News release

Velocys plc

("Velocys" or the "Company")

21 September 2022

Interim results for the six months ended 30 June 2022

Velocys plc (VLS. L), the sustainable fuels technology company, announces its interim results for the six months ended 30 June 2022, during which period the Company has continued to successfully pursue its commercialisation strategy against an increasingly favourable legislative backdrop.

HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

- The Company recorded revenue of £48k (HY2021: £8.2m) from engineering consulting services in respect of feasibility studies. Prior period revenues were mainly in respect of recognising the revenue from supplying reactors and catalyst to our first major commercial client contract in the US which commenced in 2017. Revenues are expected to be uneven in the short-term due to the concentrated number of projects.
- The Company recorded a loss before income tax of £5.7m (HY2021: £2.2m loss). The prior year loss was lower as it included gross profit of £3.3m.
- As at 30 June 2022, the net assets of the Company were £24.4m.
- Cash balances of the Company as at 30 June 2022 were £18.8m (31 December 2021: £25.5m) which included £1.4m of restricted cash.
- Net cash outflow recorded for the six months to 30 June 2022 was £6.8m (HY2021: cash outflow £4.8m) which included investment in the new technical facility in Ohio and deposits for manufacturing equipment totalling £1.1m.

OPERATIONAL AND COMMERCIAL HIGHLIGHTS (INCLUDING POST PERIOD UPDATES)

Legislative and Policy Frameworks

- The US Inflation Reduction Act of 2022, signed into law on 16 August 2022, allocates $369 billion to reducing greenhouse gas emissions and incentivises expanded production and use of domestic clean energy. Sustainable Aviation Fuel ("SAF") tax credits are an integral part of the Act, together with other incentives and mechanisms to accelerate the deployment of advanced fuel technologies generating non-fossil fuels with a significantly reduced carbon intensity.
- The UK Government Department for Transport launched its "Jet Zero" strategy on 19 July 2022, which includes an ambition for a minimum of five commercial-scale SAF plants to be under construction in the UK by 2025, and a mandate for at least 10% SAF to be blended into conventional aviation fuel by 2030 to reduce greenhouse gas emissions.

Commercial SAF projects and business development

- Collaboration with TOYO regarding biomass to SAF ("BtL") and power to SAF ("PtL") solutions for the energy transition in Japan has continued. The commercial scale NEDO2 BtL project is currently in FEL2 stage and progressing to plan and the Power to Liquids demonstration project is advancing as planned.
- The legislative developments and increased awareness of the vital need for SAF over the past few months has led to increased enquiries for Velocys' technology offering.
- The pipeline of potential opportunities continues to develop and the Company is well placed to provide front end project development consultancy, including feasibility studies and pre-FEED project definition for SAF projects under consideration globally. The Company is currently progressing a paid engineering study for a client in Northern Europe and has been requested to quote for a number of other global projects.

Reference projects update

- **Bayou Fuels (Mississippi, US):**
  - The local development authority in Mississippi is finalising the levee construction protecting the biorefinery site. This is a critical milestone required for insurance purposes and de-risking of the site.
  - The project benefits from significant US legislative progress. The biofuels that will be produced, should the project proceed, will adhere to both the US Renewable Fuel Standard ("RFS") and the Low Carbon Fuels Standard ("LCFS") and earn additional incentives through the associated Renewable Identification Number ("RIN") and LCFS credits.
  - The project is being further optimised to achieve an even lower carbon intensity to take advantage of the recently introduced dedicated tax credits for US domestic SAF production (Clean Fuel Production Tax Credits).
  - The feedstock capability and the power supply to the biorefinery are being further assessed to ascertain optimal output.

- **Altalto (Immingham, UK):**
  - Site engineering, geotechnical work and integration of carbon sequestration continued in readiness for connection into the East Coast Carbon Capture and Storage cluster for the Immingham site.
  - In March 2022, the Company welcomed Foresight Group LLP ("Foresight") into the Altalto municipal solid waste to jet fuel project in Immingham, UK, where Velocys is providing project development services, engineering and Fischer-Tropsch Synthesis ("FTS") technology.
  - The Company funded the £7.25m deferred consideration due for the Immingham site purchase by selling the site owning company to Foresight for £9.75m with an option to repurchase the company in up to three years' time. Velocys paid £2.5m of the £9.75m consideration in December 2021, so effectively recovered its cash outlay in March 2022 whilst retaining control of the site.
  - The Company agreed with British Airways ("BA") to extend both the UK Altalto project Joint Development Agreement and the Option Agreement for BA to acquire 50% of Altalto Limited by one year to 31 March 2023.
  - An application was made to the UK's Department for Transport (DfT) to obtain a share of the £165m funding available from the Advanced Fuels Fund launched in July 2022. The fund prioritises commercial-scale sustainable aviation fuel plants that require additional support to become ready for investment and construction. The Company believes Altalto meets the eligibility requirements of the Advanced Fuels Fund.

New Technical Centre (Ohio, US)

- An agreement was entered into to construct a 52,000 square foot site in Columbus, Ohio, suitable to house the Company's reactor core assembly operations alongside its research and development activities.
- Terms of a 15-year lease were agreed with Velocys contributing a maximum of $2m for construction out of a total cost of approximately $10m.
- An Enterprise Zone agreement was signed with Union County, Ohio which provides property tax abatement of 75% once the building is occupied from 2023, with commitments to the creation of new jobs in the facility and support for the local community.
- Construction commenced in May 2022 and is anticipated to complete in Spring 2023.
- Orders were placed for the new equipment to support the commissioning and production of reactor cores. £1.4m of commitments have been made in the six months to June 2022 (in addition to upfront deposits paid of £0.7m).
- The total Net Present Value of local Ohio State incentives secured is approximately $600k.

Other highlights and post period events

- Philip Sanderson was appointed as CFO and executive member of the Board in June 2022, bringing extensive project and commercial finance experience to the Company.
- During HY2022 the Company successfully filled several key appointments in the in-house Catalysis group, strengthening our expertise in catalysis development and continuing to build on our extensive IP portfolio.
- In July 2022, the Company concluded the sale of its undeveloped Ashtabula site in Northern Ohio, acquired as part of an acquisition in 2014, to the Ashtabula Port Authority.
- The Company has submitted a separate application with a group of partners under the UK Advanced Fuels Fund competition for a share of the £22m of funding specifically allocated for e-fuels projects. This provides an opportunity to conduct feasibility, technical validation and potentially site selection for such a project in the UK.
- Establishment of a Scientific Advisory Board with global experts to provide a forum for science and technology-based discussions based on independent, objective advice and guidance.

<u>OUTLOOK</u>

- Velocys is targeting completion of the fuel offtake agreements for Bayou Fuels, taking into account the specific tax credit mechanics set out in the Inflation Reduction Act. The Company intends to confirm appointment of its US investment banks to lead the front-end engineering design (“FEED”) funding during the fourth quarter of 2022. This is with a view to having FEED project funding in place in mid-2023.
- Globally, government policy support to accelerate SAF supply continues, as evidenced by the recent US legislation, the European Parliament's adoption of the ReFuel EU Aviation initiative and the UK Government’s SAF mandate consultation pro cess now assessing in greater detail the administration of such mandates. Velocys looks forward to the conclusion of the UK consultation process, the results of which are targeted to be published by the end of 2022.
- Velocys expects the construction and fit-out of the new Ohio Technical Centre will remain on track, with operations moving into the facility by mid-2023.
- Velocys, through its 20 years of expertise in sustainable fuels, is receiving a high level of enquiries from blue chip potential customers and is focussing its active dialogue on companies which operate in regions with favourable policy environments.
- Velocys is actively focussed on advancing its commercialisation strategy through a targeted pipeline of opportunities to deploy its technology and services.

Henrik Wareborn, CEO of Velocys, said:

“Our interim results show tangible progress with multiple milestones reached over the course of the period. Our new Ohio Technical Centre is well into its construction phase. Here, our technology and licensing services will be consolidated under one roof, providing a fully integrated client delivery and service offering domestically and globally. The facility is on schedule to be completed and commissioned next year.

“We welcomed Foresight Group who demonstrated their support for Velocys and Altalto through the purchase of the Altalto site owner giving the project permanent site control with an option for repurchase. We continue to have a strong partnership with British Airways and their commitment to the Altalto project represented through their extension of our Joint Development Agreement and Option Agreement.

“The launch in the UK of the “Jet Zero” strategy was well-received and sets out the Government’s approach to achieving “net zero” aviation by 2050. This stated an ambition for a minimum of five commercial-scale SAF plants to be under construction in the UK by 2025, and a mandate for the equivalent of at least 10% SAF to be blended into conventional aviation fuel by 2030. Both these initiatives bode very well for Altalto which is exactly the type of commercial-scale SAF plant the UK Government is seeking. We look forward to the outcome of the Government’s pledge to further work with industry to create the long-term conditions for investable projects in the UK.

“The landmark climate legislation passed in the US, the “Inflation Reduction Act of 2022”, focusses on the total amount of avoided carbon and not solely on sustainable fuel supplied. Bayou Fuels, our project in the US, is well positioned to benefit from such legislation because of its low carbon footprint, and continues to progress, exploring a route to achieving an even lower carbon intensity score. The targeted commencement of FEED next year will be a key milestone following which Velocys expects to generate licence revenue from the project.

“We have strengthened the business and organisational design by recruiting world class scientific and commercial talent in Ohio, Houston and Oxford and continue to build our network of potential partners to accelerate commercialisation.

“The progress we have made, alongside the policy tailwinds, creates a solid platform for the Company to deliver. Our outlook remains targeted and selective as we continue on the path of capital-light scalable growth. The ultra-low negative carbon intensity synthetic aviation fuel enabled by Velocys’ IP-protected technology provides a solution to fuel independence and a pathway to sustainable aviation. We look to the future with confidence.”

Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014) prior to its release as part of this announcement.

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Notes to Editors

Velocys is an LSE-listed, international sustainable fuels technology company, traded on the AIM, providing customers with a technology solution to enable the production of negative Carbon Intensity synthetic, drop-in fuels from a variety of waste materials. Synthetic fuel is the only commercially available, permanent alternative to fossil aviation fuels. The Velocys technology is IP-protected in all major jurisdictions.

Two reference projects (Bayou Fuels, US, and Altalto, UK) are designed to accelerate the adoption and standardise the Velocys proprietary Fischer Tropsch ("FT") technology with an integrated end to end solution, including renewable power and carbon sequestration.

Velocys is enabling commercial scale synthetic fuel production in response to the clean energy transition, with significant additional positive air quality impacts. www.velocys.com

CEO Report

Overview

We have made strong progress in the first half of 2022, moving forward at pace with the key priorities set out in our December 2021 fund raise. We set ourselves targets to strengthen our business development activities; to scale up our reactor manufacturing capabilities; as well as specific goals for our two reference projects designed to accelerate the delivery of our technology. Alongside our operational progress, we have seen key government policy developments in the US, UK, and the EU which remain of critical importance to the speed with which our reference projects and those of our potential clients will proceed to financing and construction, crystalising a growing number of commercial opportunities.

I would like to take this opportunity to thank all of our employees for their commitment, innovative mindset and professionalism.

Policy and market developments

The Inflation Reduction Act of 2022 ("the Act") was signed into US law on 16 August and is of historic significance, putting the United States on a path to significantly lower emissions by 2030, and beyond. We believe this landmark legislation represents a compelling model which other governments will seek to follow, in particular the focus on the total amount of avoided carbon instead of the volume of sustainable fuel supplied, thus prioritising those technologies which offer routes to negative carbon-intensity fuels.

The Act allocates approximately $369 billion to reducing greenhouse gas emissions and incentivises expanded production and use of domestic clean energy. SAF tax credits are an integral part of the Act, together with other incentives and mechanisms to accelerate the deployment of advanced fuel technologies, generating non-fossil fuels with a significantly reduced carbon intensity.

SAF is the only current commercially-scalable decarbonisation route for the aviation sector. Multiple pathways to SAF production are needed to satisfy the aviation industry's decarbonisation targets towards "net zero". Velocys provides its clients with integrated IP-protected technology enabling the production of synthetic aviation fuel from a variety of sustainable feedstocks with ultra-low to negative carbon intensity.

The SAF tax credits and associated incentives are expected to underpin the financing of Bayou Fuels, Velocys' advanced SAF reference project in Natchez, Mississippi, US. Bayou Fuels is a planned cellulosic biofuels plant enabling the production of carbon negative fuel through the use of biogenic feedstock, renewable power, and carbon sequestration. The biorefinery will convert 3,000 tons/day of woody biomass forestry residues into 36 million gallons/year (nameplate) of renewable transportation fuels, predominantly SAF, with a negative carbon intensity. The biofuels produced will adhere to both the US Renewable Fuel Standard ("RFS") and the Low Carbon Fuels Standard ("LCFS") and earn additional incentives via the associated Renewable Identification Number ("RIN") and LCFS credits.

This critical legislative development in the US follows the launch by the UK Government's Department for Transport of its Jet Zero strategy, setting out the Government's approach for achieving net zero aviation by 2050. This includes an ambition for a minimum of five commercial-scale SAF plants to be under construction in the UK by 2025, and a mandate for the equivalent of at least 10% SAF to be blended into conventional aviation fuel by 2030. Velocys and British Airways are jointly developing the Altalto project, to build a full-scale plant in Immingham, UK, to make SAF from commercial and residential residual waste, in anticipation of UK policy incentives similar to those announced by the US. Importantly, the UK mandate is to be expressed in terms of greenhouse gas reductions, rather than simple fuel volume, which will benefit Altalto due to its ultra-low carbon intensity.

In July, the European Parliament voted to support the European Commission's ReFuelEU Aviation proposal to introduce an obligation to uplift an increasing percentage of sustainable aviation fuel for all flights leaving the EU starting in 2025. European Parliament members increased the commission's original proposal for the minimum share of SAF made available at EU airports from 5 percent in 2030, 32 percent in 2040, and 63 percent for 2050 to 6 percent, 37 percent, and 85 percent, respectively. The blending obligation starts in 2025, with a SAF share of 2 percent, driving demand for SAF uptake by airlines.

Growth and commercialisation strategy

We are actively focussed on advancing our commercialisation strategy through a targeted pipeline of opportunities to deploy our technology and services. We are seeing an increasing number of enquiries, and through our 20 years of SAF industry experience, we are well placed to provide front end project development consultancy, including feasibility studies and pre-FEED project definition for the potential SAF projects under consideration globally.

Our collaboration with TOYO regarding biomass to SAF ("BtL") and power to SAF ("PtL") solutions for the energy transition in Japan has continued. The commercial scale NEDO2 BtL project is currently in FEL2 stage and progressing to plan and the Power to Liquids demonstration project is advancing as planned. The increased awareness of the vital need for SAF over the past few months has stimulated increased demand for Velocys' technology offering. Velocys is currently progressing a paid engineering study for a client in Northern Europe and has been requested to quote for a number of other studies.

Ohio Technical Centre

Construction of our new facility in Columbus, Ohio is underway, following the selection of a suitable site earlier this year. The leasehold facility will be constructed to our specific requirements, and we look forward to commissioning the reactor core assembly operations during 2023. This project also involves the relocation of our staff and equipment from our current Columbus facility.

We have also concluded an Enterprise Zone agreement with Union County, Ohio, which provides a package of investment incentives such as abatement of property taxes over the lease term following our commitment to create new jobs at the facility. We estimate that these incentives could be worth approximately £0.5m in grants and cost savings.

HSSE

During the first half year we have continued to place a high degree of importance on maintaining a safe and healthy working environment for our employees and visitors to our sites. There were no Lost Time Accidents and no near misses reported during the period. The COVID-19 response committee formed in 2020 has continued to operate during 2022 facilitating the resumption to pre-pandemic ways of working wherever possible.

Financial Review

Overview
During the six months to 30 June 2022, the Company proceeded with its planned investment in a new Technical Centre in Ohio and also secured control of the Altalto project site through an agreement with Foresight Group LLP. Further details of these activities are presented in more detail below. Operating expenses and cash resources continue to be managed carefully throughout the Group, with the Company benefitting from £1.5m of grant funding in HY2022 to support engineering work on the Altalto project.

Revenues
Revenues of £48,000 in half-year 2022 related to engineering consultancy services provided to third party customer projects under development. In comparison, the Company recognised revenue of £8.2m (and gross profit of £3.3m) in half-year 2021 for the sales of reactors and catalyst, and licensing fees earned from our first major commercial client contract which commenced in 2017 and concluded in half-year 2021. Given the relatively early stage of commercialisation, revenues will remain uneven in the short-term due to the concentrated number of projects.

Operating expenses
Total operating expenses for the six months ended 30 June 2022 were 32% higher (£1.7m) at £7.1m (HY2021: £5.4m). Included within the half-year 2022 operating expenses is a £1.3m credit resulting from unrealised foreign exchange gains (HY2021: £0.3m loss). Therefore, the underlying operating expenses at £8.4m are approximately £3.3m higher in half-year 2022 compared to the same period in 2021.

The key components of operating expenses are staff-related costs of £4.0m (HY2021: £2.6m), reference projects spend of £1.8m (HY2021: £0.4m), depreciation and amortisation of £0.6m (HY2021: £0.6m) and other corporate running costs of £2.0m (HY2021: £1.5m). Staff-related costs were £1.4m higher than half-year 2021 as, in line with its commercial strategy, the Company has recruited a number of key senior positions within the last year. Therefore the results for half-year 2022 include a full six months of these payroll related costs plus recruitment fees and relocation expenses. The Company also took the decision to accrue for the annual performance incentive plan throughout the year and has recorded £0.7m for the six months to June 2022 (HY2021: £nil).

The other main driver of operating expenses are the costs incurred with our technical support partners for engineering and related services on the Company's two reference projects. These totalled £1.8m in half-year 2022 (HY2021: £0.4m). It should be noted that in half-year 2021, £0.7m of partner funding received under the Altalto co-development agreement was offset against project costs. These development projects are designed to accelerate the adoption of the Company's technology, and to the extent possible, the Company has secured co-development funding or applied for government grants available to support sustainable aviation fuel projects. For half-year 2022, the majority of costs incurred for the Altalto project were supported by the Green Fuels Green Skies grant (for which £1.5m is included in other income). Bayou Fuels pre-FEED engineering activities are borne wholly by the Company, with total external services of £0.6m incurred in half-year 2022 (HY2021: £0.4m).

Operating result
The operating loss for the six months to 30 June 2022 was £5.5m (HY2021: £2.0m).

Loss before income tax
The loss before income tax for the six months to 30 June 2022 was £5.7m (HY2021: £2.2m).

Dividends
The Directors do not recommend an interim dividend for the six months to 30 June 2022 (HY2021: £nil).

Net assets and cash
The net assets of the Company were £24.4m at 30 June 2022 (31 December 2021: £29.7m). The decrease was principally the result of the £6.7m decrease in cash and cash equivalents as a result of funding the Company's capital expenditure, development projects and ongoing operating activities.

The Company used £6.8m of cash in the six months to 30 June 2022 comprising expenditure on operating activities of £8.6m (HY2021: £4.1m) and investing activities of £7.8m (HY2021: £0.4m) offset by an inflow from financing activities of £9.8m (HY2021: £0.3m inflow due to new borrowings).

In March 2022, the Company signed a sale and purchase agreement with a subsidiary of Foresight Group LLP (Foresight) to sell 100% of shares held in Rula Developments Immingham Ltd ("RDIL"). The Company received total consideration of £9.75m (included within financing activities) which was used to pay deferred consideration of £7.25m (included within investing activities) due to the previous owners of RDIL arising from the Group's purchase of RDIL in December 2021. Therefore, the Company recovered the £2.5m it had paid in cash consideration in December 2021.

At the same time, the Company entered into a Call Option agreement with Foresight which enables the Company to re-purchase the RDIL shares in up to three years' time, therefore, in substance, maintaining control over the Altalto development site at Immingham. As a result, the Company has accounted for the Call Option as a financing arrangement at amortised cost applying the effective interest method under IFRS 9.

The Company continues to incur a significant proportion of its expenses in US dollars and has exposure to the US dollar to GBP exchange rate. This is hedged to the extent possible by holding a proportionate cash balance in US dollars. In addition, the majority of the Company's revenue is invoiced in US dollars.

Going concern and future funding

The condensed consolidated interim financial statements have been prepared on a going-concern basis, which assumes the Company will have sufficient funds available to enable it to trade for not less than twelve months from the date of announcing these condensed consolidated interim financial statements.

The nature of the Company's strategy means that the precise timing of milestones and funds generated during the early years of development projects are difficult to predict. The directors have prepared financial forecasts to estimate the likely cash requirements of the Company over the next twelve months from the date of announcing these condensed consolidated interim financial statements. These forecasts show that the Company will require additional external funding within the twelve-month forecast period to be able to continue as a going concern.

The directors are confident that the funding required for the Company to continue as a going concern will be secured with a period of twelve months and therefore have prepared the condensed consolidated interim financial statements on a going concern basis. However, as at the date of announcing the condensed consolidated interim financial statements no additional funding has been committed.

Should additional funding not be secured within twelve months from the date of announcing these condensed consolidated interim financial statements, the Company would not be a going concern. As such, these conditions indicate the existence of a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern.

The condensed interim financial statements do not include any adjustments that would arise if the Company were unable to continue as a going concern.

Principal risks and uncertainties

The Company has continued to maintain its framework and processes to identify, assess and manage risks. The principal risks and uncertainties that could potentially have a material impact on the Company's long-term performance and delivery of strategy are detailed on pages 16 to 19 of our Annual Report and Accounts 2021.

The Company has provided an update on the key developments in the policy and legislative frameworks above, which remain a key driver of the future commercial opportunities for SAF projects. The US Inflation Reduction Act was a major step forward, as the announced tax credits and associated incentives are expected to underpin the financing of the Bayou Fuels project. The Company has already secured long-term offtake arrangements for 100% of the SAF output expected from the Bayou Fuels facility with Southwest Airlines (a 15-year agreement) and IAG/British Airways (MOU for a 10-year agreement). This new climate legislation is expected to allow finalisation of these offtake agreements.

At a corporate level, the risks associated with access to capital remain a key consideration which is kept under review, and particularly relevant given the challenging global economic and capital market conditions experienced in the first six months of the year. However, the Company assesses that the availability of funds for clean energy projects and technology solutions remains positive for the medium to long term and will enable it to secure the external funding required before the Company is generating sufficient working capital from its commercial operations.

The war in Ukraine has substantially intensified geopolitical risks that relate to sourcing of energy and other products from Russia and Eastern Europe. The ongoing war may result in further trade sanctions, continue to impact supply chains or further accelerate the cost inflation being experienced throughout the global economy. It may also have a material effect on the global energy markets, development of regulation, cyber risk landscape, and overall market supply and demand conditions. Whilst the Company has no operations in these territories, it is mindful of these pricing pressures and mitigates the risk where possible, for example in fixing the contractual cost of equipment purchased for the new technical facility.

The prolonged duration of the COVID-19 pandemic driven by waves of variants has caused the Company to keep its COVID-19 response continually under review, and our dedicated COVID-19 response committee has met regularly to assess the safety of employees attending both the Company's and third-party sites. Overall, the Company has not experienced any specific operational issues in HY2022 as a result of the pandemic.

Condensed consolidated statement of profit or loss

	Note	**Six months ended 30 June 2022 £'000**	Six months ended 30 June 2021 £'000
Revenue	4	48	8,237
Cost of sales		(33)	(4,895)
Gross profit		15	3,342
Administrative expenses		(7,090)	(5,384)
Other income	5	1,609	-
Operating loss		(5,466)	(2,042)
Finance income		36	-
Finance costs	6	(287)	(180)
Loss before income tax		(5,717)	(2,222)
Income tax credit	7	576	396
Loss for the period attributable to the owners of Velocys plc		(5,141)	(1,826)
Loss per share attributable to the owners of Velocys plc		**Pence**	Pence
Basic and diluted loss per share	8	(0.37)	(0.17)

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Condensed consolidated statement of comprehensive income

	6 months ended 30 June 2022 £'000	6 months ended 30 June 2021 £'000
Loss for the period	(5,141)	(1,826)
Other comprehensive income/(expense)		
Items that may be reclassified to the income statement in subsequent periods		
Foreign currency translation differences	(512)	183
Total comprehensive income/(expense) for the period attributable to the owners of Velocys plc	(5,653)	(1,643)

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed consolidated balance sheet

	Note	**30 June 2022 £'000**	31 December 2021 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	11,103	11,006
Right-of-use assets		408	500
Intangible assets	10	1,271	1,086
Total non-current assets		12,782	12,592
Current assets			
Inventories		851	767
Trade and other receivables		2,961	1,274
Current income tax asset		1,681	1,100
Cash and cash equivalents	12	18,790	25,506
		24,283	28,647
Assets classified as held for sale	13	164	–
Total current assets		24,447	28,647
Total assets		37,229	41,239
LIABILITIES			
Non-current liabilities			
Lease liabilities		80	189
Other financial liabilities	14	9,419	–
Total non-current liabilities		9,499	189
Current liabilities			
Trade and other payables		2,138	2,969
Lease liabilities		406	397
Deferred consideration		–	7,250
Other financial liabilities	14	476	–
Other liabilities		32	431
Deferred revenue		312	326
Total current liabilities		3,364	11,373
Total liabilities		12,863	11,562
Net assets		24,366	29,677
EQUITY			
Called up share capital	16	13,962	13,936
Share premium account	16	221,111	221,059
Merger reserve		369	369
Share-based payments reserve		2,902	2,638
Foreign exchange reserve		2,639	3,151
Accumulated losses		(216,617)	(211,476)
Total equity		24,366	29,677

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Condensed consolidated statement of changes in equity

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Share-based payment reserve £'000	Foreign exchange reserve £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 January 2022	13,936	221,059	369	2,638	3,151	(211,476)	29,677
Loss for the period	–	–	–	–	–	(5,141)	(5,141)
Other comprehensive income							
Foreign currency translation differences	–	–	–	–	(512)	–	(512)
Total comprehensive expense	–	–	–	–	(512)	(5,141)	(5,653)
Transactions with owners							
Share-based payment – value of employee services	–	–	–	264	–	–	264
Proceeds from options exercised	26	52	–	–	–	–	78
Total transactions with owners	26	52	–	264	–	–	342
Balance at 30 June 2022	13,962	221,111	369	2,902	2,639	(216,617)	24,366

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Share-based payment reserve £'000	Foreign exchange reserve £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 January 2021	10,642	199,701	369	16,345	3,038	(217,035)	13,060
Loss for the period	–	–	–	–	–	(1,826)	(1,826)
Other comprehensive expense							
Foreign currency translation differences	–	–	–	–	183	–	183
Total comprehensive expense	–	–	–	–	3,221	(1,826)	(1,643)
Transactions with owners							
Share-based payments – value of employee services	–	–	–	145	–	–	145
Proceeds from options exercised	16	32	–	–	–	–	48
Total transactions with owners	16	32	–	145	–	–	193
Balance at 30 June 2021	10,658	199,733	369	16,490	3,221	(218,861)	11,610

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed consolidated statement of cash flows

	Note	**6 months ended 30 June 2022 £'000**	6 months ended 30 June 2021 £'000
Cash flows from operating activities			
Cash used in operations		(8,501)	(4,079)
Interest received		36	-
Interest paid		(142)	(63)
Net cash outflow from operating activities		(8,607)	(4,142)
Cash flows from investing activities			
Payments for property, plant and equipment		(7,614)	(131)
Payments for intangible assets		(259)	(284)
Proceeds from sale of property, plant and equipment		97	-
Net cash outflow from investing activities		(7,776)	(415)
Cash flows from financing activities			
Proceeds received from financing arrangement		9,750	-
Proceeds received from exercise of share options		78	48
Principal elements of lease payments		(264)	(279)
Net cash inflow/(outflow) from financing activities		9,564	(231)
Net decrease in cash and cash equivalents		(6,819)	(4,788)
Cash and cash equivalents at beginning of the half-year		25,506	13,051
Exchange movements on cash and cash equivalents		103	86
Cash and cash equivalents at end of the half-year	12	18,790	8,349

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the condensed consolidated interim financial statements

1. Significant changes in the current reporting period

The Company has undertaken a detailed going concern assessment, reviewing its current and projected financial performance and position, the conclusion of which is presented in note 2 below.

Worldwide economic conditions affecting prices and supply chains following Russia's invasion of Ukraine and the lasting effects of the global pandemic have increased operational risks. Whilst Velocys does not have any operations directly impacted by the war in Ukraine, the Company has experienced an increase in inflationary pressures on operating expenses and regularly updates its projections to take this into account.

The Company has also reviewed its exposure to climate change and concluded that this did not have a significant impact on the financial performance and/or position of the Company for the period and as at 30 June 2022, respectively.

The financial position and performance of the Company was particularly affected by the following events and transactions during the six months to 30 June 2022:

- In March 2022 Altalto Immingham Ltd ("Altalto"), a wholly owned subsidiary of Velocys plc sold its 100% interest in Rula Developments (Immingham) Ltd (RDIL) for £9,750,000 to a subsidiary of the Foresight Group LLP and at the same time took out a call option for Altalto to repurchase RDIL within a three-year period. This enabled the Company to settle deferred consideration of £7,250,000 due to the previous owners of RDIL. As Altalto continues to have significant control over the development land asset owned by RDIL, the Company has not recorded a disposal of property, plant and equipment and has recorded a financial liability in respect of the new call option arrangement (see note 14).

- The Company agreed the terms of a new 15-year lease on a building currently under construction to house its manufacturing and technical activities in Ohio, US. The exact start date for the lease will be confirmed nearer the completion of construction. The Company has committed to contribute a total of £1,776,000 towards the cost of construction, of which £420,000 was paid during the period ended 30 June 2022. The Company has also spent £670,000 under its manufacturing upgrade programme on upfront deposits when placing orders for long lead-time equipment that will be installed at the new site (see note 11).

2. Going concern

The condensed consolidated interim financial statements have been prepared on a going-concern basis, which assumes the Company will have sufficient funds available to enable it to trade for not less than twelve months from the date of announcing these condensed consolidated interim financial statements.

The nature of the Company's strategy means that the precise timing of milestones and funds generated during the early years of development projects are difficult to predict. The directors have prepared financial forecasts to estimate the likely cash requirements of the Company over the next twelve months from the date of announcing these condensed consolidated interim financial statements. These forecasts show that the Company will require additional external funding within the twelve-month forecast period to be able to continue as a going concern.

The directors are confident that the funding required for the Company to continue as a going concern will be secured with a period of twelve months and therefore have prepared the condensed consolidated interim financial statements on a going concern basis. However, as at the date of announcing the condensed consolidated interim financial statements no additional funding has been committed.

Should additional funding not be secured within twelve months from the date of announcing these condensed consolidated interim financial statements, the Company would not be a going concern. As such, these conditions indicate the existence of a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern.

The condensed interim financial statements do not include any adjustments that would arise if the Company were unable to continue as a going concern.

3. Critical estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results might differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021, with the exception of a new judgement made in determining the appropriate accounting treatment for other financial liabilities (see note 14).

4. Segment and revenue information

The Company has one operating segment as the business comprises a single activity, which is the design, development, marketing and sale of technology for the production of sustainable transport fuels.

The Company's operating segment operates in two main geographical areas. Revenue is allocated based on the country in which the customer is located.

	6 months ended 30 June 2022 £'000	6 months ended 30 June 2021 £'000
Americas	–	8,130
Asia Pacific	48	107
Total revenue	48	8,237

The Company generates revenue through contracts in which it (i) sells Fischer-Tropsch ("FT") reactors, (ii) sells FT catalyst, (iii) provides licence agreements and (iv) performs engineering services. In general, contracts with the Company provide a licence agreement for the use of its intellectual property associated with the catalyst and reactors both of which have been specifically designed and over which the Company holds a significant number of patents. The majority of the Company's revenue is derived from a small number of significant commercial customers and development partners.

Revenue is recognised when the Company satisfies a performance obligation by transferring promised goods or services to a customer. The sales income related to sales of reactors and catalyst is recognised as the performance obligations are satisfied. Revenue from engineering services is earned on a time and materials basis and is recognised as the work is performed provided that it does not relate to the sale of equipment and therefore bound by the performance obligations of that sale.

In the six months ended 30 June 2022, the revenue was in respect of engineering services.

In the six months ended 30 June 2021, the Company recorded revenue from sales of reactors and catalyst, and licensing fees earned from a contract which commenced in 2018. The Company satisfied the performance conditions within the contract in 2021 following the expiry of all contractual obligations and therefore determined that it was appropriate to recognise the revenue and the associated cost of goods in the six months ended 30 June 2021.

5. Other income

Income from government grants was in respect of a grant awarded to the Altalto project under the UK government's Green Fuels Green Skies competition in 2021, the work under which was completed in June 2022.

	6 months ended 30 June 2022 £'000	6 months ended 30 June 2021 £'000
Income from government grants	1,512	–
Profit on sale of fixed assets	97	–
Total	1,609	–

6. Finance costs

	6 months ended 30 June 2022 £'000	6 months ended 30 June 2021 £'000
Interest on lease liabilities	42	63
Interest on other financial liabilities	245	–
Foreign exchange losses	–	117
Total	287	180

7. Income tax credit

Due to the losses incurred in the period, there is no charge to corporate tax. The Company recognised £576,000 for estimated R&D tax credits for the six months ended 30 June 2022 (HY1 2020: £396,000). The estimate is prepared on an accruals basis, and is based on an assessment of the Company's projects, to determine which ones qualify under HMRC rules, and to estimate the level of allowable expenses within each, based on the nature of the costs.

8. Loss per share

The basic loss per share is calculated by dividing the loss attributable to owners of the parent company by the weighted average number of ordinary shares in issue during the period.

	6 months ended 30 June 2022	6 months ended 30 June 2021
Loss attributable to owners of Velocys plc (£'000s)	(5,141)	(1,826)
Weighted average number of ordinary shares in issue ('000)	1,394,487	1,064,635
Basic and diluted loss per share (pence)	(0.37)	(0.17)

Diluted loss per share is calculated by adjusting the weighted average number of shares in issue to assume conversion of all potential dilutive shares. Share options have not been included in the number of shares used for the purpose of calculating diluted loss per share since these would be anti-dilutive for the period presented.

9. Property, plant and equipment

There has been no change in the types of property, plant and equipment held in the six months ended 30 June 2022. Further details are disclosed the Company's Annual Report and Accounts 2021, pages 69 to 71.

The Company has reclassified a plot of land that was previously impaired as available for sale as at 30 June 2022 (see note 13).

	Land	Plant and machinery	Total
At 31 December 2021	£'000	£'000	£'000
Cost or fair value	11,049	9,181	20,230
Accumulated depreciation and impairment	1,081	8,143	9,224
Net book amount	9,968	1,038	11,006

6 months ended 30 June 2022

Opening net book amount	9,968	1,038	11,006
Exchange differences	16	95	111
Additions	–	364	364
Depreciation charge	–	(214)	(214)
Reclassification to assets available for sale	(164)	–	(164)
Closing net book amount	9,820	1,283	11,103
At 30 June 2022			
Cost or fair value	9,820	10,553	20,373
Accumulated depreciation and impairment	–	(9,270)	(9,270)
Net book amount	9,820	1,283	11,103

10. Intangible assets

There has been no change in the types of intangible assets held in the six months ended 30 June 2022. Further details are disclosed the Company's Annual Report and Accounts on pages 67 to 69.

Management did not identify any significant changes to the indicators of impairment or changes in circumstances that could cause the Company to impair or consider reversing prior period impairments of its intangible assets during the six months ended 30 June 2022.

	Goodwill	In-process technology	Patents, licence and trademarks	Software	Total
At 31 December 2021	£'000	£'000	£'000	£'000	£'000
Cost or fair value	7,398	23,681	2,491	101	33,671
Accumulated amortisation and impairment	(7,398)	(23,681)	(1,410)	(96)	(32,585)
Net book amount	–	–	1,081	5	1,086
6 months ended 30 June 2022					
Opening net book amount	–	–	1,081	5	1,086
Exchange differences	–	–	34	–	34
Additions	–	–	252	7	259
Amortisation charge	–	–	(108)	–	(108)
Closing net book amount	–	–	1,259	12	1,271
At 30 June 2022					
Cost or fair value	7,398	23,681	2,777	12	33,868
Accumulated amortisation and impairment	(7,398)	(23,681)	(1,518)	–	(32,597)
Net book amount	–	–	1,259	12	1,271

11. Commitments and contingencies

(a) Commitments

Commitments are not held on the Company's balance sheet as these are executory arrangements that relate to amounts that the Company is contractually required to pay in the future as long as the other party meets its contractual obligations.

The Company has committed to making a contribution of £1,776,000 towards the construction costs of the new leased premises in Ohio which will house the Company's manufacturing and technical facilities currently under construction and expected to be completed in the first half of 2023. The Company has already made a stage payment of £420,000 in the half-year to 30 June 2022, and further stage payments totalling £1,356,000 will be due over the construction period based on construction milestones being completed. The Company has provided a letter of credit in respect of this commitment, with cash provided as collateral, and therefore has presented this amount as restricted cash as at 30 June 2022.

The Company has also paid deposits to suppliers of £670,000 for property, plant and equipment comprising long lead-time manufacturing equipment in the half-year to 30 June 2022, with commitments to make further payments of £1,394,000 under these contracts.

Therefore, total capital expenditure contracted for during the half-year ended 30 June 2022, but not yet recognised was as follows:

	30 June 2022 £'000	31 December 2021 £'000
Leasehold property construction costs	1,356	–
Reactor core manufacturing equipment	1,394	–
Total	2,750	–

(b) Contingent liabilities

The Company has no contingent liabilities.

12. Cash and cash equivalents

	30 June 2022	31 December 2021
Unrestricted cash	17,434	25,506
Restricted cash	1,356	–
Total	18,790	25,506

Restricted cash as at 30 June 2022 relates to the total undrawn amount of a cash secured letter of credit provided by the Company as part of its commitment towards the construction costs of the new leasehold premises (see note 10).

13. Assets available for sale

As at 30 June 2022, the Company has reclassified property, plant and equipment with a net book value of £164,000 comprising an 80-acre site in Ashtabula County, Ohio, US acquired as part of an acquisition in 2014 for which the Company has no future use. The decision was taken to proceed with the disposal and the purchaser's due diligence was well advanced as at 30 June 2022. The transaction was completed in July 2022.

14. Other financial liabilities

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at fair value through profit and loss, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Critical estimates and judgements

The Company has determined that the cash consideration of £9,750,000 received from Foresight (see note 1) for the purchase of 100% of RDIL ordinary shares in March 2022, which enabled Velocys to settle deferred consideration due from the acquisition of RDIL in December 2021, meets the criteria of a financial liability measured subsequently at amortised cost using the effective interest method.

The Company signed a Call Option agreement with Foresight which gives Velocys the right to re-purchase RDIL over a period of up to three years from the effective date of 23 March 2022. If the option is exercised on or before the 2nd anniversary date, the purchase price is £11,250,000. If the option is exercised after the 2nd anniversary date and before the expiry date, the purchase price is £11,750,000. Quarterly option fees of £100,000 are due throughout the option period. Because Velocys maintains significant control over RDIL's asset, namely the Immingham development site, throughout the option period, management assessed that the most appropriate accounting treatment is to continue recognising the asset and to account for a financing liability to Foresight.

Financial liabilities at amortised cost

	£'000
As at 1 January 2022	–
Initial fair value recognised	9,750
Interest expense	245
Payments made	(100)
As at 30 June 2022	9,895
Current	476
Non-current	9,419
Total	9,895

15. Financial instruments

Details of the classification of financial assets and financial liabilities following the guidance in IFRS 9 and the Company's exposure to various risks associated with the financial instruments is disclosed on pages 74 to 77 of the Company's Annual Report and Accounts 2021.

The Company's main financial asset at 30 June 2022 and 31 December 2021 is cash and cash equivalents which comprise bank current accounts and short-term cash deposits.

The detail of the Company's financial instruments at 30 June 2022 and 31 December 2021 by nature and classification for measurement purposes is as follows:

At 30 June 2022	Financial assets			
	Amortised cost	Fair value through OCI	Fair value through income statement	Total carrying amount
	£'000	£'000	£'000	£'000
Trade receivables	6	–	–	6

Cash and cash equivalents	18,790	–	–	18,790
Total	18,796	–	–	18,796

At 31 December 2021	Financial assets			
	Amortised cost	Fair value through OCI	Fair value through income statement	Total carrying amount
	£'000	£'000	£'000	£'000
Trade receivables	6	–	–	6
Cash and cash equivalents	25,506	–	–	25,506
Total	25,512	–	–	25,512

At 30 June 2022	Financial liabilities			
	Amortised cost	Fair value through OCI	Fair value through income statement	Total carrying amount
	£'000	£'000	£'000	£'000
Financing arrangement with Foresight (note 14)	9,895	–	–	9,895
Trade and other payables excluding non-financial liabilities	650	–	–	650
Accruals	1,171	–	–	1,171
Lease liabilities	486	–	–	486
Other liabilities	32	–	–	32
Total	12,234	–	–	12,234

At 31 December 2021	Financial liabilities			
	Amortised cost	Fair value through OCI	Fair value through income statement	Total carrying amount
	£'000	£'000	£'000	£'000
Trade and other payables excluding non-financial liabilities	593	–	–	593
Accruals	2,173	–	–	2,173
Lease liabilities	586	–	–	586
Other liabilities	431	–	–	431
Total	3,783	–	–	3,783

16. Equity securities issued

	Number of shares (thousands)	Ordinary shares £'000	Share Premium £'000
At 1 January 2022	1,393,571	13,936	221,059

Proceeds from options exercised	2,600	26	52
At 30 June 2022	1,396,171	13,962	221,111

	Number of shares (thousands)	Ordinary shares £'000	Share Premium £'000
At 1 January 2021	1,064,156	10,642	199,701
Proceeds from options exercised	1,600	16	32
At 30 June 2021	1,065,756	10,658	199,733

17. Related-party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

There were no transactions with other related parties in the half-year ended 30 June 2022.

18. Events occurring after the reporting period

In July 2022, the Company completed the disposal of the Ashtabula site, receiving total consideration of £164,000 which equated to the net book value of the asset shown as available for sale as at 30 June 2022 (see note 13).

19. General information and basis of preparation of half-year report

General information
Velocys plc is a company incorporated and domiciled in the UK. It operates through a number of subsidiaries in the UK and the US, and collectively they are referred to in these condensed consolidated interim financial statements as the "Company" or "Velocys", with Velocys plc as "Velocys plc" or the "parent company. The parent company's securities are traded on the Alternative Investment Market ("AIM") of the London Stock Exchange under the symbol VLS.

These condensed interim financial statements were approved for issue on 20 September 2022.

These condensed interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2021 were approved by the board of directors on 16 May 2022 and delivered to the Registrar of Companies. The report of the auditors on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under section 498 of the Companies Act 2006.

The financial statements have been reviewed, not audited.

Basis of preparation
This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2022 has been prepared in accordance with UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosures Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2021, which has been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006, and any public announcements made by Velocys plc during the interim reporting period.

New and amended standards adopted by the Company
A number of new or amended standards and interpretations became applicable for the current reporting period. The Company did not change its accounting policies or make retrospective adjustments as a result of adopting these standards

Statement of directors' responsibilities

The directors confirm that these consolidated interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of the important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Velocys plc are listed in the Velocys plc annual report for 31 December 2021, with the exception of the following changes in the period: Andrew Morris resigned on 21 June 2022, and Philip Sanderson was appointed on 22 June 2022. A list of current directors is maintained on the Velocys plc website: www.velocys.com.

By order of the board

Henrik Wareborn
20 September 2022
Chief Executive Officer

Independent review report to Velocys plc
Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Velocys plc's condensed consolidated interim financial statements (the "interim financial statements") in the Interim results of Velocys plc for the 6 month period ended 30 June 2022 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the AIM Rules for Companies.

The interim financial statements comprise:

- the condensed consolidated balance sheet as at 30 June 2022;
- the condensed consolidated statement of profit or loss and condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim results of Velocys plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the AIM Rules for Companies.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Material uncertainty related to going concern

In forming our conclusion on the interim financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the interim financial statements concerning the Company's ability to continue as a going concern. Due to the nature of the Company's activities, and based on the forecasts prepared by management, the Company needs to secure additional external funding within 12 months from the date of approval of the financial statements in order to continue as a going concern. At the time of the approval of the interim financial statements no such funding is committed. These conditions, along with the other matters explained in note 2 to the interim financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The interim financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately applied the going concern basis of accounting in the preparation of the interim financial statements.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim results in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the Company's annual financial statements. In preparing the Interim results, including the interim financial statements, the directors are responsible for assessing the 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 Company's or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Interim results based on our review. Our conclusion is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for Velocys plc for the purpose of complying with the AIM Rules for Companies and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
Reading
20 September 2022