

7 March 2010

Rheochem Plc

("Rheochem" the "Company" or the "Group")

Rheochem Plc the oil and gas business with oil services, production, development and exploration assets is delighted to announce it has acquired the remaining 50% shareholding of Zeus Petroleum Limited "Zeus" in a cashless transaction. Following this transaction, Rheochem's fully owned exploration and production subsidiary, Lochard Energy Limited, now owns 100% of Zeus.

Completion is subject to written confirmation from the UK Department of Energy & Climate Change that the Secretary of State for Trade and Industry does not intend to exercise its right to revoke any licences granted to Zeus as a result of the change of control.

Zeus E & P Assets

Zeus has a 10% interest in Block 14/18b which contains the Athena discovery operated by Ithaca Energy. Ithaca announced on 8 Feb 2010 that the Athena Joint Venture Partners had approved the immediate purchase of long lead equipment up to the value of US\$14.85 million to initiate the development of the Athena field. It expects to submit an Environmental Impact Statement and Field Development Plan in March with Government approval anticipated in July 2010.

Zeus estimates that its share of costs pre government sanction will be approximately US\$3 million which includes the US\$1.485 million for long lead items mentioned above.

Zeus also has a 100% interest in Block 14/11 containing the large Metis prospect and a 90% interest in Block 14/26b containing the Thunderball gas discovery. Zeus acts as Operator for these two blocks.

Strategy

As a result of this change, Rheochem is now free to deal with the Zeus assets independently and is currently exploring various financing options for the Athena development and its other assets. These strategic options include but are not limited to,

- Project development funding
- Other debt instruments
- Farm out or trade sale of E&P assets
- Equity raising
- Demerger of E&P subsidiary with independent funding

Consolidated statement of financial position

On completion the move to 100% ownership of Zeus removes AUD \$17,285,000 from Rheochem's current liabilities and correspondingly removes AUD \$10,342,000 from current assets as stated in the December 2009 interim accounts. Minority interests associated with the subsidiary are also eliminated. This will result in a material improvement to the consolidated statement of financial position. In addition, as all intercompany loan accounts will now be contained within the Group, the net effect of variances in foreign exchange on these loans will be eliminated on consolidation and not impact future accounting periods.

Commenting on the announcement today Haydn Gardner, CEO of Rheochem, said:

“We are delighted to have completed this acquisition which allows us to move forward with the North Sea assets. This previous lack of clarity over Zeus ownership has hampered both shareholder perception as well as the Company’s ability to attract farm in partners on acceptable terms. With the data room for the evaluation of our E&P assets still open, we look forward to resuming discussions with previously interested parties now that Rheochem has established full ownership over Zeus. ”

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.

- Ends -

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