



Final Results

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Hydrogen Future Industries plc

("HFI", the "Group" or the "Company")

Final Results for the 13 Months Ended 31 July 2022

Hydrogen Future Industries plc (AQSE:HFI), a developer of proprietary wind and water-based green hydrogen production systems, presents its audited financial results for the 13 months ended 31 July 2022.

Highlights

- Shares admitted to trading on Aquis Stock Exchange Growth Market on 1 December 2021
- Raised gross proceeds of £2.23 million to pursue a strategy to identify investment opportunities within the Hydrogen Economy
- Announced on 29 March 2022 the formation of a wholly owned subsidiary, HFI Energy Systems Limited ("HESL"), to develop proprietary wind and water-based hydrogen production systems, incorporating hydrogen compression and storage
- Appointed Timothy Blake as Chief Executive Officer of HESL to lead this development
- Cash balance at period end of £1.38 million

Daniel Maling, Non-Executive Chairman, commented:

"HFI has made progress since listing on the Aquis Stock Exchange Growth Market in December 2021. We have entered the green hydrogen development space and wasted no time in progressing the development of our first system. Our development activities are being led by a recognised expert in wind turbine systems, Timothy Blake; we have built and installed our first prototype in Montana; and we have acquired valuable patents which strengthen our intellectual property. With positive results already being achieved from prototype testing, I believe we are well on our way to the Company's goal of producing cheaper green hydrogen."

This announcement contains inside information for the purposes of the UK Market Abuse Regulation and the Directors of the Company are responsible for the release of this announcement.

Chairman's Statement

Introduction

I am pleased to present the financial results for the 13 months ended 31 July 2022, a period which included the admission in December 2021 of the Company's shares to the Aquis Stock Exchange ("AQSE") Growth Market as a Special Purpose Acquisition Company and, in March 2022, the formation of a wholly owned subsidiary, HFI Energy Systems Limited ("HESL"), to develop proprietary wind and water-based hydrogen production systems, incorporating hydrogen compression and storage.

Alongside the AQSE listing, Hydrogen Future Industries ("HFI") successfully raised £2.23 million as investors supported the Company's strategy to invest in hydrogen, widely regarded as the 'future fuel' and essential in achieving net zero emissions. In March 2022, HFI became actively engaged in the development of proprietary wind and water-based hydrogen production systems and we are making exciting progress on this technology.

The Hydrogen Economy

The 'Hydrogen Economy' refers to a vision that the Company shares of using hydrogen as a clean, low-carbon energy resource to meet a portion of the world's energy needs. The potential of hydrogen to replace traditional fossil fuels and form a substantial part of a global clean energy portfolio is already being realised - particularly within transportation sectors - and the Hydrogen Council predicts the global hydrogen market will grow to US\$2.5 trillion by 2050, meeting 18% of global energy demand.

A limiting factor to the expansive growth of the Hydrogen Economy has been the high cost of production of green hydrogen, which refers to hydrogen produced entirely from renewable sources, and this is largely due to the cost of renewable energy generation. The cost of green hydrogen production currently sits at anywhere between US\$4 and US\$6 per kilogram and must be reduced to under US\$2 to meet global targets this decade.

This is precisely what we aim to achieve through HESL's development of our wind-based hydrogen production system.

HFI Energy Systems Limited ("HESL")

HESL, a wholly owned subsidiary of HFI, was formed in March 2022 in collaboration with wind turbine engineer, and now HESL Chief Executive Officer, Timothy Blake to develop and commercialise proprietary technologies based on development work carried out by Mr Blake which the Company's Directors believe will have a significant positive impact on the

hydrogen production market by materially lowering the cost of green hydrogen production.

The most advanced system under development is a wind-based hydrogen production system combined with electrolyser technologies which aims to generate hydrogen for under \$2 per kilogram (the "System").

A key element of the System is its proprietary wind turbine, which has been designed with notably distinct features which allow the turbines to be more efficient than current open rotor turbines due to modified aerodynamics, with cowling directing air flow across the rotor blades to create a multiple factor increase in wind speed. The cowling also directs the flow of wind out and away from the rear of the turbine, reducing the potential for still air to block the flow through the turbines.

The Directors believe the increased efficiency of the turbine could in turn increase the efficiency and ultimately lower the cost of hydrogen production. We will seek in due course to incorporate hydrogen compression and on-demand energy storage technology, allowing energy to be stored in the form of hydrogen at a fraction of the cost of lithium-ion battery storage, solving the challenges faced by current windfarms during periods of reduced energy demand.

The System aims to generate hydrogen from a choice of feed stocks including waste or contaminated water, saline or fresh water, and remediation processes, meaning it can be operated in a variety of settings, including offshore, mining, and industrial.

Financial Review

For the year ended 31 July 2022, the Company reported a net loss of approximately £700k mostly relating to administrative expenses in connection with the listing on Aquis Stock Exchange Growth Market, due diligence in relation to prospective investments, and development activities related to the System. The Company's cash position at 31 July 2022 was £1.38 million.

The independent audit report draws attention to note 2.2 in the financial statements which indicates that, whilst forecast cash inflows are in advanced stages of negotiation, there is no certainty regarding the quantum or timing of these cashflows. As stated in note 2.2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. The auditor's opinion is not modified in respect of this matter. The Independent Auditor's Report is set out in full below.

Post Period End

On 5 October 2022, HFI announced the acquisition of a suite of international patents which are relevant to the System by the Company's joint venture subsidiary HFI IP Holdings Limited. The patents acquired cover a range of works including ducted wind turbine rotor configurations; a dynamic telescopic tower to optimise wind farm energy production and reduce maintenance cost; a variable hydraulic drive and electro-magnetic clutch to increase efficiency and lower cost of energy production; and the conversion of stored energy to green hydrogen. These patents significantly enhance the intellectual property around the System and have potential wider commercial applications beyond HFI's systems which could represent opportunities for early cash flow.

On 1 November 2022, the Company announced the commencement of testing of the wind element of the System in the form of a 1 metre diameter prototype ("the Prototype") in Montana, USA.

The Prototype is being tested in an area selected for its consistent wind speeds and regulatory support for wind turbine development and wind farm placement. HFI has a local development facility where the turbines have been fabricated and mounted onto towers for testing in local wind speeds. The power output from the turbines will be compared to predicted results. The cowling and rotor blades are a product of aerodynamic development and have been 3D printed on site.

The first stage of the outdoor test programme - a 20-hour live test - was successfully completed, confirming the aerodynamics align to the wind direction as planned, there was no distinguishing noise from the rotor blades, and there was no fouling of the blades with the cowling.

Outlook

The testing HFI is undertaking in Montana will hopefully confirm the efficiency of the key elements of the System, confirming the results of earlier wind tunnel testing. Additionally, given the considerable efficiency gains we believe our turbine will offer compared to existing open rotor wind turbines in use today, the commercial applications for the HFI turbine may not be limited to hydrogen and could be applied to the wider wind energy sector.

The wind turbine is the key first element of our System as cheaper energy should ultimately result in lower cost hydrogen. During the period ahead we intend to gather data from the 1 metre diameter prototype and plan for the next phase of testing with a larger turbine and with hydrogen production capability integrated. With positive results already being achieved, I believe we are progressing to the Company's target of producing cheaper green hydrogen.

Daniel Maling

Non-Executive Chairman

22 December 2022

Enquiries:

Hydrogen Future Industriesplc

Daniel Maling

+44 (0)20 3475 6834

David Ormerod

Vigo Consulting (Investor Relations)

Ben Simons +44 (0) 20 7390 0230

Peter Jacob

**Cairn Financial Advisers LLP (AQSE
Corporate Adviser)**

Ludovico Lazzaretti +44 (0) 20 72130 880

Liam Murray

Peterhouse Capital Limited (Broker)

Duncan Vasey +44 (0) 20 7469 0930

Independent auditor's report to the members of Hydrogen Future Industries PLC

Opinion

We have audited the financial statements of Hydrogen Future Industries plc (the "Parent Company") and its subsidiaries (the "Group") for the period ended 31 July 2022, which comprise:

- the Group statement of comprehensive income for the period ended 31 July 2022;
- the Group and Parent Company statements of financial position as at 31 July 2022;
- the Group and Parent Company statements of changes in equity for the year then ended;
- the Group and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK-adopted international accounting standards.

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 31 July 2022 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which indicates that whilst forecast cash inflows are in advance stages of negotiation there is no certainty regarding the quantum or timing of these cashflows. As stated in note 2.2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 but there is a material uncertainty in relation to this matter. Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing management's financial projections which covered a period of at least 12 months from the date of approval of the financial statements.
- Challenging management on the assumptions underlying those projections particularly on the nature and timing of forecast cash inflows.
- Obtaining the latest management accounts post period end to benchmark how the Group is performing toward achieving the forecast.
- Performing sensitivity analysis and reviewing the client's own sensitised forecasts to consider the impact on the Group's ability to continue as a going concern.
- Assessing the completeness and accuracy of the matters described in the going concern disclosure within the significant accounting policies as set out on note 2.2.

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

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of

materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £35,000, based on 5% of Group loss before tax. Materiality for the Parent Company financial statements as a whole was set at £25,000 based on 2% of net assets.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. This is set at £25,000 for the Group and £17,500 for the parent.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and Directors' remuneration.

We agreed to report to it all identified errors in excess of £2,000. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

Our scoping of the Group audit was tailored to enable us to give an opinion on the financial statements as a whole. The Parent company was subject to a full scope audit. The subsidiaries incorporated in the final 3 months of the period were subject to audit considerations sufficient for our reporting on the group.

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. These matters included 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.

Except for the matter described in the material uncertainty relating to going concern section of our report above, we have not determined any other matters to be included as key audit matters to be communicated in our report.

Other information

The Directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, 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 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.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where 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 the Directors for the financial statements

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and 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.

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 however the primary responsibility for the prevention and detection of fraud lies with management and those charged with governance of the Company.

As part of the audit planning process we assessed the different areas of the financial statements, including disclosures, for the risk of material misstatement. This included considering the risk of fraud where Director enquires were made of management and those charged with governance concerning both whether that had any knowledge of actual suspected fraud and their assessment of the susceptibility of fraud.

We considered the risk was greater in areas which involve significant management estimate or judgement. Based on this assessment we designed audit procedures to focus on key areas of estimate or judgement, this included specific testing of journal transactions both at the period end and throughout the year.

We use data analytic techniques to identify any unusual transactions or unexpected relationships, including consider the risk of undisclosed related party transactions.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatement of the financial statements may not be detected even though the audit properly planned in accordance with the ISAs (UK).

The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud because fraud may involve sophisticated and carefully organised schemes designed to conceal it, including deliberate failure to record transactions, collusion or intentional misrepresentations being made to us.

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 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 Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Charlton

(Senior Statutory Auditor)

for and on behalf of

Crowe U.K. LLP

Statutory Auditor

55 Ludgate Hill

London EC4M 7JW

22 December 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 13 MONTH PERIOD ENDED 31 JULY 2022

		Audited
		Period ending 31 July
		2022
	Note	£'000
Continuing Operations		
Revenue from continuing operations		-
		-
Expenditure		
Costs associated with listing	4	(159)

Administrative expenses		(541)
Operating loss	4	(700)
Loss before taxation		(700)
Taxation	7	-
Loss after taxation		(700)
Total comprehensive loss for the year attributable to shareholders from continuing operations		(700)
Basic & dilutive earnings per share - pence	8	(3.433)

The notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2022

		Audited
		As at 31 July
		2022
	Note	£'000
NON-CURRENT ASSETS		
Fixed assets	9	18
Right of use assets	11	22
TOTAL NON-CURRENT ASSETS		40
CURRENT ASSETS		
Cash and cash equivalents	12	1,383
Trade and other receivables	13	210
TOTAL CURRENT ASSETS		1,593
TOTAL ASSETS		1,633
EQUITY		
Share capital	15	298
Share premium	15	1,900
Share based payment reserve	16	31
Retained earnings		(700)
TOTAL EQUITY		1,529
NON-CURRENT LIABILITIES		
Lease liability	11	5
TOTAL NON-CURRENT LIABILITIES		5

CURRENT LIABILITIES

Trade and other payables	14	82
Lease liability	11	17
TOTAL CURRENT LIABILITIES		99
TOTAL LIABILITIES		104
TOTAL EQUITY AND LIABILITIES		1,633

The notes form an integral part of these consolidated financial statements

The financial statements were approved and authorised for issue by the board on 22 December 2022 and were signed on its behalf by:

David Ormerod
Executive Director

PARENT COMPANY STATEMENT OF FINANCIAL POSITION**AS AT 31 JULY 2022**

		Audited
		As at 31 July
		2022
	Note	£'000
NON-CURRENT ASSETS		
Right of use assets	11	22
TOTAL NON-CURRENT ASSETS		22
CURRENT ASSETS		
Cash and cash equivalents	12	1,294
Trade and other receivables	13	536
TOTAL CURRENT ASSETS		1,830
TOTAL ASSETS		1,852
EQUITY		
Share capital	15	298
Share premium	15	1,900
Share based payment reserve	16	31
Retained earnings		(477)
TOTAL EQUITY		1,752
NON-CURRENT LIABILITIES		
Lease liability	11	5
TOTAL NON-CURRENT LIABILITIES		5
CURRENT LIABILITIES		
Trade and other payables	14	78
Lease liability	11	17
TOTAL CURRENT LIABILITIES		95
TOTAL LIABILITIES		100
TOTAL EQUITY AND LIABILITIES		1,852

The Company has taken advantage of section 408 of the Companies Act 2006 and consequently a profit and loss account has not been presented for the Company. The Company's loss for the financial period was £476,555.

The notes form an integral part of these consolidated financial statements

The financial statements were approved and authorised for issue by the board on 22 December 2022 and were signed on its behalf by:

David Ormerod

Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 JULY 2022

	Share capital	Share premium	Share based payment reserve	Foreign exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Loss for period	-	-	-	-	(700)	(700)
Total comprehensive income for the year	-	-	-	-	(700)	(700)
Transactions with owners in own capacity						
Ordinary shares issued on incorporation*	-	-	-	-	-	-
Ordinary shares issued in the period	298	2,007	-	-	-	2,304
Advisor warrants	-	-	31	-	-	31
Share issue costs		(107)				(107)
Transactions with owners in own capacity	298	1,900	31	-	-	2,229
Balance at 31 July 2022	298	1,900	31	-	(700)	1,529

*£500 of shares credited to share capital on incorporation not accounted for above but included in overall reconciliation of equity accounts

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

AS AT 31 JULY 2022

	Share capital	Share premium	Share based payment reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Loss for period		-	-	(477)	(477)
Total comprehensive income for the year		-	-	(477)	(477)
Transactions with owners in own capacity					
Ordinary shares issued on incorporation*		-	-	-	-
Ordinary shares issued in	298	2,007	-	-	2,305

the period

Advisor warrants	-	-	31	-	31
Share issue costs		(107)	-	-	(107)
Transactions with owners in own capacity	298	1,900	31	-	2,229
Balance at 31 July 2022	298	1,900	31	(477)	1,752

*£500 of shares credited to share capital on incorporation not accounted for above but included in overall reconciliation of equity accounts

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE 13 MONTH PERIOD ENDED 31 JULY 2022

		Audited
		Period ending
		31 July
		2022
	Note	£'000
Cash flow from operating activities		
Loss for the financial year	4	(700)
<i>Adjustments for:</i>		
Share based payment reserves	16	31
<i>Changes in working capital:</i>		
(Increase) in trade and other receivables	13	(210)
Increase in trade and other payables	14	82
Net cash outflow from operating activities		(797)
Cash flows from investing activities		
Investment in fixed assets	9	(18)
Net cash flow from investing activities		(18)
Cash flows from financing activities		
Proceeds from issue of shares	15	2,305
Share issue costs	15	(107)
Net cash flow from financing activities		2,198
Net increase in cash and cash equivalents		1,383
Cash and cash equivalents at beginning of the period		-
Foreign exchange impact on cash		-
Cash and cash equivalents at end of the period	12	1,383

The notes form an integral part of these consolidated financial statements

PARENT COMPANY STATEMENT OF CASHFLOWS

FOR THE 13 MONTH PERIOD ENDED 31 JULY 2022

		Audited
		Period ending
		31 July
		2022
	Note	£'000
Cash flow from operating activities		
Loss for the financial year		(477)
<i>Adjustments for:</i>		
Share based payment reserves	16	31
<i>Changes in working capital:</i>		
(Increase) in trade and other receivables	13	(536)
Increase in trade and other payables	14	78
Net cash outflow from operating activities		(904)
Cash flows from financing activities		
Proceeds from issue of shares	15	2,305
Share issue costs	15	(107)
Net cash flow from financing activities		2,198
Net increase in cash and cash equivalents		1,294
Cash and cash equivalents at beginning of the period		-
Foreign exchange impact on cash		-
Cash and cash equivalents at end of the period	12	1,294

The notes form an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 JULY 2022

1. General Information

The Company was incorporated on 13 July 2021 in England and Wales with Registered Number 13508782 under the Companies Act 2006. The principal activity of the Group is to seek suitable investment opportunities with a particular focus on the hydrogen industry. Once the Group has identified suitable opportunities as it has begun to do so in the period, it will look to the commercialisation of proprietary wind and water-based green hydrogen systems.

The address of its registered office is Eccleston Yards, 25 Eccleston Place, London SW1W 9NF, United Kingdom.

The Company commenced trading on the Aquis Stock Exchange ("AQSE") Growth Market on 1 December 2021.

2. Accounting policies

The principal accounting policies applied in preparation of these consolidated financial statements ("financial

statements") are set out below. These policies have been consistently applied unless otherwise stated.

2.1 Basis of preparation

The financial statements for the period ended 31 July 2022 have been prepared by Hydrogen Future Industries Plc in accordance with UK-adopted International Accounting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements, are disclosed in Note 2.15.

The financial statements present the results for the Group and Company for the period ended 31 July 2022. No comparative figures have been presented as the financial statements cover the period from incorporation on 13 July 2022

The principal accounting policies are set out below and have, unless otherwise stated, been applied consistently in the financial statements. The financial statements are prepared in Pounds Sterling, which is the Group's presentational currency, and presented to the nearest £'000.

2.2 Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Group will continue to meet its liabilities as they fall due.

The Group has cash and cash equivalents of £1.383m (Company: £1.294m) at 31 July 2022 following a successful IPO in December 2021. The Directors have prepared detailed forecasts and analysis that account for their best estimate of committed expenditure and expected cash inflows and are of the view this is sufficient to fund the Group's expenditure over the next 12 months from the date of approval of these financial statements.

Whilst forecast cash inflows are in advance stages of negotiation there is no certainty regarding the quantum or timing of these cashflows and therefore the Directors have identified a material uncertainty which may cast doubt over the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Group were unable to continue as a going concern.

2.3 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, and demand deposits with banks and other financial institutions.

2.4 Equity

Share capital is determined using the nominal value of shares that have been issued.

The Share premium account includes any premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of new shares are deducted from the Share premium account, net of any related income tax benefits.

Accumulated losses includes all current period results as disclosed in the income statement.

2.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the individual financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in £ Sterling, which is the Company's presentational currency. The individual financial statements of each of the Company's wholly owned subsidiaries are prepared in the currency of the primary economic environment in which it operates (its functional currency). IAS 21 The Effects of Changes in Foreign Exchange Rates requires that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period).

2.6 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 July each year. Per IFRS 10, control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to

direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

When the Company acquires any plant and equipment it is stated in the accounts at its cost of acquisition less depreciation and any impairments.

Depreciation is charged to write off the costs less estimated residual value of plant and equipment on a straight line basis over their estimated useful lives being:

- Plant and equipment 5 - 7 years
- Computer equipment 4 years

Estimated useful lives and residual values are reviewed each year and amended as required.

2.8 Financial instruments

IFRS 9 requires an entity to address the classification, measurement and recognition of financial assets and liabilities.

a. Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss);
- those to be measured at amortised cost; and
- those to be measured subsequently at fair value through profit or loss.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

b. Recognition

Purchases and sales of financial assets are recognised on trade date (that is, the date on which the Company commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

c. Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

d. Impairment

The Company assesses, on a forward-looking basis, the expected credit losses associated with any debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.9 Leases

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. In all instances the leases were discounted using the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period. Right-of-use assets are measured at cost which comprises the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Payments associated with short-term leases (term less than 12 months) and all leases of low-value assets (generally less than £5k) are recognised on a straight-line basis as an expense in profit or loss. The short term lease exemption has been utilised by the Company in relation to property leases held in the US based subsidiary HFI ES US Inc. These leases are on a rolling month-month basis and hence there is no long term commitment entered into.

2.10 Intangible assets

Intangible assets acquired as part of a business combination or asset acquisition are initially measured at their fair value at the date of acquisition. Intangible assets acquired separately are initially recognised at cost.

Amortisation is charged to write off the cost less estimated residual value of plant and equipment on a straight line basis over their estimated useful lives which are:

- | | |
|--------------------------|----------|
| • Brand and trade names | 10 years |
| • Customer relationships | 10 years |
| • Software | 5 years |

Estimated useful lives and residual values are reviewed each year and amended as required.

Other intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units).

2.11 Intangible assets

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold
- adequate resources are available to complete the development
- there is an intention to complete and sell the product
- the Group is able to sell the product
- sale of the product will generate future economic benefits, and - expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within the administrative expenses, in the consolidated statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

2.12 Taxation

Tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

No deferred tax assets in respect of tax losses have not been recognised in the accounts because there is currently insufficient evidence of the timing of suitable future taxable profits against which they can be recovered.

2.13 Share based payments

The Company has made awards of warrants on its unissued share capital to certain parties in return for services provided to the Company. The valuation of these warrants involved making a number of critical estimates relating to price

volatility, future dividend yields, expected life of the options and interest rates. These assumptions have been integrated into the Black Scholes Option Pricing model in this instance to derive a value for any share-based payments. These assumptions are described in more detail in note 16.

The expense charged to the Statement of Comprehensive Income during the year in relation to share based payments was £30,939.

2.14 New standards and interpretations not yet adopted

At the date of approval of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases have not yet been adopted by the UK):

Standard	Impact on initial application	Effective date
Annual Improvements	2018-2020 Cycle	1 January 2023
IAS 1	Classification of liabilities Current or Non-current	1 January 2023
IAS 8	Accounting estimates	1 January 2023
IAS 12	Deferred tax arising from a single transaction	1 January 2023

The effect of these amended Standards and Interpretations which are in issue but not yet mandatorily effective is not expected to be material.

The Directors are evaluating the impact that these standards may have on the financial statements of Company.

2.15 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below:

- Share Based Payments: valuation of warrants valued using Black Scholes method

3. Segmental analysis

The Group manages its operations in one segment, being the development of proprietary wind and water-based green hydrogen production systems.

4. Operating Loss

Operating loss for the Group is stated after charging:

	Period ending
	31 July 2022
	£'000
Costs associated with listing	(159)
Professional fees	(52)
Directors fees	(70)
Salary & wages	(90)
Insurance	(34)
Travel & entertainment	(7)
Exclusivity fees	(15)
Share based payments	(31)
Other administrative expenses	(242)
	(700)

5. Employees

The average number of persons employed by the Group (including Directors) during the period ended 31 July 2022 was:

No of employees
3
3

The aggregate payroll costs of these persons (including Directors) were as follows:

	£'000
Wages and salaries*	160
	160

6. Auditor's Remuneration

Auditor's remuneration	Period ending 31 July 2022 £'000
In respect of the audit of the Company accounts	35
Other non-audit services	20
Total	55

7. Taxation

	Period ending 31 July 2022 £'000
The charge / (credit) for the year is made up as follows:	
Corporation taxation on the results for the year	-
Taxation charge / credit for the year	-

A reconciliation of the tax charge / credit appearing in the income statement to the tax that would result from applying the standard rate of tax to the results for the year is:

Loss per accounts	(700)
Tax credit at the standard rate of corporation tax in the UK of 19%	(133)
Tax effect of capital items disallowed for corporation tax purposes	30
Tax losses for which no deferred tax is recognised	103
	-

The Company has total carried forward losses of £699,974. The taxed value of the unrecognised deferred tax asset is £102,995 and these losses do not expire. No deferred tax assets in respect of tax losses have not been recognised in the accounts because there is currently insufficient evidence of the timing of suitable future taxable profits against which they can be recovered.

On 23 September 2022, the Chancellor announced that he has cancelled the planned corporation tax increase and rather than rising to 25 per cent from April 2023, the rate will remain at 19 per cent for all firms, regardless of the amount of profit made.

8. Earnings per share

The calculation of the basic and diluted earnings per share is calculated by dividing the profit or loss for the year by the weighted average number of ordinary shares in issue during the year.

	Audited
	Period ending
	31 July
	2022
	£
Net loss for the period attributable to ordinary equity holders for continuing operations (£)	(699,974)
Weighted average number of ordinary shares in issue	20,388,381
Basic and diluted earnings per share for continuing operations (pence)	(3.433)

There is no difference between the diluted loss per share and the basic loss per share presented. Share options and warrants could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share as they are anti-dilutive for the year presented.

9. Fixed assets

Group Total

	Property, plant & equipment £'000	Computer equipment £'000	Total £'000
Cost			
Opening balance	-	-	-
Additions in the period	3	15	18
At 31 July 2022	3	15	18
Depreciation			
Opening balance	-	-	-
Charge for the period	-	-	-
At 31 July 2022	-	-	-
Net book value 31 July 2022	3	15	18
Net book value 31 July 2022	3	15	18

10. Intangibles

On 5 October 2022 the Group successfully completed the acquisition of a suite of international patents which are relevant to the systems being developed by the Company. The board believes the patents may have commercial applications within both the Group's future wind based green hydrogen production systems and the wider wind energy generation sector. The payment of \$150,000 USD was made during the period as a loan and then subsequently re-assigned as consideration for the patents along with other equity consideration. The \$150,000 is included in prepayments currently and will be transferred to Intangibles on completion of the transaction on 5 October 2022 after the year end (Note 23).

The Group is also investing heavily into the development of wind turbine technology. The current phase of development does not support the capitalisation of these resources as of yet under IAS 38 - Intangible assets however once satisfied the Group will reassess in relation to capitalisation. Further details of the nature of the expected future development capitalisation is included in the Strategic report which can be found in the Annual Report on the Company's website.

11. Leases

	Company July 2022 £'000	Group July 2022 £'000
<i>Right-of-use assets</i>		
Motor vehicles	22	22
	22	22
<i>Lease liabilities</i>		
Current	5	5
Non-current	17	17
	22	22

Right of use assets

A reconciliation of the carrying amount of the right-of-use asset is as follows:

	Company July 2022 £'000	Group July 2022 £'000
<i>Motor vehicles</i>		
Opening balance	-	-
Additions	22	22
Depreciation	-	-
	22	22

Lease liabilities

A reconciliation of the carrying amount of the lease liabilities is as follows:

	Company July 2022	Group July 2022
	£'000	£'000
Opening balance	-	-
Additions	22	22
Finance charge	-	-
	22	22

12. Cash and cash equivalents

	Company July 2022	Group July 2022
	£'000	£'000
Cash at bank	1,294	1,383
	1,294	1,383

Majority of the cash is held with Alpha FX foreign exchange trading platform who utilise the banking facilities of Lloyds Banking Group Plc (credit ratings: S&P's BBB+, A3, Fitch A). Daily working capital amounts are held through the Wise online banking platform in the UK and Rocky Mountain Online Bank in the US. These online banking platforms do not currently have credit ratings available.

The denomination of amounts in foreign currencies is as follows:

	Company July 2022	Group July 2022
	£'000	£'000
USD	32	71
GBP	1,262	1,312
	1,294	1,383

13. Trade and other receivables

	Company July 2022	Group July 2022
	£'000	£'000
Intercompany receivables	326	-
Prepayments	140	140
VAT receivable	70	70
	536	210

14. Trade and other payables

	Company July 2022	Group July 2022
	£'000	£'000
Trade creditors	36	36
Accruals	42	42
Employer obligations	-	4
	78	82

15. Share capital and share premium

	Ordinary shares	Share capital	Share premium	Total
	#	£'000	£'000	£'000
Issue of ordinary shares on incorporation ¹	50,000	1	-	1
Issue of ordinary shares ²	5,850,000	58	-	58
Issue of ordinary shares ³	1,600,000	16	-	16

Issue of ordinary shares ⁴	22,300,000	223	2,007	2,230
Share issue costs	-	-	(107)	(107)
At 31 July 2022	29,800,000	298	1,900	2,198

¹ On incorporation on 13 July 2021, the Company issued 50,000 ordinary shares of £0.01 at their nominal value of £0.01.

² On 10 September 2021, the Company issued 5,850,000 ordinary shares at their nominal value of £0.01.

³ On 23 September 2021, the Company issued 1,600,000 ordinary shares at their nominal value of £0.01.

⁴ On admission to the Aquis Stock Exchange Growth Market on 1 December 2021, 22,300,000 shares were issued at a placing price of £0.10.

There is currently an authorised share capital limit in place for the Company which is subject to review at the next Annual General Meeting.

16. Share based payment reserves

	Company July 2022	Group July 2022
	£'000	£'000
Broker warrants issued ¹	6	6
Advisor warrants issued ²	25	25
At 31 July 2022	31	31

On 10 September 2021, 7.5 million warrants were issued linked to existing shares that vested on admission (10 December 2021). Each warrant entitles the holder to subscribe for one share at a price of £0.05 for a period of two years from admission. These warrants have not been valued separately as their value is included in the consideration transferred for the shares.

¹ On 29 October 2021, the Company entered into an agreement to issue 150,000 broker warrants to Peterhouse Capital Limited subject to and conditional on admission. The broker warrants are exercisable at the price of £0.10 per ordinary share and are exercisable, either in whole or part, for a period of three years from the date of admission.

² On 29 October 2021, the Company entered into an agreement to issue 400,000 advisor warrants to Cairn Financial Advisors LLP subject to and conditional on admission. The advisor warrants are exercisable at the price of £0.05 per ordinary share and are exercisable, either in whole or part, for a period of 5 years from the date of admission.

The estimated fair values of options which fall under IFRS 2, and the inputs used in the Black-Scholes pricing model to calculate those fair values are as follows:

Date of grant	Number of warrants	Share price	Exercise price	Expected volatility	Expected life	Risk free rate	Expected dividends
1 December 2021	150,000	£0.10	£0.10	59.00%	3	20.00%	0.00%
1 December 2021	400,000	£0.10	£0.05	59.00%	5	20.00%	0.00%

The total warrants issued in September 2021 were issued alongside the placing of ordinary shares and, as such, are not fair valued separately.

Warrants

Grant Date	Number of warrants	Exercise price	Expiry date
10 September 2021	7,500,000	£0.05	10 December 2023
1 December 2021	150,000	£0.10	1 December 2024
1 December 2021	400,000	£0.05	1 December 2026
As at 31 July 2022	8,050,000		

17. Investments

Name	Holding	Business Activity	Country of Incorporation	Registered Address
HFI Energy Systems Ltd	100%	Research & development	England & Wales	Eccleston Yards, 25 Eccleston Place, London SW1W 9NF

HFI Energy Systems US Inc	100%	Research & development	United States of America	16 Nugget Court, Whitehall, MT 59759
HFI IP Holdings Ltd	51%	IP holding company	England & Wales	Eccleston Yards, 25 Eccleston Place, London SW1W 9NF
HFI Development Ltd	100%	Research & development	England & Wales	Eccleston Yards, 25 Eccleston Place, London SW1W 9NF

18. Financial Instruments and Risk Management

Principal financial instruments

The principal financial instruments used by the Group from which the financial risk arises are as follows:

As at 31 July 2022

£'000

Financial Assets

Cash and cash equivalents	1,383
Trade and other receivables*	70
	1,453

Financial Liabilities

Trade payables and accruals	82
	82

*Trade and other receivables exclude prepayments

The financial liabilities are payable within one year.

General objectives and policies

In the Directors report the overall objective of the Board is to set policies that seek to reduce risk as far as practical without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are:

Policy on financial risk management

The Company's principal financial instruments comprise cash and cash equivalents, trade and other receivables and intangible assets. The Company's accounting policies and methods adopted, including the criteria for recognition, the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are set out in note 2 - "Accounting Policies".

The Company does not use financial instruments for speculative purposes. The carrying value of all financial assets and liabilities approximates to their fair value.

Derivatives, financial instruments and risk management

The Company does not use derivative instruments or other financial instruments to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices.

Foreign currency risk management

The Company does have foreign currency exposure as the functional currency of its subsidiary HFI Energy Systems Us Inc ("HFI US") is USD. The Company regularly sends funds to the HFI US to pay for operational expenditure relating to its research and development activities. Although funds are sent regularly the absolute value of funds is not considered by the Directors to be large enough to require additional risk mitigation. The Directors have assessed the foreign currency risk as moderate but will continue to assess this risk at regular intervals going forward.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties. The Company's exposure and the credit ratings of its counterparties are monitored by the Board of Directors to ensure that the aggregate value of transactions is spread amongst approved counterparties.

The Company's principal financial assets are cash and cash equivalents and trade and other receivables.

Cash equivalents include amounts held on deposit with financial institutions. The credit risk on liquid funds held in current accounts and available on demand is limited because the Group's counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The majority of the Group's funds are held with Lloyds Bank are reputable high street bank and only small working capital amounts are held via online institutions.

The Company applies IFRS 9 to measure expected credit losses for receivables, these are regularly monitored and assessed. The Group does not generate revenue so there is minimal credit risk in relation to receivables.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recorded in the financial statements.

Liquidity risk

During the period ended 31 July 2022, the Group was financed by cash raised through equity funding. Funds raised surplus to immediate requirements are held as cash deposits in Sterling.

In managing liquidity risk, the main objective of the Group is to ensure that it has the ability to pay all of its liabilities as they fall due. The Group monitors its levels of working capital to ensure that it can meet its liabilities as they fall due.

The table below shows the undiscounted cash flows on the Company's financial liabilities as at 31 July 2022 on the basis of their earliest possible contractual maturity.

	Total £'000	Within 2 months	Within 2-6 months
At 31 July 2022			
Trade payables	82	33	49

Capital management

The Group considers its capital to be equal to the sum of its total equity. The Group monitors its capital using a number of key performance indicators including cash flow projections, working capital ratios, the cost to achieve development milestones and potential revenue from partnerships and ongoing licensing activities.

The Group's objective when managing its capital is to ensure it obtains sufficient funding for continuing as a going concern. The Group funds its capital requirements through the issue of new shares to investors.

19. Financial assets and liabilities

	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Total £'000
At 31 July 2022			
Trade and other receivables*	70	-	70
Cash and cash equivalents	1,383		1,383
Trade and other payables	-	(82)	(82)
	1,453	(82)	1,371

*Trade and other receivables exclude prepayments

20. Related Party Transactions

Directors Shares & Warrants

On incorporation, the Company issued 50,000 ordinary shares of £0.01 at £0.01 per ordinary share to Orana Corporate LLP, an entity of which Director Daniel Maling is a partner.

Subsequently, shares were subscribed to the founding shareholders and 1,750,000 transferred to Directors, including 1,000,000 shares to Daniel Maling, 500,000 shares to David Ormerod and 250,000 shares to Fungai Ngoro. Daniel Maling, David Ormerod and Fungai Ngoro were all Directors of the Company at the end of the period. All of the shares held by Daniel Maling, David Ormerod and Fungai Ngoro were paid up during the period.

In connection with the founders' shares, subscribers were issued with warrants on a 1:1 basis. Consequently, the Directors held the following warrants at period end:

- Daniel Maling: 1,000,000
- David Ormerod: 500,000
- Fungai Ngoro: 250,000

The warrants give the Directors the option to subscribe for ordinary shares on a 1:1 basis at £0.05 for a period of 2 years from vesting. Subsequent to period end the Directors were issued additional options (Note 23).

Key management personnel remuneration

	Base salary £	Pension Contribution £	Total £
David Ormerod	30,954	-	30,954

Daniel Maling	23,216	-	23,216
Fungai Ndoro	15,477	-	15,477
	69,647	-	69,647

Service Agreements

Orana Corporate LLP, of which Director Daniel Maling is a partner, has a service agreement with the Company for the provision of accounting and company secretarial services as well as corporate finance services in relation to the listing. In the period, Orana Corporate LLP accrued £65,163 for these services from the Company of which £12,120 was owed at year end.

Proposed investment in LGT Hydrogen

On 15 December 2021 the Company signed a term sheet with LGT Hydrogen Limited to finalise a formal investment agreement to acquire 23.1% of the issued share capital of LGT Hydrogen. On signing of the agreement \$150,000 USD was transferred granting the Company a 3 month exclusivity period. Although the transaction was not completed in the initial format the payment was used in the acquisition of patents in 2022 (Note 23). LGT Hydrogen Directors Eamonn McCann and Jonathan Colville are both shareholders in the Company. HFI Energy Systems Ltd CEO Timothy Blake is also a past Director of LGT Hydrogen.

21. Ultimate Controlling Party

As at 31 July 2022, there was no ultimate controlling party of the Company.

22. Capital Commitments

Initial funding commitment

Through the employment of HFI Energy Systems Ltd CEO, Timothy Blake, the Company has committed to providing \$1 million USD in funding for the purposes of assisting the development of hydrogen systems.

23. Events Subsequent to period end

Acquisition of patents

On 10 October 2022 announced the successful acquisition of a suite of international patents which are relevant to the systems being developed by the Company, by its joint venture subsidiary HFI IP Holdings Limited. The patents acquired can be viewed at the Company's page on the AQSE website and were transferred in exchange for the following consideration:

- the issue to HW Power Limited ("HW") of 5,200,000 new ordinary shares in HFI at an issue price of 10 pence per share;
- the forgiving of a loan made to HW by the Company on 16 December 2021 of US\$150,000 which was to acquire exclusivity rights for the acquisition of the patents;
- additional aggregate cash payments of £33,000 and
- the issue to HW of warrants over a further 2,500,000 new ordinary shares in the Company with an exercise price of 12 pence per warrant, which will expire three years from the date of issue

Incorporation HFI Consulting Limited

On 2 September 2022 a new subsidiary, HFI Consulting Limited ("HFI Con") was incorporated. HFI Con has 100 shares with a nominal value of £0.01 and is wholly owned by the Company.

Issue of options

On 4 November 2022 a total of 6,000,000 options were granted to the Directors of the Company, the CEO of HFI Energy Systems Ltd (Timothy Blake) and a financial consultant (Ryan Neates). These options vest immediately and are exercisable for a period of 5 years from the issue date at a price of £0.10. Breakdown of options issued is detailed below:

- Timothy Blake: 3,000,000
- David Ormerod: 1,000,000
- Daniel Maling: 1,000,000
- Fungai Ndoro: 500,000
- Ryan Neates: 500,000

Note:

Certain statements made in this announcement are forward-looking statements. These forward-looking statements are not historical facts but rather are based on the Company's current expectations, estimates, and projections about its industry; its beliefs; and assumptions. Words such as 'anticipates,' 'expects,' 'intends,' 'plans,' 'believes,' 'seeks,' 'estimates,' and similar expressions are intended to identify forward-looking statements. These statements are not a guarantee of future performance and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond the Company's control, are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. The Company cautions security holders and prospective security holders not to place undue reliance on these forward-looking statements, which reflect the view of the Company only as of the date of this announcement. The forward-looking statements made in this announcement relate only to events as of the date on which the statements are made. The Company will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances, or unanticipated events occurring after the date of this announcement except as required by law or by any appropriate regulatory authority.