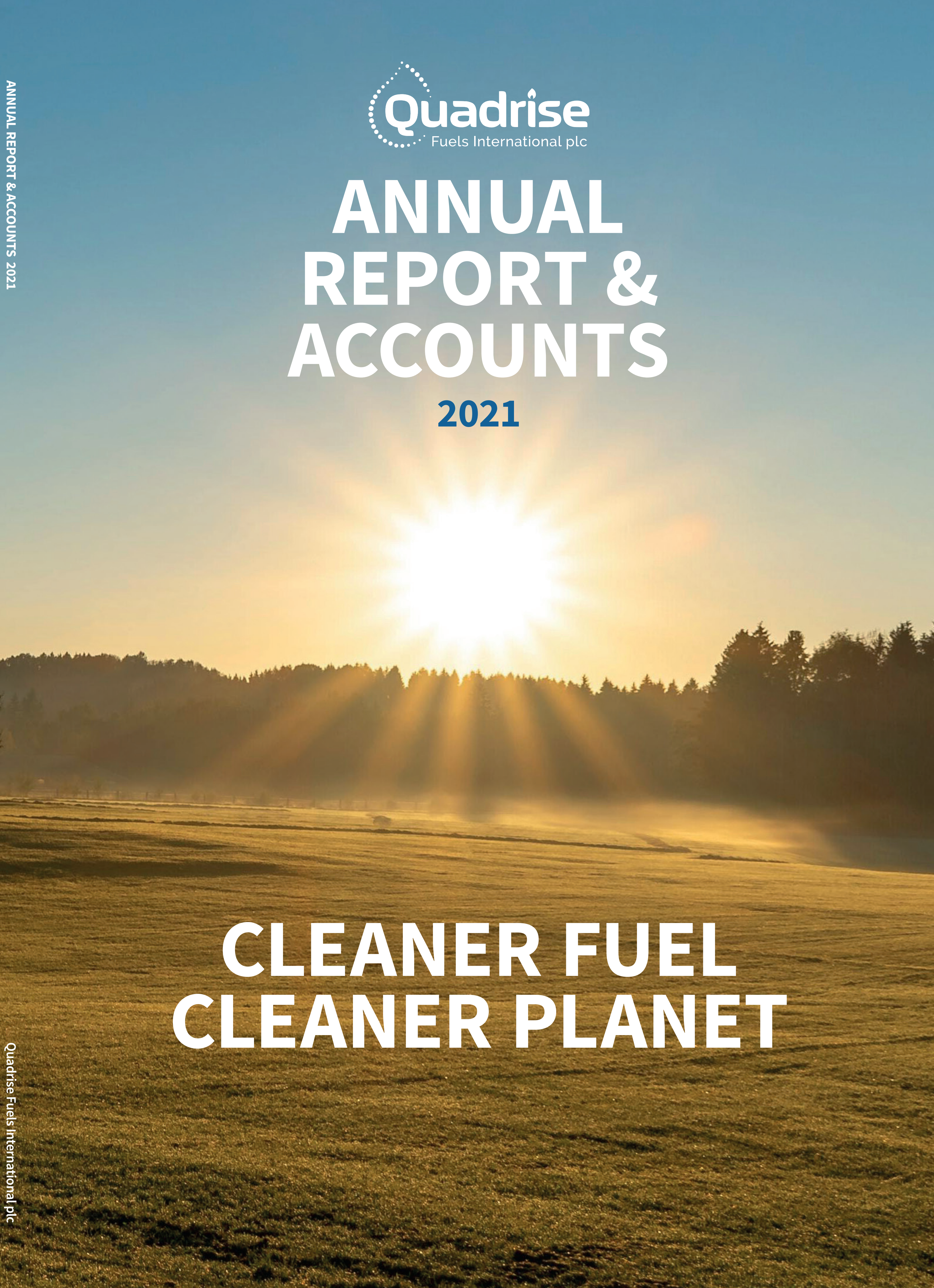


Quadrise
Fuels International plc

ANNUAL REPORT & ACCOUNTS

2021

CLEANER FUEL CLEANER PLANET

ANNUAL REPORT & ACCOUNTS 2021

Quadrise Fuels International plc

QUADRISE IS THE INNOVATOR AND GLOBAL SUPPLIER OF A DISRUPTIVE TECHNOLOGY THAT ENABLES THE PRODUCTION OF MSAR®* AND BIOMSAR™, SYNTHETIC HEAVY FUEL OIL AND BIOFUEL RESPECTIVELY, WHICH HAVE SIGNIFICANT ECONOMIC AND ENVIRONMENTAL BENEFITS.

MSAR® IS THE REGISTERED TRADEMARK FOR MULTIPHASE SUPERFINE ATOMISED RESIDUE

CONTENTS

HIGHLIGHTS

2020-21 has been a year of substantial progress for Quadrise, despite the many challenges faced during the pandemic. Rapid progress was made in developing bioMSAR™ from concept to a proven fuel which delivers >20% reductions in CO_2 emissions compared to HFO. Trials in Morocco are now poised to commence following a successful on-site pilot trial, we are now finalising plans for the next stage of our Utah project following positive test results, and are advancing plans for the testing of bioMSAR™ along with MSAR on board MSC container vessels. This momentum, alongside the funds we now have in place, is expected to take the Company through to sustainable positive cashflows in Q1 2023.

1

bioMSAR™ launch

In less than 12 months Quadrise have developed and tested bioMSAR™ from a concept to a proven fuel which offers >20% reductions in CO2, reductions in NOx and improved engine efficiency to reduce fuel use.

2

Progress with key projects

Quadrise plans to complete the trial at the client site in Morocco in Q4 2020, and is finalising plans for the next stage of the Utah project with Greenfield Energy. Our project with MSC is advancing with LONO trials planned for H1 2022.

3

Funds in place to reach commercialisation

A successful placing and open offer raised £6.5m (net), ensuring that following successful trials and entry into commercial supply agreements, Quadrise has funds in place to reach sustainable commercial revenues, forecast to commence in Q1 2023.

PROVEN EMULSION FUEL TECHNOLOGY

Reliable emulsion fuel technology

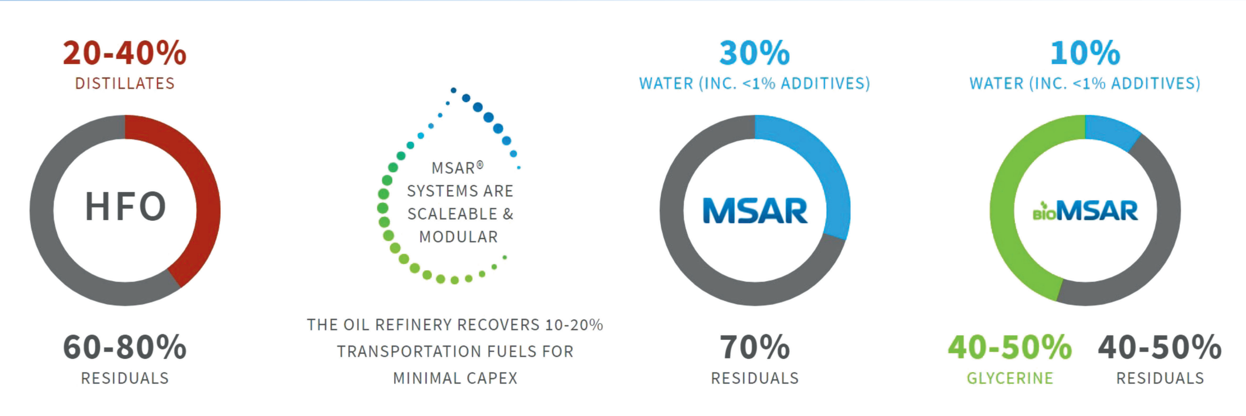
Quadrise's technology draws on over 30 years of experience in the production of oil-in-water emulsion-based fuels. MSAR® and bioMSAR™ are direct substitutes for fuel oil (also called Heavy Fuel Oil or "HFO") and biofuel respectively, and Quadrise's technology has established a strong reputation with market leading companies.

The global fuel oil market currently is around 6 million barrels per day (340 million tons per annum), with marine bunker fuel oil comprising approximately 50% of the total.

Quadrise's technology is a potential game changer for oil refiners and heavy oil producers. It frees up valuable distillates traditionally used for fuel viscosity control, increasing profitability. This is achieved rapidly and without incurring significant expenditure or costs – which differentiates Quadrise's technology from alternative upgrading solutions.

HFO vs MSAR® & bioMSAR™

Crude oil production and refining often result in heavy residual oils that require expensive refined distillates to reduce viscosity and meet pipeline and HFO specifications. HFO is sold at a discount to crude oil, resulting in a loss for the producer. Low-cost MSAR® technology enables additives and water to replace these distillates, which can then be sold at a premium. MSAR® technology can also be used to produce bioMSAR™, that incorporates renewable fuel-grade glycerine to provide a lower-cost biofuel solution offering over 20% lower CO_2 emissions today.



Enhancing 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.

In a refinery producing HFO, typically just 50-60% of the crude processed is sold as premium value transport oils, whereas in a refinery producing MSAR or bioMSAR™, this can increase to up to 70%.

Quadrise's technology is modular and can be integrated for production in under 12 months, with any tie-ins incorporated into scheduled maintenance shutdowns.

Both MSAR and bioMSAR™ fuels are:

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

SIMPLE PRODUCTION

Quadrise's technology is applicable to a wide variety of heavy oils and refinery residue streams:

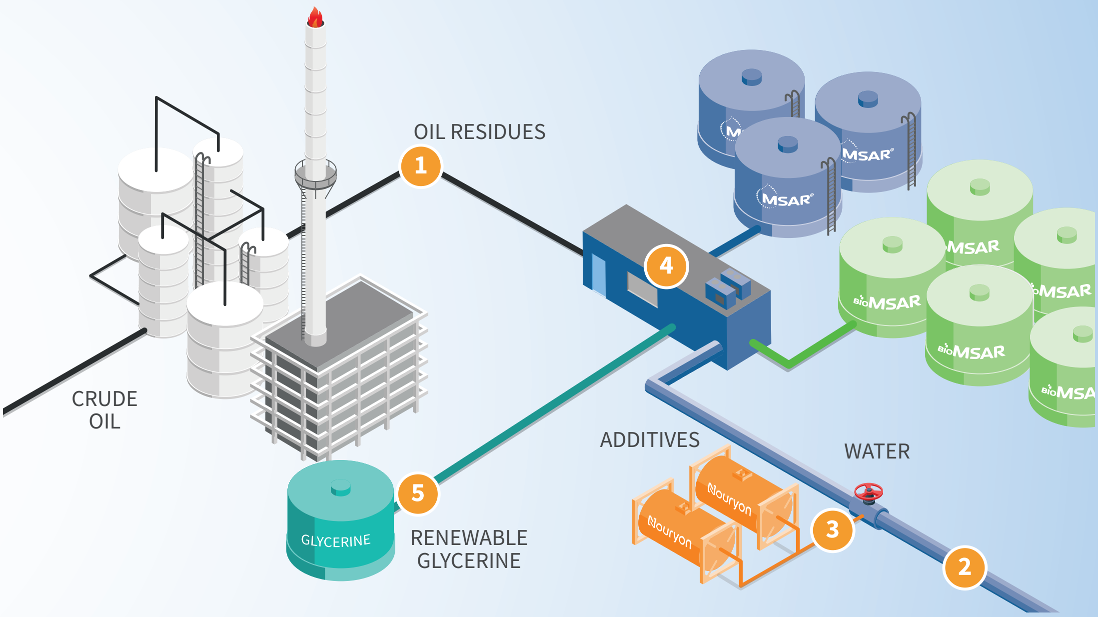
1. Oil residues are taken from the refinery or heavy oil production and cooled to under 200 C to achieve the required viscosity (typically <500 centistokes).

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 transport, and to promote complete combustion.

4. The mixture is processed in a proprietary emulsion module to produce a highly stable oil-in-water emulsion with enhanced fuel properties.

5. Glycerine can be added to produce bioMSAR™ as an alternative to MSAR® for further CO_2 savings. bioMSAR™ and MSAR® can be made interchangeably and are compatible with one another.

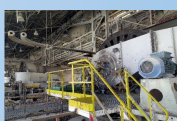


MULTIPLE APPLICATIONS

MSAR® and bioMSAR™ are applicable to a wide variety of energy applications:

Marine: MSAR® is operationally and commercially proven as a marine bunker fuel in both 2- and 4-stroke engines. It can be supplied directly from candidate refineries and delivered to marine vessels using conventional infrastructure designed for HFO.

Power: MSAR® is commercially and operationally proven in both steam boilers and diesel engines. It can be supplied directly from candidate refineries and delivered to a power plant using conventional infrastructure designed for HFO.



Industrial: MSAR® and bioMSAR™ can be used in industrial applications for the generation of heat and power.

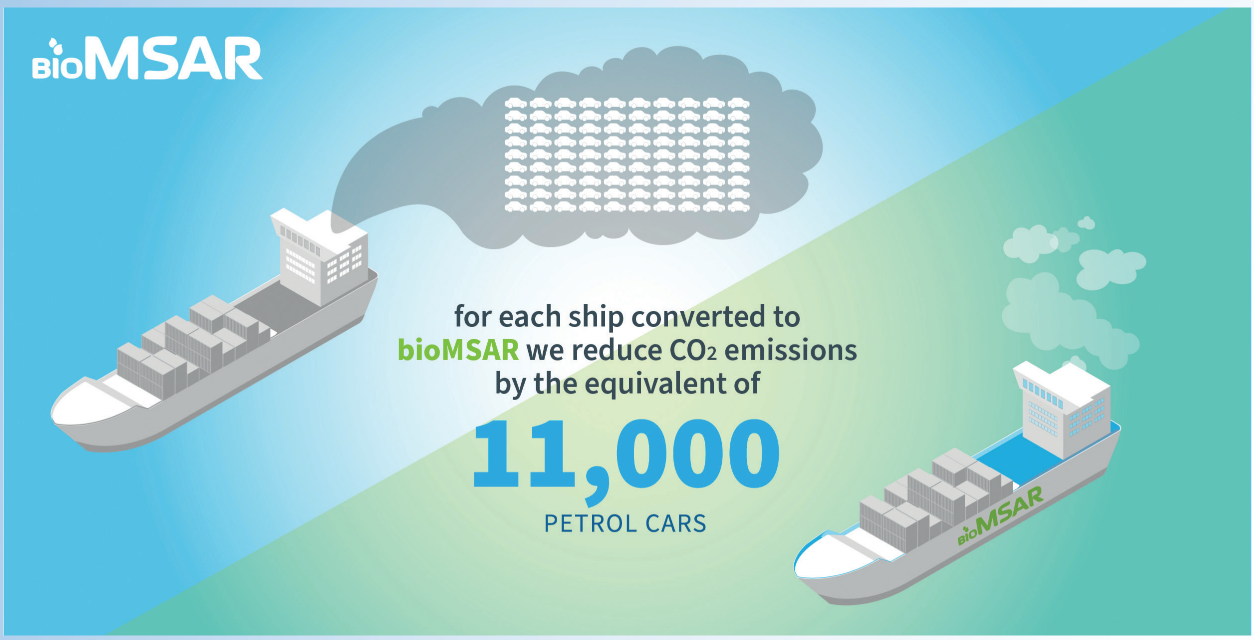
Upstream: MSAR® and bioMSAR™ can be used to generate energy for the extraction of crude oil from oil wells and oil sands deposits, with on-site MSAR and bioMSAR™ manufacture for commercial supply.

bioMSAR™

Our exciting new bioMSAR™ fuel combines MSAR® technology with renewable glycerine to produce a low carbon, environmentally friendly alternative to HFO and biofuels.

As with MSAR®, Quadrise's proven proprietary technology is used to mix heavy residual oils and glycerine with small amounts of specialist chemicals and water (patent pending) to produce bioMSAR™, a synthetic biofuel with lower emissions, including over 20% less CO_2.

bioMSAR™ is a blend of heavy residual oils and glycerine with small amounts of specialist chemicals and water (patent pending) that are mixed using our proprietary MSAR® technology. bioMSAR™ is an oil-in-water emulsified synthetic biofuel, with lower emissions than conventional fuels. The amount of glycerine added can be tailored to future CO_2 reduction requirements. Adding 40% renewable glycerine to make bioMSAR™ results in over 20% fewer carbon dioxide emissions.



WHY GLYCERINE?

Glycerine is a bio-degradable, non-toxic liquid that is colourless, odourless, water soluble, non-flammable and non-volatile. Glycerine burns almost pollutant-free and is virtually CO_2-neutral, it also has excellent lubricity. Glycerine is generally obtained from plant and animal sources. It is a renewable raw material that is a waste product in the production of bio-diesel, fatty acids and alcohols.

BENEFITS

- **Low CO_2 emissions** – bioMSAR™ offers a 20% reduction in CO_2 emissions compared to HFO. This is comparable with LNG use, but without the risk of methane slip, which is 21 times worse than CO_2 as a greenhouse gas.
- **Low cost implementation** – an LNG conversion requires new, highly expensive cryogenic storage and liquefaction systems. In comparison, bioMSAR™ can be implemented cheaply using existing HFO infrastructure.
- **Minimal risk** – bioMSAR™ is a stable water-based synthetic biofuel containing glycerine, which is non-volatile and biodegradable.
- **Uses existing technology** – MSAR® and bioMSAR™ are interchangeable and fully compatible with each other.
- **Increased engine efficiency** compared to conventional fuels.
- **Low emissions** – bioMSAR™ is a lower-CO_2 fuel solution, but also offers reductions in emissions of SO_2, NOx and particulates (including black soot).

ESG

ENVIRONMENTAL

MSAR® and bioMSAR™ fuel solve key environmental problems including CO_2, Black Soot, NOx & SOx.

Our fuels offer enhanced combustion performance when compared to conventional fuel oil due to their inherent physical characteristics; pre-atomised micro fuel droplets suspended in water.

This results in less ash and black carbon particulate matter (PM) and nitrogen oxide (NOx) reductions of typically 30%, which are significant reductions for improving local air quality and lowering the global warming potential of fuel oil use. In addition, bioMSAR™ offers reductions of over 20% in CO_2 emissions due to its incorporation of renewable glycerine and improved engine efficiency.

Our fuels are fully compatible with Exhaust Gas Cleaning Systems, EGCS or "Scrubbers", which can be used in marine and power applications to reduce emissions of sulphur oxides (SOx), NOx and PM. The reduced fuel cost from adopting Quadrise's technology can also be used to subsidise what may otherwise be unaffordable abatement options.

SOCIAL

The world needs better energy solutions to ensure sustainable, responsible growth. We are committed to providing safer, cleaner and more affordable energy that creates value. Quadrise:

- Assists our partners & clients to promote sustainable development through the responsible use of MSAR® fuel and technology.
- Enables clients to enhance their engagement with local communities and stakeholders by reducing their social impacts by following stringent CSR and HSEQ procedures. Secure local support wherever we directly interact with the community.
- Maintains high ethical standards in carrying out business activities in accordance with the Group Compliance Policy, Practices & Procedures (which comply with the Bribery Act 2010).
- Put safety at the forefront of our corporate culture and practices, regularly reviewing our Health, Safety and Environment (HSE) policies.
- Provide equal employment opportunities, and respecting the rights of employees, consultants, partners and counter parties, treating them fairly and without discrimination.
- Provide opportunities for training and development of our staff such that they can fully exploit their potential.
- Develop a culture of continuous improvement and encourage openness, fairness and trust ensuring stakeholders are satisfied with the results and the way the Group operates.

GOVERNANCE

The highest standards of corporate governance have always been a strength of Quadrise and we believe that this places us not only in the very top tier of AIM companies, but amongst the best in the FTSE as well:

- We have always adopted the highest disclosure standards of the UK Corporate Governance Code;
- Our board of directors contains experienced non-exec directors and we follow stringent board policies and procedures;
- We work to exceptional HSEQ standards, with strong risk management processes in place; and
- We are supported by a first class team of professional advisors.

CHAIRMAN'S STATEMENT

I am immensely proud of the progress that Quadrise has made during the 2021 financial year. Despite the significant challenges posed by the COVID-19 pandemic, the Company has made substantial progress across our project portfolio, accelerated the development of low-carbon bioMSAR™ and secured the funding to take the Company through to commercial sustainability. These developments have only been possible because of the dedication of the entire Quadrise team and the support of our loyal shareholders.

Our new low-carbon bioMSAR™ fuel incorporates renewable glycerine to reduce CO_2 emissions, whilst maintaining MSAR®'s lower NOx and lower particulate emissions. Initial development work on bioMSAR™ commenced in Spring 2020, with the fuel being formally launched in December 2020. This rapid progress was instrumental in our ability to finalise the Joint Development Agreement with MSC in January 2021 and was followed by the successful placing and open offer in March 2021. This raised gross proceeds of £7.0 million, was significantly oversubscribed and included two new major institutional investors. The funds raised ensure that, pending the positive conclusion of the current trial programmes and the agreement of appropriate commercial agreements, Quadrise now has the resources in place to reach forecast sustainable commercial revenues in Q1 2023.

Quadrise has always had strong Environmental, Social and Governance credentials, and we have worked hard during the year to promote these. Emphasis has been placed on Quadrise's environmental credentials, in particular, via the development and launch of bioMSAR™. This stood Quadrise in good stead as the global response to delivering Net Zero in CO_2 emissions accelerated at a pace that took most by surprise. As a result, bioMSAR™ caught the imagination of our current and prospective customers, as evidenced by MSC's decision to shift the basis for the forthcoming LONO trials and advance the use of bioMSAR™ alongside MSAR®.

The work with MSC in the marine sector sits alongside our other active projects in the industrial sector in Morocco and the upstream sector in Utah with Greenfield. All of these projects have progressed positively during the period, though not always at the pace we would have preferred. This has required the RDI (Research, Development and Innovation) team at our QRF research facility, to provide both testing and operational support. In addition, this team has been key to the continued development and testing of bioMSAR™ and in producing the fuel for testing at Aquafuel Research Ltd ('Aquafuel') and the VTT facility in Finland.

Quadrise's established network of in-country partners played a crucial role during the financial year, as they maintained direct contact with our customers when travel restrictions meant this was not possible for Quadrise. But as restrictions ease, the Company looks forward to re-establishing direct contact with our customers. As Quadrise progresses the delivery of its key projects through 2022 and beyond, it will be building on strong foundations. The focus will be on the successful delivery of our current active projects, though there will also be opportunities to advance other projects that are currently at an earlier stage of development. The year ahead promises to be an exciting one for Quadrise as it progresses its trial programmes, further develops its sustainable and net-zero fuel solutions, and transitions to commercial revenues and positive cashflows.

The small, tightly knit team at Quadrise will be fundamental to delivering this and I know that they will rise to the challenge. The forthcoming executive appointment of a new COO to replace Mark Whittle completes the Company's senior executive team led by Jason Miles, CEO, with the new COO, working alongside David Scott, Head of Finance, Bernard Johnston, Head of Operations, and Patrick Brunelle, Head of RDI.

With the Company now well positioned to deliver on the next phase of its development, it is, therefore, appropriate for me to hand over to a new Non-Executive Chair to lead the next stage of development of Quadrise following a period of transition to ensure a seamless hand-over of executive duties. A search for a new Independent Non-Executive Chair will start imminently and I will formally leave the business on 26 November 2021 following the Company's Annual General Meeting. Laurie Mutch will take over as Interim Chairman from that time until a until a new Chair is in place. I would like to thank all of my colleagues at QFI, our excellent advisers and our loyal shareholders with whom it has been a pleasure to work with over the last 6 years or so.

Results for the Year

The consolidated after-tax loss for the year to 30 June 2021 was £4.3 million (2020: £4.8 million), with the loss per share for the year reducing to 0.36p from 0.49p in 2020. Production and development costs of £1.4 million (2020: £1.4 million) comprise the costs of the Group's operational staff and consultants, and QRF running costs (equipment, consumables etc). These costs are consistent with the previous year, as they largely relate to fixed costs.

Administration expenses of £1.5 million (2020: £1.8 million), comprise the Group's corporate staff and directors' costs, professional advisor fees, PR/IR costs and head office costs. These have decreased as a result of reduced professional fees, no directors' cash bonuses being awarded and lower office costs due to the move from our previous office in February 2021.

The loss for the year includes £1.6 million of non-cash expenses (2020: £1.6 million), relating to fair value adjustment charges to the Convertible Securities of £1.3 million (2020: £1.1 million) (see note 17) and share option charges of £0.3 million (2020: £0.5 million) arising due to the award of share options, which are expensed over the vesting period (see note 18).

At 30 June 2021, the Group had total assets of £10.7 million (2020: £6.3 million). The most significant balances were cash of £7.0 million (2020 £2.4 million), intangible assets of £2.9 million (2020: £2.9 million), and property, plant and equipment of £0.5 million (2020: £0.6 million). The Group has tax losses arising in the UK of approximately £58.4 million (2019: £53.7 million) that are available to be carried forward against future profits.

The Group raised £6.5 million (net of costs) in March 2021 via a successful cash box placing and open offer. A further £0.5 million (net) was raised via the issuance of the second and final tranche of Convertible Securities to Bergen. £2.6 million was utilised in operating activities during the year (2020: £3.1 million).

Mike Kirk
Chairman
1 October 2021

CHIEF EXECUTIVE'S STATEMENT

Our global opportunity

During the past year, Quadrise has positioned itself to take advantage of a rapidly changing global energy landscape. This increasingly prioritises sustainable and economic pathways to a Net Zero future, presenting significant opportunities for Quadrise. Our 2020-21 Strategic Review resulted in the decision to accelerate the commercialisation of our bioMSAR™ technology, and in parallel develop a Net Zero fuel solution to offer to our global clients. We are well on our way towards commercialising bioMSAR™, which is a remarkable achievement for the Quadrise team during challenging times, and work has commenced on the development of a Net Zero carbon fuel. According to the Intergovernmental Panel for Climate Change (IPCC), the world has until 2030 to cut human-caused CO_2 emissions by half, in addition to other greenhouse gas (GHG) emissions such as methane, to have a 50% chance of avoiding the worst effects of climate change by 2050. We believe that Quadrise's unique MSAR® and bioMSAR™ technology can play a significant role in helping the world achieve this goal.

bioMSAR™ and our transition to Net Zero

Our innovative low carbon bioMSAR™ fuel takes advantage of our proven emulsion fuel technology platform and utilises renewable glycerine, currently a by-product of biodiesel manufacture, as a clean fuel component. The glycerine content of bioMSAR™ can be adjusted to meet the client's required CO_2 savings, providing a cost-effective transition fuel solution to meet increasingly stringent decarbonisation requirements. An international patent application for bioMSAR™ has been submitted jointly with Nouryon and complements our existing MSAR® IP.

Following successful laboratory and pilot testing of bioMSAR™ at QRF, an engine testing programme was initiated at Aquafuel to demonstrate potential application in our Cummins diesel generator. The NOx emissions savings and higher engine efficiency results surpassed our expectations. This successful proof of concept test was followed by a larger trial using 5 tons of bioMSAR™ at the VTT facility in Finland on a 4-stroke medium speed Wärtsilä engine of the type that is typically used in diesel power plants, cruise ships and ferries. Results on the Wärtsilä engine demonstrated a 26% average reduction in equivalent CO_2 emissions, which was due to the renewable energy content and the higher engine efficiency. Further engine optimisation tests are planned for bioMSAR™ at Aquafuel, with plans underway to accelerate testing for bioMSAR™ use in a range of sectors that are demanding "drop in" transition fuels to advance decarbonisation.

During the year we joined the UK Chamber of Shipping and are delighted to be a part of their "Making Waves: The Future of Shipping" programme, to chart the role of Quadrise in driving efforts across the sector to tackle climate change and reduce shipping's footprint on the environment with bioMSAR™. The launch ahead of COP26 at London International Shipping Week in September 2021 was excellent timing. The marine sector has reduced CO_2 emissions by 30% from 2008 to 2020, but still contributes 940 million tons or 2.5% of global emissions of CO_2. Based on recent results from VTT testing, bioMSAR™ could reduce emissions of CO_2 by over 25% from a large vessel consuming 25,000 tons of HFO annually, equating to 23,000 tons of CO_2, which is equivalent to the annual emissions from 11,000 average petrol cars.

We strongly believe that both MSAR® and bioMSAR™ will have an important role to play in the transition to a sustainable future for energy. However, we also recognise that Net Zero fuel solutions will be mandatory in the future, potentially as early as 2030, and we have an RDI strategy in place to take advantage of this opportunity using our innovative and adaptable technology. Our RDI team are now in the early stages of investigating the use of other renewable fuels such as lignin (a renewable, wood-derived fuel source) to produce a fuel with a Net-Zero carbon contribution. We are also working with a team led by Professor Pat Harvey at the University of Greenwich to explore the production of glycerine and other products from algae. Algae could provide new supply opportunities for renewable fuels, as well as potentially further reducing the CO_2 emissions of bioMSAR™ to net-zero in future.

Key projects

Currently, our key projects are in the marine, upstream and industrial sectors, with further projects in development involving significant downstream and powerplant applications. Our short-term focus is on demonstrating MSAR® and bioMSAR™ technology at commercial scale and progressing each of the opportunities into commercial supply agreements.

- **MSC** – In January 2021 we were delighted to announce the signature of a Joint Development Agreement with MSC Shipmanagement to carry out LONO ('Letter Of No Objection') fuel trials on board their commercial container vessels. We are now working to finalise the preparatory work to enable these trials. This work has taken longer than anticipated, as the availability of engine manufacturer and Class Society resources has been limited at times and the marine sector is stretched due to COVID logistics challenges, and various evaluations and tests of future fuel options. As a result of positive results from bioMSAR™ testing on 4-stroke diesel engines, MSC expressed an interest in advancing the option of bioMSAR™ testing on their electronic 2-stroke engines alongside MSAR®. This is now our focus, with a view to commencing commercial-scale 4000-hour LONO trials in H1 calendar 2022.

- **Utah** – Our project in Utah involves using MSAR® technology to emulsify low-sulphur 10-13° API heavy oil that can be recovered from the billions of barrels of oil-sand deposits located at Asphalt Ridge in Utah, USA. Oil samples were provided from the Petroteq Oil Sands Plant ("POSP") operated by our client, Greenfield Energy LLC ("Greenfield") which is owned by AIM-listed TOMCO Energy PLC. Due to both COVID and adverse weather conditions, the POSP start-up and commissioning process experienced delays, resulting in the required oil samples from site not being received at QRF until August 2021. During August our RDI team at QRF successfully converted these samples to both MSAR® and bioMSAR™, and in September a report was issued to Greenfield in accordance with our Commercial Trial Agreement, as announced. Quadrise are now working with Greenfield to finalise the plans for future commercial implementation.
- **Morocco** – Our industrial client in Morocco is a major consumer of HFO. Since the successful pilot plant trial in October 2020, our plans have been impacted by COVID related travel restrictions causing delays to the trial programme. Following the easing of these restrictions, our Head of Operations, Bernard Johnston, was able to visit the site ("Site B") in August 2021 in order to prepare for the next stage of the programme; the combustion of 60mt of MSAR®. The site consumes around one third of the client's annual HFO consumption. The Site B trial is now expected to take place in early Q4 2021. Testing of bitumen samples for the MSAR® fuel production has now been completed, with production scheduled to commence in Q4, and shipment of the trial equipment to the client site organised for October 2021. The Site B trial results and a feasibility study for MSAR® use at a second client site ('Site A') are expected to be delivered to the client in Q4 2021, with Quadrise receiving £0.1 million. A subsequent commercial trial will then take place at "Site A" later in Q4 2021 or early Q2 2022 with shared trial costs reimbursed to Quadrise under a separate agreement. Assuming the successful conclusion of these trials, the intention would then be to conclude a commercial supply agreement covering one or more of the client's sites in Morocco during Q1 2022.
- **Americas** – Using our regional agent network we are progressing projects in Panama with power generators, and in Mexico and Ecuador with the state oil companies and utilities respectively and look forward to providing updates as these projects progress.

Outlook

The downstream oil sector has had to adapt rapidly to changes in demand driven by the IMO 2020 restrictions on marine sulphur emissions as well as the COVID pandemic. These changes affected both the availability and values (relative to HFO) of refinery residuals utilised in MSAR® and bioMSAR™, unfavourably impacting MSAR® economics over the past year. However, during the latter part of 2021 the trends are looking increasingly positive, as despite changes to oil consumption, the underlying crude oil price has remained robust, which is positive for the upstream sector. The demand for HFO in the power and marine sectors has also remained strong, the latter driven by the increasing use of exhaust gas cleaning systems (or "scrubbers") to comply with IMO 2020. It is expected that distillate fuel demand will continue to recover in 2022 driven by the transportation sector. This will be positive for refinery margins and the HFO-distillate spread, underpinning the economic value of refinery residuals as an energy source for MSAR® and bioMSAR™ in our key markets. These trends will provide a positive backdrop to our ongoing discussions with refinery suppliers regarding potential supply of residue for our key projects.

The public attitude towards renewables and low emission fuel options is accelerating interest in bioMSAR™ and increasing the market opportunity in various sectors. During the next 12 months we plan to demonstrate the long-term economic and environmental benefits of MSAR® and bioMSAR™ projects through commercial-scale trials that, on successful completion, should lead to supply contracts and commercial revenues.. In parallel our RDI team are focused on finding new Net Zero carbon future fuel solutions.

Mark Whittle, Quadrise's former COO, who left the Group in September 2021, made a major contribution during his 6 years at Quadrise and left with our best wishes. I am

CHIEF EXECUTIVE'S STATEMENT (CONTINUED)

glad to report that we have now selected and appointed a new COO, who will start in the next few months. Having streamlined the team during the COVID-19 pandemic period we are now expanding, both in terms of permanent resources and experienced consultants in relevant sectors to enhance project delivery and extend the capabilities of QRF in Essex.

The Quadrise team look forward to an exciting 2022 for the Company and shareholders.

Jason Miles
Chief Executive Officer
1 October 2021

STRATEGIC REPORT

For the year ended 30 June 2021

Principal Activity

The principal activity of the Company is to develop markets for its proprietary emulsion fuels, MSAR® and bioMSAR™ as low-cost, more environmentally friendly substitutes for conventional heavy fuel oil ("HFO") for use in power generation plants, industrial and upstream oil 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 and CEO Statements on pages 2 and 6.

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 progress review held fortnightly with Non-Executive Directors. The commercial performance of the Company and each of the Company's key projects and business development opportunities is discussed at length in the Chairman and CEO Statements.

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 issued to and reviewed by the Board. For the year ended 30 June 2021, the financial performance of the Group was ahead of budget due to lower than forecast expenditure as a result of cost-reducing measures put in place due to the Covid-19 pandemic.

Going Concern

The Group had a cash balance of £7.0 million as of 30 June 2021 following a successful fundraise in March 2021 which raised £6.5 million (net of costs). The funds raised, in conjunction with the existing cash balance, are expected to be sufficient for the Group to reach commercial revenues and sustainable positive cashflows, with these expected to commence in Q1 2023. 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.

Climate Change

As discussed in both the Chairman's and CEO's statements on pages 2 to 7, the Quadrise bioMSAR™ technology offers an alternative to HFO with over 25% lower CO_2 emissions. The directors believe that the growing global emphasis on the COP 26 Goals, specifically the goal of transition to global net-zero carbon by 2050, present Quadrise with increasing opportunities to assist marine, power and industrial clients in obtaining a cost-effective solution to lowering their carbon emissions. Government actions to reduce climate change therefore provide opportunities to Quadrise, but the Board acknowledges that the Company may also be presented with additional risks due to these actions.

Risks, including those introduced by climate change and governmental actions to reduce climate change, are discussed in the next section.

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 the risk factors that could affect future results. Actual results could differ materially from those anticipated because 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.

Environmental constraints, climate change and decarbonisation

The increasingly hostile attitude towards fossil fuels is a significant challenge resulting in a rapid move away from hydrocarbons towards fully renewable fuels. Whilst MSAR® provides considerable environmental advantages, and bioMSAR™ offers the added benefits of carbon reduction, neither offer a net-zero carbon solution. The Group mitigates this risk by continuing to invest in research and development to pursue 'net-zero' carbon fuel solutions as part of its aim to be at net zero by 2030 and pursue business opportunities that will assist in the achievement of this goal.

Market scope and risk

Aligned with the constraints above, and faced with the move away from hydrocarbons, the Company must still progress its MSAR® and bioMSAR™ endeavours into a volume business. The Group mitigates this challenge by continuing to promote the environmental contribution of MSAR® and bioMSAR™ and explaining the assured ongoing contribution of hydrocarbons to the global energy mix. The Company further mitigates this risk by increasing the potential applicability of Quadrise technology to various sectors, as evidenced by the opportunities in the upstream and industrial sectors discussed in the CEO's Statement. Nevertheless, the marketability of MSAR® fuels is affected by numerous factors beyond the control of the Group, for example the variability of price spreads between light and heavy oils, and the relative competitiveness of oil, gas and coal prices both for prompt and future delivery.

Commercial return

The Group has made considerable progress in its rapid development of bioMSAR™ whilst continuing to advance commercial opportunities for MSAR®. and reduce its treat costs in the face of changes to fuel oil-gasoil spreads. During the product development of bioMSAR™ there remain the considerable challenges of testing, feedstock availability (see below), glycerine treatment options, formulation costs and commercial feasibility still to overcome. 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 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.

Feedstock sourcing – MSAR®

The removal of the Cepsa operational facilities obviously results in additional costs and delays in securing new sources of MSAR® feedstock. In addition, IMO2020 has impacted high sulphur residue supply, and MSAR® economics are vulnerable to changes in fuel oil-gasoil spreads. Securing low-cost residue looks increasingly challenging. There is a risk in respect of appropriately located residues and ongoing price competitive availability of such 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. An MSAR® commercial contract would motivate candidate feedstock suppliers to expedite feedstock supply.

Feedstock sourcing – bioMSAR™

The volumes and quality of renewable glycerine required for a commercial marine or industrial bioMSAR™ contract are beyond those readily accessible. To mitigate this the Company is rapidly increasing its knowledge of current and potential glycerine sources and engaging with suppliers. Clearly a commercial contract would again stimulate this market and thus expedite feedstock supply. The Company is also investigating the feasibility of algal production of glycerine with the University of Greenwich, as well as researching other renewable feedstocks that could be utilised together with, or instead of glycerine.

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

There is a risk that the commercialisation of MSAR® and bioMSAR™ 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 ultimately need to raise further equity funds to remain operational. Depending on market conditions and investor sentiment, 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 CEO's Statement.

Technological risk

There is a risk firstly that the markets for MSAR® and bioMSAR™ fuels adopt alternative fuels making these technologies redundant or secondly that the technology used for their production may not be adequately robust for all applications. This is in respect of the character and nature of the feedstock and the 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® and bioMSAR™ formulation and manufacture, and that the 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 Quadrise's 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.

Environment, Social and Governance risks (ESG)

Quadrise is committed to providing safer, cleaner and more affordable energy. By leveraging our extensive RDI capabilities, and through continuous improvement processes, Quadrise aims to be carbon-neutral by 2030. Furthermore, the highest standards of corporate governance have always been a strength and this places the Company in the top tier of AIM companies. We maintain this commitment by adopting the highest disclosure standards of the UK Corporate Governance Code, through the experience and commitment of our non-exec directors and by following stringent Board policies and procedures. The Company works to exceptional health, safety, environmental protection and quality standards, with strong risk management processes in place, all of which are supported by a first-class team of professional advisors.

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. The Group's recruitment programme to find a successor to Mark Whittle is complete, with a new candidate joining the Company during the next few months.

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 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 such 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.

STRATEGIC REPORT (CONTINUED)

For the year ended 30 June 2021

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
1 October 2021

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 considering broader stakeholder interests, and notably having regard to:

(a) the likely consequence of any decision in the long term: see the 'Outlook' section of the CEO's statement on page 8, and principal business risks on page 11.

(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.

(c) the need to foster business relationships with advisors, partners, suppliers, potential MSAR® and bioMSAR™ consumers and 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 in the top tier of AIM companies. 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 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 2020-21 by the open question and answer session following the closed Annual General Meeting on 27 November 2020 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 1 October 2021 and was signed on its behalf by:

Mike Kirk
Chairman
1 October 2021

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 Chair Elect of Hyde Housing (a large London-based housing association) and an Advisor to the Board and member of the Finance Committee of the Ironbridge Gorge Museums Trust. 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. As outlined in the Chairman's Statement, Mike provided notice of his intention to resign from the QFI board on 1 October 2021, and will formally leave the board on 26 November 2021.

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. Mark resigned from the QFI board with effect from 16 July 2021.

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 several 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.

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 in order to assist with the Company's cost-cutting measures.

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 2021.

Results and Dividends

The consolidated loss from continuing operations after taxation for the year ended 30 June 2021 was £4.3 million (2020: £4.8 million). The Directors do not recommend the payment of any dividend for the year (2020: £nil).

Directors

Those who served as Directors during the year are:

- Mike Kirk (Chairman)
- Jason Miles (Chief Executive Officer)
- Mark Whittle (Chief Operating Officer) – resigned 16 July 2021
- Laurence Mutch (Non-executive Director)
- Bryan Sanderson (Non-executive Director) – resigned 14 July 2020
- Dilipkumar Shah (Non-executive Director)
- Philip Snaith (Non-executive Director)

A resolution to re-elect Philip Snaith who will retire as a director by rotation under the Company's Articles of Association and, being eligible, will offer himself for re-election, will be proposed at the Company's 2021 Annual General Meeting.

Directors' Interests

The interests of the Directors holding office at 30 June 2021 were as follows:

Number of Shares held:

Directors	30 June 2021 Ordinary Shares of 1p each	30 June 2020 Ordinary Shares of 1p each
Jason Miles	3,905,988	3,759,664
Mike Kirk	814,575	784,323
Laurence Mutch	522,107	491,263
Philip Snaith	506,649	476,262
Dilipkumar Shah	170,000	170,000
Mark Whittle	129,629	-

Number of share options held:

Directors	30 June 2021 Share options	30 June 2020 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
	1,261,756	-	21 August 2030
	738,244	-	21 August 2028
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
	5,000,000	-	21 August 2028
Mark Whittle	500,000	500,000	25 Nov 2023
	500,000	500,000	25 July 2026
	1,000,000	1,000,000	13 May 2029
	3,000,000	-	21 August 2030
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

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	244,398,286	17.37%
Interactive Investor Trading Limited	Indirect	207,466,945	14.75%
Premier Miton Investors	Direct	117,222,661	8.33%
HDSL	Indirect	90,272,567	6.42%
Cannacord Genuity Wealth Management	Direct	70,172,439	4.99%
Barclays Smart Investor	Indirect	68,736,545	4.89%
Ruudowen Limited	Direct	62,839,261	4.47%

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® and bioMSAR™ 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 26 November 2021 as stated in the Notice, which accompanies this Annual Report.

By order of the Board.

MSP Corporate Services Limited
Company Secretary
1 October 2021

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 and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 for reporting year ended 30 June 2021.

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
1 October 2021

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 considers 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 2021 were as follows:

Director	Short-term employee benefits £'000s	Social security costs £'000s	Post-employment benefits £'000s	Other benefits £'000s	Total 2021 £'000s	Total 2020 £'000s
Mike Kirk	98	12	8	9	**127**	270
Jason Miles	219	29	10	5	**263**	322
Mark Whittle[1]	144	19	11	5	**179**	121
Philip Snaith	40	4	-	-	**44**	48
Laurence Mutch	40	4	-	-	**44**	47
Bryan Sanderson[2]	1	-	-	-	**1**	31
Hemant Thanawala[3]	-	-	-	-	**-**	20
Dilipkumar Shah	-		-	-	**-**	-
Total	**542**	**68**	**29**	**19**	**658**	**859**

[1] – Appointed 1 February 2020, resigned 16 July 2021

[2] – Resigned 14 July 2020

[3] – Resigned 31 December 2019

Reconciliation of Share Options Granted to Directors

	30 June 2021 Number of share options	30 June 2020 Number of share options
As at 1 July	28,500,000	32,500,000
Granted during the year by QFI	10,000,000	-
Exercised during the year	-	-
Appointment of Director	-	2,000,000
Resignation of Director	(500,000)	(6,000,000)
Expired during the year	-	-
As at 30 June	**38,000,000**	**28,500,000**

On 3 September 2021, 13.0m share options were awarded to executive directors, see note 27.

No share options were exercised by Directors during the year (2020: nil).

The market price of the Company's shares at the end of the reporting period was 3.50p (2020: 1.76p) and the range during the year was 1.63p to 6.35p (2020: 1.18p to 7.42p) per share.

Philip Snaith
Chairman of the Compensation Committee
1 October 2021

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.

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. Whilst this progress was not always been as rapid as we would have liked, which has led, in some instances, to gaps in the provision of updates; though we always strive to keep our shareholders informed of material progress on our projects. The successful fundraise in early 2021 provided Quadrise with the ability to progress to sustainable commercial revenues in calendar 2022 and that remains our absolute focus.

We have been delighted with the response from investors to our use of Investor Meet Company ("IMC"). This has now replaced our previous use of investor conference calls and the change has been almost universally supported – though we do understand that some investors do prefer to ask questions directly. However, our approach has been very clear – there is no attempt to "duck" challenging questions and whilst many are answered during the event – we do ensure that all questions are answered and posted on the IMC website. Feedback from IMC is that we are a positive outlier in terms of the number of questions that we get asked and the diligence with which we answer them. We believe that this demonstrates a real commitment from the Company to treat our retail shareholders in the same manner as our institutional and longstanding high-net-worth shareholders – with the opportunity to directly ask questions of management on a regular basis. Alongside this we have increased our use of social media (Twitter and LinkedIn) to provide background/supporting information to shareholders. This has also recently been supplemented with a blog which we publish on our website and then promote via social media. We have continued to use Proactive Investors and have recently started to use Directors Talk to further enhance our outreach to investors. Although we have only limited current experience with Directors Talk, we have been pleased with the feedback so far and it brings an extra dimension with the ability to include commentary from analysts and fund managers in addition to providing another channel for our own news flow.

Whilst we regard the broadening of our channels to shareholders as helpful, it is important to emphasise that all substantive announcements are made via RNS. As a management team we are fully aware of our responsibilities in this regard and we have regular contact with our high-quality advisory team including our NOMAD, joint-brokers and our legal advisors. Our approach to the use of social media, blogs and other non-RNS news dissemination is always discussed in detail with our NOMAD to ensure that we are not disclosing any material that should be disclosed via RNS. This open dialogue with our advisors ensures that the information that we do provide via RNS meets the regulatory requirements of AIM – and that any supplementary information we disclose via other channels does not contain anything that is material/price sensitive.

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 proactive and transparent approach to oversight on behalf of all shareholders and those high standards of corporate governance are inherent in our culture.

The COVID restrictions in late 2021 meant that it was not possible to hold our AGM in person as we would normally do. However, we did successfully use IMC to provide an update presentation and Question & Answer session as we would have normally done at an in-person AGM. I am glad to say that we are now planning to hold the 2021 AGM in person, and we look forward to being able to meet investors again face to face. For those that cannot or would prefer not to attend the meeting, we will are planning to provide an update via IMC shortly after the AGM. Whilst we realise that the priority for most investors at these meetings is project progress, we are always pleased to discuss any element of our governance standards on these calls.

Mike Kirk
Executive Chairman
1 October 2021

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 12 occasions during the year ending 30 June 2021 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 also allocated considerable time to developing an appropriate medium-term strategy to secure the funding required by the Company to reach commercial revenues and sustainable cashflows, forecast for Q1 calendar 2023.

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).

MSAR® and bioMSAR™ 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® and bioMSAR™ 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® and bioMSAR™ 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.

Due to Covid-19 restrictions, the AGM held on 27 November 2020 was a closed meeting. Through investor conference calls (9 September 2020, 13 October 2020, 27 November 2020, 8 March 2021 and 30 June 2021) with an average of 147 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 CEO's Statement in the 2021 Annual Report describes the MSAR® and bioMSAR™ market opportunities in the power generation, industrial, upstream oil 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 11 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 27 November 2020, five ordinary resolutions were carried by at least 93.6% voting in favour. One special resolution, about the disapplication of pre-emption rights, was not carried due to only 22.5% voting in favour. Failure to pass did not impact upon the Company's ability to raise the funding referred to in Principal A, and if it became necessary to require the disapplication requested, this proposal could be put to shareholders at a General Meeting.

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 16 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 and 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 Chairman.

Provision 10: Independence of non-executive directors

The profiles and experience of the non-executive directors are provided on Page 16 of the Annual Report.

Mr Dilip Shah is closely associated with significant shareholders, he is a shareholder and holds options in the Company, and is not considered independent.

Mr Snaith has the appropriate experience as a former senior executive of the Royal Dutch Shell Group to chair the compensation and nominations committees. He is a shareholder and holds options in the Company. Mr Snaith has clearly indicated that these holdings 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.

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 2021 financial year amounted to £45k (2020: £30k). 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 22 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 fund raisings and accordingly hold shares in the company refer page 18. 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 Chairman to discuss any performance concerns.

Provision 14: Meetings of the Board

At the start of the 2020-21 financial year the Board comprised the Chairman, Chief Executive Officer and Chief Operating Officer as executive Directors and four non-executive Directors, following the resignation of Bryan Sanderson on 14 July 2020 this reduced to three 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 12 times during the 2020-21 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	12	100%
Jason Miles	12	100%
Mark Whittle	11	92%
Laurence Mutch	12	100%
Dilip Shah	8	66%
Philip Snaith	12	100%
Bryan Sanderson***	-	0%

***resigned 14 July 2020

Provision 15: Demands on Directors' time

In addition to his role as Chairman, Mike Kirk has been Chairman of Portsmouth Water and Chair of VIVID Housing until his resignation from these posts during the year, he is currently Chair Elect of Hyde Housing (a large London-based housing association) and an Advisor to the Board and member of the Finance Committee of the Ironbridge Gorge Museums Trust. 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 16. 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 15 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 23-32 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.

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 2021 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 11 in the Annual Report, in the Auditors Report on Page 33 and in Note 3 to the Financial Statements. The Valuation of Intangible Assets is addressed in the Auditors Report on Page 33 and in Note 11 to the Financial Statements. The treatment of the Convertible Security instrument is addressed in the Auditors Report on Page 33 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 always adhere 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 and Longer Term Viability

The subject of Going Concern is covered in the Strategic Report on Page 11 of the Annual Report, in the Auditors Report on Page 33 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 CEO's Statement on Page 8 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 22.

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. 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 regarding 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 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 22.

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
1 October 2021

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

Opinion on the financial statements

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 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.

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 2021 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 accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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. The company is currently pre-revenue and is therefore loss making. The company also received gross funds of £7.0m from the issue of new ordinary shares in the period. The going concern disclosures are included in note 3 to the financial statements.

Our evaluation of the Directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- We critically assessed management's cash flow forecast and underlying assumptions which have been approved by the Board. Our testing included checking the 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 2021 where applicable.

- We critically assessed the assumptions applied in the forecasts to consider their appropriateness, comparing forecast operating cash expenditure against historic actuals, obtaining explanations from management and support for any significant variances.
- We checked the consistency of the assumptions for projected project revenue and costs and capital commitments with the intangible assets valuation model (refer to Carrying value of the (MSAR) intangible asset KAM).
- 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 the conditions of funding during the period to identify any related terms or conditions which could impact the going concern assumption.
- We reviewed the financial statement disclosures regarding going concern to satisfy ourselves that the disclosures are in accordance with the requirements of the applicable accounting standards and are consistent with management's assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	*100% (2020: 100%) of Group loss before tax*		
	100% (2020: 100%) of Group total assets		
Key audit matters		2021	2020
	Carrying value of the (MSAR) intangible asset	✓	✓
	Accounting for Convertible Securities Deed	✓	✓
	Going concern	✓	✓
Materiality	*Group financial statements as a whole*		
	£220,000 (2020: £240,000) based on 5% (2020: 5%) of Loss before tax		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group and its subsidiaries are accounted for from one central operating location, the Group's registered office. We identified two significant components for which we conducted a full scope audit, and three non-significant components for which we conducted a desktop review. All procedures were performed by the Group engagement team.

Key audit matters

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. In addition to the matter described in the Conclusions related to going concern section, we have determined the matters below to be the key audit matters to be communicated in our report

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 the applicable 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 accounting policies and critical judgements applied are disclosed in note 2. The appropriateness of judgements and estimates applied, including forecast project revenues, operating and capital costs and discount rates, in the determination of the recoverable amount represented a significant focus area for our audit.

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

How the scope of 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 mathematical accuracy of management's model. • We critically challenged the key estimates and assumptions used by management, including project revenue projections, operating costs, capital costs, discount rate and royalty rate. We assessed the discount and royalty rates used against those used in the industry. We reviewed project correspondence and contracts relating to revenue projections, which include the operating and capital costs. • We reviewed management's sensitivity analysis and performed our own sensitivity analysis over individual key inputs, including: timing of forecast project revenues; royalty rate; forecast period and discount rate together with a combination of sensitivities over such inputs. • We have reviewed the outcomes of prior year forecasts to assess management's forecasting accuracy, obtaining explanations from management 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 the Group specifically. We also considered the impact of a delay in project progressions as a result of COVID-19. **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. Based on the procedures performed, we consider the judgements and estimates made in determining the carrying value of the MSAR intangible asset to be appropriate.
Key Audit Matter	**2) Accounting for Convertible Securities Deed** As detailed in note 17, the Group entered into a Convertible Securities Issue Deed which requires management to exercise judgement and estimation of certain aspects of the instruments including the valuation of the Convertible Securities. The accounting policies and critical judgements applied are disclosed in note 2. Given the nature of the instrument 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 at recognition and determining the appropriateness of the accounting treatment applied.

How the scope of 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 and vouched the value of each element of the instrument at inception, at conversion points and at the year end to supporting documentation as applicable. • With the use of our internal valuation experts we challenged management's assessment on key judgements and estimates made relating to the fair value at recognition and assessed the key inputs for reasonableness. • We have reviewed equity conversion documents during the year and checked that all conversions have been calculated appropriately and in accordance with the agreement and applicable accounting standards. We have also agreed the Fair Value Through Profit and Loss movement at the conversion points during the year. **Key observations** We found the Group's accounting treatment for the instruments and the associated judgements and fair value estimates applied in the accounting treatment to be appropriate.

Our application of materiality

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.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021	2020	2021	2020
Materiality	£220,000	£240,000	£48,000	£159,000
Basis for determining materiality	5% of loss before tax			
Rationale for the benchmark applied	The Group and Parent company is still significantly involved in business development activities and has not generated any significant revenue from its ongoing projects. The ultimate value of the entity remains within its MSAR technology under development and the ongoing results of the business, and therefore an earnings-based materiality was considered to be the most appropriate.			
Performance materiality	£165,000	£180,000	£36,000	£119,250
Basis for determining performance materiality	75% of materiality based on consideration of factors including the level of historical errors and nature of activities.			

Component materiality

We capped materiality for each component of the Group at a percentage of 75% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £48,000 to £165,000. In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £11,000 (2020: £12,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

As the Group has voluntarily adopted the UK Corporate Governance Code 2018 we are required to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 11; and • The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out in Note 3.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 23; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 24; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 23; and • The section describing the work of the audit committee set out on page 23.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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. 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.
Matters on which we are required to report by exception	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 Parent Company 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.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We gained an understanding of the legal and regulatory framework applicable to the Group and industry in which it operates, through discussion with management and the Audit Committee and our knowledge of the industry. We focussed on significant laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to the applicable accounting standards, UK Employment Legislation, Companies Act 2006, Health and Safety Law, environmental legislation and HMRC tax regulations.
- We considered compliance with these laws and regulations through discussions with management, those charged with governance and the company secretary. Our procedures also included reviewing minutes from board meetings, inspecting invoices for legal fees incurred in the period and agreeing disclosures to underlying documentation.
- We assessed the susceptibility of the Group's financial statements to material misstatements, including how fraud might occur via management override of controls and bias in key estimates. We obtained an understanding of management's controls designed to prevent and detect irregularities.
- We performed a review of the Group's year end adjusting entries and journals throughout the year and investigated any that appeared unusual as to nature or amount. We identified and tested journals with unusual posting dates and unusual descriptions by agreeing to supporting documentation.
- We identified areas at risk of management bias, particularly cashflow models to support intangible asset valuations, and reviewed key estimates and judgements applied by Management in the financial statements to assess their appropriateness (refer to Carrying value of the (MSAR) intangible asset KAM)
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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 Parent 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 Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

1 October 2021

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 2021

	Notes	Year ended 30 June 2021 £'000s	Year ended 30 June 2020 £'000s
Continuing operations			
Revenue		17	-
Production and development costs		(1,377)	(1,357)
Other administration expenses		(1,527)	(1,821)
Fair value adjustments arising on Convertible Securities	17	(1,257)	(1,133)
Share option charge	18	(303)	(474)
Warrant charge	19	-	(65)
Foreign exchange loss		(9)	(1)
Operating loss	5	**(4,456)**	(4,851)
Finance costs		(4)	(146)
Finance income		50	7
Loss before tax		**(4,410)**	(4,990)
Taxation	8	150	147
Loss and total comprehensive loss for the year from continuing operations to owners of the parent		**(4,260)**	(4,843)
Loss per share – pence			
Basic	9	**(0.36)p**	(0.49)p
Diluted	9	**(0.36)p**	(0.49)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

Company No. 05267512

	Notes	As at 30 June 2021 £'000s	As at 30 June 2020 £'000s
Assets			
Non-current assets			
Property, plant and equipment	10	460	582
Intangible assets	11	2,924	2,924
Non-current assets		**3,384**	3,506
Current assets			
Cash and cash equivalents	14	7,006	2,380
Trade and other receivables	15	117	213
Prepayments		95	112
Stock		61	61
Current assets		**7,279**	2,766
TOTAL ASSETS		**10,663**	6,272
Equity and liabilities			
Current liabilities			
Trade and other payables	16	276	198
Convertible Securities	17	-	2,045
Current liabilities		276	2,243
Equity attributable to owners of the parent			
Issued share capital	20	14,069	10,351
Share premium	20	77,189	75,431
Merger reserve	22	3,777	-
Share option reserve	21	3,344	3,927
Warrant reserve	21	1,017	1,122
Reverse acquisition reserve	21	522	522
Accumulated losses		(89,531)	(87,324)
Total shareholders' equity		**10,387**	4,029
TOTAL EQUITY AND LIABILITIES		**10,663**	6,272

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 1 October 2021 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 2021

	Issued capital £'000s	Share premium £'000s	Merger reserve £'000s	Share option reserve £'000s	Warrant reserve £'000s	Reverse acquisition reserve £'000s	Accumulated losses £'000s	Total £'000s
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**
1 July 2020	10,351	75,431	-	3,927	1,122	522	(87,324)	4,029
Loss and total comprehensive loss for the year	-	-	-	-	-	-	(4,260)	(4,260)
Fair value adjustments arising on Convertible Securities	-	-	-	-	-	-	1,564	1,564
Share option charge	-	-	-	303	-	-	-	303
Transfer of balances relating to expired share options	-	-	-	(886)	-	-	886	-
Transfer of balances relating to expired warrants	-	-	-	-	(105)	-	105	-
New shares issued	2,599	639	3,777	-	-	-	-	7,015
Share issue costs	-		-	-	-	-	(502)	(502)
Shares issued upon exercise of Convertible Security	1,119	1,119	-	-	-	-	-	2,238
30 June 2021	**14,069**	**77,189**	**3,777**	**3,344**	**1,017**	**522**	**(89,531)**	**10,387**

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 2021

	Notes	Year ended 30 June 2021 £'000s	Year ended 30 June 2020 £'000s
Operating activities			
Loss before tax from continuing operations		(4,410)	(4,990)
Fair value adjustments arising on Convertible Securities	17	1,257	1,133
Convertible Securities finance costs (non-cash)	17	-	140
Depreciation	10	135	172
Loss on disposal of fixed assets		16	-
Finance costs paid		4	6
Finance income received		(50)	(7)
Share option charge	18	303	474
Warrant charge		-	65
Working capital adjustments			
Decrease/(increase) in trade and other receivables	15	96	(44)
Decrease/(increase) in prepayments		17	(6)
Increase/(decrease) in trade and other payables	16	78	(90)
Cash utilised in operations		**(2,554)**	(3,147)
Finance costs paid		(4)	(6)
Taxation received	8	150	147
Net cash outflow from operating activities		**(2,408)**	(3,006)
Investing activities			
Finance income received		50	7
Purchase of property, plant and equipment	10	(29)	(24)
Net cash outflow from investing activities		**21**	(17)
Financing activities			
Issue of ordinary share capital	20	7,015	2,606
Issue costs	20	(502)	(263)
Increase in Convertible Securities	17	500	2,000
Net cash inflow from financing activities		**7,013**	4,343
Net increase in cash and cash equivalents		4,626	1,320
Cash and cash equivalents at the beginning of the year		2,380	1,060
Cash and cash equivalents at the end of the year	14	**7,006**	2,380

COMPANY STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

Company No. 05267512

	Notes	As at 30 June 2021 £'000s	As at 30 June 2020 £'000s
Assets			
Non-current assets			
Property, plant and equipment	10	2	1
Investments in subsidiaries	13	21,479	21,479
Amount due from subsidiary	13	23,644	20,725
Non-current assets		**45,125**	42,205
Current assets			
Cash and cash equivalents	14	6,541	2,157
Trade and other receivables	15	63	131
Prepayments		73	91
Current assets		6,677	2,379
TOTAL ASSETS		**51,802**	44,584
Equity and liabilities			
Current liabilities			
Trade and other payables	16	161	116
Convertible Securities	17	-	2,045
Amount due to subsidiary	13	7,666	7,666
Current liabilities		**7,827**	9,827
Equity attributable to equity holders of the parent			
Issued capital	20	14,069	10,351
Share premium	20	77,189	75,431
Merger reserve	21	3,777	
Share option reserve	21	3,344	3,927
Warrant reserve	21	1,017	1,122
Accumulated losses		(55,421)	(56,074)
Total shareholders' equity		**43,975**	34,757
TOTAL EQUITY AND LIABILITIES		**51,802**	44,584

The loss for the year dealt within the accounts of Quadrise Fuels International plc was £1.40m (2020: £2.30m).

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 2021 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 2021

	Issued capital £'000s	Share premium £'000s	Merger reserve £'000s	Share option reserve £'000s	Warrant reserve £'000s	Accumulated losses £'000s	Total £'000s
1 July 2019	9,227	74,438	-	3,455	105	(54,283)	32,942
Loss and total comprehensive loss for the year	-	-	-	-	-	(2,295)	(2,295)
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**
1 July 2020	10,351	75,431	-	3,927	1,122	(56,074)	34,757
Loss and total comprehensive loss for the year	-	-	-	-	-	(1,400)	(1,400)
Fair value adjustments arising on Convertible Securities	-	-	-	-	-	1,564	1,564
Share option charge	-	-	-	303	-	-	303
Transfer of balances relating to expired share options	-	-	-	(886)	-	886	-
Transfer of balances relating to expired warrants	-	-	-	-	(105)	105	-
New shares issued	2,599	639	3,777	-	-	-	7,015
Share issue costs	-	-	-	-	-	(502)	(502)
Shares issued upon exercise of convertible security	1,119	1,119	-	-	-	-	2,238
30 June 2021	**14,069**	**77,189**	**3,777**	**3,344**	**1,017**	**(55,421)**	**43,975**

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COMPANY STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Notes	Year ended 30 June 2021 £'000s	Year ended 30 June 2020 £'000s
Operating activities			
Loss before tax from continuing operations		(1,400)	(2,295)
Fair value adjustments arising on Convertible Securities		1,257	1,133
Convertible Securities finance costs (non-cash)	17	-	140
Depreciation	10	1	10
Finance costs paid		-	1
Finance income received		(49)	(6)
Share option charge	18	303	474
Warrant charge		-	65
Working capital adjustments			
Decrease/(increase) in trade and other receivables	15	68	(10)
Decrease/(increase) in prepayments		18	(12)
Increase/(decrease) in trade and other payables	16	45	(53)
Cash generated by/(utilised in) operations		**243**	**(553)**
Finance costs paid		-	(1)
Net cash inflow/(outflow) from operating activities		**243**	**(554)**
Investing activities			
Finance income received		49	6
Purchase of property, plant and equipment	10	(2)	(1)
Loan to subsidiary	13	(2,919)	(2,097)
Net cash outflow from investing activities		**(2,872)**	**(2,092)**
Financing Activities			
Issue of Ordinary Share Capital		7,015	2,606
Issue costs		(502)	(263)
Increase in Convertible Securities	17	500	2,000
Net cash inflow from financing activities		**7,013**	**4,343**
Net increase/(decrease) in cash and cash equivalents		**4,384**	**1,697**
Cash and cash equivalents at the beginning of the year		2,157	460
Cash and cash equivalents at the end of the year	14	**6,541**	**2,157**

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, Eastcastle House, 27-28 Eastcastle Street, London, W1W 8DH.

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") in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 2021.

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

Other

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group. 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 2021 is determined to be £2.9 million (2020: £2.9 million). 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 £426k at 30 June 2021 (2020: £373k).

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 2021)	Statement of Comprehensive Income (average rate throughout the financial year)
USA	USA	1.383	1.354
Europe	EUR	1.165	1.132

(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'.

At 30 June 2020, the group had a convertible securities instrument which is classified entirely as a liability. As the instrument contained an embedded derivative, it has been designated at fair value through profit or loss on initial recognition and as such the embedded conversion feature was not separated. The convertible securities instrument was converted in parts, and was fully converted during the current financial year. At the conversion dates, the fair value loss or gain on the portion converted was 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 2021 the Group had a cash balance of £7.0 million. The increase in funds during the year was the result of a successful fund-raising exercise, which raised £6.5 million after costs in March 2021 in two phases, a 'cash box' placing, which raised net funds of £5.5 million and a 1-for-30 Open Offer to existing shareholders, which raised a further £1 million.

The funds raised, in conjunction with the existing cash balance, are expected to be sufficient for the Group to reach commercial revenues and sustainable positive cashflows, with these expected to commence in Q1 2023. The basis for this expectation is the Group business model, budget and business plan, and sensitivity analysis, which have been reviewed and approved by the Board. The business model shows total forecast Group cashflows up to 30 June 2031 and the Group budget and business plan 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 therefore have a reasonable basis for assuming that the Group's portfolio of projects and business development opportunities 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. Despite the ongoing global disruption caused by COVID-19, the Group has continued to progress its projects and business development activities utilising a combination of web-conferencing and, where possible, in-person meetings with the Group's in-country agents and representatives. COVID-19 has had minimal impact on the Group's UK operations, with London based staff working remotely for the majority of the year, and QRF remaining fully operational throughout the year, 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 year, 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 offered by MSAR® and bioMSAR™ 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, the revenues resulting from projects may be impacted.

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.

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 2021 £'000s	Year ended 30 June 2020 £'000s
Fees payable to the Company's auditor for the audit of the Company's annual accounts.	43	23
Fees payable to the Company's auditor and its associates for other services:		
Audit of accounts of subsidiaries	35	23
Tax compliance services	-	3
Consultants and other professional fees (including legal)	273	286
Depreciation of property, plant and equipment	135	172
Research and development costs	300	241

6. Staff Cost

Head count	Year ended 30 June 2021 Number	Year ended 30 June 2020 Number
Average number of employees of the Group (including executive Directors employed by the Company) during the year was:		
Management	3	3
Technical staff / support / other	6	8

Staff costs	Year ended 30 June 2021 £'000s	Year ended 30 June 2020 £'000s
Wages and salaries	887	1,192
Social security costs	116	158
Pension costs	62	67
UK Government COVID-19 employee furlough receipts	(15)	(14)
Total	**1,050**	1,403

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

Director	Year ended 30 June 2021 £'000s	Year ended 30 June 2020 £'000s
Mike Kirk		
Wages and salaries – as paid	98	194
Wages and salaries – deferred[1]	-	29
Pension costs	8	10
Total	**106**	233
Jason Miles		
Wages and salaries – as paid	219	271
Pension costs	10	10
Total	**229**	281
Mark Whittle[2]		
Wages and salaries – as paid	144	101
Pension costs	11	5
	155	106
Total	**490**	620

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

Salaries and fees – as paid	542	688
Salaries and fees – deferred[1]	-	39
Share option expense	290	434
Pension costs	29	25
Total	**861**	1,186

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 2020. The uplift of 25% due on the deferred balance was repaid in January 2020.

2 Appointed 1 February 2020, resigned 16 July 2021.

Non-executive Directors fees for the year amounted to £81k (2020: £132k) which included a £10k uplift of previously deferred fees paid in January 2020 as set out in (1) above).

The highest paid Director's remuneration totalled £229k (2020: £281k), represented by all aggregate emoluments.

Refer to the Report of Directors' Remuneration (on page 22) 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 2021 £'000s	Year ended 30 June 2020 £'000s
UK corporation tax credit	(150)	(147)
Total	**(150)**	(147)

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

Tax Reconciliation	Year ended 30 June 2021 £'000s	Year ended 30 June 2020 £'000s
Loss on continuing operations before taxation	(4,410)	(4,990)
Loss on continuing operations before taxation multiplied by the UK corporation tax rate of 19% (2020: 19%)	(838)	(948)
Effects of:		
Non-deductible expenditure	58	208
R&D tax credit	(150)	(147)
Temporary differences	24	(13)
Tax losses carried forward	756	753
Total taxation credit on loss from continuing operations	**(150)**	(147)

The Group has tax losses arising in the UK of approximately £58.4 million (2020: £53.7 million) that are available, under current legislation, to be carried forward against future profits. £30.7 million (2020: £26.6 million) of the tax losses carried forward represent trading losses within Quadrise Fuels International plc, £25.8 million (2020: £25.8 million) represent non-trade deficits arising on intangible assets within Quadrise International Limited, £0.2 million (2020: £0.6 million) represent pre-trading losses incurred by subsidiaries, £0.9 million (2020: £nil) represent non-trade loan relationships, £0.8 million (2020: £0.8 million) represent management expenses incurred by Quadrise International Limited, and £nil (2020: £0.1 million) 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 £11.1 million (2020: £10.2 million) 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 2021 £'000s	Year ended 30 June 2020 £'000s
Loss for the year (£'000s)	(4,260)	(4,843)
Weighted average number of shares:		
Basic	1,175,406,844	982,793,918
Diluted	1,175,406,844	982,793,918
Loss per share:		
Basic	(0.36)p	(0.49)p
Diluted	(0.36)p	(0.49)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 28.3m dilutive share options and the 40.2m 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 2020	181	95	43	16	1,410	1,745
Additions	-	3	-	-	26	29
Disposals	(107)	-	-	-	(39)	(146)
Closing balance – 30 June 2021	**74**	**98**	**43**	**16**	**1,397**	**1,628**
Depreciation						
Opening balance – 1 July 2020	(181)	(89)	(43)	(16)	(834)	(1,163)
Depreciation charge for the year	-	(3)	-	-	(132)	(135)
Disposals	107	-	-	-	23	130
Closing balance – 30 June 2021	**(74)**	**(92)**	**(43)**	**(16)**	**(943)**	**(1,168)**
Net book value at 30 June 2021	**-**	**6**	**-**	**-**	**454**	**460**

Company

	Leasehold Improvements £'000s	Computer Equipment £'000s	Software £'000s	Office Equipment £'000s	Plant and machinery £'000s	Total £'000s
Cost						
Opening balance – 1 July 2020	107	69	44	16	-	236
Additions	-	2	-	-	-	2
Disposals	(107)	-	-	-	-	(107)
Closing balance – 30 June 2021	**-**	**71**	**44**	**16**	**-**	**131**
Depreciation						
Opening balance – 1 July 2020	(107)	(68)	(44)	(16)	-	(235)
Depreciation charge for the year	-	(1)	-	-	-	(1)
Disposals	107	-	-	-	-	107
Closing balance – 30 June 2021	**-**	**(69)**	**(44)**	**(16)**	**-**	**(129)**
Net book value at 30 June 2021	**-**	**2**	**-**	**-**	**-**	**2**

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**

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 2020 and 30 June 2021	7,686	3,100	25,901	36,687
Amortisation and Impairment				
Balance as at 1 July 2020 and 30 June 2021	(7,686)	(176)	(25,901)	(33,763)
Net book value as at 30 June 2021	-	**2,924**	-	**2,924**
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**

Intangible assets comprise intellectual property with a cost of £36.7 million, including assets of finite and indefinite life. Quadrise Canada Corporation's ("QCC's) royalty payments of £7.7 million and the MSAR® trade name of £3.1 million 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 £25.9 million, 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:

	2021	2020
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 2031
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 2021 revenue forecast extends to 30 June 2031 which ensures that each project included within the forecast reaches full 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 £1.74 million (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)	0.95	A 3 year delay to forecast revenues.
Delayed revenues (2 years)	0.30	A 3 year delay to forecast revenues.
Increase in discount rate to 25%	0.19	Increase in discount rate to 25.86%.
Removal of projects which generate 25% of forecast revenues	0.56	Removal of projects which generate 37.1% of revenues.
Finite company lifespan (to 30 June 2032).	0.20	Finite company lifespan (to 30 June 2031).

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 2021.

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 2021. The shares in each of these companies were valued at CAD $nil on 1 July 2020 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 2021.

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	20,725	(7,666)	21,479	34,538
Long term loans advanced	2,972	-	-	2,972
Movement in expected credit loss arising under IFRS 9	(53)	-	-	(53)
Closing balance	**23,644**	**(7,666)**	**21,479**	**37,457**

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 2021, the Company has a loan of £24.1 million (2020: £21.1 million) due from its 100% subsidiary Quadrise International Limited ('QIL'), and a loan payable of £7.7 million (2020: £7.7 million) due to its 100% subsidiary Quadrise Limited ('QL'). Both loans are repayable upon demand.

As at 30 June 2021, 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 2021 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 £426k (2020: £373k).

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 2021, 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 2021.

Holdings in subsidiaries are detailed in note 26.

14. Cash and Cash Equivalents

	Consolidated 30 June 2021 £'000s	Consolidated 30 June 2020 £'000s	Company 30 June 2021 £'000s	Company 30 June 2020 £'000s
Cash at bank	7,006	2,380	6,541	2,157
Total	**7,006**	2,380	**6,541**	2,157

15. Trade and Other Receivables

	Consolidated 30 June 2021 £'000s	Consolidated 30 June 2020 £'000s	Company 30 June 2021 £'000s	Company 30 June 2020 £'000s
Trade receivables	16	43	-	-
Other receivables	39	101	30	92
Other taxes	62	69	33	39
Total	**117**	213	**63**	131

16. Trade and Other Payables

	Consolidated 30 June 2021 £'000s	Consolidated 30 June 2020 £'000s	Company 30 June 2021 £'000s	Company 30 June 2020 £'000s
Trade payables	87	69	67	36
Other taxes	33	49	32	34
Accruals	156	80	62	47
Total	**276**	198	**161**	117

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 2021 amount to 17 days (2020: 14 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 (2020: £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 would 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 £537.5k was subscribed for by the Investor for £0.5 million on 10 February 2021. 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.

Upon entry into the agreement, the Company 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. 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).

The Agreement was completed and both tranches funded to the Company on the basis of the remaining Authority from the 2018 Annual General Meeting, and the updated authority obtained at the 27 September 2019 General Meeting of shareholders.

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.

Tranches 1 and 2 of the Convertible Securities instrument were designated at fair value on initial recognition. The fair value of tranche 1 was assessed as £1.86 million, being the nominal value of £2.15 million less interest and warrant charges. At 30 June 2020, the remaining nominal value of £1.70 million of tranche 1 was assessed to have a fair value of £2.05 million. The fair value of tranche 2, which has a nominal value of £537.5k was assessed as £1.19 million, with tranche 2 being fully converted on 30 April 2021, and therefore no balance remaining outstanding as at 30 June 2021. 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.

The fair value adjustment charge arising for the year of £1.257 million (2020: 1,133 million) comprises fair value adjustments arising upon initial recognition, revaluation as at balance sheet dates and upon subsequent conversion.

During the years ended 30 June 2020 and 2021, 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
19 August 2020	300,000	1.6	18,750,000	2.90	244
7 September 2020	400,000	1.7	23,529,412	2.76	248
5 January 2021	500,000	1.8	27,777,778	3.01	336
26 January 2021	500,000	2.0	25,000,000	3.40	350
30 April 2021	537,500	3.2	16,796,875	5.50	386
Total	**2,687,500**		**151,248,004**		**2,066**

As at 30 June 2021, both tranches have been converted in full, and no nominal value remains outstanding to the investor under the terms of the Convertible Security instrument.

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 2021	WAEP (pence) 30 June 2021	Number 30 June 2020	WAEP (pence) 30 June 2020
Outstanding as at 1 July	39,250,000	17.95	39,400,000	17.91
Granted during the year	10,000,000	7.50	-	-
Expired during the year	(6,500,000)	23.36	(150,000)	7.50
Exercised during the year	-	-	-	-
Options outstanding as at 30 June	**42,750,000**	**14.69**	**39,250,000**	**17.95**
Exercisable as at 30 June	28,312,500	18.36	29,250,000	20.09

The weighted average remaining contractual life of the 42.8 million options outstanding at the statement of financial position date is 5.17 years (2020: 5.05 years). The weighted average share price during the year was 2.98p (2020: 3.18p) 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 an agreed period of an employee leaving the Group at the discretion of the Board.

The Company issued 10 million share options to directors and employees during the year (2020: nil).

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

	2021	2020
Stock price:	3.08p	-
Exercise Price	7.50p	-
Interest Rate	0.1%	-
Volatility	126.91%	-
Expected term (years)	4.0	-

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 2021	WAEP (pence) 30 June 2021	Number 30 June 2020	WAEP (pence) 30 June 2020
Outstanding as at 1 July	45,228,026	6.56	5,000,000	3.16
Granted during the year	-	-	40,228,026	6.98
Exercised during the year	-	-	-	-
Expired during the year	(5,000,000)	3.16	-	-
Warrants outstanding as at 30 June	**40,228,026**	6.98	45,228,026	6.56
Exercisable as at 30 June	40,228,026	6.98	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 weighted average inputs into the Black Scholes option pricing model were as follows:

	2021	2020
Stock price:	-	3.93p
Exercise Price	-	6.98p
Interest Rate	-	0.75%
Volatility	-	128%
Expected term (years)	-	2.89

The weighted average remaining contractual life of the 40.2 million warrants outstanding at the statement of financial position date is 1.15 years (2020: 1.99 years). The weighted average share price during the year was 2.98p (2020: 3.18p) 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.

	2021 £	2020 £
Issued and fully paid:		
1,406,900,659 (2020: 1,035,150,774) Ordinary shares of £0.01 each	14,069,007	10,351,508

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 2020	1,035,150,774	10,351	75,431
Aug 2020 – Conversion of convertible securities	18,750,000	188	112
Sep 2020 – Conversion of convertible securities	23,529,412	235	165
Jan 2021 – Conversion of convertible securities	27,777,778	278	222
Feb 2021 – Conversion of convertible securities	25,000,000	250	250
March 2021 – Placing and Open Offer	259,895,820	2,599	639
May 2021 – Conversion of convertible securities	16,796,875	168	370
As at 30 June 2021	**1,406,900,659**	**14,069**	**77,189**

On 9 March 2021, 222,222,222 new ordinary shares were issued at 2.70p per share under the Placing announced on 2 March 2021, raising gross funds of £6.0 million.

On 24 March 2021, 37,673,598 new ordinary shares were issued at 2.70p per share under the Open Offer announced on 2 March 2021, raising gross funds of £1.0 million.

Fees and commissions of £502k were deducted from the proceed of the Placing and Open Offer, resulting in total net receipts of £6.50 million.

New ordinary shares issued upon Bergen's exercise of conversion rights under the Convertible Security were as follows: 18,750,000 on 25 August 2020 at 1.6p, 23,529,412 on 11 Sep 2020 at 1.7p, 27,777,778 on 11 Jan 2021 at 1.8p, 25,000,000 on 1 Feb 2021 at 2.0p and 16,796,875 on 7 May 2021 at 3.2p.

21. Other Reserves

Nature and purpose of other reserves

Merger reserve

In March 2021, the Company incorporated a Jersey registered 'Cash Box' company. This was used to facilitate the placing of 222,222,222 new ordinary shares of 1p each on 9 March 2021 at a placing price of 2.7p per share. The placing raised £6.0 million and the Company received cash proceeds of £5.5 million net of expenses. The proceeds of the share issue were parcelled into the 'cash box' Company which was then acquired by way of a share exchange which qualified for merger relief so avoided the need to recognise a share premium on the share issue. The net amount booked to share capital and reserves was £6.0 million £2.2 million was allocated to nominal share capital and the excess of £3.8 million was recorded within the merger reserve. All shares are fully paid up.

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 (2020: £67k).

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 2021 £'000s	Consolidated 30 June 2020 £'000s	Company 30 June 2021 £'000s	Company 30 June 2020 £'000s
Financial assets				
Loans and receivables – Cash and cash equivalents	7,006	2,380	6,541	2,157
Loans and receivables – Trade and other receivables	117	213	63	131
Financial liabilities				
Other financial liabilities – Convertible Securities	-	2,045	-	2,045
Other financial liabilities – Trade and other payables	263	149	153	83

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 2021 were net assets of US$13k (2020: US$16k) and €64k (2020: €8k).

A 10% strengthening of Sterling against the Euro at the statement of financial position date would have increased loss for the year by £1k (2020: £1k) whilst a 10% weakening of Sterling against the Euro would have reduced loss for the year by £1k (2020: £1k). 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 £6k (2020: £2k) whilst a 10% weakening of Sterling against the US$ would have reduced loss for the year by £6k (2020: £2k). 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 £69k (2020: £23k) per annum. A decrease in interest rates of 1% will increase loss for the year by approximately £21k (2020: £7k) 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 £117k at 30 June 2021 (2020: £213k), of which £nil (2020: £nil) was receivable from related parties. Receivables of £117k 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 had no external borrowing facilities as at 30 June 2021 (2020: The Group had Convertible Securities instrument outstanding – 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 £45k (2020: £30k). The balance payable at the statement of financial position date was £nil (2020: £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 Eastcastle House, 27-28 Eastcastle Street, London, W1W 8DH.

27. Events After the end of the Reporting Period

On 3 September 2021, the Company granted a total of 10,500,000 options over new ordinary shares of 1p each in the Company to executive directors of the Company in accordance with the provisions of the Company's Unapproved Share Option Plan 2016 ("2016 Plan"). The issue of these options follows the lapsing in full of the 10,000,000 options issued by the Company on 21 August 2020 due to the specific performance conditions of those options not having been met.

Director	Number of Performance Options	Plan	Exercise price
Mike Kirk	3,000,000	2016 Plan	7.5p
Jason Miles	7,500,000	2016 Plan	7.5p
Total	**10,500,000**	-	-

These Performance Options will vest as to 50% on the first anniversary of grant and the remaining 50% shall vest on the second anniversary of the date of grant. All vestings are subject to the satisfaction of specific performance conditions prior to the first anniversary of grant. The Performance Options will be exercisable from vesting until the eighth anniversary of the date of grant.

On 3 September 2021 Quadrise also granted 2,552,793 nominal value options ("NVO") over new ordinary shares of 1p each in the Company to the Company's executive directors in lieu of cash bonuses for the year ended 30 June 2021. The NVOs have been issued under the 2016 Plan.

Director	Number of NVOs	Plan	Exercise price
Mike Kirk	776,931	2016 Plan	1.0p
Jason Miles	1,775,862	2016 Plan	1.0p
Total	**2,552,793**	-	-

The NVOs will vest after 12 months from the date of grant, have no performance conditions and will be exercisable from vesting until the eighth anniversary of the date of grant.

On 3 September 2021, the Company granted 1,462,929 NVOs over new ordinary shares of 1p each in the Company to the Company's employees in lieu of cash bonuses for the year ended 30 June 2021. These NVOs were issued under the Company's Enterprise Management Incentive Plan, and will vest after 12 months from the date of grant, have no performance conditions and will be exercisable from vesting until the tenth anniversary of the date of grant.

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, Eastcastle House, 27-28 Eastcastle Street, London, W1W 8DH

NOTES

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