Quadrise Fuels International plc

Company Registration No. 05267512

Interim Report and Consolidated Financial Statements

For the 6 month period to 31 December 2019

Quadrise Fuels International plc (“Quadrise”, “QFI”, the “Company” and together with its subsidiaries the “Group”) presents its unaudited interim results for the six months ended 31 December 2019

Chairman’s Statement

Introduction

The first half of the financial year saw Quadrise continue to progress, to good effect, its range of business development and project opportunities across a variety of MSAR® applications. Our strategy of pursuing a diversified range of projects provides Quadrise with access to a rich body of experience through its various partners at negligible cash cost, and the scope to fully leverage its in-house business development capabilities. The Company remains focused on translating the prospects being progressed during 2020 into projects where commercial revenues can be expected to follow successful trial outcomes.

We are particularly pleased with the progress made in Morocco where we have an agreement to undertake a pilot trial at an industrial facility, which, if successful, will lead to paid-for engineering study work to scope and plan for trials on commercial units at the facility, with commercial revenues expected to follow the successful conclusion of these trials. Given delays to the commencement of the pilot trial due to Covid-19 restrictions imposed by the client, work on engineering studies for the subsequent phases has now commenced ahead of time to mitigate the impact on the overall project timeline.

We were delighted to announce a comprehensive funding programme in Q3 2019, which commenced with the announcement of up to £4million (gross) from Bergen Global Opportunities Fund (“Bergen”). The first £2 million tranche was drawn down in September 2019. Alongside this we announced a planned open offer of up to £1.5 million in August which was subsequently increased by 20% to £1.8 million when it was formally announced in early September that the open offer was fully underwritten by Peel Hunt and was accompanied by a subscription of a further £0.7 million to raise additional funds of £2.5 million (gross). In total this provided funding for the business through to the end of calendar 2020, without considering the potential additional drawdown of £2 million from Bergen which could potentially be available from October 2020 subject to an increase in share price which would follow project progress.

During the period under review, the positive shifts in the liquid fuel markets continued, with the combination of a positive macro environment and improved MSAR® economics, driven by the widening spread between Heavy Fuel Oil (“HFO”) and Gas Oil. In addition, we saw the continued progression of high-sulphur fuels in combination with scrubbers as the de-facto lowest cost solution to meet the International Maritime Organization (“IMO”) 2020 sulphur regulations – resulting in an increased uptake across all major shipping sectors. Overall, this provides a positive backdrop for Quadrise to work with refiners and fuel consumers in the power, marine and industrial markets to progress MSAR® projects. However, the Company’s ability to progress these projects is expected to be impacted by the recent global events relating to the dispute between KSA and Russia which has had a significant adverse impact on oil and product prices, and the Covid-19 pandemic which are discussed further below.

Research, Development and Innovation (“RDI”) activities remain central to our technology-led offering and QRF remains our hub for these activities. Work during the period and into the first quarter of 2020 focused on the design, fabrication and commissioning of a new lab mill that is suitable for development and testing work on heavier residues that require higher working temperatures and pressures for MSAR® manufacture. Latterly, the focus was on the work to support the pilot trial in Morocco including MSAR® fuel manufacturing and burner tip testing.

We continue to have a close working relationship with Nouryon and were pleased to enter into a new three-year Exclusive Purchase and Supply Agreement with them in October 2019. QFI holds regular quarterly meetings with them and have recently started discussions between QFI, Nouryon and another Carlyle entity in the downstream sector about MSAR® opportunities.

Developments During the Period and Q1 2020

Progress has been made in several areas that have enabled Quadrise to increase the breadth and depth of its business development programme, addressing the vast majority of the potential MSAR® market opportunity. Developments by MSAR® market segment are summarised below:

Industrial Applications

- **Morocco –** Two site visits to Morocco took place, in December 2019 and January 2020 respectively, concluding with the completion of a Hazard and Operability (HAZOP) study of the pilot kiln and the associated QFI equipment that will be used to undertake the trial. This enabled the design for the pumping and heating unit to be finalised, and then be fabricated and commissioned at QRF. This unit was then used to test burner tips at QRF that will be utilised in the trial, including specialist tips designed specifically for MSAR® by our in-house combustion experts. The final stage of the preparations in the UK was the production of over 1 tonne of MSAR® fuel at QRF for shipment.

  All equipment and fuel required for the trial have now been shipped to Morocco and this will enable the trial to commence as soon as QFI can safely access the site. At this stage, we do not have an updated schedule, however, we are confident that once we can access the site safely, we will be able to progress the trial rapidly. The original plan was to move into the second phase of paid feasibility studies for larger trials (that are a precursor to commercial roll-out in the partners’ facilities) following successful completion of the pilot trial. We have now reached agreement with the client to commence this work now, to utilise the delay in the pilot trial to best effect, with the payment for this work still being conditional on the successful conclusion of the pilot trial.

Power Applications, Refinery Refuelling, & Co-Development Opportunities

- **Kingdom of Saudi Arabia** – Following discussions between the Chairman of AKHG and the Chairman of a major power utility in KSA, QFI attended a meeting in Riyadh in March with representatives from these key stakeholders, together with a major boiler OEM to discuss resuming the planned 400MWe boiler trial using in-Kingdom MSAR® manufacture. The presentation was received positively by the attendees, with follow-up meetings to be held in the power utility's Western Province division. In parallel, AKHG is progressing contacts at the highest levels with other major stakeholders to promote MSAR®.

- **South America (Freepoint Commodities)** – QFI and Freepoint jointly met with senior management of a national oil company in South America in very early January 2020 where there is an exciting MSAR® opportunity for refinery refuelling, leading to domestic power generation and export opportunities that would reduce energy costs and emissions for the country. Follow-up meetings at the relevant refinery were attended, in person, by three members of the Quadrise team, including Jason Miles (CEO) and Mark Whittle (COO) in early-March, and actions are progressing from this meeting to ensure that we have the all the refinery data needed to complete the required techno-economic studies during March/April. We will then present a roadmap for trial MSAR® testing at the refinery and a neighbouring powerplant as a precursor to commercial production and supply.

- **Mexico (Redliner & Freepoint Commodities)** – MSAR® opportunities include refinery refuelling, domestic power generation and fuel exports that reduce distillate fuel imports. At this stage we are working principally through Redliner in Mexico, who have been progressing opportunities with the national oil company. We have been encouraged by Redliner's ability to provide access at the most senior levels in the country. Agreements are being finalised to enable detailed information to be shared electronically by the national oil company, which will enable QFI to promptly complete the relevant techno-economic studies for MSAR® on candidate refineries currently producing fuel oil. We are also progressing discussions with a major independent power project developer, who is supportive of MSAR® deployment to provide economic and environmental advantages to new build power projects in the region.

- **European Refiner** – As noted previously, the client is now comparing the economics of MSAR® with another refinery solution (which requires complex refinery testing during Q2 and Q3 2020) to enable IMO 2020 compliant fuel supply. As a result, we are currently anticipating that the client will decide at the end of Q3 2020, though this timing may be subject to change if the testing is delayed for operational or other reasons. If MSAR® is selected, the Company would expect to finalise the site trial agreement during Q4, unless there is a delay, including the schedule for the refinery refuelling in the quarter following a positive decision being made.

- **Nouryon** – We have held positive initial discussions with Nouryon regarding business collaboration opportunities between Quadrise, Nouryon and related companies within the Carlyle Group. These discussions will be progressed during the remainder of 2020. Our regular updates with Nouryon are continuing, using web-conferencing when face-to-face meetings are not practicable.

- **Kuwait** – We are still following-up on the meeting held in late 2019, to obtain up-to date data for the new refinery, both directly and through our local agent, Hawazin to finalise the client data and assumptions for the techno-economic study. Assuming the project economics are positive, Quadrise will submit the feasibility study with an implementation plan to present to the client team in Kuwait.

Marine Applications

- The implementation of IMO 2020 compliance was the main focus for shipping companies and operators during the period and through Q1 2020. The Company has had positive meetings with senior management of two major shipping companies, each with large fleets and leading positions in scrubber implementation in their segments of the shipping industry. Following these positive initial meetings, further discussions were held with their technical teams to progress plans. The intention is to progress these opportunities during H1 2020 to investigate potential MSAR® Letter Of No Objection ("LONO") testing and commercial deployment, and on success, to reduce fuel costs further whilst improving environmental performance.
- We are also investigating the merits of establishing, or linking with, a physical bunker fuel supplier, to provide a supply network for high sulphur fuels in parallel with MSAR® for the LONO testing opportunities being pursued. These discussions have continued and are making steady progress. If we do launch this, it will be alongside trusted counterparties who can manage the commodity price risk; provide and manage the working capital requirements; and manage the logistics of a physical bunkering operation.

Upstream Applications

- Quadrise and Merlin Energy Resources have jointly met with an upstream developer with MSAR® potential in Africa, and in parallel, opportunities in South America are being jointly screened during H1 2020, though there is nothing further to report at this stage.
- During Q1 2020 an MOU was signed with Valkor Technologies, to investigate the potential deployment of MSAR® technology in Utah, USA.
- Quadrise is also in discussions directly with stakeholders and government officials regarding an upstream heavy oil project in Africa, with potential use of MSAR® to improve production economics and for domestic power generation.

Other

There are no material updates to report during the period, or through Q1, on opportunities with the European Oil Major, Bitumina, JGC, API Poly-GCL or Maersk Line (both in relation to the Royalty Agreement and the use of MSAR® in their fleet).

Response to Covid-19 Situation and Cost Reduction Initiatives

We have put in place a pragmatic and measured approach to protect our staff, their families and the business.

Our London office initially remained open, though staff were generally working from home and have the necessary facilities and systems to do so. Since the announcement by the Prime Minister on the evening of 23rd March 2020 our London Office has closed and will remain closed until current restrictions are lifted.

QRF has remained operational, though with very restricted access to any third-party visitors, including London-based QFI staff. As the facility is located in a relatively remote area, with a small staff that does not use public transport, we believe that we can continue to keep QRF operational – including the requirements to abide by social distancing guidelines within the workplace; though we will, of course, ensure that we take whatever measures are necessary to protect our staff as the situation develops.

At this stage, we are confident that we can continue to operate our London-based staff remotely with minimal impact on our activities. As face to face client meetings are not possible currently due to Covid-19 social-distancing measures and wider travel restrictions, these are being replaced with web-conferencing. In addition, our various local agents/partners, will continue to provide on-the ground support in the various regions/countries in which they operate. At this stage, we believe that these actions will enable us to continue to progress our key business development activities and projects during the remainder of 2020

We continue to operate with a lean team at Quadrise. Jason Miles, CEO, supported by Mark Whittle, COO, spearhead our business development and project delivery activities. I lead on PR and IR activities, supported by David Scott, Head of Finance, and QRF is managed by our Head of Operations Bernard Johnston. With restrictions on travel in place for an indeterminate time, we will be significantly reducing our expected business development travel costs and will seek to minimise the potential adverse impact of these restrictions on work programmes where possible. The bringing forward of a significant proportion of the next phase of work on the activities in Morocco is a good example of how we can reduce the impact of delays at little, if any, marginal cost to the business.

Given the unprecedented developments relating to Covid-19 over a matter of days, we have taken the opportunity to have a close look at our cost-base, notwithstanding the tight control that we have always maintained to ensure that we remain in the best possible position to progress our business development and project opportunities through the remainder of 2020. At this stage, the most significant of these measures, is the decision to break the lease at our current London Office. The notice to break the lease was served on Thursday 26th March 2020 and will be effective from 28th September 2020. The coincidence of the break being available at this time, together with our experience of remote working, has provided us with the opportunity to fundamentally review our office requirements and we will look for solutions that deliver much lower cost, more flexible and appropriately sized facilities from September 2020. This is expected to reduce our annual costs relating to a London office very significantly. In addition, we are looking at all other costs in the business and will be doing further work on this in the coming weeks. Where appropriate, we will be accessing the support being provided by the Government, though for clarity this will not include the Government-backed loans scheme, as we are not eligible to participate.

Financial Position

The Group held cash and cash equivalents of approximately £3.8 million as at 31 December 2019.

The Group recorded a loss of £3.1m for the six months to 31 December 2019 (2018: £1.7m). This included production and development costs of £0.7m (2018: £0.9m), administration expenses of £1.1m (2018: £0.7m) and a warrant charge of £0.9m (2018: £nil).

Basic and diluted loss per share was 0.32p (2018: 0.19p).

The Group's total assets amounted to £7.8 million as at 31 December 2019 (£5.1 million as at 31 December 2018). Apart from the cash and cash equivalents, this included fixed tangible assets (mainly plant and equipment) of £0.7 million and MSAR® trade name of £2.9 million.

The Group has accumulated tax losses of approximately £50.6 million (2018: £48.7 million) available to be carried forward against future profits.

Funding

Our existing cash resources continue to enable the Group to pursue our business development activities throughout calendar year 2020, based on the originally budgeted levels of expenditure. With the significant travel restriction now in place, together with further active cost saving measures within the business, such as the decision to terminate the lease of our current London office, we are very confident that we will be able to operate to the end of Q1 2021. This work is still in its early stages, but it will provide the Company with the necessary platform to ensure that it remains in the best possible position to resume normal business development and project activities when able to do so safely.

As disclosed previously, a further £2 million of funding is potentially available to the Company from October 2020 through the agreement with Bergen. However, for Quadrise to have a high degree of confidence of this being available, it will require a substantial and sustained improvement in the share price. This is likely to require a clear demonstration of substantive progress on our key projects, as well as a continuation of our efforts in investor relations and market communication. Alongside this, as we did in 2019, we will continue to evaluate a wide variety of funding options for the business and have reconstituted the Funding Committee with immediate effect to assist in this task.

Outlook – Current trading and prospects.

We built significant momentum during 2019 and this continued into Q1 2020, though within the past few weeks we have started to see the impact of the rapidly developing global response to the Covid-19 situation. Currently, the only definitive impact from Covid-19 has been the delay to the planned pilot trial at the client's site in Morocco. We do not have a new schedule for this trial, but we have now brought forward the majority of the second stage of the work, which will provide the detailed engineering studies to enable the client to progress trials on the commercial units at the facility, subject to entering into the new agreements planned to cover these trials and the satisfactory conclusion of the pilot trial. We are highly confident of our ability to successfully conclude the pilot trial and so bringing forward this work will reduce the time required to progress to the planned commercial scale trials at the client's facility. Depending on the time required to gain access to the site, this approach should materially reduce the impact of any delay outside of our control.

We are continuing to progress other projects using our local agents and through phone/web conferencing and are still seeing active engagement from our clients, which is encouraging. We believe that the business development pipeline outlined above provides the platform needed to deliver our strategy of translating opportunities during 2020 into projects where commercial revenues can be expected to follow successful trial outcomes
and we are focused on delivering this at the earliest possible opportunity.

As noted previously, the coincidence of the Covid-19 global pandemic and the dispute between KSA and Russia in relation to oil production has had a significant adverse impact on oil and product prices. Current markets are highly volatile – though we believe most clients will continue to base their planning on long-run prices. However, there is no doubt that the operational imperative to respond to the Covid-19 situation will be the focus for most organisations and it will remain important that we can respond flexibly as the situation continues to develop. Our business development activities, both directly and through our agents, will progress as quickly as possible during this period and we expect to be able to make positive progress during the rest of the year and look forward to providing updates as appropriate.

We announced in December 2019, that due to other work commitments, Hemant Thanawala resigned with effect from 31st December 2019 and the Board would like to thank him for his many years of service as both an executive and non-executive director. In January 2020, we announced changes to the board that became effective on 1st February 2020. Jason Miles was promoted to CEO, from COO, and Mark Whittle was promoted to COO, from Head of Projects and joined the Board. I am delighted to be working with both Jason and Mark in their new roles.

Mike Kirk
Chairman
27 March 2020

Condensed Consolidated Statement of Comprehensive Income

For the 6 months ended 31 December 2019

	Note	**6 months ended 31 December 2019 Unaudited £'000**	6 months ended 31 December 2018 Unaudited £'000	Year ended 30 June 2019 Audited £'000
Continuing operations				
Revenue		**-**	-	22
Production and development costs		**(730)**	(934)	(1,475)
Other administration expenses		**(1,078)**	(738)	(1,462)
Share option charge	4	**(277)**	(6)	(154)
Warrant charge	5	**(881)**	-	(105)
Foreign exchange (loss)/gain		**(4)**	11	10
Operating loss		**(2,970)**	(1,667)	(3,164)
Finance costs	6	**(144)**	(3)	(6)
Finance income		**4**	1	3
Loss before tax		**(3,110)**	(1,669)	(3,167)
Taxation		**-**	-	184
Total comprehensive loss for the period from continuing operations		**(3,110)**	(1,669)	(2,983)

Loss per share – pence				
Basic	7	**(0.32)p**	**(0.19)p**	(0.34) p
Diluted	7	**(0.32)p**	**(0.19)p**	(0.34) p

Condensed Consolidated Statement of Financial Position
As at 31 December 2019

	Note	**As at 31 December 2019 Unaudited £'000**	As at 31 December 2018 Unaudited £'000	As at 30 June 2019 Audited £'000
Assets				
Non-current assets				
Property, plant and equipment	8	**656**	**811**	730
Intangible assets	9	**2,924**	**2,924**	2,924
Non-current assets		**3,580**	**3,735**	3,654
Current assets				
Cash and cash equivalents		**3,778**	**967**	1,060
Trade and other receivables		**257**	**166**	169
Prepayments		**118**	**163**	106
Stock		**61**	**61**	61
Current assets		**4,214**	**1,357**	1,396
TOTAL ASSETS		**7,794**	**5,092**	5,050
Equity and liabilities				
Current liabilities				
Trade and other payables		**501**	**481**	288
Provision for decommissioning		**-**	**189**	-
Convertible securities	11	**1,864**	**-**	-
Current liabilities		**2,365**	**670**	288
Equity attributable to equity holders of the parent				
Issued share capital		**9,958**	**8,622**	9,227
Share premium		**76,190**	**73,642**	74,438
Share option reserve		**3,732**	**3,346**	3,455
Warrant reserve		**1,122**	**-**	105
Reverse acquisition reserve		**522**	**522**	522
Accumulated losses		**(86,095)**	**(81,710)**	(82,985)
Total shareholders' equity		**5,429**	**4,422**	4,762
TOTAL EQUITY AND LIABILITIES		**7,794**	**5,092**	5,050

Condensed Consolidated Statement of Changes in Equity
For the 6 months ended 31 December 2019

	Issued share capital £'000	Share premium £'000	Share option reserve £'000	Warrant reserve £'000	Reverse acquisition reserve £'000	Accumulated losses £'000	Total £'000
As at 1 July 2019	**9,227**	**74,438**	**3,455**	**105**	**522**	**(82,985)**	**4,762**
Loss and total comprehensive loss for the period	-	-	-	-	-	**(3,110)**	**(3,110)**
Share option charge	-	-	**277**	-	-	-	**277**
Warrant charge	-	-	-	**881**	-	-	**881**
Deferred warrant charge	-	-	-	**136**	-	-	**136**
New shares issued net of issue costs	**731**	**1,752**	-	-	-	-	**2,483**
Shareholders' equity at 31 December 2019	**9.958**	**76,190**	**3,732**	**1,122**	**522**	**86,095**	**5,429**
As at 1 July 2018	8,622	73,642	3,432	-	522	(80,133)	6,085
Loss and total comprehensive loss for the period	-	-	-		-	(1,669)	(1,669)
Share option charge	-	-	6	-	-	-	6
Transfer of balances relating to expired share options	-	-	(92)		-	92	-
Shareholders' equity at 31 December 2018	**8,622**	**73,642**	**3,346**		**522**	**(81,710)**	**4,422**
As at 1 January 2019	8,622	73,642	3,346	-	522	(81,710)	4,422
Loss and total comprehensive loss for the period	-	-	-	-	-	(1,314)	(1,314)
Share option charge	-	-	148	-	-	-	148
Warrant charge				105			105
Transfer of balances relating to expired share options	-	-	(39)	-	-	39	-
New shares issued net of issue costs	605	796	-	-	-	-	1,401
Shareholders' equity at 30 June 2019	**9,227**	**74,438**	**3,455**	**105**	**522**	**(82,985)**	**4,762**

Condensed Consolidated Statement of Cash Flows
For the 6 months ended 31 December 2019

	Note	**6 months ended 31 December 2019 Unaudited £'000**	6 months ended 31 December 2018 Unaudited £'000	Year ended 30 June 2019 Audited £'000
Operating activities				
Loss before tax from continuing operations		**(3,110)**	(1,669)	(3,167)
Finance costs paid	6	**144**	3	6
Finance income received		**(4)**	(1)	(3)
Loss on disposal of fixed assets	8	**-**	25	25
Depreciation	8	**94**	130	230
Share option charge	4	**277**	6	154
Warrant charge	5	**1,017**	-	105
Working capital adjustments				
(Increase)/decrease in trade and other receivables		**(88)**	22	19
(Increase)/decrease in prepayments		**(12)**	(41)	16
Increase/(decrease) in trade and other payables		**213**	81	(112)
Increase in provision for decommissioning		**-**	189	-
Cash utilised in operations		**(1,469)**	(1,255)	(2,727)
Finance costs paid	6	**(144)**	(3)	(6)
Taxation received		**-**	-	184
Net cash outflow from operating activities		**(1,613)**	(1,258)	(2,549)
Investing activities				
Finance income received		**4**	1	3
Purchase of fixed assets	8	**(20)**	(5)	(24)
Net cash outflow from investing activities		**(16)**	(4)	(21)
Financing activities				
Increase in borrowings	11	**1,864**	-	-
New shares issued net of costs	11,12	**2,483**	-	1,401
Net cash inflow from financing activities		**4,347**	-	1,401
Net increase/(decrease) in cash and cash equivalents		**2,718**	(1,262)	(1,169)
Cash and cash equivalents at the beginning of the period		**1,060**	2,229	2,229
Cash and cash equivalents at the end of the period		**3,778**	967	1,060

Notes to the Group Condensed Financial Statements

1. General Information

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

QFI was incorporated on 22 October 2004 as a limited company under UK Company Law 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 2019, 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 2019, 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 annual financial statements for the year ended 30 June 2020.

The directors have carried out a detailed assessment of going concern as part of the financial reporting process, and having conducted a full review of the updated business plan, budgets and associated commitments at the period end, have concluded that the Group has adequate financial resources to continue in operational existence for the foreseeable future, and therefore continue to adopt the going concern basis in preparing the accounts

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not yet been adopted by the European Union. The Directors do not expect that the adoption of these standards will have a material impact on the financial information of the Group in future periods.

The interim accounts for the six months ended 31 December 2019 were approved by the Board on 27 March 2020.

The directors do not propose an interim dividend.

3. Segmental Information

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

The Group's only geographical segment during the period was the UK.

4. Share Option charge

During the period to 31 December 2019, no share options were issued by the Company. During the year to 30 June 2019, the Company issued 19.15m share options to directors and employees with a weighted average exercise price of 7.29p and the weighted average fair value of 4.60p.

The Share Option Schemes are equity settled plans, and fair value is measured at the grant date of the option. Options issued under the Schemes vest over a two year or three year period provided the recipient remains an employee of the Group. Options may be also exercised within one year of an employee leaving the Group at the discretion of the Board.

5. Warrant charge

On 6 September 2019, 32.3 million share warrants with an exercise price of 7.48p per share were granted to shareholders of the Company as part of the Open Offer and Subscription.

On 27 September 2019, 4.9m share warrants with an exercise price of 5.78p were granted to Bergen Global Opportunity Fund, LP as part of the Convertible Securities transaction detailed further in note 11.

On 4 December 2019, 3m share warrants with an exercise price of 3.5p were granted to Younes Maamar under the terms of the Representation Agreement dated 6 March 2019.

All warrants granted vest immediately.

6. Finance Costs

A commencement fee of £140,000 settled by way of issuance of 3,888,889 new ordinary shares in the Company, was paid to Bergen Global Opportunity Fund, LP as part of the Convertible Securities transaction detailed further in note 10.

7. Loss Per Share

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

	6 months ended 31 December 2019 Unaudited	6 months ended 31 December 2018 Unaudited	Year ended 30 June 2019 Audited
Loss for the period from continuing operations (£'000s)	**(3,110)**	(1,669)	(2,983)
Weighted average number of shares:			
Basic	**961,058,037**	862,204,976	888,728,557
Diluted	**961,058,037**	862,204,976	888,728,557
Loss per share:			
Basic	**(0.32)p**	(0.19)p	(0.34)p
Diluted	**(0.32)p**	(0.19)p	(0.34)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 39.4 million share options and 45.2 million warrants 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.

8. Property, Plant and Equipment

	Leasehold improvements £'000	Computer equipment £'000	Software £'000	Office equipment £'000	Plant and machinery £'000	Total £'000
Cost						
Opening balance – 1 July 2019	181	91	43	16	1,390	1,721
Additions	-	-	-	-	20	20
Disposals	-	-	-	-	-	-
Closing balance – 31 December 2019	**181**	**91**	**43**	**16**	**1,410**	**1,741**
Depreciation						
Opening balance – 1 July 2019	(166)	(78)	(41)	(16)	(690)	(991)
Depreciation charge for the period	(11)	(7)	(2)	-	(74)	(94)
Disposals	-	-	-	-	-	-
Closing balance – 31 December 2019	**(177)**	**(85)**	**(43)**	**(16)**	**(764)**	**(1,085)**
Net book value at 31 December 2019	**4**	**6**	**-**	**-**	**646**	**656**
Cost						
Opening balance – 1 July 2018	166	91	43	16	1,428	1,744
Additions	-	-	-	-	5	5
Disposals	-	-	-	-	(47)	(47)
Closing balance – 31 December 2018	**166**	**91**	**43**	**16**	**1,386**	**1,702**
Depreciation						
Opening balance – 1 July 2018	(109)	(63)	(36)	(16)	(559)	(783)
Depreciation charge for the period	(42)	(8)	(3)	-	(77)	(130)
Disposals	-	-	-	-	22	22
Closing balance – 31 December 2018	**(151)**	**(71)**	**(39)**	**(16)**	**(614)**	**(891)**
Net book value at 31 December 2018	**15**	**20**	**4**	**-**	**772**	**811**
Cost						
Opening balance – 1 July 2018	166	91	43	16	1,428	1,744
Additions	15	-	-	-	9	24
Disposals	-	-	-	-	(47)	(47)
Closing balance – 30 June 2019	**181**	**91**	**43**	**16**	**1,390**	**1,721**
Depreciation						
Opening balance – 1 July 2018	(109)	(63)	(36)	(16)	(559)	(783)
Depreciation charge for the year	(57)	(15)	(5)	-	(153)	(230)
Disposals	-	-	-	-	22	22
Closing balance – 30 June 2019	(166)	(78)	(41)	(16)	(690)	(991)
Net book value at 30 June 2019	**15**	**13**	**2**	**-**	**700**	**730**

9. Intangible Assets

	QCC royalty payments Unaudited £'000	MSAR® trade name Unaudited £'000	Technology and know-how Unaudited £'000	Total Unaudited £'000
Cost				
Balance as at 1 July 2019 and 31 December 2019	**7,686**	**3,100**	**25,901**	**36,687**
Amortisation and Impairment				
Balance as at 1 July 2019 and 31 December 2019	**(7,686)**	**(176)**	**(25,901)**	**(33,763)**
Net book value at 31 December 2019	**-**	**2,924**	**-**	**2,924**
Cost				
Balance as at 1 July 2018 and 31 December 2018	7,686	3,100	25,901	36,687
Amortisation and Impairment				
Balance as at 1 July 2018 and 31 December 2018	(7,686)	(176)	(25,901)	(33,763)
Net book value at 31 December 2018	-	2,924	-	2,924
Cost				
Balance at 1 July 2018 and 30 June 2019	7,686	3,100	25,901	36,687
	-	-	-	-
Amortisation and Impairment				
Balance at 1 July 2018 and 30 June 2019	(7,686)	(176)	(25,901)	(33,763)
Net book value at 30 June 2018	-	2,924	-	2,924

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

The Group tests intangible assets annually for impairment, or more frequently if there are indications that they might be impaired. As at 30 June 2019, the QCC royalty payments asset was fully impaired and the MSAR® trade name asset had a net book value of £2.924m. For the six month period to 31 December 2019, there was no indication that the MSAR® trade name asset may be impaired.

As a result, the Directors concluded that no impairment is necessary for the six month period to 31 December 2019.

10. Investments

At the statement of financial position date, the Group held a 20.44% share in the ordinary issued capital of Quadrise Canada Corporation ("QCC"), a 3.75% share in the ordinary issued capital of Paxton Corporation , a 9.54% share in the ordinary issued capital of Optimal Resources Inc. and a 16.86% share in the ordinary issued capital of Porient Fuels Corporation, all of which are incorporated in Canada.

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 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 2019. The shares in each of these companies were valued at CAD $nil on 1 July 2019. Shareholder communications received during the period to 31 December 2019 indicate that the business models for each of these companies remain highly uncertain, with minimal possibility of any material value being recovered from their asset base. On that basis, the directors have determined that the investments should continue to remain valued at CAD $nil at 31 December 2019.

11. Convertible securities

On 22 August 2019, the Company entered into an agreement with Bergen Global Opportunity Fund LP ('the Investor') whereby the Investor will provide up to £4.0 million of interest free unsecured funding, provided in two tranches through the issue by the Company of Convertible Securities with a nominal value of up to £4.3 million, convertible into Ordinary Shares.

An initial tranche of Convertible Securities with a nominal value of £2.15 million was subscribed for by the Investor for £2.0 million on 30 August 2019. A second tranche of Convertible Securities, with a nominal value of up to £2.15 million is conditionally available to the Company with a subscription price of up to £2.0 million. Both tranches have 24 month maturity dates from the dates of their respective issuance, and any Convertible Securities not converted prior to such dates will automatically convert into Ordinary Shares at such time.

The Company also issued 4.9 million 36 month warrants to subscribe for new Ordinary Shares to the Investor by way of a Warrant Instrument initially exercisable at 5.78p per Ordinary Share, subject to anti-dilution and exercise price reduction provisions.

In connection with the Agreement, on 30 August 2019 the Company also issued to the Investor 3,888,889 new Ordinary Shares in settlement of a commencement fee of £140,000 and a further 4,500,000 new Ordinary Shares to collateralize the Agreement subscribed for at nominal value by the Investor.

The Convertible Securities are only converted to the extent that the Company has corporate authority to do so, and it is a term of the agreement that the Company must retain sufficient authority to issue and allot (on a non-pre-emptive basis) a sufficient number of Ordinary Shares potentially required to be issued under the terms of the Agreement (and the Warrant Instrument).

Pursuant to the terms of the Agreement, the Company is required to obtain and maintain sufficient non-pre-emptive share issuance authority from its shareholders in relation to the Ordinary Shares that may be required to be issued pursuant to the Agreement and Warrant Instrument.

The Agreement was completed and the Initial Tranche funded to the Company on the basis of the remaining current Authority from the 2018 annual general meeting, and also on the basis that an updated authority must be obtained at a General Meeting of shareholders. Such authority was obtained at a General Meeting held on September 27, 2019.

12. Open Offer and Subscription

On 9 September 2019 the Company announced a fully underwritten open offer to raise up to approximately £1.8 million through the issue of up to 46,555,039 Open Offer Shares at the Issue Price of 3.96 pence per Open Offer Share on the basis of 1 Open Offer Share for every 20 Existing Ordinary Shares held on the Record Date (the "Open Offer").

The Company announced that it had entered into conditional binding agreements with the Subscribers to raise additional gross proceeds of £716,800 through the issue of an aggregate 18,101,012 Subscription Shares at 3.96 pence per Subscription Share, with 9,050,506 Subscription Warrants attached. *inter alia*, on the Resolutions being passed at the General Meeting.

The Open Offer and Subscription were conditional upon Shareholder approval of the Resolutions at the General Meeting of 27 September 2019, which was duly granted.

13. Related Party Transactions

Non-executive Director Laurie Mutch is also a Director of Laurie Mutch & Associates Limited, which has provided consulting services to the Group. The total fees charged for the period amounted to £30k (2019: £nil) . The balance payable at the statement of financial position date was £nil (2019: £nil).

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

14. Seasonality

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

15. Commitments and Contingencies

The Group and the Company have entered into commercial leases for the rental of operational and office premises. The leases earliest expiry dates are 29th February 2020 and 28 September 2020, and there are no restrictions placed on the Group or Company by entering into these leases. The minimum future lease payments for the non-cancellable leases are as follows:

	31 December 2019	31 December 2018	30 June 2019
	£'000	£'000	£'000
Operational and Office premises:			
One year	**93**	28	136
Two to five years	**-**	-	30
After five years	**-**	-	-

On 1 March 2020, the lease for operational premises was renewed for a minimum period of 29 months. The minimum non-cancellable lease payments arising as a result of this lease renewal total £64k.

Additionally, the Group and Company have no capital commitments or contingent liabilities as at the statement of financial position date.

16. Events After the End of the Reporting Period

On 15th January 2020, the Company announced that Mark Whittle was appointed to the board as an executive director in his new capacity as Chief Operating Officer. Additionally, Jason Miles, formerly Chief Operating Officer, was promoted to Chief Executive Officer, with Mike Kirk remaining as the Company's Chairman.

On 30th January 2020, the Company announced that BDO LLP has been appointed as the Company's auditors, with shareholder approval to confirm the appointment being sought at the Company's 2020 Annual General Meeting.

On 24th March 2020, the Company announced that following receipt of a notice of exercise from the Investor (see note 11) in respect of the Convertible Security issued by the Company on 30 August 2019 to convert £100,000 of the Convertible Security into new ordinary shares in the Company at a conversion price of 1.2p per new ordinary share, the Company issued 8,333,333 new ordinary shares. An amount of £2,050,000 remains outstanding under the Convertible Security.

17. 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.