

3 February 2010

Rheochem Plc

(“Rheochem” or the “Company”)

Trading update

Rheochem Plc, the oil and gas business with oil services, production, development and exploration assets, is pleased to provide the following update on its international operations.

In general, trading for the six months to 31 December 2009 has been impacted by a refocusing of customer’s attention on to larger, but longer term, projects. The effect has been to adversely impact the current year whilst increasing the Company’s future potential. Meanwhile the Company’s assets in the North Sea continue to offer good shareholder value for the future.

Drilling Fluids

During the first half of the year, the fluids business has continued to win new contracts as well as successfully extend existing ones, notably its Australian offshore contract with Santos Limited and its geothermal services agreement with Contact Energy in New Zealand.

The outlook for conventional oil and gas drilling remains encouraging with many new projects requesting tender submissions. These contracts will start to feed through in the second half of this year and into 2011. Most recently, we have seen a refocusing of efforts around Coal Seam Gas ahead of several proposed onshore LNG projects. These projects require substantial and increasing amounts of production drilling, (with projects lasting several years) and the directors believe that the outlook here is excellent. Rheochem should also be well placed to benefit from its expertise in geothermal drilling, spurred on by the introduction of government grants in Australia.

Exploration and Production

The Company’s 50% owned subsidiary; Zeus Petroleum Limited (“Zeus”) owns an interest in three high impact assets in the North Sea.

Athena Discovery (14/18)

In recent public statements, Ithaca Energy as operator of the Athena Discovery has highlighted the imminent launch of the Athena development project. Revised project costs have significantly changed the project economics and Zeus, which has a 10% interest, eagerly awaits the investment decision from development partners Ithaca Energy, EWE and Dyas.

Block 14/11

Zeus has been granted a twelve month extension to the initial term of its North Sea licence P1289 over Block 14/11 - now extended to 21 December 2010. Zeus has a 100% interest in this licence and is the operator for the block.

Block 14/26b

Zeus has a 90% interest in this block which contains the Thunderball discovery. Zeus is actively marketing this block to attract a farm in partner to further evaluate the discovery.

Revenue

Group Revenue for the first half is expected to be in the range of \$11m-\$12 million, partly due to the refocusing of customer activity in favour of Coal Seam Gas within this period. Whilst the second half should show significant growth over the second half of last year, with improved visibility of revenues, we expect annual revenue to be between \$28 million and \$30 million. Although there is the potential for this to increase, subject to additional offshore drilling activity.

The growth in the second half should continue into the next financial year with our expectation of 2010/2011 revenues to be significantly ahead of 2009/10.

Rheochem intends to publish its Interim Results for the period ended 31 December 2009 around the end February 2010.

Haydn Gardner, CEO of Rheochem, said:

“The first half of our 2010 financial year has been a busy period in our drilling fluids business with various contracts being renewed and extended. However, the financial benefit of much of our work will not be experienced until the second half or later. The opportunities in Coal Seam Gas projects which we are currently servicing are particularly exciting. The barriers to entry are high and the volume of drilling operations should provide solid and sustained revenues. We are pleased to be able to provide uninterrupted support for our customers in these projects.”

In accordance with AIM guidelines, Haydn Gardner, B.App.Sc and CEO of Rheochem is the qualified person that has reviewed the technical information contained in this press release. Haydn Gardner has 20 years of experience in the oil and gas industry.

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