Quadrise Fuels International plc

Company Registration No. 05267512

Interim Report and Consolidated Financial Statements

For the 6 month period to 31 December 2014

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 2014

Business Overview

This review updates shareholders on material developments during the six months ending 31 December 2014 together with events taking place after the balance sheet date.

Progress made across various elements of the business development programme has, in combination, served to better prepare the Group for the anticipated transition to commercial operations. This includes strengthening the Quadrise board and management, expanding in-house R&D capacity, technical resources and services, and achieving strategic exclusivity with a leading process plant manufacturer. In the same period key project activity sequences have firmed up, providing clear pathways to their respective early revenue phase.

Although the Group has moved forwards on several fronts, progress has been somewhat overshadowed by the oil price collapse and related negative market perception of the implications for the value of oil and energy related businesses. The sector has generally been marked down severely due to the short and implied longer term uncertainty. The Quadrise value-add is centred principally on the 'price spread' (the difference in price and value) between Heavy Fuel Oil ("HFO") and distillate fuels (essentially Diesel), and not by movements in the oil price itself. Analysis has demonstrated that the economics of the Quadrise proposition remains sound at an oil price as low as US$40 per barrel, though the value-add will, of course, be more attractive at $80 per barrel. The principal impact of the current oil price volatility and price collapse are the delays to project programmes and timing of decisions whilst the oil companies involved re-calibrate their own planning parameters to factor in the impact.

Quadrise is in the bulk fuels business and our target clients in the marine and power generation fuels markets are the large companies which account for the major share of production and combustion of HFO. As the "integrator", Quadrise seeks to enlist large fuel oil consumers, whether power plant owners or ship owners, and to enable refiners to produce Quadrise MSAR® fuel by licensing our technology and contracting for our specialist services. Quadrise therefore "creates" the MSAR® market and the refiner then supplies our fuel to the consumer as a lower cost substitute for conventional HFO. MSAR® may also, in some cases, substitute directly for higher value distillate fuels when these are used for the same purpose. The markets are very large at a global level, currently exceeding 500 million tons per annum, of which the marine market represents some 40%. The annual value of global fuel oil sales is still very high notwithstanding the lower oil prices, and estimated to be over US$150 billion based on a US$60 crude oil price. Large industrial consumers of HFO, and the oil refining industry itself, still face unrelenting pressure to improve efficiency and reduce cost. The Quadrise technology thus creates added value in the refining process and offers the consumer a lower cost fuel. The Quadrise "win – win" proposition, in which significant environmental benefits and performance efficiencies can also accrue through improved quality of combustion and emissions, is potentially a 'game changer' in our target markets.

QFI is not dependent on fuel oil demand growth to create market opportunities. The proposition is selective but typically large scale, and is as attractive in a recession as in a positive economic climate. The Quadrise MSAR® technology offers a unique opportunity for semi-complex oil refineries to step-change margins at very low investment, whilst also affording the marine or land based consumer a material cost saving on conversion to MSAR® fuel.

The Quadrise value-add is driven by the price spread between HFO and diesel fuel. As with all refined petroleum products, market prices are set by supply and demand for each product type. The price drivers for HFO and diesel are different. Future rate of growth in diesel demand is projected to continue to exceed that for HFO thereby widening the price differential – which strengthens the Company's future business prospects. The postponement and cancellation of refinery upgrading and capacity expansion following the oil price collapse will further limit diesel supply in the medium term - serving to stretch the 'price spread' even further.

As Quadrise engages more closely with the refining industry, an application often arising is the use of MSAR® to fuel power generation within the refinery itself thereby substituting for a higher value fuel and contributing to associated emissions compliance. Where surplus generating capacity exists this may also enable the refiner to export power to the national grid. While the related projects may be smaller scale, indications suggest they could aggregate to a material business segment. Related project evaluations are presently underway with a number of refining companies. An operational 'reference plant' could be expected to promote interest in the refining industry.

Marine MSAR®2 Bunker Fuel

The marine bunker fuel oil market is currently assessed at 200 million tons per annum and valued at circa US$60 billion based on crude oil priced at US$60 per barrel. Globally the shipping industry is comprised of a relatively small number of very large companies which are the major fuel consumers. In order to develop this market, QFI entered into a Joint Development Agreement ("JDA") in March 2010 with A.P. Møller-Mærsk, ("Mærsk"), one of the world's largest shipping companies and marine fuel buyers, and 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 largest in terms of fuel throughput. The largest hubs are also regional oil and petrochemical refining centres with all of the associated installed capacity to produce, store, blend and supply a full range of oil products to the shipping industry.

The Marine MSAR® programme commenced in 2010 as a joint initiative with Mærsk and AkzoNobel and has now largely met all agreed deliverables. Following the completion of a series of land and seaborne service trials, Quadrise advised shareholders in the second half of 2014 that Marine MSAR® had satisfied the 'Proof of Concept' ("POC") requirements.

To date, two leading marine engine manufacturers, Wärtsilä and MAN Diesel have participated in the programme. The fuel has been tested on their modern two stroke propulsion engines used extensively across the fleets of leading shipping companies. Quadrise's focus since mid-2014 has been on preparations for the "Letters of no Objection" (LONO) programme, issued by the engine manufacturers. These manufacturers require operating data and a range of technical results from an extended and continuous use of the fuel, in normal commercial operations, to provide the basis on which to issue the LONO. The LONO qualification assessment will involve inspecting various key components in the engine periodically to confirm that the performance results are compatible with those experienced in earlier MSAR® fuels trials and that nothing unexpected or problematic is evident. The LONO assessment period is typically 4,000 hours of operational service or circa 9 months, although periodic assessments may reduce or lengthen this duration depending on results.

Looking forward, producing MSAR® fuel for the LONO programme is the first requirement. All previous production batches of Marine MSAR® have been small and delivery to harbour was relatively costly per ton due to the production location and transport mode. Logistics cost is a key aspect of bulk fuels economics and MSAR® has to be cost competitive delivered into tank at the load port. To best cater for a multi-vessel roll-out programme, it was considered preferable and more economic in the medium term to find a refining partner with both production and logistics economics which would optimise the roll-out programme. This approach was agreed in late 2014, recognising the likely related delays in the near term. In the event, the process of identifying and selecting prospective refiners, and progressing joint evaluations was delayed as it got underway towards the year end. Progress was further impacted by the subsequent time required by the oil companies to re-assess their value expectations following the oil price collapse. While the direction and sequence is unchanged, the programme has slipped by approximately three months from our October 2014 projections. This recent experience prompted a review of all aspects that require close coordination to minimise lead times. These include, for example, permitting by the regulatory authorities for the introduction and installation of the MSAR® production process on the refinery site, and approval of the plans to tie-in to refinery services and oil movement systems. Compliance with permanent installation standards might apply and more time may be required to finalise the formal contracts and approvals than was the case in the past. It may, however, be possible to progress a number of aspects pending final contract signoff. While every effort will be made to install, commission and produce as soon as possible, these aspects make the forecasting of exact timescales challenging currently – but will provide a valuable learning experience that should facilitate future projects.

As soon as MSAR® fuel is available the LONO programme will start, in continuous cooperation with Mærsk, to build sufficiently comprehensive seaborne engine performance data. The Company's plan is that fuel should be available by Q4 2015 and one of the LONOs issued mid-2016. The data gathered will provide the base for the confirmation of compliance to regulatory authorities and other agencies as well as satisfying the engine manufacturers for the purpose of warranties to Mærsk and potentially third party shipping companies.

Momentum is growing on the imposition of environmental standards for 'Black Soot' (carbon particulate) emissions. A definition of Black Soot is reported to have been agreed and this paves the way for the International Maritime Organisation to set and enforce standards for 'open ocean' operation. This development is expected to favour Marine MSAR®2 fuel as the combustion characteristics result in more complete carbon burnout mitigating black soot emission. The reduced SO_2 standards for 'open ocean' are presently scheduled to apply from 2020, but industry observers suggest this may be delayed to 2025. Either way, the focus on sulphur emissions is growing. Practical and economic considerations increasingly favour compliance by means of 'scrubbing' the emissions rather than lowering the sulphur content of the fuel. This is being promoted with some success as the only practical solution to 'open ocean' compliance. The alternative of conversion to low sulphur distillate fuels at a premium of over US$250 per ton is not considered to be feasible by informed commentators, even if suitable fuels were to be available in the quantities required. Based on present information, it does appear that the combination of Marine MSAR®2 fuel plus a modern scrubber should offer the lowest cost full compliance option for large modern vessel operators in the future.

Market expectations of Liquefied Natural Gas ("LNG") becoming a mainstream fuel for international shipping appear to have moderated even further following the oil price collapse. Most informed analyses conclude that it is likely to be limited to niche operations. These may however, grow to represent a meaningful share of the marine market in future decades serving to take the pressure off distillate fuels in Emission Control Areas. Most studies do show, however, that heavy fuel oil is likely to continue to dominate the mainstream international bunker market. Also now evident is that this market, which has appeared to be constant for some years, has already started to grow again as international trade expands. The adoption of "slow steaming" as standard practice has worked its way through the industry and cannot further depress fuel demand. Lloyds Register forecasts that the marine fuel market will double in volume from the 2010 base line to 2030 and that HFO will "remain the dominant fuel for deep sea shipping". The forecast for the maximum share for LNG in this study is 11% by 2030.

The way forward to commercial participation in the 200 million ton per annum marine fuels market is now very clear. The key milestones are production contract execution, plant installation and commissioning, MSAR® production, circa 9 months of seaborne service followed by LONO confirmation. This will qualify Marine MSAR® as an approved fuel for open ocean operations on vessels using the specified types of main propulsion engines. These activities will all add to the existing body of knowledge and serve to inform future programmes to expand marine MSAR® availability from other refineries and global bunker hubs from 2017 onwards.

The LONO 'extended service' evaluation could identify further opportunities for improvement and/or issues to be addressed, however the joint development partners have progressively de-risked the programme over the past four years to the stage where commercial market entry is considered by Quadrise to be imminent. We will be introducing a unique proprietary fuel proven to be fit for purpose for the most modern large marine engines, which offers measurable competitive advantage in terms of cost effectiveness and provides material environmental advantages.

Saudi Arabia

Quadrise management identified the Kingdom of Saudi Arabia ("KSA") as a prime market for Quadrise MSAR® technology to substitute for crude oil and fuel oil consumed in domestic power generation and other growth industries such as de-salination. The scale and nature of the domestic oil and power generation industries in KSA, and the trends evident, confirmed the potential for an enormous amount of value to be added through the conversion of refineries to produce MSAR® fuels.

It has taken several years of sustained effort to gain credibility and recognition within KSA and the client. The Company has been ably assisted in this process by our Saudi partner, the Rafid Group, who have long established relationships in the oil and energy industries throughout KSA. Following a series of collaborative studies and reports, the Company was advised that Quadrise technology had been approved for application within client refineries. This was a significant milestone, marking also an appreciation at senior levels that Quadrise MSAR® fuel technology would be a strategic fit with KSA national imperatives. Considerable value could be added through step changing domestic distillate production and reducing expensive diesel imports. Power demand in KSA is growing very rapidly and in excess of 30 million tons of crude oil, fuel oil and diesel is consumed annually for thermal power generation. The scale and potential of the opportunity are exceptional.

In 2013 a major refining complex was designated for the first Quadrise MMU installation. In the summer of 2013, Quadrise International Limited ("QIL") hosted a familiarisation programme in Europe for a group of client specialists, and representatives from the designated refining company. The subsequent report led to the confirmation of intent to proceed with a project, and a series of meetings followed to define process and responsibilities. At the client's request, QIL provided the necessary technical information to support a formal budget proposal submitted as part of the normal planning cycle to seek approval to install and commission the first 350,000 ton per annum MMU at the designated refinery. This project envisaged a 20 year life but the first 'module' was also intended to demonstrate both MSAR® production and the combustion of the fuel at a local thermal power plant. Terms for QIL support and services in the pre-commercial phase were proposed in draft form.

It has become evident that this original project, as proposed, is likely to be amended in scope and potentially deferred – possibly to 2016. However, discussions concerning approval and implementation timing led to QIL being advised that emulsion fuel is an integral part of the potential future power generation fuels mix, and that the client wishes to accelerate a 'production to combustion' semi-commercial pilot project. Quadrise therefore formulated an additional project programme to meet this requirement, involving production at the designated refinery complex and combustion at a large power station nearby. As proposed, the project will demonstrate and test, to the satisfaction of all affected parties, all facets of production, storage, handling, transportation and combustion – and all related operations.

The exact duration of the pilot is yet to be finalised by the parties, however is likely to take place over an extended period and requiring a significant volume of MSAR® in excess of 20,000 tons. This extended pilot limits timing to the 'off peak' period, being the only time when a large generator set may be taken off-line for the fuel change. Practically, this requires the pilot to be conducted during the winter period commencing late 2015 and concluding during 1H 2016. It also sets the critical path programme to meet deadlines and ensure effective implementation. The nature, scale and timing of this pilot make it ideal. It involves a very large refinery which is a major HFO producer, and directly engages the power company in an operation which is representative of its very large thermal oil-fuelled power stations. The extended pilot will also allow for sufficient operating time for an assessment of such aspects as NOx reduction and carbon particulate mitigation. This could step-change ash disposal operations, and fuel-to-power conversion economics related to complete carbon burnout.

Quadrise and the client understand that the pilot project timetable requires an early commitment by both parties. The agreed intention is to secure the necessary approvals to progress from 'understandings to contracts' as soon as possible to enable both parties to make an early start, especially to secure long-lead items, including the Quadrise MMU.

The selected refinery is in close proximity to large scale installed thermal utilities serving a major petrochemical complex and associated industries. In addition, a project to increase the local utility generation capacity is underway and the refinery also presently supplies HFO to two large power stations in the region. The pilot plant results and experience should also validate the potential for progressive conversion of most of the residue production currently used in HFO supplied to the power plants, in all a potential of over 5 million tons of MSAR® per annum.

In principle, it is technically feasible for Quadrise MSAR® to replace crude oil and fuel oil used in thermal power generation in KSA. In practice, the constraint will be the availability of heavy residue from domestic refineries in the country. The present power generation fuel shortfall is met by HFO imports, however the economy would continue to benefit from conversion irrespective of the origin of MSAR® which could, in time, be imported from other sources as a finished product.

Americas

Current focus remains on Colombia and the recommendations of the Joint Feasibility Study completed with Ecopetrol, the Colombian National Oil Company, in 2014. Ecopetrol was identified as a high quality potential partner for the Central American market and was approached as a potential joint venture partner to produce Quadrise MSAR® fuels in its refineries for supply into the regional market. Following a period of information exchange, Ecopetrol management responded positively to a jointly prepared Business Case. A Memorandum of Understanding ("MOU") with Ecopetrol was executed committing parties to undertake a comprehensive feasibility study to evaluate and define the project. Recommendations would also consider the preferred nature and form of the joint venture. It was anticipated that the project might be QIL's first departure from the 'Licence Model' and would require investment by the Company in process plant, ancillary equipment and tie-ins to refinery services and control systems. When QFI raised new equity funds in March 2014, a part of the £10 million raised was to cover this possibility.

The concept is to manufacture Quadrise MSAR® fuel in Colombia and sell this into the regional power generation and marine fuels markets, where Ecopetrol is presently a supplier of fuel oil. The feasibility study report was substantially completed, and recommendations were due to be considered by Ecopetrol management in late 2014. The report revalidated the initial business case prior to the oil price collapse. As with most integrated oil companies, Ecopetrol is heavily reliant on its oil production revenues. The step change in revenues resulting from the oil price fall has required a rapid and radical response by its management. We understand that funding for the downstream (refining and marketing) has been substantially reduced and costs are under severe pressure. While no formal determination is yet to hand, we have been advised that responsibility for the project has been reallocated and that it remains under consideration. However should it go forward, given current circumstances, Quadrise may need to fund (potentially with other partners) the full capital programme and will therefore propose an equitable joint venture structure to fit such circumstances.

We do expect to be able to engage formally once the Ecopetrol organisation changes are complete. Quadrise is prepared for a Joint Venture structure requiring funding participation, but also intends, with Ecopetrol consent, to explore opportunities to add a suitable local funding partner – preferably with existing capability and access to HFO customers in the Central American market. In either event, the Joint Venture will be structured such that any funding requirement is easily covered from existing Quadrise resources.

The Company has continued to monitor developments in Mexico, but has not yet moved to re-open discussions with PEMEX management. Indications are that several of the planned conventional multi-billion upgrading projects in the PEMEX refining system may be postponed or cancelled following the oil price collapse. These developments are being monitored as they may offer an opportunity to re-engage. The 'value add' prospects have not changed and a low cost route to upgrading refinery yield values may be more readily accepted in the changed circumstances.

Asia

The MOU with YTL Power Seraya has again been renewed and remains in force. A suitable manufacturing and supply chain has not yet been established, but the client remains very keen to find a solution which will provide MSAR® supplies to the power plant in Singapore. It has become apparent that a prime concern of candidate refiners is risk associated with making changes to their plant and product range based on the requirements of a single client. In this regard, it is felt that the anticipated future call for MSAR® Marine bunker fuel in the Singapore hub could well change the perspective of the regional refining industry and at the same time create a local supply base for the power plant.

Global Oil Major

Following an enquiry in 2012 from an Oil Major, QIL agreed to evaluate the scope for conversion of certain residue streams associated with its proprietary technologies used in large-scale process plants at a number of locations world-wide.

Quadrise is not yet permitted to disclose the name of the group concerned, but can advise that it has been successful in converting the residue streams arising from these processing operations into MSAR® fuels. This also looks to be a higher value application for these hydrocarbons than their present markets.

Further developments on this initiative with the Global Oil Major are largely pending developments with the marine fuels programme. The key milestone now awaited is the issue of the first LONO as this should open the market to a wide range of prospective marine MSAR® consumers. It will also confirm that Marine MSAR® has the potential to become an approved high-volume bulk fuels product in the global marine fuels market.

Resources and Development Capacity

The newly appointed senior executives, Robin Lloyd and Sam Saimbi have assumed responsibility for business development in the Marine and Power Generation sectors respectively. Both are already actively engaged in current business programmes and will be identifying and pursuing selective prospective opportunities in their respective sectors to expand the portfolio of active projects.

The addition and recent expansion of the UK based Quadrise Research Facility ("QRF") has proved invaluable in meeting the growing requirements for laboratory services associated with the business and research programmes. Rapid response capability will be essential in the future as the number of prospective and operational processing sites expands. The facility is being equipped as a service base from which to meet these requirements. It will also complement the AkzoNobel R&D capacity in Sweden in jointly delivering on-going research programmes covering product improvement and extension of proprietary intellectual property.

The first MSAR® Manufacturing Unit ("MMU") to be supplied by ENH Engineering A/S will be delivered during April 2015. The order for a second unit will be firmed up as soon as project timetables are clarified. The ENH association provides for exclusivity and joint development of process plant enhancements for improved efficiency and capacity. A plant development programme is already progressing and the Quadrise contribution is coordinated and managed from the QRF base.

Financial Position

The Group held cash and cash equivalents of £9.8 million as at 31 December 2014, having raised £10.7 million (before expenses) through a share placing in March 2014. Notwithstanding the expansion of the executive team and the development of an in-house R&D facility, the most recent business plan review and funding assessment has confirmed that the Group holds sufficient funds to cover all anticipated requirements to progress the major projects to the early commercial revenue stage. The Company also has sufficient reserves to hold a limited inventory of MMUs should this be necessary to avoid delays in project progress. There are also funds to supply plant on a lease or deferred sale basis where advantageous and to participate in the Ecopetrol joint venture with a local partner should this project proceed. The addition of the two business development executives has provided the capacity to actively evaluate additional project opportunities. It is however anticipated that, with the likely exception of Colombia, the 'licence model' will remain the norm for some time and that funds employed will largely reflect this business mode.

The Group recorded a loss of £2.2 million for the six months to 31 December 2014 (H1 2013: £1.8 million) of which £1.1 million was a share option charge. There were no exceptional costs during the period and G&A expenditure was held below budget.

Having previously written down the carrying values of the Canadian investments and with no further indication of impairment, these have been carried forward without change.

Outlook

The prime focus is on moving the key projects to the formal contractual commitments that will underpin and direct the respective programmes and timetables. Management planned and anticipated that many key aspects would be more advanced at the close of 2014. The re-phasing of key programmes to 2015 has affected investor confidence and this is frustrating for the board, management and shareholders alike.

Looking forward, the major programmes are at or near the point at which parties can commit to contractual terms and timetables. The respective projects should then follow a progression leading to the production and introduction of Quadrise MSAR® in their markets and applications. The pace of development thereafter will be determined largely by the technical and financial evaluation of the associated MSAR® fuel manufacturing process and the combustion performance in power generation and marine service. The board remains confident that the outcomes will verify the feasibility and rewards of converting to Quadrise MSAR® fuel production in the refineries and substitution of conventional fuels in the ships and power plants concerned.

The recent oil price fall will impact the energy industry which will have to factor in not only the near-term implications, but the probability of on-going price uncertainty. Refining is a risk-averse industry which faces the challenging prospects of multi-billion dollar project exposure and long lead times when using conventional means of increasing distillate product yields. The opportunity presented by Quadrise MSAR® technology to step-change distillate product yields in oil refining for very modest investment is highly attractive. In addition there are the considerable environmental benefits resulting from the mitigation of carbon particulates and the reduction of NOx when converting to MSAR® fuel. Given current circumstances, it is interesting to consider that a 'green field' combination of refining and power generation, in which MSAR® offtake is assured, would require far less complexity, capital investment and construction lead time than the 'conventional upgrading' configurations which have become the industry norm. As mentioned in previous reports, Quadrise is dealing with large industries with long established practices that are not easily changed. However, these same industries are also known to adapt rapidly when leaders apply new technologies to gain competitive advantage.

The prime focus of management is to make the transition to contracts and operations over the next 12 months. The Company Group has the programmes, partners and funding to achieve this objective.

Ian Williams
Chairman
27 March 2015

Condensed Consolidated Statement of Comprehensive Income

For the 6 months ended 31 December 2014

	Note	**6 months ended 31 December 2014 Unaudited £'000**	6 months ended 31 December 2013 Unaudited £'000	Year ended 30 June 2014 Audited £'000
Continuing operations				
Revenue		**58**	-	-
Other income		**26**	25	51
Production and development costs		**(552)**	(342)	(720)
Amortisation of intangible assets	6	**-**	(685)	(685)
Impairment of available for sale investments	7	**-**	-	(1,006)
Other administration expenses		**(700)**	(798)	(1,690)
Share option charge		**(1,082)**	-	(1,924)
Foreign exchange gain/(loss)		**3**	(2)	(3)
Operating loss		**(2,247)**	(1,802)	(5,977)
Finance costs		**(3)**	(3)	(6)
Finance income		**29**	2	7
Loss before tax		**(2,221)**	(1,803)	(5,976)
Taxation		**-**	-	64
Loss for the period from continuing operations		**(2,221)**	(1,803)	(5,912)
Other Comprehensive Income				
Changes in fair value of available for sale investments	7	**-**	-	(186)
Other comprehensive loss for the period net of tax		**-**	-	(186)
Total comprehensive loss for the period		**(2,221)**	(1,803)	(6,098)
Loss for the period attributable to:				
Owners of the Company		**(2,216)**	(1,756)	(5,835)
Non-controlling interest		**(5)**	(47)	(77)
Total comprehensive loss attributable to:				
Owners of the Company		**(2,216)**	(1,756)	(6,021)
Non-controlling interest		**(5)**	(47)	(77)
Loss per share – pence				
Basic	4	**(0.27)p**	(0.23)p	(0.74) p
Diluted	4	**(0.27)p**	(0.23)p	(0.74) p

Condensed Consolidated Statement of Financial Position

As at 31 December 2014

	Note	**As at 31 December 2014 Unaudited £'000**	As at 31 December 2013 Unaudited £'000	As at 30 June 2014 Audited £'000
Assets				
Non-current assets				
Property, plant and equipment	5	**627**	546	612
Intangible assets	6	**2,924**	2,924	2,924
Available for sale investments	7	**1,439**	2,631	1,439
Non-current assets		**4,990**	6,101	4,975
Current assets				
Cash and cash equivalents		**9,805**	2,130	11,081
Trade and other receivables		**177**	230	170
Prepayments		**270**	68	76
Current assets		**10,252**	2,428	11,327
TOTAL ASSETS		**15,242**	8,529	16,302
Equity and liabilities				
Current liabilities				
Trade and other payables		**320**	268	241
Current liabilities		**320**	268	241
Equity attributable to equity holders of the parent				
Issued share capital		**8,088**	7,725	8,072
Share premium		**69,117**	58,489	68,633
Revaluation reserve		**1,035**	1,221	1,035
Share option reserve		**4,127**	1,149	3,045
Reverse acquisition reserve		**522**	522	522
Accumulated losses		**(67,967)**	(60,549)	(65,126)
Total shareholders' equity		**14,922**	8,557	16,181
Non-controlling interests		**-**	(296)	(120)
TOTAL EQUITY AND LIABILITIES		**15,242**	8,529	16,302

The interim accounts, accompanying policies and notes 1 to 13 (forming an integral part of these interim accounts), were approved and authorised for issue by the Board on 27 March 2015 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 2014

	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 July 2013	7,725	58,489	1,221	1,134	522	(58,793)	10,298	(249)	10,049
Loss for the period	-	-	-	-	-	(1,756)	(1,756)	(47)	(1,803)
Total comprehensive income for the period	-	-	-	-	-	(1,756)	(1,756)	(47)	(1,803)
Share option charge	-	-	-	15	-	-	15	-	15
Shareholders' equity at 31 December 2013	7,725	58,489	1,221	1,149	522	(60,549)	8,557	(296)	8,261

	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 2014	7,725	58,489	1,221	1,149	522	(60,549)	8,557	(296)	8,261
Loss for the period	-	-	-	-	-	(4,079)	(4,079)	(30)	(4,109)
Fair value adjustments	-	-	(186)	-	-	-	(186)	-	(186)
Total comprehensive income for the period	-	-	(186)	-	-	(4,079)	(4,265)	(30)	(4,295)
New shares issued (net of issue costs)	334	9,772	-	-	-	-	10,106	-	10,106
Share option charge	-	-	-	1,909	-	-	1,909	-	1,909
Exercise of share options	4	89	-	(13)	-	-	80	-	80
Acquisition of minority interest	9	283	-	-	-	(498)	(206)	206	-
Shareholders' equity at 30 June 2014	8,072	68,633	1,035	3,045	522	(65,126)	16,181	(120)	16,061

Condensed Consolidated Statement of Cash Flows

For the 6 months ended 31 December 2014

	Note	**6 months ended 31 December 2014 Unaudited £'000**	6 months ended 31 December 2013 Unaudited £'000	Year ended 30 June 2014 Audited £'000
Operating activities				
Loss before tax from continuing operations		**(2,221)**	(1,803)	(5,976)
Finance costs		**3**	3	6
Finance income		**(29)**	(2)	(7)
Amortisation of intangible assets	6	**-**	685	685
Depreciation	5	**49**	30	77
Impairment of available for sale investments	7	**-**	-	1,006
Share option charge		**1,082**	15	1,924
Working capital adjustments				
Increase in trade and other receivables		**(7)**	(69)	(9)
(Increase)/decrease in prepayments		**(194)**	11	3
Increase in trade and other payables		**79**	34	7
Cash utilised in operations		**(1,238)**	(1,096)	(2,284)
Finance costs		**(3)**	(3)	(6)
Taxation received		**-**	-	64
Net cash outflow from operating activities		**(1,241)**	(1,099)	(2,226)
Investing activities				
Finance income		**29**	2	7
Purchase of fixed assets	5	**(64)**	(16)	(129)
Net cash outflow from investing activities		**(35)**	(14)	(122)
Financing activities				
Issue of ordinary share capital (net of issue costs)		**-**	-	10,106
Exercise of share options		**-**	-	80
Net cash inflow from financing activities		**-**	-	10,186
Net (decrease)/increase in cash and cash equivalents		**(1,276)**	(1,113)	7,838
Cash and cash equivalents at the beginning of the period		**11,081**	3,243	3,243
Cash and cash equivalents at the end of the period		**9,805**	2,130	11,081

Notes to the Group Condensed Financial Statements

1. General Information

Quadrise Fuels International plc ("QFI", "Quadrise", the "Company") and its subsidiaries (together 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 2014, 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 2014, 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 2015. The following standards will be adopted in full for the first time in the year-end financial statements but did not have a material impact on these interim statements:

IAS 27 (revised) 'Separate Financial Statements'
IAS 28 (revised) 'Investments in Associates and Joint Ventures'
IFRS 10 'Consolidated Financial Statements'
IFRS 11 'Joint Arrangements'
IFRS 12 'Disclosures in Other Entities'
IFRS 13 'Fair Value Measurements'

The interim accounts for the six months ended 31 December 2014 were approved by the Board on 27 March 2015.

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 two business segments, the results of which are regularly reviewed by the Board:

- 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; and
- the holding of a portfolio of non-managed interests and general corporate administration.

Information regarding the results of each reportable segment is as follows:

Business Segments

Period ended 31 December 2014	**Emulsion fuel Unaudited £'000s**	**Non-managed interests Unaudited £'000s**	**Total Unaudited £'000s**
Revenue – sale to external customers	**58**	**-**	**58**
Segment result	**(759)**	**(42)**	**(801)**
Unallocated net corporate expenses			**(1,446)**
Operating loss			**(2,247)**
Finance costs			**(3)**
Finance income			**29**
Loss before tax			**(2,221)**
Taxation			**-**
Loss for the period from continuing operations			**(2,221)**

As at 31 December 2014	**Emulsion fuel Unaudited £'000s**	**Non-managed interests Unaudited £'000s**	**Total Unaudited £'000s**
Assets and Liabilities			
Segment assets	**3,957**	**1,439**	**5,396**
Unallocated corporate assets			**9,846**
Total assets			**15,242**
Segment liabilities	**123**	**-**	**123**
Unallocated corporate liabilities			**197**
Total liabilities			**320**
Other segment information			
Amortisation of intangible assets		-	

Period ended 31 December 2013	**Emulsion fuel Unaudited £'000s**	**Non-managed interests Unaudited £'000s**	**Total Unaudited £'000s**
Revenue – sale to external customers	-	-	-
Segment result	(1,328)	(196)	(1,524)
Unallocated net corporate expenses			(278)
Operating loss			(1,802)
Finance costs			(3)
Finance income			2
Loss before tax			(1,803)
Taxation			-
Loss for the period from continuing operations			(1,803)

As at 31 December 2013	Emulsion fuel Unaudited £'000s	Non-managed interests Unaudited £'000s	Total Unaudited £'000s
Assets and Liabilities			
Segment assets	4,706	2,631	7,337
Unallocated corporate assets			1,192
Total assets			8,529
Segment liabilities	143	-	143
Unallocated corporate liabilities			125
Total liabilities			268
Other segment information			
Amortisation of intangible assets	685	-	685

Year ended 30 June 2014	Emulsion fuel Audited £'000s	Non-managed interests Audited £'000s	Total Audited £'000s
Revenue – sale to external customers	-	-	-
Segment result	(2,036)	(1,274)	(3,310)
Unallocated net corporate expenses			(2,667)
Operating loss			(5,977)
Finance costs			(6)
Finance income			7
Loss before tax			(5,976)
Taxation			64
Loss for the year from continuing operations			5,912

As at 30 June 2014	Emulsion fuel Audited £'000s	Non-managed interests Audited £'000s	Total Audited £'000s
Assets and Liabilities			
Segment assets	4,018	1,439	5,457
Unallocated corporate assets			10,845
Total assets			16,302
Segment liabilities	122	-	122
Unallocated corporate liabilities			119
Total liabilities			241
Other segment information			
Amortisation of intangible assets	685	-	685

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

	31 December 2014 Unaudited £'000s	31 December 2013 Unaudited £'000s	30 June 2014 Audited £'000s
Non-current assets			
Europe	**3,551**	3,470	3,536
Canada	**1,439**	2,631	1,439
Total	**4,990**	6,101	4,975

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 2014 Unaudited	6 months ended 31 December 2013 Unaudited	Year ended 30 June 2014 Audited
Loss for the period from continuing operations (£'000s)	**(2,216)**	(1,756)	(5,835)
Weighted average number of shares:			
Basic	**807,859,828**	772,543,391	783,491,125
Diluted	**807,859,828**	772,543,391	783,491,125
Loss per share:			
Basic	**(0.27)p**	(0.23) p	(0.74)p
Diluted	**(0.27)p**	(0.23) p	(0.74)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 8.5 million dilutive 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 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 2013	17	14	17	16	531	595
Additions	-	-	-	-	16	16
Closing balance – 31 December 2013	17	14	17	16	547	611
Depreciation						
Opening balance – 1 July 2013	(12)	(4)	(5)	(3)	(11)	(35)
Depreciation charge for the year	(3)	(2)	(2)	(1)	(22)	(30)
Closing balance – 31 December 2013	(15)	(6)	(7)	(4)	(33)	(65)
Net book value at 31 December 2013	2	8	10	12	514	546

	Leasehold improvements £'000s	Computer equipment £'000s	Software £'000s	Office equipment £'000s	Plant and machinery £'000s	Total £'000s
Cost						
Opening balance – 1 July 2013	17	14	17	16	531	595
Additions	94	7	-	-	28	129
Disposals	(17)	-	-	-	-	(17)
Closing balance – 30 June 2014	94	21	17	16	559	707
Depreciation						
Opening balance – 1 July 2013	(12)	(4)	(5)	(3)	(11)	(35)
Depreciation charge for the year	(11)	(3)	(4)	(3)	(56)	(77)
Disposals	17	-	-	-	-	17
Closing balance – 30 June 2014	(6)	(7)	(9)	(6)	(67)	(95)
Net book value at 30 June 2014	88	14	8	10	492	612

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 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 Unaudited £'000s	MSAR® trade name Unaudited £'000s	Technology and know-how Unaudited £'000s	Total Unaudited £'000s
Cost				
Opening balance – 1 July 2013	**7,686**	**3,100**	**25,901**	**36,687**
Additions	-	-	-	-
Closing balance – 31 December 2013	**7,686**	**3,100**	**25,901**	**36,687**
Amortisation and Impairment				
Opening balance – 1 July 2013	**(7,686)**	**(176)**	**(25,216)**	**(33,078)**
Amortisation	-	-	**(685)**	**(685)**
Closing balance – 31 December 2013	**(7,686)**	**(176)**	**(25,901)**	**(33,763)**
Net book value at 31 December 2013	**-**	**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 2013	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 2013	(7,686)	(176)	(25,216)	(33,078)
Amortisation	-	-	(685)	(685)
Closing balance – 30 June 2014	(7,686)	(176)	(25,901)	(33,763)
Net book value at 30 June 2014	-	2,924	-	2,924

Intangibles comprise intellectual property with a cost of £36.69m, including assets of finite and indefinite life. QCC's 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. For the 6 month period to 31 December 2014, there were no indications that the intangible assets may be impaired.

As a result, the Directors concluded that no impairment is necessary for the six month period to 31 December 2014.

7. Available for Sale Investments

	31 December 2014 Unaudited £'000s	31 December 2013 Unaudited £'000s	30 June 2014 Audited £'000s
Unquoted securities			
Opening balance	**1,439**	2,631	2,631
Changes in fair value	-	-	(186)
Impairment of investment QCC	-	-	(1,006)
Closing balance	**1,439**	2,631	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 2014. 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 Directors made a full provision against the carrying value of the 3,682,500 QCC shares during the year ended 30 June 2014. Shareholder communications received during the period to 31 December 2014 indicate that the business model of QCC continues to remain uncertain, as does the possibility of any material value being recovered from QCC's asset base. The QCC shares therefore continue to be valued at CAD$ nil as at 31 December 2014.

The Paxton shares were valued at CAD$4.00 per share as at 1 July 2014. Shareholder communications received since 1 July 2014 show that Paxton continues to make progress in its business activities and there is therefore no indication of impairment in this investment. Based on this, the Directors have concluded that the value of CAD$4.00 per share continues to reflect the fair value of the 652,874 shares held in Paxton as at 31 December 2014. The total value of the Paxton investment as at 31 December 2014 is £1.44m.

The Directors made a full provision against the carrying value of the 5,682,500 ORI shares during the year ended 30 June 2014. Although ORI continues to operate, the viability of its business model continues to remain highly doubtful and no material amounts are expected to be realised from its remaining assets. The ORI shares therefore continue to be valued at CAD$ nil as at 31 December 2014.

The Directors made a full provision against the Porient shares during the year ended 30 June 2014. Porient is yet to be defined into a business with active projects and the current prospects of this happening are doubtful. The Porient shares therefore continue to be valued at CAD$ nil as at 31 December 2014.

8. Non-controlling Interest

Non-controlling interests were reduced to £nil on 22 October 2014 when the Company purchased ROE Projects Limited, which held a 6.25% participation in the equity of Quadrise Marine Limited, Quadrise KSA Limited, Quadrise Americas Limited and Quadrise Asia Limited.

9. 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 2014 amounted to £16k (for the six month period to 31 December 2013: £24k). The balance payable at 31 December 2014 was £2.5k (as at 30 June 2014: £4k).

Ian Williams and Hemant Thanawala are directors of International Energy Services Limited ("IESL"). QFI provided services to IESL during the period for which QFI received income of £26k (for the six month period to 31 December 2013:£25k). The balance receivable at the statement of financial position date was £nil (as at 30 June 2014: £14k).

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 amount to £62k (for the six month period to 31 December 2013: £132k). The balance payable at the statement of financial position date was £nil (as at 30 June 2014: £15k).

On 22 October 2014, the Company issued 1,593,626 new ordinary shares in the Company, equating to a value of £500k, to Jason and Rachel Miles in consideration for 100% of the share capital of ROE Projects Limited, which holds a 6.25% interest in each of Quadrise Marine Limited, Quadrise KSA Limited, Quadrise Americas Limited and Quadrise Asia Limited.

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

10. Seasonality

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

11. 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 2014	31 December 2013	30 June 2014
	£'000s	£'000s	£'000s
Office premises:			
One year	**104**	-	77
Two to five years	**344**	-	397
After five years	**-**	-	-

On 18th December 2014, the Group signed agreement with ENH Engineering A/S ("ENH") to purchase up to two proprietary MSAR® Manufacturing Units ("MMUs") designed for the processing of refinery heavy residues and production of MSAR® fuel emulsions. As of the date of this report, the Group has placed an order with ENH for the first MMU totalling €400k, of which €200k has been paid as a deposit.

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

12. Events After the End of the Reporting Period

On 29 January 2015, Jason Miles, the Company's Chief Operating Officer, exercised 750,000 share options at a price of 14.23 pence per share. Following the exercise of share options, Jason Miles sold 100,000 ordinary shares in the Company at a price of 18.00 pence per share on 30 January 2015 to satisfy personal tax obligations.

13. 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.