

4 March 2011

Rheochem Plc

Disposal of drilling fluids business for up to A\$45 million

Rheochem Plc ("**Rheochem**" or the "**Company**") (AIM: RHEP, ASX: RHE) today announces that it has entered into an agreement with Newpark Resources, Inc. ("**Newpark**") (NYSE: NR) ("**Disposal Agreement**") to dispose of the Company's oilfield services and drilling fluids business ("**Drilling Fluids Business**") by the sale of all the shares it owns in Rheochem Limited, Rheochem Pacific Limited, PT Rheochem Indonesia and Rheochem India Pvt. Ltd. ("**Drilling Fluids Subsidiaries**") to Newpark's wholly-owned subsidiary, Newpark Australia Pty Ltd. ("**Purchaser**") ("**Disposal**").

The Disposal is deemed to result in a fundamental change of business as defined by Rule 15 of the AIM Rules. It is a requirement of Rule 15 that any such disposal is conditional on the consent of shareholders at a general meeting. The Disposal is therefore conditional on the passing of an ordinary resolution of the Company.

The Disposal is also a transaction to which Listing Rule 11.2 of the ASX Listing Rules applies. The Company will therefore seek shareholder approval for the Disposal pursuant to ASX Listing Rule 11.2.

Principal terms of the Disposal

The following are the key terms of the Disposal Agreement.

- The Company will dispose of all the shares it owns in the Drilling Fluids Subsidiaries.
- The Disposal is conditional on a number of events occurring, including Rheochem shareholders approving the transaction.
- The sale price for the Drilling Fluids Business is up to a maximum of A\$45 million (approx £28 million). The sale price is subject to adjustment in certain circumstances. Further details of how the consideration will be paid are set out below.
- Newpark will acquire the "Rheochem" name. Following the transaction the Company's name is proposed to be changed to Lochard Energy Group Plc.
- The Company provides a number of warranties and indemnities to the Purchaser, as is usual for this type of transaction.
- Newpark is not a related party of the Company, nor of any of the Company's directors.

DETAILS OF THE DISPOSAL

Description of the Drilling Fluids Business

The Drilling Fluids Business is carried on by the Drilling Fluids Subsidiaries, which are owned by the Company in the following proportions: Rheochem Ltd (100%), Rheochem Pacific Limited (100%), PT Rheochem Indonesia (95%) and Rheochem India Pvt. Ltd. (70%). The Drilling Fluids Subsidiaries specialise in the provision of drilling fluids and engineering services to the oil and gas exploration industry, including to coal bed methane projects. The Drilling Fluids Subsidiaries also provide these products and services to the geothermal industry, which utilises similar drilling techniques.

The major assets that will be sold as part of the Disposal are:

- the drilling fluids blending plant and equipment located in Dampier, Western Australia;
- corporate offices and warehouse at Henderson, Western Australia;
- plant and equipment; and
- stock.

Profits attributable to the Drilling Fluids Business

EBITDA of the Drilling Fluids Businesses for the 2009/2010 and 2008/2009 financial years were A\$3.6 million and A\$6.1m respectively.

Payment of consideration

The maximum consideration payable to Rheochem in respect of the Disposal is A\$45 million (subject to adjustment in certain circumstances). The consideration is payable as follows:

- (1) a single payment of A\$23.75 million (approx £14.8 million) on completion of the transaction (adjusted for working capital following completion); and
- (2) subsequent earn-out payments conditional on EBITDA of the Drilling Fluids Business for the period between 1 March 2011 and 29 February 2012 exceeding agreed levels.

The effect of the Disposal on the Company

The Drilling Fluids Business is the primary cash and revenue generating division of the Company's business. On disposal, the Company's business will comprise solely of oil and gas exploration and production.

The first production of oil from the Company's 10 % interest in the Athena offshore oil and gas development project (located in the North Sea) ("**Athena**") is expected in the fourth quarter of 2011. If the Disposal proceeds, the Company will not have a significant source of revenue between the time the Disposal is completed and the revenue stream from Athena begins.

However, once Athena comes into production, the Company expects the first year revenue from its share of production to be more than A\$60 million compared with the A\$20.4 million revenue received from the Drilling Fluids Business in 2009/2010. Initial flow rates are estimated by management to be around 2000 bopd Net to Zeus.

The proceeds from disposal of the fluids business in conjunction with the expected revenues from Athena production will enable the Company to explore the potential of its other assets including its 10 North Sea exploration and appraisal blocks.

The application of sale proceeds

The proceeds from the Disposal will be applied as follows.

- Repayment of bank debt at completion of the Disposal – approximately A\$6.4 million.
- Funding the 10% share of the Athena Oilfield development – approximately A\$14million.
- Working capital – approximately A\$3.35 million.

The above accounts for the initial consideration of A\$23.75 million received at completion of the Disposal. If Rheochem receives any of the subsequent conditional payments, those proceeds will be used for working capital and exploration costs.

CHANGE OF NAME

Following the Disposal, the Company will focus on its oil and gas exploration and development operations. The Company proposes to change its name to Lochard Energy Group Plc, to reflect this revised focus.

The proposed change of name of the Company requires a special resolution to be passed by the Company's shareholders in general meeting. This resolution will be put forward at the general meeting that will be convened for the purpose of seeking shareholder approval for the Disposal.

CIRCULAR TO SHAREHOLDERS AND NOTICE OF MEETING

A circular to shareholders relating to the matters described in this announcement will be posted to shareholders shortly. Included in the circular will be a notice of an extraordinary general meeting of the Company to be held at 15 Appold Street, London EC2A 2HB, where the Disposal and change of name (among other matters) will be voted on.

Haydn Gardner, Chief Executive Officer of Rheochem Plc said:

"I am very pleased to announce this disposal, which completes the strategic review of the Company and re-focuses the business on oil and gas exploration and production. The sale of the fluids business unlocks significant value for shareholders and allows us to meet our commitments on the Athena field.

"The Company will be issuing an operational update shortly, to provide the market and shareholders with a deeper insight into the existing exploration, appraisal and production portfolio already contained within the business. We are confident in the potential of the portfolio to generate significant opportunities as we progress the assets through the value chain."

– Ends –

For further information, call:

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