Quadrise Fuels International plc

Company Registration No. 05267512

Interim Report and Consolidated Financial Statements

For the 6 month period to 31 December 2013

Chairman's Statement

Quadrise Fuels International plc ("Quadrise", "Company", "Group", "QFI") presents its interim results for the six months ended 31 December 2013

Business Overview

This review updates shareholders on material developments during the six months ending 31 December 2013 together with events taking place after the balance sheet date.

Substantial progress has been made in the key programmes directly managed by Quadrise International Limited ("QIL") since the Company announced its Final Results in October 2013. These developments represent a watershed, both in terms of progress within the project programmes, and in the resultant shift in investor and shareholder perception of the Company and its prospective scale and future value.

Directly Managed Interests

QFI is in the bulk fuels business and our target clients are the very large companies that account for the major share of fuel oil production and consumption. This is certainly the case with marine fuels, and the steam and power generation markets. 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. The refiner then supplies the consumer a lower cost substitute for conventional fuel oil, in some cases potentially also substituting for higher value distillate fuels. 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 exceeds US$300 billion.

Both the principal consuming industries and the oil refining industry face unrelenting pressure to improve efficiency and reduce cost. The Quadrise technology creates added value in the refining process and offers the consumer a lower cost fuel. This is very much a "win – win" proposition in which significant environmental benefits and performance efficiencies can also accrue through improved quality of combustion and emissions.

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 "game changing" MSAR® technology offers a unique opportunity for semi-complex oil refineries to step-change margins at very modest cost, whilst also offering the marine or land based consumer a material cost saving on conversion to MSAR® fuel.

The fundamental driver of the Quadrise value-add is the price spread between residue-based fuel oil and distillate diesel fuel. A wider spread offers more opportunity and a lower spread reduces the scope for competitive advantage. The price drivers for fuel oil and distillate fuels are different. The global trend over recent years has been for growth in diesel demand to exceed that for fuel oil thereby widening the price differential – which is very positive for the Company's future business prospects. Informed industry forecasters and forward market price projections suggest this will remain a long term trend as the fundamental drivers are not likely to change.

Aside from progress made in the key programmes covered in some detail in this review, a number of other developments have affected the Group as a whole. The more important are:

1. The replacement of the original AkzoNobel Alliance Agreement with separate commercial and joint-development contracts which better reflect the respective roles of Quadrise and AkzoNobel. The contracts also acknowledge the Company's primacy in MSAR® process technology licensing and representations to clients. The elimination of royalties and the introduction of shared ownership of Intellectual Property evidences the complimentary nature of the association, as does the extension of sole rights to QIL for exclusive use of AkzoNobel fuel emulsion formulations worldwide.

2. The need to strengthen corporate resources to ensure capacity to develop, manage and support our key active programmes. The near term plans for plant installations and continuous fuel production will require more resources than presently available. Indeed, several programmes could well progress simultaneously from development to commercial operations. The nature of our client and partner base demands high standards of capability and response. Quadrise is looking to accelerate these developments and would not want to be the cause of delay either through lack of plant availability or expertise.

3. In this regard, as previously advised, the necessary funding to ensure adequate resourcing of the development programmes and the medium term business plan has recently been secured. The Company closed a placing of 33,437,500 new issue ordinary shares on 5 March 2014 at a price of £0.32 per share and a gross receipt of £10.7 million. The issue was oversubscribed and the overall dilution was only 4.33 % of shares in issue. The Company last raised new equity funds in October 2012 at £0.07 per share.

4. Additional specialist skills have been secured through new and revised contracts with expert consultants. In addition a programme is underway with advisers to review the Group management structure, recruit staff to meet near term requirements, assure effective succession, and provide a solid base for the future.

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$120 billion. The shipping industry comprises a relatively small number of very large companies which consume the majority of the fuel supplied. In order to develop this market, QFI entered into a Joint Development Agreement ("JDA") in March 2010 with A.P. Møller-Mærsk, ("Mærsk") the world's largest shipping company, marine fuel buyer, and 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 availability of Marine MSAR®2 fuel at these five hubs would effectively assure the ability to supply a very large proportion of the leading operators in the market.

The project programme which has guided the parties to the JDA since 2010 is now nearing a successful conclusion, having achieved nearly all of the key deliverables. A number of land and seaborne trials have been completed. These, coupled with the research and development undertaken on fuel formulation by Quadrise and AkzoNobel, have progressively de-risked this game changing marine fuel initiative. By early Q2 2014 the Mærsk 'Proof of Concept' ("POC") stage should be reached for the engines and fuelling systems of two leading engine manufacturers, based on results of seaborne assessments using MSAR®2 fuel. Confirmation of POC for each engine type will be followed by extensive 'in service' seaborne MSAR® fuelled programmes involving Mærsk vessels with modern Wärtsilä and MAN Diesel two stroke propulsion engines. Each seaborne programme is expected to comprise up to 4000 hours of MSAR® fuelled operations.

This will provide the operating performance data required for the engine manufacturers to issue Letters of No Objection ("LONO") for the use of Marine MSAR®2 fuels in their most advanced large two stroke propulsion engines. These are the engine types typically fitted in the very large crude oil carriers and dry cargo vessels and the most recent class of very large container vessels.

A commercial scale Quadrise MSAR® Manufacturing Unit ("MMU") was installed at the PKN Orlen Lietuva refinery in Q4 2013 to produce sufficient advanced formulation Marine MSAR®2 fuel for the POC programme. Two specially equipped Mærsk ships, fitted with the most advanced Wärtsilä and MAN engines were selected for this purpose.

In the case of the Wärtsilä engine, since the land based tests results and optimum settings were already available to the ship, the first stage of the seaborne programme for Maersk POC confirmation went ahead in January 2014.The review of the series of tests in the stage confirmed that the performance was fully consistent with the results of the land based evaluation. The programme now moves on to the final test for POC qualification involving sustained operations under load using MSAR®2 fuel. Before proceeding certain modifications will be made to the fuel supply system for ease of switching between conventional fuel oil and diesel to MSAR®2, and to manage the larger quantity of liquid associated with the water in emulsion fuels. While all parties are driving for the earliest practical completion of these programmes it is difficult to judge when this will take place, the middle of Q2 2014 being the target.

The MAN Diesel land based programme was affected by third party delays to the adaptation of their test facility. These adaptations were required to ensure compatibility with the advanced features of the modern main two stroke propulsion engine installed in the Mærsk ship. The land based test programme was recently completed in Japan and the formal report on performance and optimum settings is expected within weeks. The MAN POC seaborne service results are now expected to be available during Q2 2014.

The two LONO programmes will proceed independently, in continued cooperation with Mærsk, to build sufficiently comprehensive sets of seaborne engine performance data. This will provide the base for the confirmation of compliance to regulatory agencies and other third parties as well as satisfying the engine manufacturers for the purpose of warranties. The Wärtsilä LONO programme is expected to commence during Q3 2014. As the LONO applies across a range of engines which have the same basic design and operating standards (for example, 6, 8, 10 and 12 cylinder versions) it will allow a large number of Mærsk and third party ships the option of converting to Marine MSAR®2 fuel when and where it becomes available.

Looking forward, momentum continues to grow on the imposition of new environmental standards on both SO_2 and Black Soot (carbon particulate) emissions. Both of these developments are expected to favour Marine MSAR®2 fuel if coupled with regulatory acceptance of emissions scrubbing as the only practical solution to "open ocean" compliance. The alternative of conversion to low sulphur distillate fuels at a premium of over US$300 per ton is considered by most not to be feasible, even if the fuels were to be available. Based on present information, it does appear that the combination of Marine MSAR®2 fuel plus a modern scrubber will offer the lowest cost full compliance option for large modern vessel operators in the future.

Market expectations of Liquified Natural Gas ("LNG") becoming a mainstream fuel for international shipping appear to have moderated. This is understandable as most informed analyses conclude that it is likely to be limited to niche operations. These will, however, aggregate to a meaningful share of the marine market in future decades serving to take the pressure off distillate fuels in Emission Control Areas. Most analyses do show, however, that heavy fuel oil is likely to continue to dominate the mainstream international bunker market – which is itself likely to continue growing as international trade expands. A recent study by Lloyds Register forecasts that the marine fuel market will double in volume from the 2010 base line to 2030 and that heavy fuel oil will "remain the dominant fuel for deep sea shipping" The forecast for the maximum share for LNG in this study is 11% by 2030.

In addition to the JDA, a Royalty Agreement was executed between QIL and Mærsk in February 2011. Both contracts have been extended beyond the period originally envisaged by the participating parties. The pattern has been one of advance followed by consolidation, with continuous improvement serving progressively to de-risk the outcome. The past six months have witnessed significant advances in Marine MSAR®2 fuel performance, and material improvements in optimising formulations. It is becoming increasingly clear to all participants that Marine MSAR®2 is on track to become a mainstream standard bunker fuel once the few remaining preliminaries have been cleared and the LONOs have been issued. With both price and environmental advantages in a very competitive world, it is reasonable to expect that market response will be quite rapid.

The Royalty Agreement provides the legal framework and key terms for future commercial supplies of Marine MSAR fuel to Maersk and to third parties following the imminent transition from development to commercial production and bulk fuel supplies. On 21 February 2014 Maersk and QIL extended the validity of the agreement by three years to 31 December 2022.

Saudi Arabia

The Company 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 activities such as de-salination. The key features of their domestic oil and power generation industries, 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.

As a newly formed company with no prior association it took a considerable amount of time and sustained effort to gain credibility and recognition within KSA and in Saudi Aramco. The Company was ably assisted in this process by our Saudi partner RAFID Group who have long established relationships in the oil and energy industries throughout KSA. Following several years of collaborative studies and reports, Quadrise technology was finally approved for application within Aramco 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. Enormous value would be added through step changing domestic distillate supplies and reducing expensive imports. Power demand in KSA is growing very rapidly and in excess of 36 million tons of crude oil, fuel oil and diesel is consumed annually for thermal power generation. The scale and potential of the opportunity are clearly exceptional.

In Q2 2013 Aramco advised the Company of their decision to designate an alternative major refining complex for the first Quadrise MMU installation. In the summer of 2013, QIL hosted a familiarisation programme in Europe for a group of Aramco 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 have been held to define process and responsibilities. At Aramco's request, QIL provided a set of technical information in support of an Aramco budget proposal. The Aramco team recently submitted the proposal to their management, to seek approval to install and commission the first 350,000 ton per annum MMU at the designated refinery later this year. This is intended to demonstrate both MSAR production and the combustion of the fuel at a local thermal power plant. Contractual terms for QIL support and services in the pre-commercial phase are expected to be settled by mid-year.

The refinery selection was based on the close proximity of 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 fuel oil to two other large power plants in the region. In all, on success, it should be possible to produce progressively up to 5 million tons of MSAR® fuel to substitute for the fuel oil presently supplied from this refinery.

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 the Aramco and joint venture refineries in the country. The economy would continue to benefit irrespective of the origin of MSAR® which may, in time, have to be imported from other sources as a finished product.

The commissioning of the first MSAR® production unit in KSA during 2014 would be a major milestone for Quadrise and our Saudi partner, Rafid. The KSA and Aramco opportunities are clearly very significant. Having a continuously operating production unit will provide an invaluable reference plant for the further introduction of MSAR® manufacturing units at several other locations where highly beneficial project opportunities have already been identified in studies conducted jointly with Aramco.

Americas

The Company has continued to monitor developments in Mexico, but has not yet moved to re-open discussions with PEMEX management. Negotiations on terms to proceed with previously identified projects were protracted with frequent related delays. Political developments suggested that it would be some time before constructive commercial engagement could resume. This led in 2013, to the collaboration with Nexidea Incorporated, a Dallas based specialist downstream oil consultancy with established relationships with the South and Central American oil industry. Ecopetrol, the Colombian National Oil Company, was identified as a high quality potential partner for the Central American market. The Company was approached with a view to the formation of a joint venture for the manufacture of Quadrise MSAR® fuels in their refineries for supply into the regional market.

Following a programme of engagement and information exchange, Ecopetrol management responded positively to a Business Case presented by their team with QIL support. A Memorandum of Understanding ("MOU") was concluded that committed both parties to jointly undertake a comprehensive feasibility study to further evaluate and define the project. In doing so recommendations would be made on the nature and form of the joint venture. Terms were also settled covering the preliminary work requirements and the basis on which preparatory services would be provided. It is anticipated that this project will be the first departure from the 'License model' and will require investment by Quadrise in process plant, ancillary equipment and tie-ins to refinery services and control systems. Following execution of the MOU, attention was focussed on the programme for the study and QIL participated in an on-site review of the manufacturing installation requirements at the refinery in Colombia during December. Residue samples from Colombia have been received in Europe and the evaluation of their suitability has been scheduled into the work programme at our laboratories during Q2 2014.

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 refinery component of the feasibility study should be completed by mid-Q2 2014 and the focus will then shift to the logistics requirements and the prospective client base. Given a positive assessment, the circumstances could offer the prospect of a joint venture between QIL and Ecopetrol rather than a technology license arrangement. The Company now has the capacity to reserve funds to participate effectively in this form of business development.

Asia

The MOU with YTL Power Seraya 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 is now likely that a candidate supply source will emerge later in 2014 in association with a Global Oil Major with whom the Company has been working under tight confidentiality constraints.

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 QIL 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 with the Global Oil Major are temporarily on hold pending developments with the Mærsk marine fuels programme. Once Mærsk confirms Proof of Concept for the Marine MSAR®2 fuels, the Global Oil Major programme is expected to be resumed.

Non – Managed Investments in Canada

As has been advised in previous reports, the Canadian investments have been impacted by trends in the energy markets which have eliminated a number of potential business opportunities. An example is the growth in shale gas production which has driven down prices and eliminated the prospects for application of Quadrise technology in the production of steam and power for reservoir heating in oil production.

Quadrise Canada Corporation ("QCC"), where the Company has a 20.4% shareholding, has two currently active programmes:

1. A fuel emulsion production project in Albania in association with Petrosonics, which is operating under license from QIL. The start up of the project was delayed due to difficult operating circumstances. At this stage it is likely to be some considerable time before the volumes become significant.

2. A crude oil emulsification programme, in association with a heavy oil producer, which aims to reduce the cost of heavy crude oil transportation from oil field to market/refining centres. Formulations have been developed and tested in laboratory conditions with favourable results.

Optimal Resources Inc. ("ORI") (8.6%) has been working in association with Chinese interests to test novel Enhanced Oil Recovery ("EOR") technology in the ORI Lloydminster oil field. The programme has not proven successful possibly due to specific conditions in the oil field. There are positive indications that the Chinese technology may have more success selectively elsewhere in Canada. Should the Chinese interests wish to apply their proprietary EOR technology more widely in North America, ORI may have an opportunity to provide services to assist them in the acquisition of rights and the development of operations. In the meantime ORI will seek to dispose of the Lloydminster asset to fund its own continuity. There is no certainty that any of these possibilities will have any material impact on the value of QFI's holding in ORI

Paxton Corporation ("PC") (3.8 %) is understood to be actively promoting the use of its technology in oil field operations. Developments in the use of technologies licensed by Clean Energy Systems ("CES") continue to show promise and could be material to PC. PC has a 30% interest in CES and there is growing interest in the 'steam gun' technology for low cost steam and power, and for oil field EOR through CO_2 emissions sequestration directly into the reservoirs.

The Company continues to hold all of the Canadian interests as 'investments available for sale'.

Financial Position

The Group held cash and cash equivalents of £3.24 million as at 30 June 2013. A revision of the business plan in Q3 2013 factored in known delays and revised timetables for major projects together with the addition of new programmes to broaden the business base and reduce risk. This indicated the need for additional equity funds to assure a prudent safety margin through to sustainable commercial revenues.

The increased project spread and the possible opportunity to contract on a Joint Venture or Toll Processing mode in certain projects increased the direct need for capital expenditure funding. In addition, the resources required to manage the wider portfolio, spreading the load and ensuring the capacity to promote an accelerated pace, necessitated additional funds to be raised to meet these expenses. The revision of interests and responsibilities in the AkzoNobel alliance created the opportunity to develop an in-house R&D programme requiring facilities and investment. Limited additional working capital will be needed as Quadrise becomes the vendor of chemicals and all technical services to refiners.

With lead projects on the cusp of commercialisation, the board needed to ensure that Quadrise would not be the cause of any delays to project programmes. An example is the need to establish an inventory of MMUs to avoid fabrication lead time and related delays to revenues.

In addition, the negotiation and execution of commercial contracts will involve scrutiny of the financial standing of the Group and it is therefore prudent to strengthen the Company's balance sheet ahead of these dealings – especially given the size and nature of our key clients.

These considerations led to the decision to raise additional equity funds in Q1 2014. The QFI share price rose sharply in H2 2013 indicating that investors recognise the stage of development now successfully reached by the Company, the size of the markets and scale of that opportunity. The Group held £2.13 million in cash and cash equivalents on 31 December 2013.

The planned Q1 equity funding programme closed on 5 March 2014 raising a gross £10.7 million. A very positive feature of the placing was the response from institutional investors who now feature more prominently on the QFI share register. Funds raised should now be sufficient to meet the revised business requirements, allow management to accelerate programmes where possible and beneficial, and provide prudent cover for the unexpected.

The Group recorded a loss of £1.80 million for the 6 months to 31 December 2013 (2012: £3.35 million). There were no exceptional costs during the period and expenditure overall was held below budget.

There is presently some prospect for limited recovery in shareholder value in the Canadian investments. Having previously written down the carrying values of the Canadian investments and with no further indication of impairment, these have been carried forward without a change.

Outlook

The leading project programmes have moved forward to a stage where a number of commercial scale production units are due to be installed during the third and fourth quarter of 2014. 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 Company has every confidence that the outcomes will be positive. This 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. Given the unrelenting pressures on refining, shipping and power generation costs and margins, the logical consequence will be to ramp up both production and use of MSAR® fuels as quickly as possible, to capture the considerable benefits available.

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 industry leaders apply new technologies to gain competitive advantage. Our lead programmes are known to have attracted considerable interest, and would clearly fall into this category.

The transition from 'development and demonstration' to 'contracts and operations' has major implications for organisation structure and staffing. This will be addressed throughout 2014, together with skills development and management continuity. The Company needs to meet the challenge of having a geographically diverse project portfolio of projects in transition to commercial operations at the same time. This is an exciting and rewarding time for the Company, our partners and clients, and our shareholders.

Ian Williams
Chairman
21 March 2014

Condensed Consolidated Statement of Comprehensive Income

For the 6 months ended 31 December 2013

	Note	**6 months ended 31 December 2013 Unaudited £'000**	6 months ended 31 December 2012 Unaudited £'000	Year ended 30 June 2013 Audited £'000
Continuing operations				
Other income		**25**	29	75
Production and development costs		**(342)**	(232)	(434)
Amortisation of intangible assets	4	**(685)**	(685)	(1,368)
Impairment of available for sale investments	8	-	(1,819)	(1,819)
Other administration expenses		**(798)**	(656)	(1,468)
Foreign exchange loss		**(2)**	(1)	(1)
Operating loss		**(1,802)**	(3,364)	(5,015)
Finance costs		**(3)**	(3)	(5)
Finance income		**2**	15	17
Loss before tax		**(1,803)**	(3,352)	(5,003)
Taxation		-	-	41
Loss for the period from continuing operations		**(1,803)**	(3,352)	(4,962)
Other Comprehensive Income				
Changes in fair value of available for sale investments	8	-	(1,874)	(1,874)
Other comprehensive loss for the period net of tax		-	(1,874)	(1,874)
Total comprehensive loss for the period		**(1,803)**	(5,226)	(6,836)
Loss for the period attributable to:				
Owners of the Company		**(1,756)**	(3,296)	(4,890)
Non-controlling interest		**(47)**	(56)	(72)
Total comprehensive loss attributable to:				
Owners of the Company		**(1,756)**	(5,170)	(6,764)
Non-controlling interest		**(47)**	(56)	(72)
Loss per share – pence				
Basic	5	**(0.23)p**	(0.44) p	(0.64) p
Diluted	5	**(0.23)p**	(0.44) p	(0.64) p

Condensed Consolidated Statement of Financial Position

As at 31 December 2013

	Note	**As at 31 December 2013 Unaudited £'000**	As at 31 December 2012 Unaudited £'000	As at 30 June 2013 Audited £'000
Assets				
Non-current assets				
Property, plant and equipment	6	**546**	542	560
Intangible assets	7	**2,924**	4,292	3,609
Available for sale investments	8	**2,631**	2,631	2,631
Non-current assets		**6,101**	7,465	6,800
Current assets				
Cash and cash equivalents		**2,130**	4,020	3,243
Trade and other receivables		**230**	268	161
Prepayments		**68**	82	79
Current assets		**2,428**	4,370	3,483
TOTAL ASSETS		**8,529**	11,835	10,283
Equity and liabilities				
Current liabilities				
Trade and other payables		**268**	176	234
Current liabilities		**268**	176	234
Equity attributable to equity holders of the parent				
Issued share capital		**7,725**	7,225	7,725
Share premium		**58,489**	58,489	58,489
Revaluation reserve		**1,221**	1,221	1,221
Share option reserve		**1,149**	1,134	1,134
Reverse acquisition reserve		**522**	522	522
Accumulated losses		**(60,549)**	(57,199)	(58,793)
Total shareholders' equity		**8,557**	11,892	10,298
Non-controlling interests		**(296)**	(233)	(249)
TOTAL EQUITY AND LIABILITIES		**8,529**	11,835	10,283

The interim accounts, accompanying policies and notes 1 to 15 (forming an integral part of these interim accounts), were approved and authorised for issue by the Board on 21 March 2014 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 2013

	Accumulated losses £'000s	Issued capital £'000s	Share premium £'000s	Revaluation reserve £'000s	Share option reserve £'000s	Reverse acquisition reserve £'000s	Total £'000s	Non-controlling interests £'000s	Total £'000s
As at 1 July 2013	**(58,793)**	**7,725**	**58,489**	**1,221**	**1,134**	**522**	**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)**
Issuance of share options	-	-	-	-	**15**	-	**15**	-	**15**
Shareholders' equity at 31 December 2013	**(60,549)**	**7,725**	**58,489**	**1,221**	**1,149**	**522**	**8,557**	**(296)**	**8,261**

	Accumulated losses £'000s	Issued capital £'000s	Share premium £'000s	Revaluation reserve £'000s	Share option reserve £'000s	Reverse acquisition reserve £'000s	Total £'000s	Non-controlling interests £'000s	Total £'000s
As at 1 July 2012	(53,903)	7,225	55,780	3,095	1,134	522	13,853	(177)	13,676
Loss for the period	(3,296)	-	-	-	-	-	(3,296)	(56)	(3,352)
Fair value adjustments	-	-	-	(1,874)	-	-	(1,874)	-	(1,874)
Total comprehensive income for the period	(3,296)	-	-	(1,874)	-	-	(5,170)	(56)	(5,226)
New shares issued	-	500	2,709	-	-	-	3,209	-	3,209
Shareholders' equity at 31 December 2012	**(57,199)**	**7,725**	**58,489**	**1,221**	**1,134**	**522**	**11,892**	**(233)**	**11,659**

	Accumulated losses £'000s	Issued capital £'000s	Share premium £'000s	Revaluation reserve £'000s	Share option reserve £'000s	Reverse acquisition reserve £'000s	Total £'000s	Non-controlling interests £'000s	Total £'000s
As at 1 January 2013	(57,199)	7,225	58,489	1,221	1,134	522	11,892	(233)	11,659
Loss for the period	(1,594)	-	-	-	-	-	(1,594)	(16)	(1,610)
Total comprehensive income for the period	(1,594)	-	-	-	-	-	(1,594)	(16)	(1,610)
Shareholders' equity at 30 June 2013	**(58,793)**	**7,725**	**58,489**	**1,221**	**1,134**	**522**	**10,298**	**(249)**	**10,049**

Condensed Consolidated Statement of Cash Flows

For the 6 months ended 31 December 2013

	Note	**6 months ended 31 December 2013 Unaudited £'000**	6 months ended 31 December 2012 Unaudited £'000	Year ended 30 June 2013 Audited £'000
Operating activities				
Loss before tax from continuing operations		**(1,803)**	(3,352)	(5,003)
Finance costs		**3**	3	5
Finance income		**(2)**	(15)	(17)
Amortisation of intangible assets	4	**685**	685	1,368
Depreciation	6	**30**	11	23
Impairment of available for sale investments	8	**-**	1,819	1,819
Issuance of share options		**15**	-	-
Working capital adjustments				
(Increase)/decrease in trade and other receivables		**(69)**	2	109
Decrease in prepayments		**11**	8	11
Increase in trade and other payables		**34**	5	63
Cash utilised in operations		**(1,096)**	(834)	(1,622)
Finance costs		**(3)**	(3)	(5)
Taxation received		**-**	-	41
Net cash outflow from operating activities		**(1,099)**	(837)	(1,586)
Investing activities				
Finance income		**2**	15	17
Purchase of fixed assets	6	**(16)**	(24)	(54)
Net cash outflow from investing activities		**(14)**	(9)	(37)
Financing activities				
Net proceeds from the issue of shares		**-**	3,209	3,209
Net cash inflow from financing activities		**-**	3,209	3,209
Net (decrease)/increase in cash and cash equivalents		**(1,113)**	2,363	1,586
Cash and cash equivalents at the beginning of the period		**3,243**	1,657	1,657
Cash and cash equivalents at the end of the period		**2,130**	4,020	3,243

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 2013, 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 2013, 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 2014. 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 6 months ended 31 December 2013 were approved by the Board on 21 March 2014.

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 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**

Period ended 31 December 2012	Emulsion fuel Unaudited £'000s	Non-managed interests Unaudited £'000s	Total Unaudited £'000s
Revenue – sale to external customers	-	-	-
Segment result	(1,105)	(1,992)	(3,097)
Unallocated net corporate expenses			(267)
Operating loss			(3,364)
Finance costs			(3)
Finance income			15
Loss before tax			(3,352)
Taxation			-
Loss for the period from continuing operations			(3,352)

As at 31 December 2012	Emulsion fuel Unaudited £'000s	Non-managed interests Unaudited £'000s	Total Unaudited £'000s
Assets and Liabilities			
Segment assets	7,051	2,631	9,682
Unallocated corporate assets			2,153
Total assets			11,835
Segment liabilities	95	-	95
Unallocated corporate liabilities			81
Total liabilities			176
Other segment information			
Amortisation of intangible assets	685	-	685

Year ended 30 June 2013	Emulsion fuel Audited £'000s	Non-managed interests Audited £'000s	Total Audited £'000s
Revenue – sale to external customers	-	-	-
Segment result	(2,257)	(2,253)	(4,510)
Unallocated net corporate expenses			(508)
Operating loss			(5,018)
Finance costs			(2)
Finance income			17
Loss before tax			(5,003)
Taxation			41
Loss for the year from continuing operations			(4,962)

As at 30 June 2013	Emulsion fuel Audited £'000s	Non-managed interests Audited £'000s	Total Audited £'000s
Assets and Liabilities			
Segment assets	6,020	2,631	8,651
Unallocated corporate assets			1,632
Total assets			10,283
Segment liabilities	163	-	163
Unallocated corporate liabilities			71
Total liabilities			234
Other segment information			
Amortisation of intangible assets	1,368	-	1,368

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 2013 Unaudited £'000s	31 December 2012 Unaudited £'000s	30 June 2013 Audited £'000s
Non-current assets			
Europe	**3,470**	4,834	4,169
Canada	**2,631**	2,631	2,631
Total	**6,101**	7,465	6,800

4. Amortisation of Intangible Assets

The Board has reviewed the accounting policy for intangible assets and has amortised those assets which have a finite life. A key asset that fitted this description was the combination of rights secured under the AkzoNobel Alliance Agreement, together with other unpatented technologies, industry know-how and trade secrets, which drove the principal business case for Quadrise. The AkzoNobel Alliance Agreement was replaced during the period to 31 December 2013 with two new agreements with AkzoNobel, the Co-operation and Exclusive Purchase and Supply Agreement, and the Joint Development Agreement.

The intangible asset relating to the superceded AkzoNobel Alliance Agreement was fully amortised during the period to 31 December 2013. The amortisation of this intangible resulted in a non-cash charge of £685,000 to the statement of comprehensive income for the 6 month period to 31 December 2013 (for the 6 month period to 31 December 2012: £685,000).

5. Loss Per Share

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

	6 months ended 31 December 2013 Unaudited	6 months ended 31 December 2012 Unaudited	Year ended 30 June 2013 Audited
Loss for the period from continuing operations (£'000s)	**(1,756)**	(3,296)	(4,890)
Weighted average number of shares:			
Basic	**772,543,391**	746,587,107	758,844,761
Diluted	**772,543,391**	746,587,107	758,844,761
Loss per share:			
Basic	**(0.23) p**	(0.44) p	(0.64) p
Diluted	**(0.23) p**	(0.44) p	(0.64) 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.

6. 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 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 2012	17	14	13	9	488	541
Additions	-	-	-	7	17	24
Closing balance – 31 December 2012	17	14	13	16	505	565
Depreciation						
Opening balance – 1 July 2012	(5)	(1)	(1)	-	(5)	(12)
Depreciation charge for the year	(4)	(1)	(1)	(2)	(3)	(11)
Closing balance – 31 December 2012	(9)	(2)	(2)	(2)	(8)	(23)
Net book value at 31 December 2012	8	12	11	9	497	542

	Leasehold improvements £'000s	Computer equipment £'000s	Software £'000s	Office equipment £'000s	Plant and machinery £'000s	Total £'000s
Cost						
Opening balance – 1 July 2012	17	14	13	9	488	541
Additions	-	-	4	7	43	54
Closing balance – 30 June 2013	17	14	17	16	531	595
Depreciation						
Opening balance – 1 July 2012	(5)	(1)	(1)	-	(5)	(12)
Depreciation charge for the year	(7)	(3)	(4)	(3)	(6)	(23)
Closing balance – 30 June 2013	(12)	(4)	(5)	(3)	(11)	(35)
Net book value at 30 June 2013	5	10	12	13	520	560

7. Intangible Assets

	QCC royalty payments Unaudited £'000s	® 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 Unaudited £'000s	MSAR® trade name Unaudited £'000s	Technology and know-how Unaudited £'000s	Total Unaudited £'000s
Cost				
Opening balance – 1 July 2012	7,686	3,100	25,901	36,687
Additions	-	-	-	-
Closing balance – 31 December 2012	7,686	3,100	25,901	36,687
Amortisation and Impairment				
Opening balance – 1 July 2012	(7,686)	(176)	(23,848)	(31,710)
Amortisation	-	-	(685)	(685)
Closing balance – 31 December 2012	(7,686)	(176)	(24,533)	(32,395)
Net book value at 31 December 2012	-	2,924	1,368	4,292

	QCC royalty payments Audited £'000s	MSAR® trade name Audited £'000s	Technology and know-how Audited £'000s	Total Audited £'000s
Cost				
Opening balance – 1 July 2012	7,686	3,100	25,901	36,687
Additions	-	-	-	-
Closing balance – 30 June 2013	7,686	3,100	25,901	36,687
Amortisation and Impairment				
Opening balance – 1 July 2012	(7,686)	(176)	(23,848)	(31,710)
Amortisation	-	-	(1,368)	(1,368)
Closing balance – 30 June 2013	(7,686)	(176)	(25,216)	(33,078)
Net book value at 30 June 2013	-	2,924	685	3,609

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 Board has reviewed the accounting policy and has amortised those assets which have a finite life as further explained in Note 4. As a consequence a non-cash charge of £685,000 has been recognised in the statement of comprehensive income for the 6 month period to 31 December 2013 (for the 6 month period to 31 December 2012: £685,000).

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 2013, there were no indications that the intangible assets may be impaired.

As a result, the Directors concluded that no impairment is necessary for the 6 month period to 31 December 2013.

8. Available for Sale Investments

	31 December 2013 Unaudited £'000s	31 December 2012 Unaudited £'000s	30 June 2013 Audited £'000s
Unquoted securities			
Opening balance	**2,631**	6,324	6,324
Changes in fair value	**-**	(1,874)	(1,874)
Impairment of investment QCC	**-**	(1,819)	(1,819)
Closing balance	**2,631**	2,631	2,631

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. Furthermore, QCC share options and warrants in issue at the statement of financial position date result in the Group having an effective diluted holding in QCC of 20.52%.

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 2013. 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 QCC shares were valued at CAD$0.41 on 1 July 2013. Shareholder communications received during the period to 31 December 2013 indicate that the current business model of QCC continues to remain uncertain, and therefore it is still appropriate to base the fair value of QCC on a discounted net asset basis, looking only at the recoverable value of its net assets, in order to determine whether there has been any material impairment to the carrying value of QCC shares as at 31 December 2013.

The directors have determined that there is no basis for any further impairment, and have therefore concluded that the 3,682,500 QCC shares held at 31 December 2013 should continue to be valued at CAD$0.41 per share. The total valuation of the 3,682,500 shares held in QCC as at 31 December 2013 is £928,000.

The Paxton shares were valued at CAD$4.00 per share as at 1 July 2013. Shareholder communications received since 1 July 2013 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 2013. The total value of the Paxton investment as at 31 December 2013 is £1.62m.

The ORI shares were impaired to CAD$0.02 per share during the year ended 30 June 2013. This was as a result of ORI being valued on a discounted net asset basis due to doubts about the long term viability of its business. There has been no change in the position of ORI during the period to 31 December 2013, and therefore the Directors have concluded that the 5,682,500 shares in ORI should continue to be valued at CAD$0.02 per share, with a total valuation of £79,000.

The Porient shares were received by the Group on 8 June 2010 for no consideration. As Porient was then in its very early stages of development and was yet to be defined into a business with active projects, it had very little market presence or value. Based on this, the Directors concluded that the investment should be fair valued on acquisition to its nominal value of CAD$0.001 per share. As Porient is still in the early stages of its development, the Directors have concluded that the investment should continue to be valued at CAD$0.001 per share. The total value of the Porient investment as at 31 December 2013 is £2,000.

9. Non-controlling Interest

Non-controlling interest at 31 December 2013 represents management's 12.5% participation in the equity of the four project subsidiary companies that were set up as part of the group restructuring. Quadrise International Limited holds the remaining 87.5% interest.

10. 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 2013 amounted to £24,000, solely comprising fees for consulting services (for the six month period to 31 December 2012, total fees were £53,000, comprising £33,000 for consulting services and £20,000 for Non-Executive Director fees). The balance payable at 31 December 2013 was £29,000 (as at 30 June 2013: £14,000).

Ian Duckels is also a director of Ritoil Associates Limited, which has provided Non-Executive Director services to the Group. The total fees charged by Ritoil for the six month period to 31 December 2013 were £nil (for the six month period to 31 December 2012, total fees were £12,000, solely comprising Non-Executive Director fees) with the balance of £nil payable at 31 December 2013 (as at 30 June 2013: £7,000).

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

11. Comparative Information

The following figures have been reclassified to conform with the presentation of the current financial year:

Condensed Consolidated Statement of Comprehensive Income (Extract):

	6 months ended 31 December 2012 As restated £'000	6 months ended 31 December 2012 As previously reported £'000	Year ended 30 June 2013 As restated £'000	Year ended 30 June 2013 As previously reported £'000
Other income	29	29	75	75
Production and development costs	(232)	(69)	(434)	(112)
Amortisation of intangible assets	(685)	(685)	(1,368)	(1,368)
Impairment of available for sale investments	(1,819)	(1,819)	(1,819)	(1,819)
Other administration expenses	(656)	(819)	(1,468)	(1,790)
Foreign exchange loss	(1)	(1)	(1)	(1)
Operating loss	(3,364)	(3,364)	(5,015)	(5,015)

Professional service expenses relating to research and development have been reclassified from Other Administration Expenses to Production and Development Costs during the period.

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

13. Commitments and Contingencies
The Group has not entered into any finance or operating leases as at the statement of financial position date. Additionally the Group has no capital commitments or contingent liabilities as at the statement of financial position date.

14. Events After the End of the Reporting Period
As announced on 6 March 2014, the Company successfully raised £10.70 million (before expenses) by way of a placing of 33,437,500 new ordinary shares of 1p each.

15. 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.