ian Williams will be retiring from the Company on 31 March 2016 after 10 years of service. Mr Williams will also resign from the board of directors of the Company (the "Board") and will be relocating during April 2016 to join his family in Australia.

Mr Michael Kirk, who joined the Quadrise board as a non-executive director on 1 December 2015, has been appointed by the Board to succeed Ian Williams in the position of Executive Chairman with effect from 1 April 2016.

12. Copies of the Interim Accounts

Copies of the interim accounts are available on the Company's website at www.quadrisefuels.com and from the Company's registered office, Gillingham House, 38-44 Gillingham Street, London, SW1V 1HU.