Quadrise
Fuels International plc

ANNUAL REPORT & ACCOUNTS

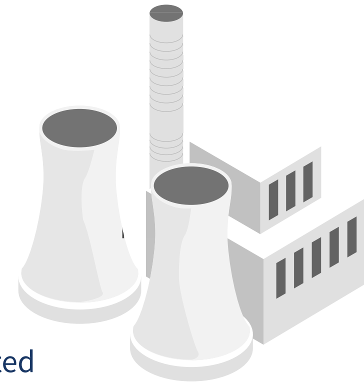
2020

QUADRISE IS THE INNOVATOR AND GLOBAL SUPPLIER OF A DISRUPTIVE REFINERY UPGRADING TECHNOLOGY THAT ENABLES THE PRODUCTION OF MSAR®*, A SYNTHETIC HEAVY FUEL OIL WHICH HAS SIGNIFICANT ECONOMIC AND ENVIRONMENTAL BENEFITS.

MSAR® IS THE REGISTERED TRADEMARK FOR MULTIPHASE SUPERFINE ATOMISED RESIDUE

CONTENTS

HIGHLIGHTS



Despite the impact of COVID-19, the Quadrise team has demonstrated sustained progress across a broad range of activities during 2020. This has resulted in two forthcoming MSAR® trials/tests in Morocco and the USA, together with a pipeline of opportunities to progress to commercial scale trials and supply contracts during 2021 across a range of sectors. Early stage work on Green MSAR® is showing significant promise, with reduced CO_2 and SOx emissions compared to HFO. With continued development, we believe that Green MSAR® will increase the speed and depth of MSAR® technology's commercial market penetration.

1

MSAR® trials in Morocco and the USA

Quadrise plan to complete the trial at client's site in Morocco in October 2020 and to finalise a Phase 2 FEED study thereafter. Plans are progressing for Quadrise to undertake an MSAR® trial at the Asphalt Ridge site (managed by Greenfield Energy LLC) in Utah, USA.

2

Development of Green MSAR

Green MSAR® incorporates biofuels or derivatives into MSAR®, leading to significant reductions in both CO_2 and SOx emissions when compared with HFO, as well as the reductions in NOx and particulates that MSAR® already offers consumers.

3

Funding to Mid Q2 2021

With a firm foundation from the funding secured in autumn 2019, a proactive approach to cost control has enabled Quadrise to extend its business activities through to mid-Q2 2021

Business Development - Project Opportunity Progression

MSAR®: RELIABLE EMULSION FUEL BLENDING TECHNOLOGY

MSAR® technology draws on over 30 years of experience in the production of oil-in water emulsion-based fuels. MSAR® fuel is a direct substitute for Heavy Fuel Oil ("HFO") and Quadrise's MSAR® technology has established a strong reputation with market leading companies.

The global HFO market currently exceeds 400 million tons per annum, with marine bunker fuel oil currently comprising approximately 50% of the total.

MSAR® technology is a potential game-changer for oil refiners. It frees up valuable distillates traditionally used for HFO manufacture and viscosity control, increasing profitability. This is achieved rapidly and without incurring significant expenditure – which differentiates MSAR® from alternative upgrading solutions.

In a refinery producing HFO...

...typically just **50-60%** of the crude processed is sold as premium-value transport fuels

20-40% Distillates

60-80% Residuals

HFO requires 20-40% premium fuels to make residue flow

MSAR® systems are scalable and modular.

The oil refinery recovers 10-20% transport fuels for minimal capex

In a refinery producing MSAR®...

...some **70%** of the crude processed is sold as premium-value transport fuels

30% Water (inc <1% additives)

70% Residuals

MSAR® uses c. 30% water instead of premium fuels to make residue flow

MSAR® Enhances Refinery Margins

Because premium distillate fuels are replaced with low-cost water and a small amount (<1%) of additives, a higher proportion of the valuable components of the oil barrel can be sold as higher-margin refined products.

MSAR® technology is modular and can be integrated into an oil refinery in under 12 months, with any tie-ins incorporated into scheduled maintenance shutdowns.

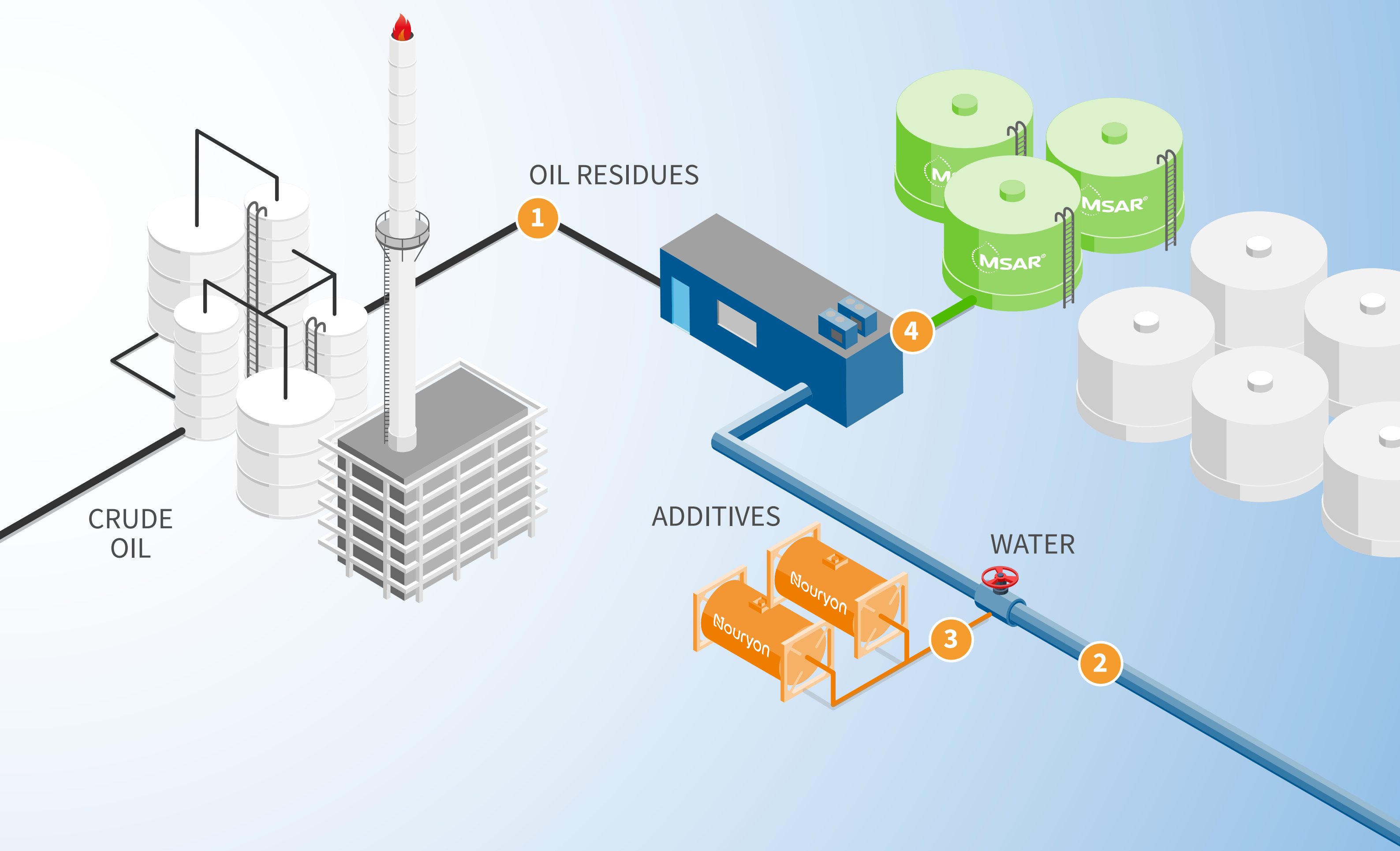
The MSAR® fuel produced is:

- Extremely stable, with storage and handling possible at ambient conditions.
- Compatible with MSAR® fuels from other refineries and a variety of hydrocarbons.
- Transported to end-users using existing HFO infrastructure.

MSAR®: HOW IT WORKS:

The MSAR® process is simple:

1. Oil residues are taken from within the refinery and cooled to under 200°C to achieve the required viscosity (typically <500 centistokes).
2. Water, which can be derived from several utility or waste-water sources, is added to the residue.
3. Special additives are included in the water phase to stabilise the emulsion for long-term storage and conventional transport, and to promote complete combustion.
4. The mixture is processed in a proprietary MSAR® module to a high hydrocarbon content (typically 70%) oil-in-water emulsion with enhanced fuel properties.



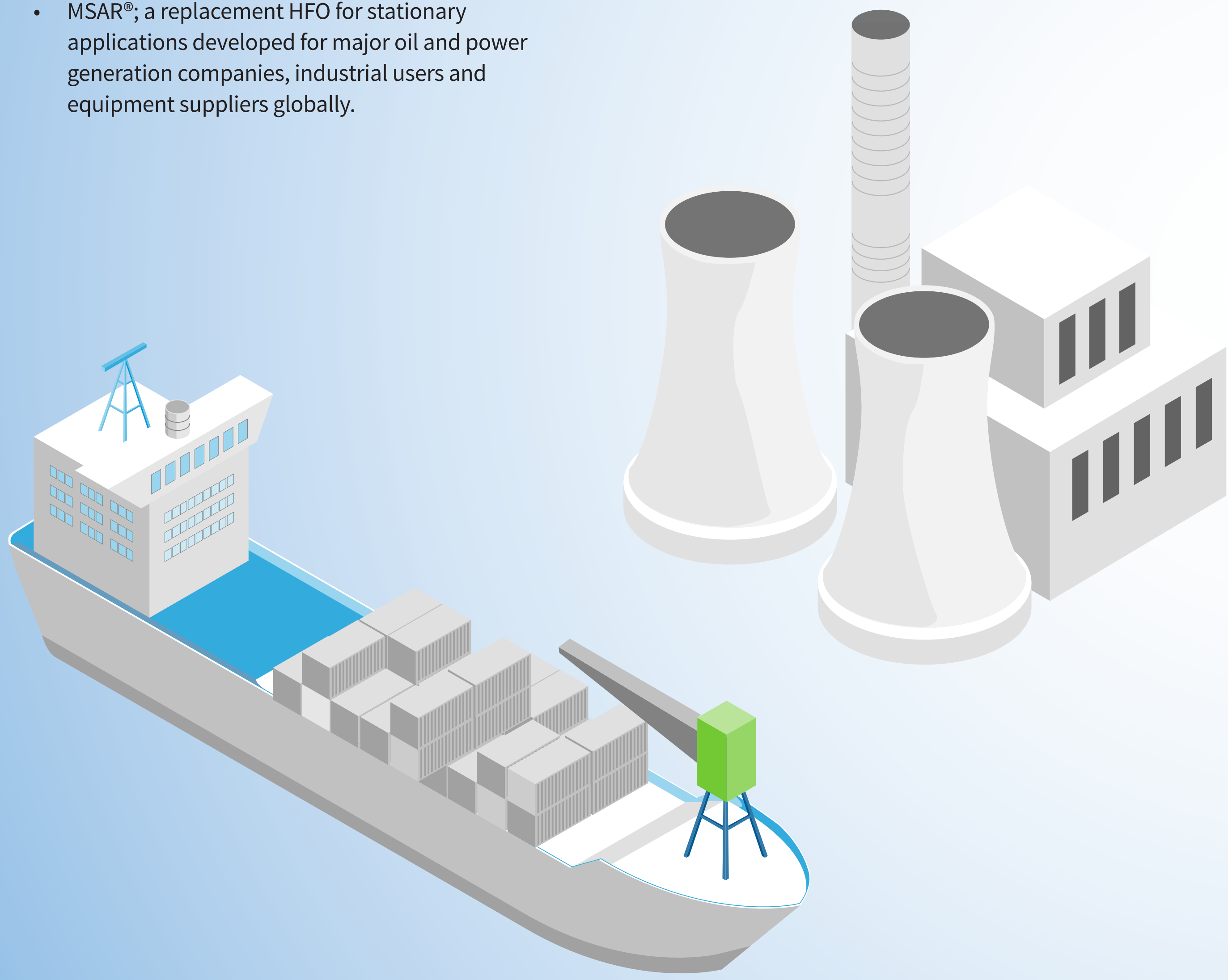
MSAR®: PROVEN FUEL OIL SUBSTITUTE

Quadrise's MSAR® technology is applicable to a wide variety of heavy oils and refinery residue streams and end-user applications. Whilst the process is specific to each refinery/residue stream, the low-cost MSAR® fuel is generally supplied as one of two products:

- Marine MSAR®; a replacement bunker fuel, developed with A.P. Møller-Maersk and major diesel engine companies. This requires much higher dynamic stability and much tighter limits on the water quality (de-mineralised).
- MSAR®; a replacement HFO for stationary applications developed for major oil and power generation companies, industrial users and equipment suppliers globally.

Compared with HFO, MSAR® fuel offers consumers typically 10–20% lower energy costs due to the distillate savings made at the refinery.

Furthermore our MSAR® technology and fuel offer several key environmental benefits over conventional heavy and residual oil solutions.



MSAR® AND THE ENVIRONMENT

REDUCING EMISSIONS WITH MSAR®

Quadrise is committed to providing safer, cleaner and more affordable energy.

Renewables will play an increasing role in meeting the world's energy needs. However, there will be a long transition period to renewable energy, during which fossil fuels will continue to be an important part of the energy mix.

MSAR® technology enables this transition in a manner which minimises the impact on the environment through significantly reducing emissions.

MSAR® fuel burns more like a gas, substantially reducing emissions of NOx and Particulate Matter (including Black Carbon/ Soot), creating value whilst minimising environmental impact.

Our exciting new Green MSAR® biofuel solution under development offers an opportunity to reduce CO_2 emissions to levels approaching LNG, without any undesirable "methane slip".

30% LOWER NOx

MSAR® fuel is extremely stable and can be distributed optimally in the combustion zone. Water in the fuel immediately evaporates, causing secondary atomisation and distribution. This water also reduces combustion temperatures (by over 100°C), typically reducing emissions of nitrogen oxides (NOx) by 30%.

LESS PARTICULATES AND BLACK SOOT

MSAR® will burn down to the fuel ash, with virtually no black soot remaining. This makes the production of particulate matter insensitive to combustion air levels and asphaltene levels in the fuel. Ash from conventional Fuel Oil contains high levels of unburnt carbon – giving the ash its black colour that can be seen in exhaust plumes as soot. Black soot is a major contributor to global warming.

REDUCING ENVIRONMENTAL IMPACTS

MSAR® fuel can be stored, transported and handled at much lower temperatures than fuel oil, reducing energy consumption during use.

Our fuel is fully compliant with Exhaust Gas Cleaning Systems ("EGCS", or "scrubbers") that substantially reduce the environmental impacts from combustion including SOx, NOx, PM/soot and ash.

In the unlikely event of a spill MSAR® poses fewer environmental risks than fuel oil as it is less toxic.

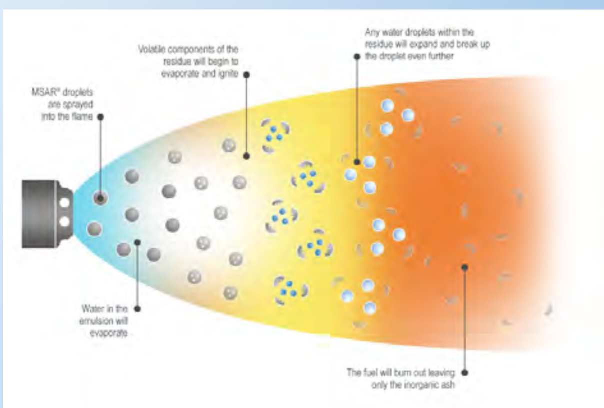
EFFICIENT COMBUSTION

The emulsification of hydrocarbons to produce an "oil-in-water" fuel is especially beneficial when burning heavier residual fuels with more challenging combustion characteristics such as higher asphaltenes.

The MSAR® process results in a 'pre-atomised' fuel with a particle size range of 5-10 microns (μm) typically, which is much smaller than is possible using conventional oil atomisation (over 100μm).

When a fuel is combusted, the burn occurs on the droplet surface.

The micro-sized MSAR® fuel droplets have a much higher surface area to volume ratio than conventional droplets, enabling enhanced fuel efficiency and environmental benefits.



CHAIRMAN'S STATEMENT

Overview of the 2020 Financial Year and significant post year-end events

Introduction

The 2020 financial year was a critical year for Quadrise, with sufficient funding raised in September 2019 to enable the business to progress and expand our portfolio of MSAR® project opportunities during the year and to continue activity through to mid Q2 calendar 2021.

Quadrise's well-established strategy to broaden and deepen the range of available project opportunities through our network of influential partners in major global markets proved to be very effective in 2020. This has enabled Quadrise, at negligible cash-cost, to use the skills, networks and resources of our partners to effectively and efficiently scale our in-house business development capabilities. Integral to this strategy is that we now have a range of opportunities at various stages of development; from early stage discussions and market assessments, to active on-site projects to evaluate MSAR® technology ahead of a decision to progress to commercial implementation. In addition, this network of in-country partners has played a pivotal role in enabling Quadrise to mitigate the impact of COVID-19 on our project and business development activities – which is outlined in more detail below.

Our 2019 funding programme commenced with the announcement of up to £4 million (gross) funding from Bergen Global Opportunities Fund ("Bergen"). The first £2 million tranche was drawn down in September 2019 and this underpinned our £1.84 million open offer which was fully underwritten by Peel Hunt and a £0.72 million subscription – raising additional funds of £2.56 million (gross). We were delighted with the response from our shareholders to the open offer, which saw a take-up of 75%. In addition, and whilst not currently available to the Company, the Bergen funding could provide an additional drawdown of up to a further £2 million, subject to certain conditions precedent having been met, including the granting by shareholders of the relevant authorities to allot shares at a General Meeting, though the Company is not reliant on this to continue its operations through to mid Q2 2021.

Our continued close working relationship with Nouryon was further enhanced by a new three-year Exclusive Purchase and Supply Agreement that we signed in October 2019. We have maintained regular contact with Nouryon throughout the period and have been delighted to welcome new senior members of their team to our regular quarterly updates. We have also initiated tri-partite discussions with Nouryon and another Carlyle Group entity to review MSAR® project opportunities.

MSAR® Market Background

The business development and project opportunities discussed below were undertaken during a period of significant change and volatility in the global liquid fuels markets. During the 2020 financial year, positive trends persisted for much of the first half of the period. However, from mid-February through to the end of April 2020 oil prices were severely impacted by the combination of the unfolding COVID-19 pandemic and the dispute between the KSA and Russia. Whilst prices started to recover from the end of April 2020, they remain at a discount of circa 30% overall to the average values seen in 2019. Fuel oil-gasoil spreads narrowed to $100-150/mt as fuel oil prices have remained uncharacteristically strong due to supply and demand. Whilst the recent short-term liquid fuels prices and volatility have negatively impacted MSAR® economics in some markets, in most regions they remain favourable and the longer-term trend is still very positive. MSAR®'s enhanced environmental performance will, we believe, be of increasing importance to both producers and consumers, alongside its substantial economic benefits. Despite the disruption caused by COVID-19, the use of high-sulphur fuels in combination with scrubbers will in our view be the de-facto lowest cost solution to meet the International Maritime Organization ("IMO") 2020 sulphur standard for the maritime sector, and national or World Bank regulations for utilities and industrial consumers. This provides a positive backdrop for Quadrise to work with refiners and fuel consumers to progress MSAR® projects, potentially combined with new Environmental, Social and Governance ("ESG") initiatives.

Project/Business Development Activities

Despite the unprecedented impact of COVID-19 on global economies, we made substantive progress in several areas as summarised below:

Industrial Applications

- **Morocco** – Following the announcement on 30 November 2019, of the signature of the agreement with the major chemicals group in Morocco, rapid progress was made with site visits in both December 2019 and January 2020. This enabled the Quadrise team to review the specific facilities for the intended trials of MSAR® fuel; enabling the design and fabrication of the equipment to be used at the pilot kiln. This work was completed in February 2020 and the pumping

QUADRISE FUELS INTERNATIONAL PLC ● ANNUAL REPORT AND ACCOUNTS 2020

and heating unit was commissioned and tested at QRF, alongside bespoke burner tips that were manufactured to a custom design by our in-house combustion experts. The final stage of the preparations in the UK was the production at QRF of over 1 tonne of MSAR® for the trial.

All the equipment and fuel required for the trial were shipped to Morocco in March 2020 and is safely stored on the client's site. Unfortunately, at this point our plans were severely impacted by COVID-19 and the site was closed to external visitors and to the client's own employees who were not essential for site operations from March 2020. Despite this setback, we were delighted with the responses to the challenges from the client and our Moroccan agent.

The first positive action taken by the Quadrise project team was to engage with the client to bring forward the second phase work that would have followed the successful completion of the trial on the pilot kiln facility. The client reaffirmed the importance of this project and were happy to agree to this. Whilst this work was undertaken at our risk, with payment being conditional on progressing to phase two, most of the work has been undertaken by our in-house project team.

Since that time, regular project and steering group meetings have taken place and we now plan to complete the trial in October 2020. This will, of course, be subject to the site remaining accessible for our team and safe procedures being provided by the client. Assuming the trial proceeds on this basis, the overall timetable will not have been extended significantly. Furthermore, the most recent discussions with the client have highlighted the potential to move straight to trials on their commercial kilns using around 20 tonnes of MSAR® fuel that can be produced at QRF, pumped into an ISO tank and shipped to the client site, together with the new pumping and heating unit and new bespoke burner tips. Other application trials on kilns, calciners and utility boilers are being discussed that could then follow.

Upstream Applications

- During Q1 2020 a Memorandum of Understanding ("MOU") was signed with Valkor Technologies ("Valkor"), to investigate the potential deployment of MSAR® technology in Utah, USA. These discussions continued during Q2 and we were delighted to announce on 18th August 2020, that we had signed a Commercial Trial Agreement ("CTA") with Greenfield Energy LLC ("Greenfield" – a joint-venture between Valkor and Tomco Energy plc), to undertake testing at the Petroteq Oil Sand Plant ("POSP") located at the Asphalt Ridge Facility in Utah, USA, which is operated and managed by Greenfield.

  The first phase of the CTA ("Phase 1"), for which Quadrise is being paid $150,000 includes:

  - Proof of Concept formulation and test work at the Quadrise Research Facility using oil samples supplied by Greenfield.
  - Loan of Quadrise MSAR® commercial production equipment, MSAR® test equipment and supply of MSAR® additives.
  - Supply of specialist services and personnel to assist Greenfield in completing the commercial scale demonstration trial to produce over 600 barrels (100mt) of power grade MSAR®.

  Phase 1 work is expected to be completed during 2H 2020, subject to preparatory work and commissioning of the Asphalt Ridge facility by Greenfield, ahead of Quadrise receiving and testing of Utah oil samples at QRF, and our personnel accessing the site in Utah to assemble the MSAR® plant and complete the trial before the end of the year.

  Pending a successful Phase 1, Quadrise will then work with Greenfield to develop plans for commercial MSAR® production facilities capable of treating 10,000 barrels of oil per day ("Phase 2") and to agree terms for the granting of a conditional MSAR® licence to Greenfield, once commercial terms have been agreed for Phase 2 and binding agreements entered into.
- The agreement with Merlin Energy Resources remains in place, however Quadrise is focused on the opportunities being explored in Utah through Greenfield – where progress has been rapid.
- Quadrise's discussions with stakeholders and government officials regarding an upstream heavy oil project in Africa, have not progressed due to the political situation in the country.

Power Applications, Refinery Refuelling, & Co-Development Opportunities

- **Kingdom of Saudi Arabia** – Quadrise management and our local partners Al Khafrah Holding Group ("AKHG") attended a meeting in Riyadh in March 2020 alongside representatives from the major power utility and a major boiler OEM to discuss resuming the planned 400MWe boiler trial using in-Kingdom MSAR® manufacture. Following this positive meeting, AKHG has maintained contact with the power utility and a further meeting was held via conference call, with follow-up over the summer. In parallel, we are jointly progressing contacts at the highest levels with other major stakeholders to promote MSAR®, with Quadrise supporting this through a significant enhancement to our profile in the region. In particular via the publication (in August 2020) and continued promotion of a White Paper (in both English and Arabic) outlining the significant economic and environmental advantages that MSAR® use and fuel production in-Kingdom would deliver to KSA and the Middle East. The Quadrise website has also recently been launched in Arabic for regional stakeholders.

- **South America (Freepoint Commodities)** – This is an excellent example of how Quadrise's longstanding business development experience can lead to project opportunities progressing very rapidly from a "standing start". QFI and Freepoint jointly met with senior management of the national oil company in Ecuador in early January 2020 to review 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. This is a refinery well known to Quadrise, as we had worked on a project there several years earlier, that would, however, have required very significant investment and working capital. Following the initial meeting, a three-person team from Quadrise visited the sites and the adjacent power utility in early March 2020. During the next two months there was extensive dialogue with the client's technical and economic teams, following which Quadrise remotely presented its extensive Techno-Economic Study to the client team. This was positively received and Quadrise and the client are reviewing the next steps, including proof of concept testing at QRF and trialling MSAR® use at the refinery, as a precursor to commercial implementation on success. In parallel we have initiated a programme to investigate upstream applications for MSAR® in the country, commencing with a recent presentation to the Society of Petroleum Engineers Ecuador.

- **Mexico (Redliner & Freepoint Commodities)** – MSAR® opportunities in Mexico are wide-ranging and include upstream, refinery refuelling, domestic power generation and fuel exports that also reduce imports. Our principal activities are with our agents Redliner, who have been progressing opportunities with the national oil company and have successfully engaged with stakeholders at very senior levels. Despite this, as a result of delays by the client in the essential sharing of information during COVID-19, we have not been able to undertake the techno-economic study for multiple refineries as planned. Whilst this is frustrating, it is not unusual in this market and we continue to work with Redliner to progress activities as there is a clear economic rationale. Most recently MSAR® briefings were submitted directly by Redliner to the Energy Secretary and key Directors (Upstream and Refining) of the national oil company.

  Further discussions with the major independent power project developer, who is supportive of MSAR® fuel's economic and environmental advantages for new build power projects in the region, are pending progress with the national oil company.

- **European Refiner** – As we outlined in late 2019, the client is comparing the economics of MSAR® with another refinery solution to enable IMO 2020 compliant fuel supply; though the complex refinery testing that was due to be carried out during Q2 and Q3 2020 has not been completed due to COVID-19 complications and associated impacts to refinery margins. We are awaiting clarification from the client as to when this evaluation work will be completed but expect this to be delayed to 2021 after which we will be informed of the decision to proceed with the MSAR® solution or otherwise.

- **Nouryon** – Following the positive initial discussions with Nouryon regarding business collaboration opportunities between Quadrise, Nouryon and related companies within the Carlyle Group, Quadrise has continued to review the medium and long-term opportunities to leverage the strongly aligned interests of all participants. We have progressed our regular updates very effectively with Nouryon using MS Teams.

- **Kuwait –** This project has been directly impacted by COVID-19, with no substantive progress having been made. We remain actively engaged with our local agents Hawazin and they will be assisting Quadrise in progressing this during 2020, aligned with our Middle East White Paper and associated activities in the region.

Marine Applications

- The implementation of IMO 2020 compliance was the main focus for shipping companies and operators during most of the period, though from early March, COVID-19 had a material adverse operational impact. The sector, has however, benefitted from significant reductions in fuel costs (which in the container segment represent around 70% of operating costs), regardless of the operators' positions on compliance options. There remains a general consensus that scrubbers alongside the use of high-sulphur fuels is the lowest cost solution for operators; though scrubber installation activity was reduced from Q2 onwards, as a result of the impact of COVID-19 on shipyard/drydock availability. We have continued to progress opportunities with two major shipping companies, each with large fleets and leading positions in scrubber implementation in their segments of the shipping industry. These discussions have continued with their technical, operational and senior management teams to progress MSAR® Letter Of No Objection ("LONO") testing and we are working towards the implementation of agreements with the respective companies during 2020.

- We have continued to evaluate the opportunity to establish or link with a physical bunker fuel supplier, to provide a supply network for high sulphur fuels in parallel with MSAR® for the LONO testing opportunities we are seeking to progress. These have not progressed as rapidly as we initially hoped, as the bunker market has been adversely impacted by COVID-19. However, this is a market opportunity that we will continue to review, albeit it is not considered a high priority at this time. As noted previously, any decision to enter this market would be alongside trusted counterparties who can manage the commodity price risk, provide the working capital requirements and counterparty credit facilities and manage the logistics of a physical bunkering operation.

Other

After the reporting period Quadrise signed an agency agreement in August 2020 with Energy & Petroleum Consultants ("E&PC") for specific territories in Central and South America that consume fuel oil. The principals of E&PC are seasoned energy and emulsion fuel project specialists that previously worked with Jason Miles in the PDVSA Bitor Orimulsion® fuel business.

There are no material updates to report on opportunities with the European Oil Major, Bitumina, API Poly-GCL or Maersk Line.

New Environmental, Social and Governance Initiatives

Quadrise has always had strong environmental credentials, though we recognised in 2019/20 that we had not highlighted this as clearly as the economic case. As a result, we have focused significant effort into setting out the environmental benefits, as well as our social and governance credentials much more clearly. We are fully aware that renewables will play an increasing role in meeting the world's energy needs. However, there will be a long transition period, during which fossil fuels will continue to play an important role – and our MSAR® technology enables this to be done in a manner which minimises the impact on the environment through significantly reducing emissions compared with the "standard" solutions currently being used. To highlight this, we have materially increased our focus on this aspect in marketing and investor relations materials and, more recently, created a distinct Environmental, Social and Governance ("ESG") section on our website.

Alongside highlighting the broader benefits of our MSAR® technology, we have launched a body of work that upon success will fundamentally increase its intrinsic ESG credentials. Examples include:

- **Green MSAR®** – Our Research, Development and Innovation ("RDI") team have been investigating opportunities to reduce emissions of SOx and CO_2 from MSAR® by enabling sustainable fuel sources to be incorporated into MSAR® to further enhance its environmental benefits. Whilst this work is at an early stage, positive progress has been made on formulations which incorporate sustainable fuels into MSAR® increasing its economic value as a fuel and materially reducing SOx and CO_2 emissions. We look forward to providing shareholders with more information on this initiative in due course.
- **Gas Scrubbers** – An agency agreement was signed in July 2020 with Pacific Green Technologies, Inc ("PGT") Group, a company that is becoming a world leader at providing sustainable cleantech solutions for climate change, green energy and emissions control. Their gas scrubbers have applications in the marine, power and industrial sectors that we are developing and, as agent, Quadrise will receive an agency fee based on sales of PGT technology linked to MSAR® projects. The use of MSAR® alongside these solutions enables customers to fund these environmental improvements, whilst ensuring that the local communities are able to benefit from the significant reduction in emissions.
- **Metals Recovery** – Quadrise is collaborating with a UK technology and engineering company that specialise in process plant development, project risk analysis, and engineering and design. They design and license technology for the extraction and recovery of metals (particularly vanadium and nickel – with the former having increasing use in the production of batteries that are essential for large-scale adoption of renewable energy solutions) from ashes, minerals, refinery

residues, spent catalyst and industrial by-products. There is a strong synergy with MSAR® fuel ash, as the almost complete burnout of carbon concentrates the metals in the ash which makes the metals recovery significantly cheaper.

- **JGC** – We are in discussions with JGC regarding a new joint initiative for MSAR® to reduce Japanese refinery emissions of CO_2 using combined heat and power diesel technology to replace residue-fired boilers.

Delivery of Key Business Objectives

Our broad spread of activities has really come to the fore in 2020, with material progress achieved across several core markets. As a result, we believe that we have continued to deliver on one of our key objectives; to rebuild shareholder confidence and demonstrate that their long-term support continues to be justified.

With the substantial funding put in place during autumn 2019, we secured our ability to pursue our business development activities through to mid-Q2 calendar 2021. Since then we have made significant progress in several markets, which brings the Company closer to being able to advance towards commercial revenues and profitability.

Changes to the Board during the year.

On 1 February 2020 the Company announced the promotion of Jason Miles to Chief Executive Officer (from Chief Operating Officer) and Mark Whittle's promotion to Chief Operating Officer from his previous role as Head of Projects. Jason and Mark have been key to the Company's business and project development initiatives and I look forward to working alongside them in their new roles as the Company progresses into its next stage.

Two non-executive directors stepped down during the year, with Hemant Thanawala resigning effective 31 December 2019 to pursue other business interests and Bryan Sanderson leaving on 14 July 2020 to assist the Company with its cost reduction initiatives. We thank Hemant and Bryan for their service and wish them well in their future endeavours.

Response to the COVID-19 Pandemic and Cost Reduction Actions

COVID-19 Mitigations

As we reported at the time of our interim results, we put in place pragmatic and measured initiatives to protect our staff, their families and the business. These ensured that we could continue to operate QRF throughout the year, with no direct impact on planned testing and operational support activities. Initially QRF was closed to all external access, including staff from our London office but with appropriate COVID-19 procedures and social distancing measures in place activities have returned to normal.

Our London office remained closed until August 2020, though most staff continue to work effectively from home. This has had limited impact on our activities, with very effective use being made of in-country agents/representatives, together with web-based conferencing communications. A recent example being QFI's use of remote conferencing to deliver a presentation on MSAR® to the Society of Petroleum Engineers Ecuador.

As noted above whilst it was not possible, from mid-March 2020, to access the customer site in Morocco, we have been able to progress our activities with minimal impact to the overall timetable for the planned pilot facility trial. We are now preparing to be able to resume face to face meetings and site visits during 2020, provided it can be done in a way which is safe for our staff, and we are appreciative of the client's commitment and flexibility in this regard.

The planned trial in Utah later this year will also be reliant on Quadrise staff being able to access the site and we are putting appropriate plans in place, though these will be subject to being able to comply with any restrictions on UK residents being able to travel to the US.

Despite the global disruption caused by COVID-19, Quadrise has continued to progress business development activities on multiple fronts, and the levels of engagement with partners, prospective clients and project stakeholders have generally increased. We believe that this is a result of the economic and environmental advantages that MSAR® offers being more widely known in the market and that these advantages are even more crucial now.

Cost Reduction Actions

We continue to operate with a small but well-formed team at Quadrise and being very mindful that all our activities are currently funded directly from cash reserves, we have always had a keen eye on costs, and acted very early, ahead of the general lockdown to have a further close review of our cost base. As a result, we took the decision to exercise the break clause in the lease at our current London Office, allowing the Company to locate to lower cost and more flexible premises at the end of Q1 2021. Given the timing of cost reductions, administrative expense savings are expected to be more fully reflected during the current financial year.

We have utilised the furlough scheme for a small number of our London and QRF based staff as appropriate and we continue to review staffing levels and overall costs to maximise the use of remaining cash reserves.

Following a thorough review of the Company's cost base, which included the reduction of lease commitments and non-exec director's fees discussed above, alongside the significant reduction in our travel-related expenses from mid-March 2020 onwards Quadrise was able to extend its period of operation on the current cash reserves from 31 December 2020 (as announced at the time of completing the fundraising in October 2019) to mid-Q2 calendar 2021

RDI and Operations Activities

Research, development and innovation ("RDI") activities remain a core function and underpin our technology-led offering, with QRF our hub for these activities. During the first half of the period, work was focused on the fabrication and commissioning of a new lab mill that is suitable for both development and testing work on heavier residues that require higher working temperatures and pressures for MSAR® manufacture. During Q1 calendar 2020, preparation for the trial in Morocco was the main activity and included the design, fabrication and commissioning of the pumping and heating unit, testing of a bespoke in-house designed burner tip and production of the fuel for the trial. All of which was completed on time, enabling the equipment and fuel to be available on site as planned, before the COVID-19 lockdown prevented trial commencement.

The ability to utilise QRF to produce relatively small volumes of MSAR® fuel (up to 20 tonnes) has proved to be instrumental in our work to progress the trials in Morocco (without needing to involve a third-party refiner for fuel production). This will continue to be of critical importance as part of our plan to mobilise on site during 2020 and to seek to mitigate the impact of the delay to the start of the on-site work on the overall project programme.

Testing of the oil samples from Greenfield will be a priority, ahead of planned on-site trial activities in Utah towards the end of 2020. Operational support activities for this project during the remainder of calendar 2020 will be focused, initially, on ensuring that all equipment is adequately prepared for the challenges of working in the very cold winter conditions in Utah.

As described above, during 2020 and to date, the RDI team have completed initial testing and scoping for a new programme of work at QRF to further improve the environmental performance and credentials of MSAR® using sustainable fuel sources. Positive progress has been made in this regard and work will continue for the remainder of the year and potentially into 2021. Some of the opportunities being investigated offer novel patent opportunities to enhance Quadrise's Intellectual Property portfolio.

PR/IR Activities

During the year the Company maintained its commitment to communicating effectively with its stakeholders.

In addition to enhanced shareholder engagement across a number of platforms, the Company's targeted approach to commercial engagement saw the preparation, publication and active promotion of the White Paper on the MSAR® opportunity in the Middle East; including the new section on the website in both English and Modern Standard Arabic ("MSA") – this work will be expanded during calendar 2020 to provide a "lite" version of our website in MSA – reinforcing our longstanding presence and commitment to the region, as well as similar content in Spanish.

Results for the Year

The consolidated after-tax loss for the year to 30 June 2020 was £4.8m (2019: £3.0m).

Production and development costs of £1.4m (2019: £1.5m) comprise the costs of the Group's operational staff and consultants, QRF running costs, equipment and consumables and depreciation expense amongst others. These costs have decreased slightly as the 2019 charges include residual costs of decommissioning the Group's MSAR® manufacturing unit and associated equipment at the Cepsa refinery.

Administration expenses of £1.8m (2019: £1.5m), comprise the Group's corporate staff and directors' costs, professional advisor fees, PR/IR costs and head office costs. The increase of £0.3m has arisen due to increased professional fees incurred as a result of the fundraising activities during the year and an increase in executive directors' bonus payments as none were awarded in the prior year.

Fair value adjustment charges to the Convertible Securities of £1.13m (2019: nil) have arisen during the year (see note 17). Non-cash share option charges of £0.5m (2019: £0.2m) have increased due to the award of share options to staff and directors in the prior year which are expensed over the vesting period (see note 18). The increase in finance costs to £146k (2019: £6k) is due to a £140k finance fee arising as part of the Convertible Securities instrument (see note 17), which was settled by issuance of shares.

Basic and diluted loss per share was 0.49p (2019: 0.34p).

Statement of Financial Position

At 30 June 2020, the Group had total assets of £6.3m (2019: £5.1m). The most significant balances were intangible assets of £2.9m (2019: £2.9m), property, plant and equipment of £0.6m (2019: £0.7m), and cash of £2.4m (2019: £1.1m). Further information on intangible assets is provided in note 11 below.

Cash Flow

The Group ended the year with £2.4m of cash and cash equivalents (2019: £1.1m). In September 2019, the Group raised £2.0m through the issuance of the Convertible Security to Bergen and gross proceeds of £2.56m via the fully underwritten open offer and accompanying subscription. £3.1m was utilised in operating activities during the year (2019: £2.7m).

Capital Structure

The Company had 922,711,895 ordinary shares of 1p each in issue at 30 June 2019. On 22 August 2019, 3,888,889 new ordinary shares were issued at 3.6p per share and a further 4,500,000 new ordinary shares were issued at par as part of the Convertible Security transaction announced on 23 August 2019 (see note 17). A further 64,656,051 new ordinary shares were issued at 3.96p per share on 1 October 2019 as a result of the Open Offer and Subscription announced on 9 September 2019. Upon exercise of conversion rights over the Convertible Security, new ordinary shares were issued to Bergen as follows:

Date	Number of shares	Conversion price (£)
24 March 2020	8,333,333	0.012
16 April 2020	8,333,333	0.012
23 June 2020	22,727,273	0.011
20 August 2020	18,750,000	0.016
7 September 2020	23,529,412	0.017

The Company's current issued share capital stands at 1,077,430,186 ordinary shares of 1p each, all with voting rights. Further details on these transactions are provided in note 20 to the Financial Statements.

Taxation

The Group has tax losses arising in the UK of approximately £53.7m (2019: £51.0m) that are available, under current legislation, to be carried forward against future profits. £26.6m (2019: £23.5m) of the tax losses carried forward represent trading losses within Quadrise Fuels International plc, £25.8m (2019: £25.8m) represent non-trade deficits arising on intangible assets within Quadrise International Limited, £0.6m (2019: £0.9m) represent pre-trading losses incurred by subsidiaries, £0.8m (2019: £0.8m) represent management expenses incurred by Quadrise International Limited, and £0.1m (2019: £0.1m) represent capital losses within Quadrise Fuels International plc.

Outlook – Current trading and prospects.

The Quadrise team has been able to build on the platform created in 2019 and has created significant momentum, despite the COVID-19 pandemic.

The final quarter of 2020 will be a very busy period, as we are poised to complete two critical trials/tests; first in Morocco and then in Utah, USA. Whilst these timings could be subject to revision in the light of further controls relating to the COVID-19 pandemic in the UK, Morocco or the US, and in the case of the test in the US, confirming the required MSAR® formulation from the Asphalt Ridge oil samples to be supplied during the planned November 2020 start-up. We remain confident in our ability to complete these critical projects in 2020.

Alongside these activities, in the industrial and upstream markets we have undertaken significant work to underpin the substantial opportunities in KSA and the wider Middle East region, with the publication of the Middle East White Paper and having key segments of our website now available in Arabic.

In Central and South America, we are continuing to progress the opportunities in Ecuador and Mexico and have added further to our roster of agents in this important region, to complement the activities of Freepoint and Redliner.

In the marine market, we are seeking to conclude LONO trial agreements with major shippers in the container/bulker markets. The physical bunker market has been significantly impacted by the COVID-19 pandemic and we will not be progressing this opportunity in 2020.

Our ability to respond rapidly to the opportunity with Greenfield/Valkor is, we believe, a clear demonstration of how our proven project management and RDI expertise enables us to engage with leading companies and reduces the delivery risk to our project activities.

The significant commitment to PR/IR activities during 2020 will continue through the rest of the year and into 2021, with a White Paper focused on the Latin American market and a Spanish version of the main portions of our website being planned for Q4 2020. We will also continue to use a broad spread of routes to engage with shareholders, including interviews with Proactive Investors, presentations at retail investor forums and events, and the use of Investor Meet Company to provide regular updates and Q&A sessions for our substantial and loyal retail shareholder base.

Whilst global commerce remains significantly impacted by COVID-19, we remain confident that we can meet the challenging timetables we have put in place for the trials in Morocco and Utah, USA, though there may be challenges along the way. Successful delivery of these critical trials/tests will fundamentally de-risk Quadrise's business across all end-user and geographic markets and provide, we believe, a clear path to commercial revenues.

QFI has a small, but very capable team and our continued progress is only possible through the significant contribution of everyone working within the business and I would like to thank them all for their continued dedication and professionalism. Finally, I would like to thank, once again, our shareholders for their support which as always will remain, fundamental to the long-term success of Quadrise.

Mike Kirk
Chairman
2 October 2020

STRATEGIC REPORT

For the year ended 30 June 2020

Principal Activity

The principal activity of the Company is to develop markets for its proprietary emulsion fuel (“MSAR®”) as a low-cost substitute for conventional heavy fuel oil (“HFO”) for use in power generation plants, industrial applications and marine diesel engines.

Business Review and Future Developments

A full review of the Group’s activities during the year, recent events and future developments is contained in the Chairman’s Statement.

Key Performance Indicators

The Group’s key performance indicators are:

- Development and commercial performance against the Group’s business model and project timetables established with partners and clients, and
- Financial performance and position against the approved budgets and cashflow forecasts.

The Board regularly reviews the Group’s business model, with a business development review being held fortnightly between the Executive Directors and two of the Group’s Non-Executive Directors. The commercial performance of the Company and discussion of each of the Company’s key projects and business development opportunities is discussed at length in the Chairman’s Statement.

Each year, a detailed two-year budget and cash forecast is prepared by the Executive Directors and the Head of Finance, and following an extensive review process, is then approved by the Board. Performance against budget and updated cash projections are included within the monthly management accounts which are issued to and reviewed by the board. Further information regarding performance against budget and the cost savings measures introduced during the year, which have extended the Group’s projected period of operation from 31 December 2019 to mid Q2 calendar 2021, is included in the Chairman’s Statement.

Going Concern

The Group had a cash balance of £2.4m as at 30 June 2020. The Directors acknowledge that this cash balance is only sufficient to cover the Group’s operating requirements up to mid Q2 calendar 2021. These conditions indicate the existence of material uncertainty regarding the Group’s and Company’s ability to continue as a going concern.

The Directors have determined that the continuation of the Group as a going concern is dependent upon successfully raising sufficient funds in the short term, and that they have a reasonable expectation that such funds will be raised, although no binding funding agreements are in place at the date of this report. The Directors therefore have determined that it is appropriate to prepare the financial statements on a going concern basis. For further details behind the judgments and estimations used by the Directors in reaching this determination, refer to note 3.

Principal Business Risks

Each year in the second quarter, the Audit Committee assists the Executive Team in a structured zero-based re-assessment of the Company’s emerging and principal risks. This is conducted for each operational sector and organisational level including the Company’s research and development facility, QRF, and then aggregated for the Company as a whole. The risk level is determined by its probability, impact on the Company, and whether the risk has increased or decreased over the last 12 months. A summary of “Principal Risks and Uncertainties” is reviewed at a board meeting. Subsequently a Risk Mitigation Strategy and Action Plan is incorporated into the annual Business Planning exercise conducted in June.

The principal risks identified during this exercise, ranked in order of the likelihood of occurrence, are set out below. These may not include all of the risk factors that could affect future results. Actual results could differ materially from those anticipated as a consequence of these and various other factors, and those set forth in the Group’s other periodic and current reports filed with the authorities from time to time.

Delay in commercialisation of MSAR® and funding risks due to COVID-19

There is a risk that the commercialisation of MSAR® could be delayed further due to the global COVID-19 pandemic, or unforeseen technical and/or commercial challenges. This could mean that the Group may need to raise further equity funds to remain operational. Depending on market conditions and investor sentiments, there is a risk that the Group may be unable to raise the required funds when necessary. The Group mitigates this risk by maintaining strong control over its pre-revenue expenditure, keeping up the momentum on its key projects and maintaining regular contact with the financial markets and investor community. Further discussion of the impact of COVID-19 on the Group and the Group’s mitigating action is included in the Chairman’s Statement.

Market risk

The marketability of MSAR® fuels is affected by numerous factors beyond the control of the Group. These include variability of price spreads between light and heavy oils, the relative competitiveness of oil, gas and coal prices both for prompt and future delivery, and the future use of hydrocarbons for energy, utilities, transportation, petrochemicals and industrial applications. The Group mitigates this risk by continuing to promote the environmental contribution of MSAR and explaining the assured contribution of hydrocarbons to the global energy mix. The Company further mitigates this risk by increasing the potential applicability of MSAR® technology to various sectors, as evidenced by applications in the upstream and industrial sections announced during the year and discussed in the Chairman's Statement.

Feedstock sourcing

There is a risk in respect of appropriately located and ongoing price competitive availability of heavy oil residue feedstock as oil refiners seek to extract more transportation fuels from each barrel of crude using residue conversion processes. The Group mitigates this risk where possible by utilising its deep understanding of the global refining industry, targeting qualifying suppliers matched to prospective major consumers. A commercial contract would motivate candidate feedstock suppliers to expedite feedstock supply.

Commercial risks

There is a risk the Group will not achieve a commercial return due to major unanticipated change in a key variable or, more likely, the aggregate impact of changes to several variables which results in sustained depressed margins.

The competitive position could be affected by changes to the fuel oil-gasoil spreads, government regulations concerning taxation, duties, specifications, importation and exportation of hydrocarbon fuels and environmental aspects. Freight costs contribute substantially to the final cost of supplied products and a major change in the cost of bulk liquid freight markets could have an adverse effect on the economics of the fuels business. The Group would mitigate this risk through establishing appropriate flexibilities in the contractual framework, offtake arrangements and price risk management through hedging.

Technological risk

There is a risk that the technology used for the production of MSAR® fuel may not be adequately robust for all applications in respect of the character and nature of the feedstock and the particular parameters of transportation and storage pertaining to a specific project. This risk may jeopardise the early commercialisation of the technology and subsequent implementation of projects; or give rise to significant liabilities arising from defective fuel during plant operations. The Group mitigates this risk by ensuring that its highly experienced key personnel are closely involved with all areas of MSAR® formulation and manufacture, and that the MSAR® fuel is thoroughly tested before being put into operational use.

Competition risks

There is a risk that new competition could emerge with similar technologies sufficiently differentiated to challenge the MSAR® process, although at the date of this report no evidence of significant competition has been noted. Were such competition to emerge, this could result, over time, in further price competition and pressure on margins beyond that assumed in the Group's business planning. This risk is mitigated by the limited global pool of expertise in the emulsion fuel market combined with an enhanced R&D programme aimed at optimising cost and performance and protection of intellectual property. The Group also makes best use of scarce expertise by developing close relationships with strategic counterparties such as Nouryon while ensuring that key employees are suitably incentivised.

Other Business Risks

Dependence on key personnel

The Group's business is dependent on obtaining and retaining the services of key personnel of the appropriate calibre as the business develops. The success of the Group will continue to be dependent on the expertise and experience of the Directors and the management team, and the loss of personnel could still have an adverse effect on the Group. The Group mitigates this risk by ensuring that key personnel are suitably incentivised and contractually bound.

Environmental risks

The Group's operations are subject to environmental risks inherent in the oil processing and distribution industry. The Group is subject to environmental laws and regulations in connection with all of its operations. Although the Group ensures compliance with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other circumstances that could expose the Group to potential liability.

Further, the Group may require approval from the relevant authorities before it can undertake activities which are likely to impact the environment. Failure to obtain such approvals may prevent or delay the Group from undertaking its desired activities. The Group is unable to predict definitively the effect of additional environmental laws and regulations, which may be adopted in the future, including whether any such laws or regulations would materially increase the Group's cost of doing business, or affect its operations in any area of its business. The Group mitigates this risk by ensuring compliance with environmental legislation in the jurisdictions in which it operates, and closely monitoring any pending regulation or legislation to ensure compliance.

No profit to date

The Group has incurred aggregate losses since its inception and it is therefore not possible to evaluate its prospects based on past performance. There can be no certainty that the Group will achieve or sustain profitability or achieve or sustain positive cash flow from its activities.

Corporate and regulatory formalities

The conduct of petroleum processing and distribution requires compliance by the Group with numerous procedures and formalities in many different national jurisdictions. It may not in all cases be possible to comply with or obtain waivers of all such formalities. Additionally, functioning as a publicly listed company requires compliance with the stock market regulations. The Group mitigates this risk through commitment to a high standard of corporate governance and 'fit for purpose' procedures, and by maintaining and applying effective policies.

Economic, political, judicial, administrative, taxation or other regulatory factors

The Group may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, in the areas in which the Group operates and conducts its principal activities.

Mike Kirk
Chairman
2 October 2020

DIRECTORS' SECTION 172 STATEMENT

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006.

The Board of Directors acknowledge that they have a statutory duty under s172 (1) (a-f) of the Act to promote the success of the Company for the benefit of the members as a whole considering broader stakeholder interests, and notably having regard to:

(a) the likely consequence of any decision in the long term: see the 'Outlook – Current trading and prospects' section of the Chairman's statement on page 12, and principal business risks on page 14.

(b) the interests of employees: The Group's employees are fundamental to the delivery of its strategy. The Board has prioritised fair remuneration arrangements for employees and undertakes regular communication updates in an open environment. Decisions to maximise the resilience of the business, preserve cash and minimise risk are taken after prioritising the continued employment of those employee roles that are instrumental to the success of the business. The response of the Group to the COVID-19 pandemic with regard to employee safety is discussed further in the 'COVID-19 Mitigations' section of the Chairman's statement on page 10.

(c) the need to foster business relationships with advisors, partners, suppliers, potential MSAR® consumers and MSAR® producers and others: As a small team of only nine employees, it is essential to the Group that close relationships are fostered. The Group has healthy longstanding relationships with its key counterparties, based on open and supportive channels of communication and ensuring that payment of invoices to suppliers is made on a timely basis.

(d) the impact of operations on the community and the environment: Use of MSAR® fuel contributes to the solution of key environmental problems, reducing Black Soot emissions and producing less NOx and SOx emissions compared to HFO. The energy requirements for handling and transporting MSAR® are lower than fuel oil, and pre-atomisation means that MSAR® fuel can be burned at lower temperatures than fuel oil, further reducing energy consumption during use. The board believe that MSAR® use provides a safer, cleaner and more affordable energy that bridges the gap to a sustainable future, and that the many environmental benefits of MSAR® technology (as discussed on the company's website https://www.quadrisefuels.com/esg/environmental/) have considerable potential to contribute to wider society.

(e) the desirability of the company maintaining a reputation for high standards of business conduct: The highest standards of corporate governance have always been a strength for Quadrise, and the Board believes that this places Quadrise not only in the very top tier of AIM companies but amongst the best on the FTSE as well. We have always adopted the highest disclosure standards of the UK Corporate Governance Code; our board of directors contains experienced, independent non-exec directors and we follow stringent board policies and procedures. We work to exceptional HSEQ standards, with strong management procedures in place, and we are supported by a first-class team of professional advisors.

(f) the need to act fairly as between members of the Company. The Board endeavours to keep shareholders fully informed (within the usual disclosure constraints) on the Company's strategic development plans, and welcomes the views of shareholders, as evidenced during 2019-20 by the open question and answer sessions following the General Meeting on 27 September 2019 and the AGM of 29 November 2019. This has been further demonstrated by the investor conference calls, media interviews, presentations, and regular updates to the Company's website that have occurred throughout the year.

The Strategic Report was approved by the Board of Directors on 2 October 2020 and was signed on its behalf by:

Mike Kirk
Chairman
2 October 2020

DIRECTORS

Mike Kirk
Chairman

Mike served as a corporate finance partner at Cazenove providing advisory services to several clients in the utilities, oil and gas and oilfield service sectors. Whilst at Cazenove, Mike led the flotation of Wood Group, Expro International and KBC Advanced Technologies (where he also served as a non-executive director for 9 years). Since leaving the City, Mike has held a portfolio of non executive directorships for a variety of companies and is currently Chairman of Portsmouth Water and Chair of VIVID Housing (a housing association with c30,000 properties). Prior to working in the City, Mike worked in the chemical and nuclear industries and has a BSc in Chemical Engineering from Leeds University, an MSc in Nuclear Fuels Technology from Imperial College and a Finance MBA from Cass Business School. Mike is a member of the Nominations committee. Mike has extensive experience in the energy and oilfield/engineering services and utilities sectors, as a senior corporate finance advisor and non-executive director and works closely with Jason and the senior management to support business development and commercialisation plans.

Jason Miles
Chief Executive Officer

Jason spent over twelve years of his career prior to Quadrise developing emulsified fuel projects; initially as a process engineer for BP and subsequently for PDVSA, as Business Development Manager where he implemented numerous Orimulsion® projects globally. Jason has an honours degree in chemical engineering from Loughborough University and an Executive MBA from the Cass Business School in London and is a chartered Chemical Engineer. Jason has extensive emulsion fuel and oil market knowledge and is responsible for managing MSAR® business development, project delivery and commercialisation of the refining, power, marine and industrial sectors.

Mark Whittle
Chief Operating Officer

Mark is a chemical engineer with over 25 years' experience in energy, covering both the downstream oil and renewables sectors. He started his career as an Engineer with Esso at their Fawley refinery before working for Criterion Catalysts & Technologies (Shell), Louis Dreyfuss and ConocoPhilips on a worldwide basis. His experience is both technical and commercial, and includes refining, technology transfer, asset optimisation, refinery economics & strategic planning, project development and trading. Mark has an honours degree in chemical engineering with minerals from the University of Birmingham.

Laurie Mutch
Non-Executive Director

Laurie is a management consultant to multi-national organisations. He had 25 years' experience in the energy industry with the Royal Dutch/Shell Group where he sat on the Board of Shell International Gas & Power, as Executive Director for business development in the Eastern Hemisphere. From 1994 to 1996, he was the Finance Director in Shell International Gas, and a senior adviser to the International Energy Agency. Prior roles include senior management positions in Shell's Coal and Chemical Divisions. During his last two years of service he was Group Chief Information Officer. Laurie holds a BSc in Mathematics & Physics and an MSc in Astrophysics. He is chairman of the QFI Audit and Funding committees and a member of the Compensation and Nominations committees.

Dilipkumar Shah
Non-Executive Director

Dilip brings with him over 25 years of commercial experience in trading, finance, manufacturing and distribution. Dilip has most recently been involved in trading and manufacturing in West Africa with focus on Nigeria, Democratic Republic of Congo and Ghana. He is a founder member of various successful companies in West Africa involved in the distribution of fertilizers, chemicals, tobacco related products and the manufacture of food products. In addition, he serves on the boards of a number of private UK and international companies.

Philip Snaith
Non-Executive Director

Philip has spent more than 35 years with the Royal Dutch Shell Group in senior executive positions, latterly as General Manager of Shell International Trading & Shipping Company Limited in London. Between 2004 and 2008, Philip spent four years in Singapore as President of Shell International Eastern Trading Company – with responsibility for the Asia-Pacific trading portfolio. Concurrent with this executive position, he was a non-executive director of Shell Eastern Trading Company (Pte) Ltd, with annual revenues of around US$55 billion, and was also Chairman of both Shell Tankers Singapore (Pte) Ltd and Shell International Shipping Services (Pte) Ltd. Philip holds an MBA from Cranfield University, a BSc (Physics) from Imperial College and a Diploma in Marketing (Dip.M) from the UK Chartered Institute of Marketing. Philip is a member of the QFI Audit committee, and Chairman of the Compensation and Nominations committees.

Hemant Thanawala
Non-Executive Director

Hemant is a Chartered Accountant with over 30 years professional and commercial experience. He played a key role in the AIM listings of Nautical Petroleum plc in 2005 and Quadrise Fuels International plc in 2006, assuming the role of finance director in both companies upon their listings. He remained on the board of Nautical Petroleum plc until late 2008. Prior to 2005, Hemant served as CFO of Masefield AG, a Swiss-based energy trader, for a period of 4 years. Between 1989 and 2001, he served as CFO for Premier Telesports Group and Rostel Group, with diversified business interests in the emerging markets of Eastern Europe, Former Soviet Union and Africa. Before that, Hemant was engaged in professional practice, following his qualification with KMG Thomson McLintock (now KPMG) in 1981. Since becoming a non-executive director in August 2017, Hemant served on the QFI Audit and Compensation committees until his resignation from the QFI board on 31 December 2019.

Bryan Sanderson
Non-Executive Director

Bryan has spent more than 35 years with BP in senior executive positions, latterly as Managing Director from 1991 to 2000 and as Chief Executive of BP Chemicals from 1990 to 2000. Since retiring from BP in 2000, Bryan has held the position of Chairman at Standard Chartered Bank, BUPA and Northern Rock amongst others. Bryan was also previously a non-executive director of Corus/British Steel, Six Continents and Argus Media. He is currently Interim Chairman of the UK Government's Low Pay Commission and holds a number of other board positions. Bryan holds a BSc in Economics from the London School of Economics, where he is currently an Emeritus Governor, as well as Honorary Doctorates from the University of York and the University of Sunderland. He is also an Honorary Fellow of the Institution of Chemical Engineers. Bryan resigned from the QFI board with effect from 14 July 2020.

DIRECTORS' REPORT

The Directors present their report together with the audited accounts of Quadrise Fuels International plc ("the Company"), and its subsidiaries, ("the Group") for the year ended 30 June 2020.

Results and Dividends

The consolidated loss from continuing operations after taxation for the year ended 30 June 2020 was £4.84m (2019: £3.0m). The Directors do not recommend the payment of any dividend for the year (2019: £nil).

Directors

Those who served as Directors during the year are:

- Mike Kirk (Chairman)
- Jason Miles (Chief Executive Officer)
- Mark Whittle (Chief Operating Officer – appointed 1 February 2020)
- Laurence Mutch (Non-executive Director)
- Bryan Sanderson (Non-executive Director – resigned 14 July 2020)
- Dilipkumar Shah (Non-executive Director)
- Philip Snaith (Non-executive Director)
- Hemant Thanawala (Non-executive Director – resigned 31 December 2019)

Resolutions to elect Mark Whittle as a director of the Company who was appointed by the Board with an effective appointment date of 1 February 2020, and to re-elect Jason Miles who will retire as a director by rotation under the Company's Articles of Association, will be proposed at the Company's 2020 Annual General Meeting.

Directors' Interests

The interests of the Directors holding office at 30 June 2020 were as follows:

Number of Shares held:

Directors	30 June 2020 Ordinary Shares of 1p each	30 June 2019 Ordinary Shares of 1p each
Jason Miles	3,759,664	3,580,633
Mike Kirk	784,323	600,000
Laurence Mutch	491,263	365,000
Philip Snaith	476,262	350,000
Dilipkumar Shah	170,000	170,000
Bryan Sanderson	-	-
Mark Whittle	-	-

Number of share options held:

Directors	30 June 2020 Share options	30 June 2019 Share options	Exercisable up to
Mike Kirk	3,000,000	3,000,000	1 April 2024
	3,000,000	3,000,000	27 June 2029
Jason Miles	5,000,000	5,000,000	1 April 2022
	1,500,000	1,500,000	22 March 2024
	3,551,122	3,551,122	27 June 2029
	1,448,878	1,448,878	27 June 2027
Mark Whittle	500,000	-	25 Nov 2023
	500,000	-	25 July 2026
	1,000,000	-	13 May 2029
Laurence Mutch	3,500,000	3,500,000	1 April 2022
	2,000,000	2,000,000	27 June 2027
Dilipkumar Shah	500,000	500,000	1 April 2022
	500,000	500,000	27 June 2027
Philip Snaith	2,000,000	2,000,000	27 June 2027
Bryan Sanderson	500,000	500,000	27 June 2027

Substantial Shareholders

The Board was aware of the following interests of 3% and over of the issued share capital of the Company as at the date of this report.

	Nature of holding	Number of ordinary shares held	Percentage of issued share capital and voting rights
Hargreaves Lansdown	Indirect	130,043,795	12.07%
Interactive Investor Trading Limited	Indirect	107,192,063	9.95%
Ruudowen Limited	Direct	60,812,495	5.64%
Halifax Share dealing	Indirect	54,186,343	5.03%
Phibatec Limited	Direct	51,562,500	4.79%
Barclays Stockbrokers Limited	Indirect	44,594,466	4.14%
Equiniti Shareview	Indirect	32,805,886	3.04%

Financial Instruments

The Group's principal financial instruments comprise cash balances and other payables and receivables that arise in the normal course of business, as well as the convertible security (see note 17 for further details). The risks associated with these financial instruments are disclosed in note 23.

Research and Development

The Group continues to invest in research and development associated with the design and manufacture of MSAR® proprietary emulsion fuel. Further information regarding the research and development activities of the Group is contained in the Chairman's Statement.

Future Developments

Further information regarding the future developments of the Group is contained in the Chairman's Statement.

Directors' Liabilities

Subject to the conditions set out in the Companies Act 2006, the Company has arranged appropriate Directors' and Officers' liability insurance to indemnify the Directors against liability in respect of proceedings brought by third parties. Such provisions remain in force at the date of this report.

Disclosure of Information to Auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors, each Director has taken all the steps that he ought to have taken as a Director in order to have made himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Appointment of Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution to appoint BDO LLP will be proposed at the next Annual General Meeting.

Board Committees

Information on the Audit and Compensation committees is included in the Corporate Governance section of the Annual Report.

Annual General Meeting

The Annual General Meeting will be held on Friday 27 November 2020 as stated in the Notice, which accompanies this Annual Report.

By order of the Board.

MSP Corporate Services Limited
Company Secretary
2 October 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU and applicable law.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the Strategic Report and Report of the Directors and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the Quadrise Fuels International plc website is the responsibility of the Directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

Mike Kirk
Chairman
2 October 2020

REPORT ON DIRECTORS' REMUNERATION

Key Management Remuneration

The Compensation Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for all key management personnel, regarded as the executive Directors and Officers of the Group. The Compensation Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis and is guided by an approved remuneration policy and takes into account relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. The Compensation Committee additionally links part of key management remuneration to the Company's financial and operational performance.

Details of the nature and amount of each element of the emoluments of each member of Key Management for the year ended 30 June 2020 were as follows:

Director	Short-term employee benefits £'000s	Social security costs £'000s	Post-employment benefits £'000s	Other benefits £'000s	Total 2020 £'000s	Total 2019[3] £'000s
Mike Kirk	223	30	10	7	270	252
Jason Miles	271	36	10	5	322	249
Mark Whittle[1]	101	13	5	2	121	-
Philip Snaith	43	5	-	-	48	43
Laurence Mutch	43	4	-	-	47	43
Bryan Sanderson	28	3	-	-	31	5
Hemant Thanawala[2]	18	2	-	-	20	37
Dilipkumar Shah	-	-	-	-	-	-
Total	**727**	**93**	**25**	**14**	**859**	**629**

[1] Appointed 1 February 2020

[2] Resigned 31 December 2019

[3] 2019 figures have been restated to include social security costs and other benefits.

Reconciliation of Share Options Granted to Directors

	30 June 2020 Number of share options	30 June 2019 Number of share options
As at 1 July	32,500,000	17,500,000
Granted during the year by QFI	-	15,000,000
Exercised during the year	-	-
Appointment of Director	2,000,000	-
Resignation of Director	(6,000,000)	-
Expired during the year	-	-
As at 30 June	**28,500,000**	**32,500,000**

No gain was realised on the exercise of share options by Directors during the year (2019: £nil).

The market price of the Company's shares at the end of the reporting period was 1.76p (2019: 6.70p) and the range during the year was 1.18p to 7.42p (2019: 2.05p to 7.40p) per share.

On 21 August 2020 the Company granted a total of 10,000,000 options over new ordinary shares of 1p each in the Company to directors of the Company. See note 27 for further details.

Philip Snaith
Chairman of the Compensation Committee
2 October 2020

CORPORATE GOVERNANCE STATEMENT

Since admission to trading on AIM in 2006, the Company has adopted the UK Corporate Governance Code and at its Board meeting on 27 June 2018, the Board of the Company resolved to apply the UK Corporate Governance Code, published by the Financial Reporting Council, as revised in July 2018 (the "Code").

The Code sets standards for good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. The provisions of the Code (the 2018 version of which the Board resolved to adopt) which apply to Quadrise Fuels International plc are set out below.

Principles of the UK Corporate Governance Code

Board Leadership & Company Purpose

1. Effective and entrepreneurial board promoting sustainable success, generating value for shareholders and contributing to wider society.
2. Establish the company's purpose, values & strategy. Directors to act with integrity and promote the desired culture.
3. Ensure necessary resources to meet objectives and measure performance. Establish framework of controls which enable risk to be assessed and managed.
4. Ensure effective engagement with and encourage participation from shareholders and stakeholders.
5. Workforce policies and practices are consistent with the company's values and support long term sustainable success. Workforce able to raise matters of concern.

Division of Responsibilities

6. Chair responsible for board effectiveness. Promote a culture of openness and debate, facilitate constructive board relations and contribution of non-exec directors. Ensure accurate, timely and clear information.
7. Appropriate combination of exec and non-exec (particularly independent) directors so that no one individual or group dominates. A clear division between board and company leadership.
8. Non-exec directors to have sufficient time to meet responsibilities and provide constructive challenge, strategic guidance, specialist advice and hold executive management to account.
9. Ensure policies, processes, information, time and resources required to function effectively and efficiently.

Composition, Succession and Evaluation

10. A formal, rigorous and transparent procedure to board appointment. Establish a succession plan for board and senior management, based on merit and objective criteria. Promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.
11. Board and committees to have a combination of skills, experience and knowledge. Review length of service of the board with membership regularly refreshed
12. The annual board evaluation to consider its composition, diversity and effective working together. Individual evaluation to demonstrate whether each director continues to contribute effectively.

Audit, Risk and Internal Control

13. Establish formal and transparent policies and procedures to ensure independence and effectiveness of internal and external audit functions. Satisfy itself on integrity of financial and narrative statements.
14. Present a fair, balanced and understandable assessment of company's position and prospects.
15. Establish procedures to manage risk, oversee internal controls and determine nature and extent of principal risks in achieving its long-term strategic objectives.

Remuneration

16. Policies and practices designed to support strategy and promote long-term sustainable success. Executive remuneration aligned to purpose and values and clearly linked to successful delivery of company's long-term strategy.
17. A formal and transparent procedure for developing policy on executive remuneration should be established. No director involved in deciding their own remuneration.
18. Directors to exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance and wider circumstances.

Chairman's Corporate Governance Statement

Dear Shareholders,

Since its original listing in April 2006, Quadrise Fuels International has applied strict corporate governance principles in all our endeavours. As an example, each year the Board has (albeit informally) tested itself against the then applicable UK Corporate Governance Code, and endeavoured to act on any perceived deficiencies.

With the implementation of the new AIM company corporate governance changes, effective 28 September 2018, it was without hesitation that the Board chose to apply the Code as revised in July that year. We have provided details of the Code on our website and explain where we comply, and if not, why and if appropriate what corrective steps we are taking to address any deficiencies. This information is reviewed at least once each year and our website will disclose the review date.

As Chairman, it is my duty together with my fellow Board members to promote and apply good standards of corporate governance throughout our organisation. The Company is privileged to have a highly experienced Board, setting clear values and strategy in our annual Business Plan, adopting the highest standards of integrity whilst promoting a hands-on, friendly but professional culture.

The 2019/20 financial year saw Quadrise make material progress in implementing its strategy to develop a wider range of MSAR® projects and commercial opportunities. During the period we made good progress across a wide range of projects/opportunities in every major end-user market for Quadrise and we are well positioned to action these projects with our commercial partners in the relevant countries/regions. The funding that we secured during 2019 provided the business with the resources to progress these projects through to, at the time of the fundraising, the end of December 2020 – though subsequently – because of both the reduction in our business development expenditure as a result of the travel restrictions imposed as a result of the COVID-19 pandemic and our proactive approach to further targeted cost reduction initiatives – this has been extended to mid Q2 calendar 2021.

During the current financial year, we have continued to broaden our engagement with shareholders include the increased use of Proactive Investors to amplify our news flow that is delivered directly through our announcements made via RNS or RNS-Reach. This enables the provision of supplementary, non-price sensitive, information so that shareholders are better able to understand the context of the various projects and opportunities that we are progressing.

We continued with the regular investor conference calls that we started in 2018 and more recently have supplemented this with presentations to retail investors through Proactive Investors, AJ Bell Shares and Investor Meet Company. Alongside this, we have also undertaken a successful virtual investor roadshow over two days with Edison in the UK and Ireland. This enables us to keep shareholders fully informed (within the usual disclosure constraints) on the Company's strategic development plans. We were particularly pleased with the response to our first use of Investor Meet Company on 9 September 2020 to provide an update to shareholders and we have committed to providing Quarterly updates using this.

The Company maintains a comprehensive suite of policies and practices appropriate for our size and stage of development. Each of these is reviewed and signed off by at least one nominated executive or non-executive director with considerable prior experience of the subject matter. The executive team frequently consult the chairmen of the audit, compensation and funding committees on planning, finance, legal and human resource matters.

In May and June each year the Board undertakes a structured risk assessment and the outcomes of this are incorporated in the annual Business Plan and the associated financial modelling.

I trust these few examples illustrate that the Company has a healthy approach to oversight on behalf of all shareholders and that high standards of corporate governance are inherent in our culture.

I and my fellow directors enjoyed meeting you at the AGM on 29 November 2019 and look forward to meeting again (albeit remotely) at the AGM on 27 November 2020. We plan to hold further on-line investor events during the latter half of 2020 and would be delighted to discuss any element of our governance standards on these calls.

Mike Kirk
Executive Chairman
2 October 2020

Application of the Code

In accordance with AIM Rule 26, the following describes how the Company complies with the Code and where it departs from the Code together with an explanation of the reasons for doing so.

Board Leadership and Company Purpose

Principle A: Effective and entrepreneurial board promoting sustainable success, generating value for shareholders and contributing to wider society.

The Quadrise Board met formally on 16 occasions during the year ending 30 June 2020 in its endeavours to progress the announced relationships and potential projects more fully described above and in the Chairman's Corporate Governance statement to Shareholders.

The Board, both directly and through the Funding Committee is also allocating considerable time to developing an appropriate medium term strategy to secure funding for the Company, beyond mid Q2 calendar 2021.

Given the above progress, the opportunity for the Company to generate future value for shareholders remains sound in our view. Refer to further information under Provisions 1 and 14, and Principles F, G and H (Board effectiveness, Independence).

The MSAR® technology has many environmental benefits as reported elsewhere, and on the company's website https://www.quadrisefuels.com/esg/environmental/ and in this way has considerable potential to contribute to wider society.

Principle B: Establish the company's purpose, values & strategy. Directors to act with integrity and promote the desired culture.

Our mission is to be the world's leading oil-in-water emulsion fuels company, providing best available technology, solutions, services and MSAR® synthetic fuel oil products for our major, market-leading customers.

Our strategy is to work with global and regional companies in the refining, shipping and power-generation markets to develop, simultaneously, the capacity to both produce and consume MSAR® emulsion fuels on a commercial scale and world-wide.

The Quadrise team of nine employees and directors are highly cohesive and motivated with a clear sense of purpose. The Company is privileged to have a highly experienced Board, setting values and strategy in our annual Business Plan, and adopting the highest standards of integrity whilst promoting a hands-on, friendly but professional culture. For further information refer to Provisions 2 and 8.

Principle C: Ensure necessary resources to meet objectives and measure performance. Establish framework of controls which enable risk to be assessed and managed.

We will continue to reduce costs where this is sensible within the business, without impacting our ability to deliver our business development plans, including the essential research and development support. This includes changes to the executive structure where appropriate, as evidenced by the promotion of Jason Miles to CEO and Mark Whittle to the board as COO effective 1 February 2020.

Refer to Provisions 28: Assessment of Risks, and 29: Internal Controls, as well as the disclosures under Principles I and O.

Principle D: Ensure effective engagement with and encourage participation from shareholders and stakeholders.

During 2019-20, the Company held a General Meeting on 27 September 2019, to seek approval for its funding plans, which was duly obtained. A successful AGM was held on 29 November 2019 with some 51 shareholders in attendance. Through investor conference calls (28 August 2019 and 31 March 2020) with an average of 97 shareholders on each call, media interviews, presentations and regular updates to the Company website, the executive team has endeavoured to keep shareholders fully informed (within the usual disclosure constraints) on the Company's strategic development plans. Refer to Provisions 4, 5, 6 and 7 for further information.

Principle E: Workforce policies and practices are consistent with the company's values and support long term sustainable success. Workforce able to raise matters of concern.

As a small and cohesive organisation, the Company is quickly alerted to any practices that are inconsistent with our values and determination to achieve long-term sustainable success. The Company nevertheless prides itself in having in place all of the standard procedures of a much larger corporation, together with a wealth of experience on the Board to address any workforce concerns. During the induction programme, new employees are encouraged to bring forward any concerns at any time including use of a Whistleblowing Policy. Refer to further disclosures in Provisions 2, 5 and 6.

Provision 1: Opportunities and risks to future success.

The Chairman's Statement in the 2019 Annual Report describes the MSAR® market opportunities in the power generation, industrial and marine bunker fuel sectors. The risks associated with our endeavours have been demonstrated historically by the disappointments of the terminated trial project in KSA, and the marine fuel trial by Maersk. Principal Business Risks are more fully covered on page 14 in the Annual Report. Notwithstanding the challenges faced in our key markets, the Board firmly believes in the sustainability of the Company's business model. Progress will not always be smooth, but we are well positioned to capitalise on past experience and the significant opportunities that we see going forwards. The Company would not be able to attract the attention of partners of this calibre without clear evidence of its standards of corporate governance.

Provision 2: Monitoring corporate culture

The Company does not formally assess and monitor culture – this being a small organisation, where any deviation from policy, practices and behaviour at odds with the Company's purpose and values would become quickly apparent to management. The Quadrise team can be described as cohesive and highly professional with a very clear sense of purpose. Team meetings are held weekly where project progress is reviewed and remedial action taken. The performance of all employees is assessed annually together with a discussion on career development plans. The remuneration scheme for all employees includes the potential award of bonuses and options subject to company and personal performance.

Provision 3: Regular engagement with major shareholders

Refer to Disclosure under Principle D and Provision 7.

Provision 4: Action to be taken in the event there are 20% votes against a resolution

At the AGM of 29 November 2019, six ordinary resolutions and one special resolution were carried by at least 94% voting in favour. At the General Meeting in September 2019, one ordinary resolution and one special resolution were carried by 100% voting in favour. This provision did not therefore apply.

Provision 5: Stakeholder engagement mechanisms

Being a small organisation with 9 employees, the Company can readily consider and respond to views put forward by the workforce and other key stakeholders. In view of this, the Company does not have a director appointed from the workforce, a formal workforce advisory panel or a designated non-executive director to engage with the workforce.

Provision 6: A means for the workforce to raise concerns

During the induction programme and subsequently, employees are encouraged to bring forward any concerns at any time including use of a Whistleblowing Policy. If appropriate the chairman of the compensation committee would be asked to investigate and seek external advice should this be necessary.

Provision 7: Identify and manage conflicts of interest

Both executive and non-executive directors meet and consult major shareholders within the usual disclosure constraints to surface and manage any potential conflicts of interest. Any related party transactions are reported in Note 24 to the financial results.

Provision 8: Board Minutes to record issues that cannot be resolved

The Board works hard to resolve any concerns about the management of the company and the operation of the Board. On occasions a director will request that the Board minutes record his divergent opinion from the majority view. A resigning non-executive director would be encouraged to provide a written statement to the chair if his resignation resulted from such a concern.

Division of Responsibilities

Principles F, G & H: Chair responsible for board effectiveness. Promote a culture of openness and debate, facilitate constructive board relations and contribution of non-exec directors.

Ensure accurate, timely and clear information. Appropriate combination of exec and non-exec (particularly independent) directors so that no one individual or group dominates. A clear division between board and company leadership.

Non-exec directors to have sufficient time to meet responsibilities and provide constructive challenge, strategic guidance, specialist advice and hold executive management to account.

Quadrise is privileged to have a highly qualified and practiced Board of directors of an unusual level of seniority and standing given the Company's moderate size and still early stage of development. Refer to Director Profiles on page 18 of the Annual Report. The non-executive directors have a level of experience and gravitas that ensures a culture of openness and debate and provide the necessary challenge, guidance and advice. Detailed board papers are prepared a week ahead of meetings. For further information refer to Provision 8: Divergent opinions, Provision 10: Independence, Provision 15: Demands on time, and Provisions 16: Company Secretary.

With a Chairman exercising executive responsibilities, there is not a clear division between board and company leadership. This is seen as appropriate for the Company at this time, though this will be reviewed as the Company progresses its development plans. Refer to Provision 9.

Principle I: Ensure policies, processes, information, time and resources required to function effectively and efficiently.

The Company has a digital Policies and Procedures Directory comprising some 100 policies in 22 business categories. The Policies and Procedures are intentionally kept short so that these are easy to refer to update. Of note, each of these is reviewed and signed off by at least one nominated director (executive or non-executive) who is required to have considerable prior experience of the subject matter. Refer to Provision 29. QFI has a comprehensive disaster recovery plan which is tested on a regular basis.

Expenditure and other authorities are subject to a tight Authorities Matrix, reviewed regularly by the Audit Committee.

The Company has implemented a GDPR policy and has online training facilities for Bribery and Corruption, GDPR and General Data Protection. Completion of this training is compulsory for all employees and directors.

Provision 9: The roles of chair and chief executive

Addressed under Division of responsibilities above. Jason Miles has been appointed CEO and at this stage of development of the company Mike Kirk retains the senior executive role in the company as Executive Chairman.

Provision 10: Independence of non-executive directors

The profiles and experience of the non-executive directors are provided on page 18 of the Annual Report.

Mr Dilip Shah is closely associated with significant shareholders and is not considered independent.

There are no circumstances that might cause the Board to question Mr Philip Snaith's independence, who has the appropriate experience as a former senior executive of the Royal Dutch Shell Group to chair the compensation and nominations committees.

Mr Hemant Thanawala stepped down from his role as non-executive director on 31 December 2019. He is a significant shareholder, has share options and was an executive director of the Company from 2006 to 2017. As a result, Mr Thanawala was not formally considered independent. However, Mr Thanawala provided input to the company and the board in a manner consistent with being an independent director.

Mr Bryan Sanderson stepped down from his role as non-executive director on 14 July 2020. There were no circumstances that might cause the Board to question his independence.

Non-executive director Laurence Mutch is also a Director of Laurie Mutch & Associates Limited, which from time to time provides consulting services to the Group. The total fees charged for the 2020 financial year amounted to £30k (2019: £nil). He is a shareholder and holds options in the Company and has been a director since 2006. Mr Mutch has clearly indicated that these potential impairments do not and have not hindered his ability to be independent and after careful consideration the Board concurs with this view and believes him to be independent. He was a former senior finance director of the Royal Dutch Shell Group, and has current financing, corporate governance and regulatory experience. He thus has the experience to chair the audit and funding committees. Mr Mutch retired by rotation at the 2018 AGM and was re-elected.

In view of their long-term contribution to the Company, Mr Shah, Mr Snaith and Mr Mutch have been awarded options in the Company, as more fully detailed on page 24 and Provision 34. In addition, Mr Snaith and Mr Mutch have each shown their support for, and confidence in, the future of the company at funding raisings and accordingly hold shares in the company refer page 20. Whilst this may question their independence in accordance with the Code, the Board continues to hold the view that this has not and does not impair their ability to act as independent directors.

Provision 12: Appointment of a Senior Independent Director

In view of its size, the Company has not appointed a Senior Independent Director. This will be reviewed as the Company progresses its development plans. To the extent that there are unusual circumstances that may require the duties and role of a Senior Director, Mr Mutch acts in this capacity.

Provision 13: Appointing and Removing Executive Directors

On the appointment of Executive Directors refer to Principle J. As discussed under Provision 41, the Compensation Committee annually reviews the performance of the Company and that of the Chairman against previously determined corporate performance targets adopted by the Board. The non-executive directors meet frequently without the Executive Chairman to discuss any performance concerns.

Provision 14: Meetings of the Board

During the 2020 financial year, until 31 January 2020 the Board comprised the Executive Chairman and Chief Operating Officer as executive Directors and five non-executive Directors (four from 1 January 2020) who are independent of management. From 1 February 2020, 2020 the Board comprised the Chairman, Chief Executive Officer and Chief Operating Officer as executive Directors and four non-executive Directors. At each Annual General Meeting, one third of the Directors who are subject to retirement by rotation shall retire from office provided that if their number is more than three, but not a multiple thereof, then the number nearest to but not exceeding one-third shall retire. Appropriate Directors' and Officers' liability insurance has been arranged by the Company.

The Board met a total of 16 times during the 2020 financial year, including four formal quarterly meetings to discuss a scheduled agenda covering key areas of the Group's affairs including operational and financial performance and quarterly management accounts. All relevant information is circulated in good time. The attendance record of each director is shown below:

Director	Attendance	
Mike Kirk	16	100%
Jason Miles	14	88%
Mark Whittle*	9	100%
Laurence Mutch	16	100%
Dilip Shah	7	43%
Philip Snaith	16	100%
Hemant Thanawala**	2	40%
Bryan Sanderson***	12	75%

*appointed 1 February 2020
**resigned 31 December 2019
***resigned 14 July 2020

Provision 15: Demands on Directors' time

In addition to his role as Chairman, Mike Kirk is Chairman of Portsmouth Water and Chair of VIVID Housing. Until 31 January 2020 Laurence Mutch was also a non-executive director and chairman of the audit committee at Georgian Mining, an AIM company. Dilip Shah has other disclosed external appointments. These positions have been disclosed to the Board and do not, of themselves, impact the time they need to commit to the Company.

Provision 16: Advice from the Company Secretary

In Ian Farrelly the Company has a highly experienced Company Secretary and, for example, both the chairman of the compensation committee and the chairman of the audit committee are in regular contact to seek his guidance.

Composition, Succession and Evaluation of the Board

Principle J: A formal, rigorous and transparent procedure to board appointments. Establish a succession plan for board and senior management, based on merit and objective criteria. Promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

The Board Nominations Committee is chaired by Philip Snaith and comprises Philip Snaith, Mike Kirk and Laurence Mutch. There is indeed a formal, rigorous and transparent procedure to board appointments with the use of external recruitment advisers as may be necessary. Refer to Provision 20. In view of its small size the Board does not have a formal succession plan, and this will be put in place as the Company progresses its development plans.

The Board is keen to promote diversity as the Company develops.

Principle K: Board and committees to have a combination of skills, experience and knowledge. Review length of service of the board with membership regularly refreshed.

Refer to Director Profiles in the Annual Report page 18. Each of the members of the Audit Committee has considerable financial experience. The members of the Audit and Compensation Committees formerly held senior executive positions in large organisations. External guidance is used in setting remuneration policy guidelines.

Mr Mutch has been on the Board for 14 years (since listing in April 2006). Whilst this is at odds with regularly refreshing the Board, long experience is highly valued by shareholders when the directors retire by rotation and are then re-elected. Refer to Provisions 18 and 19.

Principle L: The annual board evaluation to consider its composition, diversity and effective working together. Individual evaluation to demonstrate whether each director continues to contribute effectively.

An annual appraisal is undertaken of the contribution of each director, and the effectiveness of the Board and its committees. This involves the completion of a confidential director evaluation matrix with 10 contribution attributes, and a detailed questionnaire on board and committee performance together with an opportunity to propose improvements to Board and committee effectiveness. These are returned to the Company Secretary and a consolidated review is provided to the Chairman for review by the Board.

The Chairman oversees an annual evaluation of all employees with targets set for the following year. The Compensation Committee undertakes an evaluation of the Company's performance and that of the Chairman. Refer to Provision 41.

Provision 17: The Nominations Committee

Refer to Principle J.

Provision 18: Re-election of Directors

In accordance with the Company's Articles of Association, at each Annual General Meeting, one third of the Directors who are subject to retirement by rotation shall retire from office provided that if their number is more than three, but not a multiple thereof, then the number nearest to but not exceeding one-third shall retire.

Provision 19: Nine-year limitation of Chairman

Mike Kirk was appointed Chairman on 1 April 2016, having been appointed as a director on 1 December 2015.

Provision 20: External search consultant

The Company did not appoint an external search consultant during the year.

Provisions 21, 22 and 23: Evaluation of the Board.

Refer to the commentary under Principle L above.

Audit, Risk and Internal Control

Principle M: Establish formal and transparent policies and procedures to ensure independence and effectiveness of internal and external audit functions. Satisfy itself on integrity of financial and narrative statements.

Refer to the Corporate Governance Statement on pages 25-34 in the Annual Report. In view of its size the Company does not have an internal audit function. However, the Audit Committee is closely consulted on the drafting of the Annual Report and of course is integral to the preparation of the annual results. The Committee has considerable governance, control and finance experience. Refer to "The work of the Audit Committee" under Provisions 24, 25 and 26.

Principle N: Present a fair, balanced and understandable assessment of company's position and prospects.

Refer to the Chairman's Statement in the Annual Report, and to Provision 24, 25 and 26: The work of the Audit Committee, Provision 27: Board responsibility in preparing the accounts, Provision 30: Going Concern and Provision 31: The prospects of the Company.

Principle O: Establish procedures to manage risk, oversee internal controls and determine nature and extent of principal risks in achieving its long-term strategic objectives.

QFI performs a structured risk assessment on an annual basis. This involves a review of the probability and impact of adverse events across operational regions and at corporate level. This culminates in the preparation of a risk dashboard for consideration by the Board. This is followed by a documented risk mitigation strategy that is subsequently incorporated into the annual Business Plan. Refer also to Provision 28: Assessment of the Company's Risks and Provision 29: Risk Management and Internal Control systems.

Provisions 24, 25 and 26: The work of the audit committee

The Audit Committee is chaired by Laurence Mutch and comprises Philip Snaith and Laurence Mutch, both of whom have recent and relevant financial experience and considerable competence across all elements of the oil sector. The chairman of the committee provides a written or detailed verbal report as necessary of every Audit Committee meeting at the next board meeting. The committee meets at least four times a year and is responsible for monitoring the integrity of the financial statements of the Company, keeping under review the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors. The committee provides advice on whether the annual report and accounts are fair, balanced and understandable. Due to the size of the Company, there is currently no internal audit function, although the committee has oversight responsibility for public reporting, overall good governance and the Company's internal controls. The committee annually assists management in the formal and robust assessment of the Company's risks. Other members of the Board, the Head of Finance, as well as the auditors, typically attend the Audit Committee meetings.

In the year under review the Audit Committee led the selection process of the new auditors, supported by the Company Secretary and guided by the FRC document "Audit Tenders Notes on Best Practice". Based on the recommendations and experience of directors, four audit firms were invited to respond to a Request for Quotation ("RFQ"). A short list of two candidates was recommended to the Board by applying approved selection criteria. The full board interviewed the short-listed candidates and BDO LLP were selected, based on their responses to the RFQ, the criteria, and the interviews. The Board paid particular attention to sector experience and the broader contribution the auditors would thereby make to the company.

The transition from Crowe to BDO was undertaken smoothly, and the committee and Head of Finance closely monitored BDO's performance during the Interims Review. In all respects, both the handover and BDO's strenuous efforts to engage with and learn about the Company have been most professional. BDO were appointed by the Board as auditors in January 2020 and will be reappointed each year by ordinary resolution put before the AGM.

The performance of the committee is reviewed annually by the Board as more fully described under Principle L above.

Significant Issues

The significant issues considered relating to the 2020 financial statements were Going Concern, the Valuation of Intangible Assets, the treatment of the Convertible Security instrument and Management Override of Controls. The subject of Going Concern is covered in the Strategic Report on page 14 in the Annual Report, in the Auditors Report on page 35 and in Note 3 to the Financial Statements. The Valuation of Intangible Assets is addressed in the Auditors Report on page 35 and in Note 11 to the Financial Statements. The treatment of the Convertible Security instrument is addressed in the Auditors Report on page 35 and in Note 17 to the Financial Statements.

No Internal Audit function

An internal audit function is not appropriate at this time given the Company's current size, and in view of this, the Audit Committee consider the risk of management override of controls a significant issue. In making their assessment the Audit Committee considered specifically the controls over and approval processes covering cash payments and journals, as well as any indication of unusual transactions and any evidence of bias in the estimates made by management. The Audit Committee also considered the quality and frequency of management information provided to the Board. The Audit Committee's conclusion was that there is no evidence of inappropriate management override of controls.

Assessment and Safeguarding the Independence and Effectiveness of the external audit process

The committee has not identified any issues with regards to integrity, objectivity and independence of the Auditors and therefore considers them to be independent.

Provision 27: Board responsibility in preparing the accounts

The Board is responsible for the direction and overall performance of the Group with emphasis on policy and strategy, financial results and major operational issues. In addition, the Board is responsible for preparing the annual report and accounts, and considers this annual report and accounts, taken as a whole, to be fair, balanced and understandable, and that it provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

Provision 28: Assessments of the Company's Risks

Each year in the second quarter, the Audit Committee assists the Executive Team in a structured zero-based re-assessment of the Company's emerging and principal risks. This is conducted for each operational sector and organisational level including the Company's research and development facility, QRF, and then aggregated for the Company as a whole. The risk level is determined by its probability, impact on the Company, and whether the risk has increased or decreased over the last 12 months. A summary of "Principal Risks and Uncertainties" is reviewed at a Board meeting. Subsequently a Risk Mitigation Strategy and Action Plan is incorporated into the annual Business Planning exercise conducted in June.

Provision 29: Risk Management and Internal Control systems.

The Board is responsible for the effectiveness of the Group's internal control system and is supplied with information to enable it to discharge its duties. Internal control systems are designed to meet the particular needs of the Group and to manage rather than eliminate the risk of failure to meet business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has a digital Policies and Procedures Directory comprising some 100 policies in 22 business categories. The Policies and Procedures are intentionally kept short so that these are easy to refer to and remain current. Of note, each of these is reviewed and signed off by at least one nominated director (executive or non-executive) who is required to have considerable prior experience of the subject matter. Expenditure and other authorities are subject to a tight Authorities Matrix, reviewed regularly by the Audit Committee. QFI has a comprehensive disaster recovery plan which is tested on a regular basis.

The Board has established a Bribery Policy, signed by all Directors and employees, to achieve compliance with the UK Bribery Act 2010, which came into effect on 1 July 2011. Agreements with third parties contain statements that the Company and its associates are required to adhere at all times to the UK Bribery Act 2010. The Company has implemented a GDPR policy and has online training facilities for Bribery and Corruption, GDPR and General Data Protection. Completion of this training is compulsory for all employees and directors.

Provision 30: Going Concern

The subject of Going Concern is covered in the Strategic Report on page 14 of the Annual Report, in the Auditors Report on page 35 and in Note 3 to the Financial Statements.

Provision 31: The prospects of the Company

The Outlook for the Company is addressed as part of the Chairman's Statement on pages 6-13 of the Annual Report.

Principles P, Q & R: Remuneration

Policies and practices designed to support strategy and promote long-term sustainable success. Executive remuneration aligned to purpose and values and clearly linked to successful delivery of company's long-term strategy.

A formal and transparent procedure for developing policy on executive remuneration should be established. No director involved in deciding their own remuneration.

Directors to exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance and wider circumstances.

Refer to the Report on Directors' Remuneration on page 24.

With reference to Provision 41, the Compensation Committee reviews remuneration policy on an annual basis to assess its effectiveness, and on behalf of the Board conducts performance appraisals of the Company and the Chairman each year. External guidance is sought as necessary in setting the terms of senior executive compensation. Refer to Provision 35: Remuneration Consultant. In consultation with the Chairman, the committee prepares corporate targets for formal adoption by the Board and proposals to determine the award of bonuses and / or options. These are clearly linked to the delivery of long-term objectives and corporate strategy. Refer also to Provision 37: Compensation Committee discretion.

Provision 32: Appointment of the Compensation Committee

The Compensation Committee is chaired by Philip Snaith and comprises Philip Snaith and Laurence Mutch. The chairman of the committee provides a written or detailed verbal report as necessary of every compensation committee meeting at the next Board Meeting. Philip Snaith served on the committee prior to taking over as chairman.

Provision 33: Remuneration Policy

Refer to Provision 41.

Provision 34: Remuneration of Non-executive Directors

The Board determines the remuneration of the non-executive directors and no Director participates in discussions about his own remuneration. Each of the non-executive directors have been awarded share options in prior years. These options vest 25% on date of grant and 25% on each annual anniversary thereafter. Provision 34 of the Code states that remuneration for non-executive directors should not include share options or other performance-related elements. However as stated above, the Company's non-executive directors are of an unusual level of seniority and standing given the Company's moderate size and still early stage of development. The Company has a small full-time team and therefore the non-executive directors are more closely engaged in the strategic development of the Company than is normally the case, and their fee compensation is low given their seniority.

Provision 35: Remuneration Consultant

At this time the committee does not make use of a remuneration consultant, but the committee does make use of independent remuneration surveys when these become readily available.

Provision 36: The award of share options to Executive Directors

Options are granted by Board resolution in line with one or more of the three QFI Share Option Schemes, a Schedule 5 Enterprise Management Incentive Plan ("EMIP"), a Schedule 4 Company Share Option Plan ("CSOP") and an Unapproved Share Option Plan ("USOP"). The award of options is tightly linked to the delivery of long-term objectives and corporate strategy. The views of shareholders are taken into consideration.

Provision 37: Compensation Committee discretion

The committee retains an attitude of applying discretion when this is applicable in regard to outstanding individual performance.

Provision 38: Only basic salary to be pensionable

Only basic salary is pensionable and pension contribution rates for executive directors are in line with those for other staff.

Provision 39: Contract periods and no reward for disappointing performance

The contracts for executive directors have no fixed end date. Bonuses to Executive Directors are proposed by the Compensation Committee with the amount determined by a formula which factors in both Company and individual performance.

Provision 40: Remuneration Policy Principles

Refer to Provision 41.

Provision 41: The work of the Compensation Committee

The committee works within the framework of a regularly reviewed compensation policy approved by the Board. It meets at least twice a year and conducts performance appraisals of the Company and the Executive Chairman against previously determined corporate performance targets adopted by the Board. External guidance is sought as necessary in setting the terms of senior executive compensation including the award of bonuses and / or options.

In determining executive director compensation, the committee places considerable importance on proportionality, clearly linking remuneration to the delivery of long-term objectives and corporate strategy. In designing remuneration policy, the committee has endeavoured to incorporate the principles of clarity, simplicity, and predictability. As an external measure, the committee refers to remuneration surveys of AIM companies of similar size and complexity, when these are readily available. Shareholder views on compensation have been expressed at the AGM and in other meetings, and the committee has taken these and the company's performance into account in its deliberations.

The Report on Directors' Remuneration is on page 24.

The performance of the committee is reviewed annually by the board at large as more fully described under Principle L above.

Laurence Mutch
Chairman of the Audit Committee
2 October 2020

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF QUADRISE FUELS INTERNATIONAL PLC

Opinion

We have audited the financial statements of Quadrise Fuels International Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 3 in the financial statements concerning the Group and Parent Company's ability to continue as a going concern. The matters explained in note 3 indicate that the Group will require additional funding to continue in operations and meet its liabilities as they fall due within the going concern period. These events or conditions, along with the other matters disclosed in note 3, indicate the existence of a material uncertainty which may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We identified going concern as a key audit matter based on our assessment of the significance of the risk and the effect on our audit strategy.

Our audit procedures included the following:

- We critically assessed management's cash flow forecast and underlying assumptions which have been approved by the Board. Our testing included ensuring mathematical accuracy, reviewing the underlying data upon which the cash flow forecast is based and confirming this is in line with the audited results at 30 June 2020 where applicable.
- We critically assessed the assumptions applied in the forecasts to consider their appropriateness, comparing capital commitments and forecast operating cash expenditure against historic actuals and external data. Ensuring consistency of assumptions with the intangibles valuation model.

- We reviewed management's assessment of the impact of COVID-19 on the going concern assumption and challenged key assumptions and judgements. We discussed the actual and ongoing potential impact of COVID-19 with management and the Audit Committee including their assessment of risks and uncertainties associated with areas such as the Group's workforce, supply chain, business development partners and access to sites, as well as commodity prices.
- We reviewed management's sensitivity analysis and performed our own sensitivity analysis in respect of the key assumptions underpinning the cash flow forecasts.
- We reviewed and assessed any conditions of existing funding.

We reviewed the financial statement disclosures regarding going concern to satisfy ourselves that the disclosures are appropriate, and as required by ISA 570.

Key Audit Matters

In addition to the matter described in the material uncertainty related to going concern section, key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	1) Carrying value of the (MSAR) intangible asset
	The Group holds the MSAR intangible asset which has a carrying value of £2.9million. The MSAR intangible asset is considered to have an indefinite useful life and is tested annually for impairment as required by Accounting Standards. As detailed in note 11, management prepared a discounted cash flow valuation model which indicated the recoverable amount was above the carrying value of the MSAR intangible asset. The appropriateness of judgements and estimates applied in the determination of the recoverable amount represented a significant focus area for our audit, including forecast project revenues, operating and capital costs and discount rates.

How our audit addressed the key audit matter	We obtained and examined management's assessment of impairment in accordance with IAS 36 *Impairment of Assets* challenging the key assumptions made by management. Our audit procedures included: • We met with the management team to discuss project progress and key developments, reviewed correspondence, contracts and other documents relating to the business development opportunities included within the economic model supporting the impairment test. • We checked the clerical accuracy of management's model. • We critically challenged the key estimates and assumptions used by management, including project revenue projections, discount rate, and royalty rate. We assessed the discount and royalty rates used against those used in the industry and assessed their sensitivity. We reviewed project correspondence and contracts relating to revenue projections. • We reviewed management's sensitivity analysis and performed our own sensitivity analysis over individual key inputs, including: timing of forecast project revenues; royalty rate; time period; growth rate and discount rate together with a combination of sensitivities over such inputs. • We considered the impact of i) the delay in revenues by 1 year and 2 year ii) increasing the discount rate to 30% iii) removal of projects which are less progressed iv) assessing the impact of a finite company lifespan and v) sensitivity of exchange rate. • We have reviewed prior year forecasts to assess management's forecasting accuracy. Whilst the forecasts were not in line with actuals from investigation and discussion with management we obtained explanations and support for significant variances. • We have assessed the impact of COVID-19 on the model and assumptions, by considering the impact of COVID-19 on the industry as a whole and for Quadrise specifically. We also considered the impact of a delay in project progressions as a result of COVID-19. • We evaluated the disclosures given in note 11 against the requirements of IAS 36. **Key observations** We observed that although individually these sensitivities described above did not impact on the headroom, however if a combination of the sensitivities above occurred, headroom would be negatively impacted. In respect of the recoverable amount of the MSAR intangible asset, we concur with the Group's conclusion that the asset is held at an appropriate value as at 30 June 2020. We consider the disclosures in note 11 to be appropriate, and in line with IAS 36.
Key Audit Matter	**2) Accounting for Convertible Securities Deed** As detailed in note 17, the Group entered into a Convertible Securities Issue Deed during the year which required management to establish appropriate accounting policies and exercise judgement and estimation of certain aspects of the instruments including valuation of the Convertible Securities. Given the nature of the instruments and the judgement and estimation required by management we considered this area to be a significant risk for our audit. The key judgements and estimates are in the assessment of the fair value as at the year end.

How our audit addressed the key audit matter	• We obtained and reviewed the Convertible Securities agreement and evaluated the accounting treatment adopted by Management against the relevant accounting standards. • We obtained management's assessment of the value of each element of the instrument at inception, at conversion points and at the year end as applicable. • We have verified equity conversion documents during the year and ensured that the conversions have been calculated appropriately and in accordance with the agreement and IFRS. We have agreed the FVTPL movement at the conversion points during the year. • We have reviewed management's assessment of the fair value at the year end, and consider the key assumptions to be reasonable. • We reviewed the accounting policy and disclosures included in the financial statements for compliance with IFRS. **Key observations** We found the Group's accounting treatment for the facility, the associated judgements and fair value estimates applied in the accounting treatment and the disclosures in the financial statements to be appropriate.

Our application of materiality

	Group	Parent Company
Materiality	£240,000 (2019 – £230,000)	£159,000 (2019 – £195,000)
Basis for determining materiality	5% of loss before tax (2019 – 8% loss before tax)	7% of loss before tax (2019 – 8% loss before tax)

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We consider loss before tax to be the financial metric of the most interest to shareholders and other users of the financial statements given the Group remain focused on the ongoing business development activities and in generating first commercial revenues.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at £180,000 for the Group and at £119,250 for the Parent Company which represents 75% of the above materiality levels. Benchmark of 75% selected due to non-complex group structure, no significant brought forward adjustments and no history of high value misstatements.

Whilst materiality for the financial statements as a whole was £240,000 (2019 – £230,000), each significant component of the Group was audited to a lower level of materiality ranging from £80,000 to £159,000 (2019 – £100,000 to £195,000), materiality for each component was set at 5-7% of loss before tax.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £12,000 (2019 – £7,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group and its subsidiaries are accounted for from one central operating location, the Group's registered office. Our audit was conducted remotely due to COVID-19 restrictions. We identified two significant components on which we conducted a full audit, and three non-significant components for which we conducted a desktop review. Work on all components was conducted by BDO London.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF QUADRISE FUELS INTERNATIONAL PLC (CONTINUED)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Laura Pingree (Senior Statutory Audit)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

2 October 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	Year ended 30 June 2020 £'000s	Year ended 30 June 2019 £'000s
Continuing operations			
Revenue		-	22
Production and development costs		(1,357)	(1,475)
Other administration expenses		(1,821)	(1,462)
Fair value adjustments arising on Convertible Securities	17	(1,133)	-
Share option charge	18	(474)	(154)
Warrant charge	19	(65)	(105)
Foreign exchange (loss)/gain		(1)	10
Operating loss	5	**(4,851)**	**(3,164)**
Finance costs		(146)	(6)
Finance income		7	3
Loss before tax		**(4,990)**	**(3,167)**
Taxation	8	147	184
Loss and total comprehensive loss for the year from continuing operations to owners of the parent		**(4,843)**	(2,983)
Loss per share – pence			
Basic	9	(0.49)p	(0.34)p
Diluted	9	(0.49)p	(0.34)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

Company No. 05267512

	Notes	As at 30 June 2020 £'000s	As at 30 June 2019 £'000s
Assets			
Non-current assets			
Property, plant and equipment	10	582	730
Intangible assets	11	2,924	2,924
Non-current assets		**3,506**	3,654
Current assets			
Cash and cash equivalents	14	2,380	1,060
Trade and other receivables	15	213	169
Prepayments		112	106
Stock		61	61
Current assets		**2,766**	1,396
TOTAL ASSETS		**6,272**	5,050
Equity and liabilities			
Current liabilities			
Trade and other payables	16	198	288
Convertible Securities	17	2,045	-
Current liabilities		**2,243**	288
Equity attributable to owners of the parent			
Issued share capital	20	10,351	9,227
Share premium	20	75,431	74,438
Share option reserve	21	3,927	3,455
Warrant reserve	21	1,122	105
Reverse acquisition reserve	21	522	522
Accumulated losses		(87,324)	(82,985)
Total shareholders' equity		**4,029**	4,762
TOTAL EQUITY AND LIABILITIES		**6,272**	5,050

The financial statements, accompanying policies and notes 1 to 28 (forming an integral part of these financial statements), were approved and authorised for issue by the Board on 2 October 2020 and were signed on its behalf by:

M. Kirk
Chairman

J. Miles
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Issued capital £'000s	Share premium £'000s	Share option reserve £'000s	Warrant reserve £'000s	Reverse acquisition reserve £'000s	Accumulated losses £'000s	Total £'000s
1 July 2018	8,622	73,642	3,432	-	522	(80,133)	6,085
Loss and total comprehensive loss for the year	-	-	-	-	-	(2,983)	(2,983)
Share option charge	-	-	154	-	-	-	154
Transfer of balances relating to expired share options	-	-	(131)	-	-	131	-
Warrant charge	-	-	-	105	-	-	105
New shares issued	605	908	-	-	-	-	1,513
Share issue costs	-	(112)	-	-	-	-	(112)
30 June 2019	**9,227**	**74,438**	**3,455**	**105**	**522**	**(82,985)**	**4,762**
1 July 2019	9,227	74,438	3,455	105	522	(82,985)	4,762
Loss and total comprehensive loss for the year	-	-	-	-	-	(4,843)	(4,843)
Fair value adjustments arising on Convertible Securities	-	-	-	-	-	502	502
Share option charge	-	-	474	-	-	-	474
Transfer of balances relating to expired share options	-	-	(2)	-	-	2	-
Warrant charge	-	-	-	65	-	-	65
Warrants issued as part of Open Offer and Subscription	-	(816)	-	816	-	-	-
Shares and warrants issued as part of Convertible Securities transaction	84	101	-	136	-	-	321
New shares issued	647	1,914	-	-	-	-	2,561
Share issue costs	-	(263)	-	-	-	-	(263)
Shares issued upon exercise of Convertible Security	393	57	-	-	-	-	450
30 June 2020	**10,351**	**75,431**	**3,927**	**1,122**	**522**	**(87,324)**	**4,029**

For an explanation of the nature and purpose of other reserves refer to note 21.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Notes	Year ended 30 June 2020 £'000s	Year ended 30 June 2019 £'000s
Operating activities			
Loss before tax from continuing operations		(4,990)	(3,167)
Fair value adjustments arising on Convertible Securities	17	1,133	-
Convertible Securities finance costs (non-cash)	17	140	-
Depreciation	10	172	230
Loss on disposal of fixed assets		-	25
Finance costs paid		6	6
Finance income received		(7)	(3)
Share option charge	18	474	154
Warrant charge		65	105
Working capital adjustments			
(Increase)/decrease in trade and other receivables	15	(44)	19
(Increase)/decrease in prepayments		(6)	16
Decrease in trade and other payables	16	(90)	(112)
Cash utilised in operations		**(3,147)**	(2,727)
Finance costs paid		(6)	(6)
Taxation received	8	147	184
Net cash outflow from operating activities		**(3,006)**	(2,549)
Investing activities			
Finance income received		7	3
Purchase of property, plant and equipment	10	(24)	(24)
Net cash outflow from investing activities		**(17)**	(21)
Financing activities			
Issue of ordinary share capital	20	2,606	1,513
Issue costs	20	(263)	(112)
Increase in Convertible Securities	17	2,000	-
Net cash inflow from financing activities		**4,343**	1,401
Net increase/(decrease) in cash and cash equivalents		1,320	(1,169)
Cash and cash equivalents at the beginning of the year		1,060	2,229
Cash and cash equivalents at the end of the year	14	**2,380**	1,060

COMPANY STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

Company No. 05267512

	Notes	As at 30 June 2020 £'000s	As at 30 June 2019 (as restated) £'000s
Assets			
Non-current assets			
Property, plant and equipment	10	1	10
Investments in subsidiaries	13	21,479	21,479
Amount due from subsidiary	13	20,725	18,628
Non-current assets		**42,205**	40,117
Current assets			
Cash and cash equivalents	14	2,157	460
Trade and other receivables	15	131	121
Prepayments		91	79
Current assets		2,379	660
TOTAL ASSETS		**44,584**	40,777
Equity and liabilities			
Current liabilities			
Trade and other payables	16	116	169
Convertible Securities	17	2,045	-
Amount due to subsidiary	13	7,666	7,666
Current liabilities		**9,827**	7,835
Equity attributable to equity holders of the parent			
Issued capital	20	10,351	9,227
Share premium	20	75,431	74,438
Share option reserve	21	3,927	3,455
Warrant reserve	21	1,122	105
Accumulated losses		(56,074)	(54,283)
Total shareholders' equity		**34,757**	32,942
TOTAL EQUITY AND LIABILITIES		**44,584**	40,777

The loss for the year dealt with in the accounts of Quadrise Fuels International plc was £2.30m (2019: £0.15m).

The financial statements, accompanying policies and notes 1 to 28 (forming an integral part of these financial statements), were approved and authorised for issue by the Board on 2 October 2020 and were signed on its behalf by:

M. Kirk
Chairman

J. Miles
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Issued capital £'000s	Share premium £'000s	Share option reserve £'000s	Warrant reserve £'000s	Accumulated losses £'000s	Total £'000s
1 July 2018	8,622	73,642	3,432	-	(54,263)	31,443
Loss and total comprehensive loss for the year	-	-	-	-	(151)	(151)
Share option charge	-	-	154	-	-	154
Transfer of balances relating to expired share options	-	-	(131)	-	131	-
Warrant charge	-	-	-	105	-	105
New shares issued	605	908	-	-	-	1,513
Issue costs	-	(112)	-	-	-	(112)
30 June 2019	**9,227**	**74,438**	**3,455**	**105**	**(54,283)**	**32,942**
1 July 2019	9,227	74,438	3,455	105	(54,283)	32,942
Loss and total comprehensive loss for the year	-	-	-	-	(2,295)	(1,664)
Fair value adjustments arising on Convertible Securities	-	-	-	-	502	502
Share option charge	-	-	474	-	-	474
Transfer of balances relating to expired share options	-	-	(2)	-	2	-
Warrant charge	-	-	-	65	-	65
Warrants issued as part of Open Offer and Subscription	-	(816)	-	816	-	-
Shares and warrants issued as part of Convertible Securities transaction	84	101	-	136	-	321
New shares issued	647	1,914	-	-	-	2,561
Share issue costs	-	(263)	-	-	-	(263)
Shares issued upon exercise of convertible security	393	57	-	-	-	450
30 June 2020	**10,351**	**75,431**	**3,927**	**1,122**	**(56,074)**	**34,757**

COMPANY STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Notes	Year ended 30 June 2020 £'000s	Year ended 30 June 2019 £'000s
Operating activities			
Loss before tax from continuing operations		(2,295)	(151)
Fair value adjustments arising on Convertible Securities		1,133	-
Convertible Securities finance costs (non-cash)	17	140	-
Depreciation	10	10	32
Finance costs paid		1	1
Finance income received		(6)	(2)
Share option charge	18	474	154
Warrant charge		65	105
Working capital adjustments			
Increase in trade and other receivables	15	(10)	(8)
Increase in prepayments		(12)	(6)
Decrease in trade and other payables	16	(53)	(118)
Cash (utilised in)/generated by operations		**(553)**	**7**
Finance costs paid		(1)	(1)
Net cash (outflow)/inflow from operating activities		**(554)**	**6**
Investing activities			
Finance income received		6	2
Purchase of property, plant and equipment	10	(1)	-
Loan to subsidiary	13	(2,097)	(2,658)
Net cash outflow from investing activities		**(2,092)**	**(2,656)**
Financing Activities			
Issue of Ordinary Share Capital		2,606	1,513
Issue costs		(263)	(112)
Increase in Convertible Securities	17	2,000	-
Net cash inflow from financing activities		**4,343**	**1,401**
Net increase/(decrease) in cash and cash equivalents		1,697	(1,249)
Cash and cash equivalents at the beginning of the year		460	1,709
Cash and cash equivalents at the end of the year	14	**2,157**	**460**

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Quadrise Fuels International plc ("QFI", "Quadrise", "Company") and its subsidiaries (together "the Group") are engaged principally in the manufacture and marketing of emulsion fuel for use in power generation, industrial and marine diesel engines and steam generation applications. The Company's ordinary shares are listed 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 at, and is registered at, Gillingham House, 38-44 Gillingham Street, London, SW1V 1HU.

Interim results to 31 December 2019

The interim results to 31 December 2019 showed a total comprehensive loss for the period of £3.11m, which included warrant charges of £816k relating to warrants issued to participants in the Open Offer and Subscription announced on 9 September 2019. These warrants fulfil the criteria to be recognised as an equity instrument under IAS 32 (see note 19). The warrant charge of £816k is therefore no longer included within total comprehensive loss for the year, and has instead been recognised in equity.

The interim results for the six month period ended 31 December 2020 will therefore include restated comparative results for the six month period ended 31 December 2019, which will incorporate the adjustment referred to above.

Prior year comparatives

The Company has restated certain prior year comparatives to correctly present amounts in the Company financial statements for the year ended 30 June 2020.

The Company determined that a correction was required related to amounts due to/from subsidiary and investment in subsidiaries, specifically to present these amounts gross in the Company statement of financial position. The reclassification impacted non-current assets and current liabilities.

The restatement had no net impact on the consolidated and Company statement of cash flows, nor any impact on the consolidated statement of comprehensive loss, consolidated statement of financial position and consolidated and Company statements of changes in equity.

2. Summary of Significant Accounting Policies

The Board has reviewed the accounting policies set out below and considers them to be the most appropriate to the Group's business activities.

(2.1) Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS's") as adopted by the European Union, and effective, or issued and early adopted, as at the date of these statements. The financial statements have been prepared under the historical cost convention as modified for financial assets carried at fair value.

The preparation of financial statements in conformity with IFRS accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

(2.2) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of entities controlled by the Group as at 30 June 2020.

All inter-company balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated on consolidation. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Accounting policies of subsidiaries are consistent with those adopted by the Group.

Control is defined as when QFI, or a company which it controls, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus QFI demonstrates control when it has all the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

(2.3) Changes in Accounting Principles and Adoption of New and Revised Standards

IFRS 16 Leases

IFRS16 became applicable to QFI on 1 July 2019. IFRS 16 supersedes IAS 17 Leases and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. IFRS 16 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be amortised and the lease liabilities will be measured at amortised cost.

QFI has applied the requirements of paragraphs 22 to 49 of IFRS16 in relation to existing leases, which are for its office premises and its R&D facility. The resulting 'right of use' assets and corresponding lease liabilities have not been recognised under IFRS 16 on materiality grounds.

Other

A number of other 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 EU. Other than IFRS 16, the Directors do not expect that the adoption of new standards will have a material impact on the financial statements of the Group in future periods.

(2.4) Significant Accounting Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial period are discussed below:

Intangible Assets (see note 11)

The recoverable amount of the MSAR® trade name intangible asset has been determined using a VIU model. The expected future cash flows utilised in the VIU model are derived by quantifying the royalties that would result if the asset was licensed from a third party in order to determine the income stream directly attributable to the asset in isolation. The royalties are based on a percentage of projected future revenues up to 30 June 2031 with an assumed growth rate being used beyond that date. The key assumptions used by management in this VIU model are a) royalty rate, b) discount rate, c) the period over which cashflows are forecast d) the growth rate beyond that period. The basis for the assumptions used is discussed further in note 11.

The carrying value of intangible assets at 30 June 2020 is determined to be £2.9m (2019: £2.9m). Further details are given in Note 11.

Estimates of credit losses ('ECL') (see note 13)

Management makes judgement in relation to the future recoverability of receivables. In relation to the parent Company there is a net substantial loan to subsidiaries. Management has used the 'General Approach' guidance as noted in IFRS 9 to make judgements in relation to the future risk of default and the ability of the subsidiary to raise the funds necessary to repay the loan in the event that it was called due. Inherent in this model are a number of judgements. Management have estimated that a provision was required of £373k at 30 June 2020 (2019: £nil).

Under the General Approach, at each reporting date, entities are required to determine whether there has been a Significant Increase in Credit Risk (SICR) since initial recognition and whether the loan is credit impaired. This determines whether the loan is in ***Stage 1***, ***Stage 2*** or ***Stage 3***, which in turn determines both:

- The amount of ECL to be recognised: 12-month ECL or Lifetime ECL; and
- The amount of interest income to be recognised in future reporting periods: EIR based on gross carrying amount of the loan which excludes ECL or the net carrying amount (i.e. the amortised cost) which includes ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the loan whereas 12-month ECL are a portion of Lifetime ECL that represent the ECL that result from default events that are possible within 12 months of the reporting date. For loans with an expected life in excess of 12 months, Lifetime ECL will typically be greater than 12-month ECL because entities will need to factor in all possible default event rather than only those possible within 12 months.

(2.5) Revenue Recognition

Under IFRS 15, revenue is recognised based on the delivery of performance obligations and an assessment of when control is transferred to the customer. In determining the amount of revenue and profits to record, and associated statement of financial position items (such as trade receivables, accrued income and deferred income), management is required to review performance obligations within individual contracts.

Revenue is recognised to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Interest income

Revenue is recognised as interest accrues.

(2.6) Foreign Currencies

The Group financial statements are presented in sterling, which is the Company's functional and presentation currency. Each entity in the Group uses Sterling as its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded using the functional currency rate ruling at the date of the transaction. Any resulting exchange differences are included in the statement of comprehensive income. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The following exchange rates are used in the Group's major currencies:

	ISO Code	Statement of Financial Position (closing rate at 30 June 2020)	Statement of Comprehensive Income (average rate throughout the financial year)
USA	USA	1.233	1.260
Europe	EUR	1.098	1.139

(2.7) Finance Costs

Finance costs include interest charges and other costs incurred in connection with the borrowing of funds and are expensed as incurred. Interest and costs are accounted for on the accruals basis and are recognised through the statement of comprehensive income in full. No interest or borrowing costs have been capitalised.

(2.8) Business Combinations

Acquisition of subsidiaries is accounted for using the purchase method. The results of businesses acquired are consolidated from the effective date of acquisition, whereby upon acquisition of a business or an associate, net assets are stated at fair value.

On 18 April 2006, Zareba plc (renamed Quadrise Fuels International plc) became the legal parent of Quadrise International Limited in a share-for-share transaction. Due to the relative size of the companies, the shareholders of Quadrise International Limited became the majority shareholders of Quadrise Fuels International plc. Accordingly, the substance of the combination was that Quadrise International Limited acquired Quadrise Fuels International plc and was therefore accounted for as a reverse acquisition under IFRS 3.

(2.9) Intangible Assets

Intangible assets acquired separately are measured initially at cost. The costs of intangible assets acquired in a business combination are measured at the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment loss.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation period or method, as appropriate, and treated as a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expenses category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable and, if not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits.

(2.10) Property, plant and equipment:

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated using a straight line method with an allowance for estimated residual values. Rates are determined based on the estimated useful lives of the assets as follows:

Plant and equipment	3 to 15 years

Additions to property, plant and equipment are comprised of the cost of the contracted services, direct labour and materials. Depreciation commences in the month the asset is placed in service.

(2.11) Financial Instruments

Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group currently does not use derivative financial instruments to manage or hedge financial exposures or liabilities.

(2.12) Financial liabilities and equity instruments

Financial assets and financial liabilities are recognised when a Company becomes a party to the contractual provisions of the instruments.

- Initial Recognition: Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss and ancillary costs related to borrowings) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are charged to the Statement of Profit and Loss over the tenure of the financial assets or financial liabilities
- Classification as debt or equity: Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Company are recognised at the proceeds received.
- Classification and Subsequent Measurement: Financial liabilities are classified as either financial liabilities at FVTPL or 'other financial liabilities'.

The group has a convertible securities instrument which is classified entirely as a liability. As the instrument contains an embedded derivative, it has been designated at fair value through profit or loss on initial recognition and as such the embedded conversion feature is not separated. The convertible securities instrument is converted in parts, and has to be fully converted by 22 August 2021. At the conversion date the fair value loss or gain on the portion converted is determined.

The Company de-recognises financial liabilities when and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the fair value amount of the financial liability de-recognised and the consideration paid and payable is recognised in the Statement of Profit and Loss.

Fair value measurement

The fair value measurement of the Group's financial liabilities utilises market observable inputs and data as far as possible.

Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'): – Level 1: Quoted prices in active markets for identical items (unadjusted) – Level 2: Observable direct or indirect inputs other than Level 1 inputs – Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Convertible Securities are designated as fair value through profit or loss, with all subsequent gains and losses, included in the income statement as part of fair value adjustments arising on Convertible Securities.

The fair value of the Convertible Securities instrument is estimated using an appropriate valuation method. The key input to the assumptions are:

- The propensity to convert factor.
- The forecast conversion price of the Convertible Securities.
- The estimated timing of the conversions.
- The value converted upon each historical conversion.
- The lifespan of the Convertible Security.
- The historical volatility of the Company share price.
- The Company risk of default before the maturity date of the Convertible Security.

Inputs to the valuation technique are observable and unobservable (Level 3 fair value hierarchy).

(2.13) Investments and other Financial Assets

Subsequent to the initial recognition, trade and other receivables in the Group accounts and the loan receivable in the Company accounts are measured at amortised cost using the effective interest method. These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Investments in Subsidiaries

Investments in subsidiaries are carried at cost less impairment. The Company tests investments annually for impairment, or more frequently if there are indications that they might be impaired. Impairment is based on the value in use of the subsidiaries.

Equity instruments

Following the introduction of IFRS 9, the Group subsequently measures all equity investments at fair value. Changes in the fair value of financial assets is recognised in the statement of profit or loss as applicable.

Investments, where there is no active market are held at fair value, are determined using valuation techniques which include using recent arm's length market transactions, reference to the current market value, discounted cash flow analysis and option pricing models.

(2.14) Impairment

At each statement of financial position date, reviews are carried out on the carrying amounts of tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where the asset does not generate cash flows that are independent from the other assets, estimates are made of the cash-generating unit to which the asset belongs. Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value, less costs to sell, and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a discount rate appropriate to the specific asset or cash-generating unit. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised immediately in the statement of comprehensive income.

(2.15) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash-in-hand bank balances, call money and unrestricted time deposit balances with a maturity of 90 days or less.

(2.16) Trade and Other Receivables and Payables

Trade and other receivables and trade and other payables are initially recognised at fair value. Fair value is considered to be the original invoice amount, discounted where material, for short-term receivables and payables. Long term receivables and payables are measured at amortised cost using the effective interest rate method. Where receivables are denominated in a foreign currency, retranslation is made in accordance with the foreign currency accounting policy previously stated.

(2.17) Taxation

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Deferred Tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investment in subsidiaries, associates and joint

ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future and

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date. Deferred income tax assets and liabilities are offset, only if a legal enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes related to the same taxation authority and that authority permits the Group to make a single net payment.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in profit or loss or other comprehensive income as appropriate.

(2.18) Employee Retirement Benefits

The Group maintains a defined contribution pension plan for providing employee retirement benefits. The retirement benefit plan is generally funded by contributions from the Group to an independent entity that operates the retirement benefit schemes. Current service cost for the defined contribution plan is equivalent to the employer's contributions due for that period. The Group's contributions to the defined contribution pension plans are charged to the statement of comprehensive income in the year to which they relate.

(2.19) Share-based Payments

Employees (including Directors and senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby these individuals render services as consideration for equity instruments ("equity-settled transactions"). These individuals are granted share option rights approved by the Board, which can only be settled in shares of the respective companies that award the equity-settled transactions. No cash settled awards have been made or are planned.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant individuals become fully entitled to the award ("vesting point"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments and value that will ultimately vest. The statement of comprehensive income charge for the year represents the movement in the cumulative expense recognised as at the beginning and end of that period.

The fair value of share-based remuneration is determined at the date of grant and recognised as an expense in the statement of comprehensive income on a straight-line basis over the vesting period, taking account of the estimated number of shares that will vest. The fair value is determined by use of a Black Scholes model.

(2.20) Warrants

Warrants are recognised at fair value on date of grant. The fair value is measured using the Black-Scholes model. Where warrants are issued in exchange for services, under IFRS 2 they are expensed on a straight line basis over the vesting period. Warrants issued as part of an equity based fundraising fulfil the criteria to be recognised as an equity instrument under IAS 32, with the fair value recorded in the warrants reserve and recognised in Share Premium. At initial recognition, the consideration received as part of the Convertible Security issuance that also included the issue of warrants (see note 17) was apportioned to the Convertible Security instrument with the treatment as outlined per 2.12 and the warrants based on their relative fair values.

(2.21) Financial Risk Management, Recognition and Accounting

The Group's multi-national operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, credit risks, liquidity and interest rates. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group. The Board has approved the risk management policies applied by the Group.

These policies are implemented by central finance that prepares regular reports to enable prompt identification of financial risks so that appropriate actions may be taken. The Group has a policy and procedures manual that sets out specific guidelines to manage foreign exchange risk, interest rate risk, credit risk and the use of financial instruments to manage these. No forward hedging activities are undertaken.

3. Going Concern

As at 30 June 2020, the Group had a cash balance of £2.4m, which is sufficient to fund the Group to mid Q2 calendar 2021. The continuation of the Group as a going concern beyond mid Q2 calendar 2021 is therefore dependent upon successfully raising additional funds prior to this date. There is thus a material uncertainty which may cast doubt about the Group's and Company's ability to continue as a going concern.

On preparing the financial statements on a going concern basis, the Directors believe the Group has a realistic expectation of raising funds prior to mid Q2 calendar 2021. The assumptions used as the basis for this judgement are that:

- The Group can put forward a positive investment case to the market, demonstrating that it has an active business development programme which will result in the generation of commercially sustainable revenues in the near term.
- The market will then be receptive to this investment case and be willing to provide the funding required prior to mid Q2 calendar 2021.

The basis for these assumptions is, as outlined in the Chairman's Statement, the demonstrable progress made during 2019-20. The Group's business development programme, led by the Executive Directors, has generated a portfolio of project opportunities, most recently demonstrated by the signature of the commercial trial agreement with Greenfield Energy LLC and the agreement with the industrial and chemicals company in Morocco. In addition, active discussions continue relating, amongst others, to the opportunities in the KSA, Ecuador, Mexico and the Marine market. The board is actively involved with the business development programme, and regularly appraised of progress, with fortnightly business development update meetings held between the Executive Directors and two of the Group's Non-Executive Directors, as well as regular full board meetings of which there were 16 during the 2019-20 financial year.

The board regularly review the Group's business model and financial projections. The business model shows total forecast Group cashflows up to 30 June 2031 and forms the basis of the investment case for the Company, anchored by the Group budget and business plan which covers the next two financial years in detail. The model comprises the financial forecasts associated with each project opportunity deemed to have a realistic chance of progressing, with assumptions made about i) the operating mode (licence, tolling or merchant), ii) the equity percentage held in the venture, iii) the cost of chemicals and equipment, iv) margins and v) rates of growth. These assumptions are based on the latest market information, agreements with counterparties and the status of discussions. The Directors have a reasonable basis for assuming the business development programme outlined above will result in the generation of commercially sustainable revenues in the near term.

The Directors carry out a detailed risk assessment process each year, with key risks and mitigating actions identified. The outbreak of the COVID-19 pandemic in early 2020 had the potential to undermine the view that progress of the business development programme towards commercially sustainable revenues would be demonstrated in the near-term. However, despite the global disruption caused by COVID-19, the Group has continued to progress its business development activities utilising a combination of web-conferencing and, where possible, in-person meetings with the Group's in-country agents and representatives. This was demonstrated most recently by the August 2020 signature of the Greenfield MSAR® Commercial Trial Agreement in the midst of COVID-19 related disruption in the USA. COVID-19 has had minimal impact on the Group's normal UK operations, with London based staff working remotely and QRF remaining fully operational throughout 2020, albeit with social-distancing measures in place and highly restricted acceptance of third-party visitors. Significant cost savings have also been made since the outbreak of COVID-19 through careful management of discretionary expenditure and human resources.

The Directors also note the positive and sustained levels of engagement with partners, prospective clients and project stakeholders worldwide during the course of 2020, despite global COVID-19 disruption. Existing and prospective commercial partners make decisions based on long-term considerations, and the Directors believe that the economic and environmental advantages that MSAR® offers are increasingly attractive in periods of global uncertainty as counterparties look to both generate savings and further improve their environmental performance.

The Directors acknowledge that project activities that require being on site at client premises have been delayed, and could be subject to further delays depending upon the status of the pandemic and restrictions put in place by governments in the months ahead. Whilst these delays do not inherently affect the longer-term business case which forms the basis for investment in the Group, the revenues resulting from projects may be impacted. Although the Group is not presently reliant upon any such revenues and the resultant positive cash flows to fund its operations, it is reliant upon existing shareholder funds and the ability to raise further funds until such a time when the Group is commercially self-sustaining.

The Group has an active programme of public and investor relations with high levels of shareholder engagement across a range of platforms. From a low of 1.18p in June 2019 the share price has increased to a steady range of 2.68p-3.75p in the period to the date of this report following positive news flow during that period including the announcement of the Greenfield MSAR® Commercial Trial Agreement on 18 Aug 2020. The Directors continue to explore all possible funding opportunities and maintain regular active dialogue with the Group's joint brokers, advisors and potential strategic and funding partners. The finance committee of the board (comprising the Executive Directors and two of the Group's Non-Executive Directors) meets fortnightly, immediately after a business development review, to discuss the Group's plans for a financing programme and its timing relative to business development progress. The Directors are therefore able to make a realistic assessment of likely market and investor reaction to a strong investment case and the likelihood that funding will be provided.

The Directors also note that the Group has a history of being able to successfully raise funds, as it has done so on a number of occasions during recent years, including most recently in autumn 2019, with the receipt of £4.3m (net of costs) from an open offer, subscription and the issue of the first £2m tranche of Convertible Securities to Bergen Global Opportunity Fund, LP. A second tranche of Convertible Securities, with a nominal value of up to £2.15 million is conditionally available from Bergen with a subscription price of up to £2.0 million (subject to the aggregate nominal value not exceeding 3.5% of the Company's market capitalisation on issue) from November 2020.

The Directors are therefore comfortable with the assumption that the market will be receptive to a positive investment case, and will be willing to provide the funding required to allow the Group to progress towards sustainable revenues and continue as a going concern.

Based on the rationale for the key assumptions outlined above, the Directors have therefore made the judgement that the financial statements should be prepared on a going concern basis, despite no binding funding agreement being in place at the date of this report.

4. Segmental Information

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

Geographical Segments

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

5. Operating Loss

Operating loss is stated after charging:

	Year ended 30 June 2020 £'000s	Year ended 30 June 2019 £'000s
Fees payable to the Company's auditor for the audit of the Company's annual accounts.	23	16
Fees payable to the Company's auditor and its associates for other services:		
Audit of accounts of subsidiaries	23	16
Tax compliance services	3	5
Consultants and other professional fees (including legal)	286	238
Depreciation of property, plant and equipment	172	230
Research and development costs	241	178

6. Staff Cost

Head count	Year ended 30 June 2020 Number	Year ended 30 June 2019 Number
Average number of employees of the Group (including executive Directors employed by the Company) during the year was:		
Management	3	2
Technical staff / support / other	8	9

Staff costs	Year ended 30 June 2020 £'000s	Year ended 30 June 2019 £'000s
Wages and salaries	1,192	1,081
Social security costs	158	140
Pension costs	67	71
UK Government COVID-19 employee furlough receipts	(14)	-
Total	**1,403**	1,292

Included in total staff costs are the costs of the Executive Directors as employed by the Company as follows:

Director	Year ended 30 June 2020 £'000s	Year ended 30 June 2019 £'000s
Mike Kirk		
Wages and salaries – as paid	194	255
Wages and salaries – deferred[1]	29	(56)
Pension costs	10	14
Total	**233**	213
Jason Miles		
Wages and salaries – as paid	271	200
Pension costs	10	18
Total	**281**	218
Mark Whittle[2]		
Wages and salaries – as paid	101	-
Pension costs	5	-
Total	**106**	-
Total	**620**	431

Aggregate emoluments of the Directors of the Company (excluding social security costs) were as follows:

Salaries and fees – as paid	688	594
Salaries and fees – deferred[1]	39	(75)
Share option expense	434	122
Pension costs	25	26
Total	**1,186**	667

1 With effect from 1 September 2017 to 31 December 2018, Mike Kirk agreed to reduce his cash salary by 50% and the Non-executive Directors each agreed to reduce their fees to £24,000 per annum. The deferred balance was repaid in March 2019. The uplift of 25% due on the deferred balance was repaid in January 2020.

2 Appointed 1 February 2020.

Non-executive Directors fees for the year amounted to £132k (2019: £115k), which includes a £10k uplift of previously deferred fees paid in January 2020 as set out in (1) above (2019: release of £18k of deferred fees).

The highest paid Director's remuneration totalled £281k (2019: £218k), represented by all aggregate emoluments.

Refer to the Report of Directors' Remuneration (on page 24) for further details, the Key Management Personnel referred to therein are the Directors of the Company.

Further details regarding Non-executive Directors' remuneration are disclosed in note 24 – Related Party Transactions.

7. Losses Attributable to Quadrise Fuels International plc

As provided by s.408 of the Companies Act 2006, no statement of comprehensive income is presented in respect of Quadrise Fuels International plc.

8. Taxation

	Year ended 30 June 2020 £'000s	Year ended 30 June 2019 £'000s
UK corporation tax credit	(147)	(184)
Total	**(147)**	(184)

No liability in respect of corporation tax arises as a result of trading losses.

Tax Reconciliation	Year ended 30 June 2020 £'000s	Year ended 30 June 2019 £'000s
Loss on continuing operations before taxation	(4,990)	(3,167)
Loss on continuing operations before taxation multiplied by the UK corporation tax rate of 19% (2019: 19%)	(948)	(602)
Effects of:		
Non-deductible expenditure	208	40
R&D tax credit	(147)	(184)
Temporary differences	(13)	-
Tax losses carried forward	753	562
Total taxation credit on loss from continuing operations	**(147)**	(184)

The Group has tax losses arising in the UK of approximately £53.7m (2019: £51.0m) that are available, under current legislation, to be carried forward against future profits. £26.6m (2019: £23.5m) of the tax losses carried forward represent trading losses within Quadrise Fuels International plc, £25.8m (2019: £25.8m) represent non-trade deficits arising on intangible assets within Quadrise International Limited, £0.6m (2019: £0.9m) represent pre-trading losses incurred by subsidiaries, £0.8m (2019: £0.8m) represent management expenses incurred by Quadrise International Limited, and £0.1m (2019: £0.1m) represent capital losses within Quadrise Fuels International plc.

A deferred tax asset representing these losses and other temporary differences at the statement of financial position date of approximately £10.2m (2019: £8.7m) has not been recognised as a result of existing uncertainties in relation to its realisation.

9. Loss Per Share

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

	Year ended 30 June 2020 £'000s	Year ended 30 June 2019 £'000s
Loss for the year (£'000s)	(4,843)	(2,983)
Weighted average number of shares:		
Basic	982,793,918	888,728,557
Diluted	982,793,918	888,728,557
Loss per share:		
Basic	(0.49)p	(0.34)p
Diluted	(0.49)p	(0.34)p

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

For diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive options over ordinary shares. Potential ordinary shares resulting from the exercise of share options 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 29.3m dilutive share options and the 45.2m dilutive warrants issued by the Company and which are outstanding at year-end could potentially dilute earnings per share in the future if exercised when the Group is in a profit making position.

10. Property, plant and equipment

Consolidated

	Leasehold Improvements £'000s	Computer Equipment £'000s	Software £'000s	Office Equipment £'000s	Plant and machinery £'000s	Total £'000s
Cost						
Opening balance – 1 July 2019	181	91	43	16	1,390	1,721
Additions	-	4	-	-	20	24
Disposals	-	-	-	-	-	-
Closing balance – 30 June 2020	**181**	**95**	**43**	**16**	**1,410**	**1,745**
Depreciation						
Opening balance – 1 July 2019	(166)	(78)	(41)	(16)	(690)	(991)
Depreciation charge for the year	(15)	(11)	(2)	-	(144)	(172)
Disposals	-	-	-	-	-	-
Closing balance – 30 June 2020	**(181)**	**(89)**	**(43)**	**(16)**	**(834)**	**(1,163)**
Net book value at 30 June 2020	**-**	**6**	**-**	**-**	**576**	**582**

Company

	Leasehold Improvements £'000s	Computer Equipment £'000s	Software £'000s	Office Equipment £'000s	Plant and machinery £'000s	Total £'000s
Cost						
Opening balance – 1 July 2019	107	68	44	16	-	235
Additions	-	1	-	-	-	1
Closing balance – 30 June 2020	**107**	**69**	**44**	**16**	**-**	**236**
Depreciation						
Opening balance – 1 July 2019	(107)	(61)	(41)	(16)	-	(225)
Depreciation charge for the year	-	(7)	(3)	-	-	(10)
Closing balance – 30 June 2020	**(107)**	**(68)**	**(44)**	**(16)**	**-**	**(235)**
Net book value at 30 June 2020	**-**	**1**	**-**	**-**	**-**	**1**

Consolidated

	Leasehold Improvements £'000s	Computer Equipment £'000s	Software £'000s	Office Equipment £'000s	Plant and machinery £'000s	Total £'000s
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**

Company

	Leasehold Improvements £'000s	Computer Equipment £'000s	Software £'000s	Office Equipment £'000s	Plant and machinery £'000s	Total £'000s
Cost						
Opening balance – 1 July 2018	107	68	44	16	-	235
Additions	-	-	-	-	-	-
Closing balance – 30 June 2019	**107**	**68**	**44**	**16**	**-**	**235**
Depreciation						
Opening balance – 1 July 2018	(90)	(51)	(36)	(16)	-	(193)
Depreciation charge for the year	(17)	(10)	(5)	-	-	(32)
Closing balance – 30 June 2019	**(107)**	**(61)**	**(41)**	**(16)**	**-**	**(225)**
Net book value at 30 June 2019	**-**	**7**	**3**	**-**	**-**	**10**

11. Intangible Assets

Consolidated

	QCC royalty payments £'000s	MSAR® trade name £'000s	Technology and know-how £'000s	Total £'000s
Cost				
Balance as at 1 July 2019 and 30 June 2020	7,686	3,100	25,901	36,687
Amortisation and Impairment				
Balance as at 1 July 2019 and 30 June 2020	(7,686)	(176)	(25,901)	(33,763)
Net book value as at 30 June 2020	**-**	**2,924**	**-**	**2,924**
Cost				
Balance as at 1 July 2018 and 30 June 2019	7,686	3,100	25,901	36,687
Amortisation and Impairment				
Balance as at 1 July 2018 and 30 June 2019	(7,686)	(176)	(25,901)	(33,763)
Net book value as at 30 June 2019	**-**	**2,924**	**-**	**2,924**

Intangible assets comprise intellectual property with a cost of £36.7m, including assets of finite and indefinite life. Quadrise Canada Corporation's ("QCC's) royalty payments of £7.7m and the MSAR® trade name of £3.1m are termed as assets having indefinite life as it is assessed that there is no foreseeable limit to the period over which the assets would be expected to generate net cash inflows for the Group, as they arise from cashflows resulting from Quadrise and QCC gaining a permanent market share. The assets with indefinite life are not amortised, but the QCC royalty payments intangible asset became fully impaired in 2012.

The remaining intangibles amounting to £25.9m, primarily made up of technology and know-how, are considered as finite assets and were amortised over 93 months, being fully amortised in 2012. The Group does not have any internally generated intangibles.

MSAR® trade name intangible asset

In accordance with IAS 36 "impairment of assets" and IAS 38 "intangible assets", a review of impairment for indefinite life intangible assets is undertaken annually or at any time an indicator of impairment is considered to exist. The discount rate applied to calculate the present value is for the cash generating unit ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of the CGU is assessed by reference to the value in use ("VIU"), being the net present value ("NPV") of future cash flow expected to be generated by the asset, and fair value less costs to sell ("FVLCS").

The recoverable amount of the MSAR® trade name intangible asset has been determined using a VIU model. The expected future cash flows utilised in the VIU model are derived by quantifying the royalties that would result if the asset was licensed from a third party in order to determine the income stream directly attributable to the asset in isolation. The royalties are based on a percentage of projected future revenues up to 30 June 2031 with an assumed growth rate being used beyond that date.

The key assumptions used in this calculation are as follows:

	2020	2019
Royalty rate (% of projected revenue) [1]	0.5%	0.5%
Discount rate [2]	20%	20%
Revenues forecast up to [3]	30 June 2031	30 June 2035
Growth rate beyond forecast period [4]	0%	0%

1 The royalty rate used upon initial recognition of this intangible asset was 0.33% of revenues determined as part of a third-party intangible asset valuation exercise. This was increased to 0.5% of revenues from 2011 onwards to reflect the wider awareness of the MSAR® trademark in the market.

2 The discount rate of 20% has been determined by management as conservative estimate based on the uncertainty inherent in the revenue forecasts. Management estimates the discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks specific to expected future projects

3 The 2020 revenue forecast extends to 30 June 2031 which ensures that each project included within the forecast reaches full maturity. The revenue forecast prepared in the prior year extended to 30 June 2035 as a result of the projects included in that forecast taking until then to reach maturity.

4 No growth has been forecast beyond the forecast period due to the uncertainty inherent in the revenue projections beyond the stage of project maturity.

The revenue forecast is based on the latest Company business model, which is regularly reviewed by management. The basis for the inclusion of projects and the estimation of growth rates, margins and project lifespans within the business model is based on the latest agreements with counterparties, commodity and chemical prices and the most recent discussions with customers, suppliers and other business partners.

The 'base-case' impairment assessment based on the above inputs shows a recoverable amount for the asset that is in excess of the net book value of asset and therefore no impairment has been identified, with the VIU exceeding the carrying value by £3.4m (the 'headroom').

Management have performed sensitivity analyses whereby certain parameters were flexed downwards by reasonable amounts and certain scenarios were modelled for the CGU to assess whether the recoverable value would result in an impairment charge. In isolation, none of these scenarios would result in an impairment to the MSAR® Trade Name intangible asset. However, a combination of two or more of these scenarios could result in an impairment charge, but management do not consider this likely.

The following sensitivities were applied:

Results of sensitivity analysis

Scenario	Resulting headroom (£'m)	Scenario which would reduce headroom to nil
Delayed revenues (1 year)	2.20	A 4 year delay to forecast revenues
Delayed revenues (2 years)	1.19	A 4 year delay to forecast revenues
Increase in discount rate to 30%	0.12	Increase in discount rate to 30.65%
Removal of projects which generate 50% of forecast revenues	0.37	Removal of projects which generate 53.7% of revenues
Finite company lifespan (to 30 June 2031)	1.39	Finite company lifespan (to 30 June 2030)

Amortisation of Intangible Assets

The Board has reviewed the accounting policy for intangible assets and has amortised those assets which have a finite life. All intangible assets with a finite life were fully amortised as at 30 June 2020.

12. 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 ("Paxton"), a 9.54% share in the ordinary issued capital of Optimal Resources Inc. ("ORI") and a 16.86% share in the ordinary issued capital of Porient Fuels Corporation ("Porient"), 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 30 June 2020. The shares in each of these companies were valued at CAD $nil on 1 July 2019 due to their business models being highly uncertain, with minimal possibility of any material value being recovered from their asset base. During the year there has been no indication that this situation has changed, therefore the directors have determined that the investments should continue to remain valued at CAD $nil at 30 June 2020.

13. Investments and loans in Subsidiaries

	Company Amount due from subsidiary £'000s	Company Amount due to subsidiary £'000s	Company Direct investment £'000s	Total
Opening balance	18,628	(7,666)	21,479	32,441
Long term loans advanced	2,470	-	-	2,470
Expected credit loss arising under IFRS 9	(373)	-	-	(373)
Closing balance	**20,725**	**(7,666)**	**21,479**	**34,538**

Loans to/from subsidiaries

In accordance with IFRS 9, a Company must recognise expected credit losses for all financial assets held at amortised cost, including most intercompany loans from the perspective of the lender. Expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. As at 30 June 2020, the Company has a loan of £21.1m (2019:

£18.6m) due from its 100% subsidiary Quadrise International Limited ('QIL'), and a loan payable of £7.7m (2019: £7.7m) due to its 100% subsidiary Quadrise Limited ('QL'). Both loans are repayable upon demand.

As at 30 June 2020, QIL has no ability to repay the balance due if this were to be demanded, there would therefore be a 100% probability of default. In this event, the Company must assess the expected manner of recovery.

The directors have determined that the most expeditious means of recovery of this balance would be via the means of a sale of QIL's assets in order to raise the balance due. The assets held by QIL include the Group's intangible assets, patents and trademarks, assets which underpin the value of the Group's business model. The directors have determined that the sale of these assets at a sufficient discount would allow QIL to obtain the funds necessary to raise the balance due and have further assumed that such a sale would be completed within a period of 6 months. The expected credit loss is calculated by discounting the balance due over the period of recovery at a determined discount rate.

On 29 April 2015 a Debenture agreement was finalised between QIL and the Company, in which QIL agrees to pay any balances when due, and to pay interest of 3.5% above the base rate on any sum demanded until payment. The base rate at 30 June 2020 is 0.1%. The discount rate used to calculate the expected credit loss is 3.6%.

The resulting expected credit loss arising on the loan due from QIL is £373k (2019: £nil).

Investment in subsidiaries

In accordance with IAS 36 a Company's assets must not be carried at more than their recoverable amount. Where there is any indication of impairment, an impairment test must be carried out.

The Group's business model relies upon the assets held by QIL – intangible assets, patents and trademarks. The recoverable amount of the investment in QIL is therefore determined by calculation of the net present value of the forecast cashflows produced by the Group's business model, which is regularly reviewed by management. The basis for the inclusion of projects and the estimation of growth rates, margins and project lifespans within the business model is based on the latest agreements with counterparties, commodity and chemical prices and the most recent discussions with customers, suppliers and other business partners.

As at 30 June 2020, there is no indication that the carrying value of the investment held by the Company in QIL is being held at more than its recoverable amount as determined by the net present value of the forecast cashflows produced by the Group's business model. Based on this the Directors concluded that no impairment is necessary for the year ended 30 June 2020.

Holdings in subsidiaries are detailed in note 26.

14. Cash and Cash Equivalents

	Consolidated 30 June 2020 £'000s	Consolidated 30 June 2019 £'000s	Company 30 June 2020 £'000s	Company 30 June 2019 £'000s
Cash at bank	2,380	1,060	2,157	460
Total	**2,380**	1,060	**2,157**	460

15. Trade and Other Receivables

	Consolidated 30 June 2020 £'000s	Consolidated 30 June 2019 £'000s	Company 30 June 2020 £'000s	Company 30 June 2019 £'000s
Trade receivables	43	7	-	-
Other receivables	101	96	92	91
Other taxes	69	66	39	30
Total	**213**	169	**131**	121

16. Trade and Other Payables

	Consolidated 30 June 2020 £'000s	Consolidated 30 June 2019 £'000s	Company 30 June 2020 £'000s	Company 30 June 2019 £'000s
Trade payables	69	90	36	30
Other taxes	49	51	34	36
Accruals	80	147	47	103
Total	**198**	288	**117**	169

There are no material differences between the fair value of trade and other payables and their carrying values at year-end.

Trade payables as at 30 June 2020 amount to 14 days (2019: 24 days) of purchases made in the year. All trade payables balances are less than 30 days old.

Amounts due to related parties at year end amounted to £nil (2019:£nil).

17. 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 collateralise 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 27 September 2019.

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Under the terms of the Convertible Securities agreement of 22 August 2019, the Company has no obligation to repay the securities in cash (unless the Company defaults on the terms) and the number of shares which may be issued upon conversion is variable. As there is no residual interest in the assets of the Company after conversion of the Convertible Securities, the Convertible Securities meet the criteria to be classified entirely as a financial liability.

The Convertible Securities instrument has been designated at fair value on initial recognition, with the fair value being assessed as £1.864m, being the nominal value of £2.15m less interest and warrant charges. The Convertible Securities have a 24 month expiry date, before which all Securities must be fully converted. Upon each exercise of conversion rights, the portion of the Convertible Securities converted is assessed at fair value, with the resulting fair value adjustment being recorded in the Statement of Comprehensive Income.

During the year ended 30 June 2020, the Investor exercised their conversion rights as follows:

Conversion date	Convertible Securities converted (£)	Conversion price (p)	No. of shares awarded upon conversion	Share price on conversion date	Fair value adjustment (£'000)
23 March 2020	100,000	1.2	8,333,333	1.68	40
15 April 2020	100,000	1.2	8,333,333	1.64	36
22 June 2020	250,000	1.1	22,727,273	2.98	426
Total	**450,000**		**39,393,939**		**502**

As at 30 June 2020, nominal value of £1.7m remains outstanding to the investor under the terms of the Convertible Security instrument. This balance has been assessed to have a fair value of £2.05m with the resulting fair value adjustment of £631k being recorded in the Statement of Comprehensive Income. The total fair value adjustment charge for the year is therefore £1.13m.

The fair value assessment was performed using a 'base case' model applying a factor for the propensity to convert, being a key assumption, equal to 4.5%. Management have performed a sensitivity analysis whereby this key parameter was flexed by reasonable amounts to assess the impact on the fair value.

An increase to this assumption by 0.5% would result in an increase of £604k in the fair value of the Convertible Security.

18. Share Options

Movement in the year:

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year:

	Number 30 June 2020	WAEP (pence) 30 June 2020	Number 30 June 2019	WAEP (pence) 30 June 2019
Outstanding as at 1 July	39,400,000	17.91	22,500,000	26.90
Granted during the year	-	-	19,150,000	7.29
Repurchased by grantor during the year	-	-	-	-
Expired during the year	(150,000)	7.50	(2,250,000)	17.35
Exercised during the year	-	-	-	-
Options outstanding as at 30 June	**39,250,000**	17.95	39,400,000	17.91
Exercisable as at 30 June	29,250,000	20.09	23,149,719	25.39

The weighted average remaining contractual life of the 39.3 million options outstanding at the statement of financial position date is 5.05 years (2019: 6.07 years). The weighted average share price during the year was 3.18p (2019: 3.15p) per share.

The expected volatility of the options reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The expected life of the options is based on historical data available at the time of the option issue and is not necessarily indicative of future trends, which may not necessarily be the actual outcome.

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 also may be exercised within one year of an employee leaving the Group at the discretion of the Board.

The Company issued nil share options to directors and employees during the year (2019: 19.15m).

The fair value was calculated using the Black Scholes option pricing model. The weighted average inputs were as follows

	2020	2019
Stock price:	-	6.29p
Exercise Price	-	7.29p
Interest Rate	-	0.75%
Volatility	-	113.4%
Expected term	-	4 years

19. Warrants

Movement in the year:

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, warrants during the year:

	Number 30 June 2020	WAEP (pence) 30 June 2020	Number 30 June 2019	WAEP (pence) 30 June 2019
Outstanding as at 1 July	5,000,000	3.16	-	-
Granted during the year	40,228,026	6.98	5,000,000	3.16
Exercised during the year	-	-	-	-
Warrants outstanding as at 30 June	**45,228,026**	6.56	5,000,000	3.16
Exercisable as at 30 June	45,228,026	6.56	5,000,000	3.16

The table below shows a reconciliation of warrants in the year:

	No. of warrants £	WAEP (pence)
As at 1 July 2019	5,000,000	3.16
Sep 2019 – Convertible Security warrants	4,900,000	5.78
Sep 2019 – Open Offer and Subscription warrants	32,328,026	7.48
Dec 2019 – Grant to Younes Mamaar	3,000,000	3.53
As at 30 June 2020	45,228,026	6.56

The warrants are equity settled warrants which vest immediately on grant date. Fair value is measured at the grant date of the option using the Black Scholes pricing model. The inputs into this model are: Stock price at the date of grant, exercise price, interest rate, expected term and expected volatility. The expected volatility of the warrants reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The expected life of the warrants is based on historical data available at the time of the option issue and is not necessarily indicative of future trends, which may not necessarily be the actual outcome.

The warrants granted during the year, and the inputs into the Black Scholes pricing model for each grant are as follows:

On 27 September 2019, the Company issued 4.9 million warrants with an exercise price of 5.78p and a term of 3 years to Bergen as part of the Convertible Security transaction announced on 23 August 2019 (see note 17). Inputs were as follows: Stock price 4.05p, exercise price 5.78p, interest rate 0.75%, volatility 128% and expected term 3.0 years. The resulting fair value of these warrants of £136k is assessed as part of the fair value of the Convertible Security instrument (see note 17).

On 30 September 2019, the Company issued 32.3 million warrants with an exercise price of 7.48p and a term of 2.94 years to participants in the Open Offer and Subscription announced on 9 September 2019 – see note 20. Inputs were as follows: Stock price 3.97p; exercise price 7.48p; interest rate 0.75%, volatility 128% and expected term 2.94 years. The warrants were attached to the shares purchased with one warrant being awarded for every two shares purchased and expire on 6 September 2022. The warrants therefore fulfil the criteria to be recognised as an equity instrument under IAS 32, with the fair value of £816k being taken to equity.

On 4 December 2019, the Company issued 3 million warrants to Younes Mamaar pursuant to the Morocco Representation Agreement announced on 6 March 2019, giving him the right exercise at a price of 3.53p until 27 February 2022. Inputs were as follows: Stock price 3.33p, exercise price 3.53p, interest rate 0.75%, volatility 126% and expected term 2.24 years. A charge of £65k has been recognised in the income statement in respect of these warrants under IFRS 2.

The Company issued 40.2 million warrants during the year (2019: 5 million) with a weighted average exercise price of 6.98p and a weighted average fair value of 2.53p.

The weighted average inputs into the Black Scholes option pricing model were as follows:

	2020	2019
Stock price:	3.93p	3.38p
Exercise Price	6.98p	3.16p
Interest Rate	0.75%	0.75%
Volatility	128%	129%
Expected term (years)	2.89	1.75

The weighted average remaining contractual life of the 45.2 million warrants outstanding at the statement of financial position date is 1.99 years. The weighted average share price during the year was 3.18p (2019: 3.15p) per share.

20. Share Capital

The company has one class of ordinary share capital which carries no rights to fixed income, any preferences or restrictions.

	2020 £	2019 £
Issued and fully paid: 1,035,150,774 (2019: 922,711,895) Ordinary shares of £0.01 each	10,351,508	9,227,119

The table below shows a reconciliation of movement in share capital and share premium during the year:

	No. of shares	Share Capital (£'000) £	Share Premium (£'000) £
As at 1 July 2019	922,711,895	9,227	74,438
Aug 2019 – Bergen finance fee and collateral shares	8,388,889	84	101
Sep 2019 – Open Offer and Subscription warrants	-	-	(816)
Oct 2019 – Open Offer and Subscription	64,656,051	647	1,651
Mar 2020 – Conversion of convertible securities	8,333,333	83	17
Apr 2020 – Conversion of convertible securities	8,333,333	83	17
June 2020 – Conversion of convertible securities	22,727,273	227	23
As at 30 June 2020	**1,035,150,774**	**10,351**	**75,431**

On 22 August 2019, 3,888,889 new ordinary shares were issued to Bergen at 3.6p per share to settle the £140,000 transaction financing fee, and a further 4,500,000 new ordinary shares were issued to Bergen at par raising funds of £45,000 as part of the Convertible Security transaction announced on 23 August 2019 (see note 17).

On 1 October 2019, 64,656,051 new ordinary shares were issued at 3.96p per share under the Open Offer and Subscription announced on 9 September 2019, raising gross funds of £2.561m. Fees and commissions of £263k were deducted from these proceeds, resulting in net receipts of £2.30m. 32.3 million warrants were issued to participants with a fair value of £816k. See note 19.

New ordinary shares issued upon Bergen's exercise of conversion rights under the Convertible Security were as follows: 8,333,333 on 24 March 2020 at 1.2p, 8,333,333 on 16 April 2020 at 1.2p and 22,727,273 on 23 June 2020 at 1.1p.

21. Other Reserves

Nature and purpose of other reserves

Reverse acquisition reserve

The reverse acquisition reserve arose on the reverse acquisition of Zareba plc (now Quadrise Fuels International plc) by Quadrise International Limited on 18 April 2006 as accounted for under IFRS 3.

Share option reserve

The share option reserve is used to record the cumulative fair value of share options granted by the Company net of lapsed and exercised options.

Warrant reserve

The warrant reserve is used to record the cumulative fair value of warrants granted by the Company net of lapsed and exercised warrants.

22. Pension Commitments

For direct employees of Quadrise Fuels International plc, the Company contributes 8% of salary to a defined contribution pension scheme. Pension cost to the Company for the year amounted to £67k (2019: £70k).

23. Derivatives and Other Financial Instruments

The Group's principal financial instruments comprise cash balances, accounts payable and accounts receivable arising in the normal course of its operations.

The financial instruments of the Group and the Company at year-end are:

	Consolidated 30 June 2020 £'000s	Consolidated 30 June 2019 £'000s	Company 30 June 2020 £'000s	Company 30 June 2019 £'000s
Financial assets				
Loans and receivables – Cash and cash equivalents	2,380	1,060	2,157	460
Loans and receivables – Trade and other receivables	213	169	131	121
Financial liabilities				
Other financial liabilities - Convertible Securities	2,045	-	2,045	-
Other financial liabilities – Trade and other payables	149	237	83	125

All receivables are current and are due within 30 days. Trade and other payables are due within 30 days. For further information on the Convertible Securities, see note 17.

Foreign currency exchange risk

The Group does not generally undertake foreign currency hedging. The majority of the Group's transactions are denominated in Sterling and it uses this as its reporting currency. Exposure to any foreign exchange movements exists primarily in the Euro currency.

The net monetary balances in other currencies at 30 June 2020 were net assets of US$16k (2019: US$43k) and €8k (2019: €28k).

A 10% strengthening of Sterling against the Euro at the statement of financial position date would have increased loss for the year by £1k (2019: £4k) whilst a 10% weakening of Sterling against the Euro would have reduced loss for the year by £1k (2019: £4 k). This analysis assumes that all other variables remain constant.

A 10% strengthening of Sterling against the US$ at the statement of financial position date would have increased loss for the year by £2k (2019: £3k) whilst a 10% weakening of Sterling against the US$ would have reduced loss for the year by £2k (2019: £3k). This analysis assumes that all other variables remain constant.

Interest rate risk

The Group has floating rate financial assets in the form of deposit accounts with major banking institutions; however, it is not currently subjected to any other interest rate risk.

Based on cash balances at the statement of financial position date, a rise in interest rates of 1% will reduce loss for the year by approximately £23k (2019: £9k) per annum. A decrease in interest rates of 1% will increase loss for the year by approximately £7k (2019: £3k) per annum.

Liquidity risk

The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations. The Group takes liquidity risk into consideration when deciding its sources of funds.

Credit risk

The Group had receivables of £213k at 30 June 2020 (2019: £169k), of which £nil (2019: £nil) was receivable from related parties. Receivables of £213k represent the maximum credit risk to which the Group is exposed.

Capital risk management

The Group defines capital as the total equity of the Group. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Fair value of financial assets and liabilities

There are no material differences between the fair value of the Group's financial assets and liabilities and their carrying values in the financial information.

Borrowings Facilities

The Group has a Convertible Securities instrument outstanding as at 30 June 2020 – see note 17 for further details.

24. 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 year 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 as above, there are no transactions with Directors, other than their remuneration as disclosed in the Report of Directors' Remuneration.

25. Ultimate Parent Undertaking and Controlling Party

The directors have determined that there is no Controlling Party as no individual shareholder holds a controlling interest in the Company.

26. Subsidiaries

The financial statements include the financial statements of Quadrise Fuels International plc and the following subsidiaries:

Name	Percentage interest held and voting rights	Class of share held
Quadrise International Limited	100%	Ordinary
Quadrise Limited	100%	Ordinary
Quadrise KSA Limited	100%	Ordinary
Quadrise Marine Limited	100%	Ordinary

Quadrise Fuels International plc and its subsidiaries are involved in the production and development of MSAR® emulsion fuel (along with supplying the associated technology to third parties) as a low cost substitute for conventional heavy fuel oil for use in power generation plants and industrial and marine diesel engines.

The registered office for all subsidiaries is Gillingham House, 38-44 Gillingham Street, London, SW1V 1HU.

27. Events After the end of the Reporting Period

On 18 August 2020, the Company entered an MSAR® Commercial Trial Agreement with Greenfield Energy LLC , the joint venture between Valkor and Tomco Energy plc. Pursuant to this the parties have planned a phased implementation of MSAR® that covers:

- A commercial trial of MSAR® technology at the Petroteq Oil Sands Plant in Utah, USA, that is managed and operated by Greenfield; with a commercial value to Quadrise of US$150,000; and
- The development of commercial MSAR® plants of up to 10,000 barrels oil per day located at Utah facilities owned or operated by Greenfield.

On 20 August 2020 the Company issued 18,750,000 new ordinary shares following receipt of a notice of exercise in respect of the Convertible Security to convert £300,000 of the Convertible Security into new ordinary shares in the Company at a conversion price of 1.6p per new ordinary share.

On 21 August 2020 the Company granted a total of 10,000,000 options over new ordinary shares of 1p each in the Company to directors of the Company in accordance with the provisions of (a) the Company's Enterprise Management Incentive Plan ("EMI Plan"), in respect of awards of an aggregate of 4,261,756 Options (the "EMI Options") and (b) the Company's Unapproved Option Scheme 2016 ("2016 Scheme") in respect of awards of an aggregate of 5,738,244 Options ("2016 Scheme Options").

Director	Number of Options	Plan	Exercise price
Mike Kirk	2,000,000	EMI Plan (1,261,756 Options) 2016 Scheme (738,244 Options)	7.5p
Jason Miles	5,000,000	2016 Scheme	7.5p
Mark Whittle	3,000,000	EMI Plan	7.5p
Total	**10,000,000**	-	-

The EMI Options and the 2016 Scheme Options will vest as to 50% on the first anniversary of the grant and the remaining 50% shall vest on the second anniversary of the date of grant. All vestings are subject to the satisfaction of certain performance conditions prior to the vesting date. The 2016 Scheme Options and the EMI Options will be exercisable from vesting until the eighth and tenth anniversaries of grant respectively.

On 7 September 2020 the Company issued 23,529,412 new ordinary shares following receipt of a notice of exercise in respect of the Convertible Security to convert £400,000 of the Convertible Security into new ordinary shares in the Company at a conversion price of 1.7p per new ordinary share.

28. Copies of the Annual Report

Copies of the annual report will be posted to shareholders and will be available shortly from the Company's website at www.quadrisefuels.com and from the Company's registered office, Gillingham House, 38-44 Gillingham Street, London, SW1V 1HU.

CORPORATE INFORMATION

Registered Office
Gillingham House
38-44 Gillingham Street
London
SW1V 1HU

Company Secretary
Ian Farrelly
MSP Corporate Services Ltd
27-28 Eastcastle Street
London
W1W 8DH

Nominated Adviser
Cenkos Securities plc
6.7.8 Tokenhouse Yard
London
EC2R 6AS

Broker
Peel Hunt
Moor House
120 London Wall
London
EC2Y 5ET

Broker
Shore Capital
Cassini House,
57-58 St. James's Street
London
SW1A 1LD

Solicitors
BDB Pitmans LLP
One Bartholomew Close
London
EC1A 7BL

Registrars
Share Registrars Ltd
The Courtyard
17 West Street
Farnham
Surrey
GU9 7DR

Auditors
BDO LLP
55 Baker Street
London
W1U 7EU

Bankers
Coutts & Co
440 Strand
London
WC2R 0QS

Perivan 259843

Quadrise Fuels International plc

Gillingham House | 38-44 Gillingham Street | London SW1V 1HU
T +44 (0) 20 7031 7321 | F +44(0) 20 7031 7339
www.quadrisefuels.com