

13<sup>th</sup> April 2010

**OXFORD CATALYSTS GROUP PLC**  
**(“Oxford Catalysts” or “the Group” or “the Company”)**

**Final Results for the Year Ended 31 December 2009**

Oxford Catalysts Group PLC, the leading technology innovator for clean synthetic fuels, is pleased to announce its final results for the year ended 31 December 2009.

**Highlights**

- Over \$50.0 million of non-dilutive funding secured for development and commercialisation
- Fully funded commercial demonstrations at key global locations
- All core partners made significant financial commitments to the Group in 2009
- Major potential customer, Petrobras, hosting demonstration of Group’s GTL technology
- Increased revenues to £8.7 million (2008: £1.3 million)
- Cash and short term investments\* at healthy £12.0 million (2008: £16.3 million)
- Substantial reduction in cash outflow (2H09: £0.4 million; 1H09: £3.9 million)
- Manufacturing relationships in place; Group preparing for delivery on future sales

**Pierre Jungels, CBE, Chairman of Oxford Catalysts, said:**

“2009 was a successful year for Oxford Catalysts as the Group delivered on its key commercialisation objectives and secured over \$50 million of non-dilutive funding to bring its technologies to market. Oxford Catalysts has all the elements needed to realise its commercial potential. The Board looks to the future with excitement and confidence.”

*There will be a presentation for analysts at 9.30am this morning at the offices of Financial Dynamics, 26 Southampton Buildings, Holborn Gate, London, WC2A 1PB.*

**For further information, please contact:**

<b>Oxford Catalysts</b> Roy Lipski, CEO Susan Robertson, CFO	+44 (0)1235 841 700
<b>KBC Peel Hunt (Nomad and Broker)</b> Jonathan Marren / Oliver Stratton	+44 (0)20 7418 8900
<b>Financial Dynamics</b> Billy Clegg / Alex Beagley	+44 (0)20 7831 3113

\* Defined as cash, cash equivalents, short term investments and other financial assets.

## **Notes to Editors**

Oxford Catalysts designs and develops technology for the production of clean synthetic fuels from both conventional fossil fuels and renewable sources such as biowaste. The Group is primarily focused on the emerging market for distributed smaller scale production of synthetic fuels via Fischer-Tropsch ("FT") synthesis – a market that has the potential of producing as much as 25 million barrels of fuel a day.

The FT reaction is used when converting natural gas, coal or bio-mass into clean high-performance liquid synthetic fuels, processes known as GTL, CTL and BTL respectively. The Group is the recognised world leader in the design and development of high-activity catalysts and associated novel chemical reactors for the smaller scale production of synthetic fuels. (The Group's reactor technology – known as microchannel process technology – is marketed under the brand name of Velocys).

Oxford Catalysts Group PLC is listed on the AIM market of the London Stock Exchange (LSE: OCG). The Group has some 90 employees with facilities near Oxford, UK and Columbus, Ohio, USA.

[www.oxfordcatalysts.com](http://www.oxfordcatalysts.com)  
[www.velocys.com](http://www.velocys.com)

## **CHAIRMAN'S STATEMENT**

### **Pierre Jungels, CBE**

I am pleased to report on a successful year for Oxford Catalysts, as commercial momentum continued to build. When presenting the Group's full year results for 2008, we outlined our mission for 2009 of working with our core partners towards successful demonstration of our technologies in the field. The Group has significantly delivered against this crucial commercialisation objective.

Firstly, Oxford Catalysts' key relationships have strengthened, with substantial financial commitments being made by its partners towards commercialising its technologies: Toyo Engineering (a global Engineering, Procurement and Construction company) and MODEC (the world's second largest owner / provider of Floating Production, Storage and Offloading vessels to the oil industry) have committed several tens of millions of dollars during the period; SGCE (the renewable energy investment arm of one of Portugal's richest men) has committed over \$6.0 million, and; PTT (Thailand's national oil company) committed an initial \$5.0 million.

Secondly, the Group secured some of the best sites globally to demonstrate its technologies: Güssing, the unique "eco-town" in Austria, will shortly begin demonstration of the Group's Fischer-Tropsch ("FT") technology, whilst; the Group's smaller scale Gas-to-Liquids ("GTL") technology will be demonstrated next year in Fortaleza, Brazil, at one of the world's largest customers for offshore oil production vessels – Petrobras (Brazil's national oil company). Both demonstrations are fully funded by the Group's partners, and are progressing on schedule.

Oxford Catalysts' finances fared well in 2009, with an especially encouraging second half. Group revenues for the year were up to £8.7 million (2008: £1.3 million). Cash, cash equivalents, short term investments and other financial assets at period end stood at £12.0 million (2008: £16.3 million), whilst cash\* outflow in the second half of 2009 was £0.4 million (1H09: £3.9 million).

On 1<sup>st</sup> February 2010, the Group's credibility was further strengthened by the addition to its Board of one of the industry's leading figures – Dr Andrew Jamieson, OBE who worked at Royal Dutch Shell ("Shell") for 35 years, most recently as Executive Vice President Gas & Projects in charge of Shell's GTL activities, including the landmark Pearl plant in Qatar, as well as all of Shell's projects in chemicals, refining, gas, LNG and coal gasification.

The Board is grateful to the entire Oxford Catalysts team for driving forward commercialisation and creating a strong integrated business, especially given the tough trading conditions worldwide. Their focus and achievements were recognised during the year with 3 industry awards, including the prestigious Innovation Award from the Energy Institute (the leading professional body for the energy industry), and by receiving the US National Academy of Sciences' highest ranking for their successful \$5 million grant proposal. I would also like to thank Roy Lipski, Group CEO, for choosing to relocate with his family to the USA to better steer the Company through its transition from a development stage business to commercial provider.

\* Defined as cash, cash equivalents, short term investments and other financial assets.

### **Outlook**

Oxford Catalysts has secured all the elements needed to realise its commercial potential: fully funded commercial demonstrations; highly committed partners providing market access, engineering support and manufacturing; a world-leading technology patent portfolio; critical mass of resources; a strong cash position, and; a healthy pipeline of opportunities.

In 2010, the Group will remain focused on delivering successful demonstrations and on gearing up for product rollout in the smaller scale synthetic fuels market. As one of the leading technology developers in this industry, Oxford Catalysts is well positioned to capitalise on the major shifts that are underway in the world's energy markets.

The Board looks to the future with excitement and confidence.

## **CHIEF EXECUTIVE'S REPORT**

**Roy Lipski**

### **Introduction**

In 2009, Oxford Catalysts successfully integrated Velocys achieving significant strategic clarity, alignment and focus, made strong commercial progress, and delivered on its key objectives for the year. The Group secured over \$50 million of non-dilutive funding during the period, \$10 million from government sources and the remainder from industrial partners.

Oxford Catalysts has core partnerships and routes to market in place, its business model of upfront equipment licenses and ongoing catalyst royalties has been validated with its partners, and it remains on track for fully funded commercial scale demonstrations of its technology. The Group is well positioned to capture significant market share in the rapidly emerging market for smaller scale synthetic fuel technologies.

### **Market Conditions**

Despite the challenging global economic environment, legislation and regulatory targets around the world are continuing to drive the adoption of next generation biofuels, as well as the required reductions in flaring of associated gas resulting from the development of oil fields, both onshore and offshore. Such factors underpin the significant potential available for the Group's smaller scale synthetic fuels technology, and help explain the Company's healthy pipeline of opportunities.

### **Commercialisation**

#### Demonstration

Oxford Catalysts has secured the necessary funding, as well as some of the best locations worldwide for commercial demonstration of its core technologies – FT and Steam Methane Reforming ("SMR").

In October, the Group signed an agreement with its existing partner SGC Energia, SGPS, S.A. ("SGCE", the renewable energy investment arm of João Pereira Coutinho, the Portuguese billionaire), for \$5.9 million plus a contingency to fund the demonstration and commercialisation of the Group's FT technology. The FT demonstration plant, with a capacity of some 10,000 gallons / year, will be operated on gasified wood chips for six months at Güssing, in Austria. Güssing is arguably the prime location globally for demonstrating bio-conversion technologies – it is unique in having a commercial scale biomass gasifier, operational since 2005, that supplies the energy needs of the 10,000 inhabitants of the local town. Following demonstration, scheduled to begin shortly, the equipment will be relocated to the Wright-Patterson Air Force Base near Dayton, Ohio, USA where it will be demonstrated for the production of synthetic jet fuel.

In February 2010, the Group announced the signing of an agreement with Petróleo Brasileiro S.A. ("Petrobras", the Brazilian national oil company and largest company in Latin America), alongside its existing partners Toyo Engineering and MODEC, to fund an integrated demonstration of the Group's GTL technology (SMR with FT). The total cost of the plant, estimated at several tens of millions of dollars, will be covered by Toyo Engineering and MODEC, whilst Petrobras will be responsible for its installation and operation costs. The demonstration will be hosted at the Petrobras facilities in Fortaleza, Brazil, and will operate for nine months starting in the first half of 2011.

#### Manufacturing

Oxford Catalysts is currently collaborating with a number of major manufacturers to ensure reliable commercial supply of its reactors and catalysts. In February 2010, the Group announced that it is working with Kobe Steel, Ltd. (one of Japan's leading steel makers, operating worldwide under the brand name of KOBELCO), to supply reactors for its forthcoming GTL demonstration.

#### Other Agreements

In January 2010, Oxford Catalysts announced the signing of an agreement with the Thai state-owned energy company, PTT Public Company Limited ("PTT"), extending its existing relationship with the company. Under the agreement, PTT will provide initial funding of \$5 million for the development and commercialisation of the Group's GTL technology for smaller scale land based facilities, and will invest in microchannel reactor testing facilities at its Research and Technology Institute near Bangkok to accelerate the project. The agreement also provides a framework for future investment by PTT in other applications of the Group's technology.

### Government Funding

In 2009, the Group was awarded a total of \$10.0 million non-dilutive government funding to further the development and commercialisation of its technology. \$7.7 million of non-repayable grants were awarded to advance the Group's hydro-processing technology (an important optional step in the production of synthetic fuels used to maximise the yield of commercially desirable products such as diesel and jet fuel) – \$5 million in May from the State of Ohio and \$2.7 million in November from the US Department of Agriculture under the US Recovery and Reinvestment Act. In August, the Group received a \$2.3 million low-cost R&D drawdown facility from the State of Ohio, that can be called upon at any time over a period of two years, is repayable over ten years, and carries a fixed interest rate of 2.0% per annum on funds drawn.

### Other Markets

At this crucial juncture in the Group's development, management is maintaining disciplined focus on the synthetic fuels market, where the Board believes that the size of the opportunity, alongside the Group's potential competitive advantage, means that maximum shareholder value can be created. Updates on other market opportunities will be made as and when these become material in the context of the Group's business.

### **Intellectual Property**

The Group's current IP portfolio has over 650 active patent cases (including those licensed from Battelle and ISIS), and more than 850 invention records. During the period, the Group filed 10 new patent applications, whilst 16 existing applications were granted in jurisdictions including the US, Canada, China, Australia and Singapore.

### **Resources**

Oxford Catalysts Group now has the critical mass and capabilities it requires to maintain its leading position in the fast emerging market for smaller scale synthetic fuel technologies. It is not expected that significant additional investment in resources will be needed in the immediate future.

### **Financial Review**

This is the first full year of consolidated financial results following the acquisition of Velocys, Inc. in November 2008. Revenues during the year increased to £8.7 million (2008: £1.3 million). Losses for the period were £3.8 million (2008: £2.4 million), excluding the impact of currency movements (£0.1 million loss; 2008 £0.7 million gain) and non-cash items (depreciation, amortisation and share-based payments: £1.5 million; 2008: £1.6 million). Cash\* outflow in 2009 decreased to £4.3 million (2008: £6.1 million), with only £0.4 million of outflow in the second half of the year (1H09: £3.9 million).

At period end, the Group had £12.0 million of cash, cash equivalents, short term investments and other financial assets (2008: £16.3 million), after a one-off investment of £1.2 million in equipment for the forthcoming FT demonstration. Management believes that this level of funds is sufficient for several years of operation, although it remains mindful of the uncertain nature of technology development and the need to preserve cash where possible without adversely impacting time to market or the long term value of the business.

\* Defined as cash, cash equivalents, short term investments and other financial assets.

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**CONSOLIDATED INCOME STATEMENT**  
FOR THE YEAR ENDED 31 DECEMBER 2009

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	Note	<b>2009</b> £'000	2008 £'000
<b>Revenue</b>	2	8,655	1,298
Cost of sales		(5,441)	(768)
<b>Gross profit</b>		3,214	530
Unfunded research and development costs		(2,661)	(1,607)
Share-based payments		(675)	(1,248)
Other administrative expenses		(6,106)	(2,644)
<b>Total administrative expenses</b>		(9,442)	(5,499)
<b>Operating loss</b>		(6,228)	(4,969)
Finance income	3	290	1,505
Finance costs	4	(142)	(12)
<b>Loss before income tax</b>		(6,080)	(3,476)
Income tax credit	5	616	179
<b>Loss for the financial year attributable to the equity holders of the Company</b>		(5,464)	(3,297)
<b>Loss per share attributable to the equity holders of the Company</b>			
Basic and diluted (pence)	6	(9.07)	(7.72)

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED 31 DECEMBER 2009

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	<b>2009</b> £'000	2008 £'000
<b>Loss for the year</b>	(5,464)	(3,297)
<b>Other comprehensive income</b>		
Foreign currency translation differences	(3,019)	638
<b>Total comprehensive expense for the year</b>	(8,483)	(2,659)

**CONSOLIDATED BALANCE SHEET**  
AS AT 31 DECEMBER 2009

	Note	2009 £'000	2008 £'000
<b>Non-current assets</b>			
Intangible assets		23,876	26,570
Property, plant and equipment		3,189	2,493
		<u>27,065</u>	<u>29,063</u>
<b>Current assets</b>			
Trade and other receivables		1,740	2,579
Current income tax asset		300	172
Financial assets – restricted access escrow account	7	308	-
Short term investments – cash held on long-term deposit	7	4,000	8,645
Cash and cash equivalents	7	7,686	7,667
		<u>14,034</u>	<u>19,063</u>
<b>Total assets</b>		<u>41,099</u>	<u>48,126</u>
<b>Current liabilities</b>			
Trade and other payables		(3,544)	(2,521)
Borrowings		(73)	(10)
		<u>(3,617)</u>	<u>(2,531)</u>
<b>Non-current liabilities</b>			
Trade and other payables		(765)	(1,319)
Borrowings		(227)	(22)
		<u>(992)</u>	<u>(1,341)</u>
<b>Total liabilities</b>		<u>(4,609)</u>	<u>(3,872)</u>
<b>Net assets</b>		<u>36,490</u>	<u>44,254</u>
<b>Capital and reserves attributable to equity holders of the Company</b>			
Called up share capital		613	596
Share premium account		45,074	45,047
Merger reserve		369	369
Share-based payment reserve		4,439	3,764
Accumulated losses		(14,005)	(5,522)
<b>Total equity</b>		<u>36,490</u>	<u>44,254</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Called up share capital £'000	Share premium £'000	Share- based payments £'000	Merger reserve £'000	Accumulated losses £'000	Total £'000
<b>Balance at 1 January 2008</b>	405	17,865	-	369	(2,106)	16,533
<b>Comprehensive income</b>						
Loss for the year	-	-	-	-	(3,297)	(3,297)
<b>Other comprehensive income</b>						
Foreign currency translation differences	-	-	-	-	638	638
<b>Total comprehensive expense</b>	-	-	-	-	(2,659)	(2,659)
<b>Transactions with owners</b>						
Share-based payments – value of employee services	-	-	2,005	-	(757)	1,248
Fair value of Velocys options	-	-	1,759	-	-	1,759
Proceeds from share issues	191	27,182	-	-	-	27,373
<b>Total transactions with owners</b>	191	27,182	3,764	-	(757)	30,380
<b>Balance at 1 January 2009</b>	596	45,047	3,764	369	(5,522)	44,254
<b>Comprehensive income</b>						
Loss for the year	-	-	-	-	(5,464)	(5,464)
<b>Other comprehensive income</b>						
Foreign currency translation differences	-	-	-	-	(3,019)	(3,019)
<b>Total comprehensive expense</b>	-	-	-	-	(8,483)	(8,483)
<b>Transactions with owners</b>						
Share-based payments – value of employee services	-	-	675	-	-	675
Proceeds from share issues	17	27	-	-	-	44
<b>Total transactions with owners</b>	17	27	675	-	-	719
<b>Balance at 31 December 2009</b>	613	45,074	4,439	369	(14,005)	36,490

**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 £'000	2008 £'000
<b>Cash flow from operating activities</b>			
Cash consumed by operations	8	(3,527)	(5,526)
Tax credit received		488	53
<b>Net cash used in operating activities</b>		<b>(3,039)</b>	<b>(5,473)</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary (net of cash acquired)		-	(3,041)
Purchases of property, plant and equipment		(1,602)	(1,387)
Purchase of intangible fixed assets		(188)	(82)
Interest received		697	517
Decrease / (increase) in cash placed on deposit and restricted access escrow account		4,337	(1,645)
<b>Net cash flows from investing activities</b>		<b>3,244</b>	<b>(5,638)</b>
<b>Cash flows from financing activities</b>			
Proceeds of issuance of ordinary shares		44	9,774
Increase in borrowing		271	-
<b>Net cash from financing activities</b>		<b>315</b>	<b>9,774</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>520</b>	<b>(1,337)</b>
Cash and cash equivalents at beginning of year		7,667	8,630
Exchange (losses) / gains on cash and cash equivalents		(501)	374
<b>Cash and cash equivalents at end of year</b>		<b>7,686</b>	<b>7,667</b>

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**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

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**1. PRINCIPAL ACCOUNTING POLICIES****Basis of Preparation**

The financial information presented by the Directors in this statement is derived from the Group financial statements for the year ended 31 December 2009 that have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention.

These accounts have been audited and the audit report is unqualified and does not contain a statement under section 498 of the Companies Act 2006. The accounts will be delivered to the Registrar of Companies following the Company's Annual General Meeting on 7<sup>th</sup> May 2010.

The accounting policies adopted are consistent with those disclosed in the Group's statutory accounts for the year ended 31 December 2008 other than changes to reflect the adoption of IAS 1 (revised) and IFRS 8 as previously adopted in the interim financial report for the six months ending 30 June 2009.

**Functional Currency**

Items included in the 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 UK sterling (£), which is the Company's functional and the Group's presentation currency.

**2. SEGMENTAL REPORTING**

IFRS 8 'Operating Segments' has been adopted by the Group for the financial year ending 31 December 2009.

The chief operating decision-maker has been identified as the Executive Management Committee. This committee reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Committee considers the business from a product perspective. From a product perspective, management assesses the performance of catalyst and equipment products separately.

The Executive Management Committee assesses the performance of the operating segments based on a measure of operating loss. Inter segment revenue is recorded at arms length price.

The segment results for the year ended 31 December 2009 are as follows.

	2009			2008		
	Catalyst £'000	Equipment £'000	Group £'000	Catalyst £'000	Equipment £'000	Group £'000
Total revenue	320	8,335	8,655	524	774	1,298
Operating loss	(4,663)	(1,565)	(6,228)	(4,446)	(523)	(4,969)
Finance income			290			1,505
Finance costs			(142)			(12)
<b>Loss before income tax</b>			(6,080)			(3,476)
Income tax credit			616			179
<b>Loss for the year</b>			(5,464)			(3,297)

Prior to the acquisition of Velocys in November 2008, the Group only had one operating segment, the catalyst business.

	2009			2008		
	Catalyst £'000	Equipment £'000	Group £'000	Catalyst £'000	Equipment £'000	Group £'000
<b>Other segmental items</b>						
Depreciation and amortisation	576	268	844	353	26	379
Capital expenditure	(225)	(1,565)	(1,790)	1,456	13	1,469
Goodwill	-	4,129	4,129	-	4,606	4,606
Other assets	11,610	25,360	36,970	18,360	25,160	43,520
<b>Total assets</b>	11,610	29,489	41,099	18,360	29,766	48,126

Other segment assets comprise primarily of property, plant and equipment, trade and other receivables and cash and cash equivalents.

Capital expenditure comprises additions to property, plant and equipment, and intangible assets.

The Group's two operating segments operate in three main geographical areas. Revenue is allocated based on the country in which the customer is located.

	2009			2008		
	Europe £'000	USA £'000	Asia £'000	Europe £'000	USA £'000	Asia £'000
<b>Total revenue</b>	2,068	445	6,142	197	557	544

Non-current assets, consisting primarily of goodwill, other intangible assets and property, plant and equipment, totalling £25,247,000 were located in the United States of America. All other non-current assets are held in the United Kingdom.

### 3. FINANCE INCOME

	2009 £'000	2008 £'000
Interest income on bank deposits	290	810
Foreign exchange gains	-	695
	290	1,505

### 4. FINANCE COSTS

	2009 £'000	2008 £'000
Unwinding of discount on deferred licence payments creditor	13	12
Interest on finance leases	2	-
Foreign exchange losses	127	-
	142	12

### 5. INCOME TAX

#### Current Tax

Due to the availability of losses incurred in the year, there is no charge to corporation tax. The Group has recovered or expects to recover £616,000 through R&D tax credit claims for the years ending 31 December 2009 and 31 December 2008 (2008: £179,000 in respect of claim for year ending 31 December 2007).

#### Deferred Tax

At 31 December 2009 the Group has a net unrecognised deferred tax asset of £5,651,000 (2008: £5,981,000) arising from trading losses from incorporation. No recognition (2008: nil) of the net deferred tax asset has been made at 31 December 2009 on the grounds of uncertainty over its recoverability in light of the Group's nascent revenue streams and commitment to continued investment in research and development, and therefore there is no impact on the current or prior year income statement.

#### Reconciliation to Current Tax Credit

The actual tax charge for the current and previous year is higher (2008: higher) than the theoretical amount that would arise using the weighted average tax rate applicable to the results of the consolidated entities, for the reasons set out in the following reconciliation.

	2009 £'000	2008 £'000
Loss on ordinary activities before tax	(6,080)	(3,476)
Tax calculated at domestic tax rates applicable to losses in the respective countries	(1,718)	(1,020)
Tax effects of:		
- Expenses not deductible for tax purposes	36	4
- Unutilised tax losses	1,682	1,016
- R&D tax credit relating to prior years	(316)	(179)
- R&D tax credit	(300)	-
Current tax credit for year (see above)	(616)	(179)

The weighted average applicable tax rate was 28.3% (2008: 29.3%).

## 6. LOSS PER SHARE

The basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	<b>2009</b> £'000	2008 £'000
Loss attributable to equity holders of the Company (£'000s)	(5,464)	(3,297)
Weighted average number of ordinary shares in issue	60,211,508	42,710,480
Basic and diluted loss per share (pence)	(9.07)	(7.72)

## 7. SHORT TERM INVESTMENTS, CASH EQUIVALENTS AND RESTRICTED ASSETS

	<b>2009</b> £'000	2008 £'000
Financial assets – restricted access escrow account	308	-
Short term investments – cash held on long-term deposit	4,000	8,645
Cash and cash equivalents	7,686	7,667
Total	11,994	16,312

Under IFRS 7, cash held on long-term deposit has been classified as a short term investment since it is on term deposits of greater than three months.

The financial assets – restricted cash is the balance held in an escrow account which relates to the State of Ohio loan (see note 21). Generally, assets acquired under the State of Ohio's R&D Loan program must remain in the State of Ohio. The Company's wholly owned subsidiary, Velocys, Inc., and the State of Ohio agreed as part of the loan terms and conditions that Velocys could use a portion of the proceeds to fund the purchase of certain assets to be located outside of the United States for approximately one year if Velocys agreed to place \$500,000 in an escrow account. Should the assets not return to the State of Ohio by June 30, 2011, the funds in the Escrow Account could be drawn by the State of Ohio to repay a portion of the loan. It is the Company's intention that the assets will return to the State of Ohio in late 2010.

All short term investments are in UK sterling denominated accounts. The restricted access escrow account is denominated in US dollars. Cash is held in both US dollars and UK sterling denominated accounts as follows.

	<b>2009</b> £'000	2008 £'000
UK sterling accounts	5,187	3,150
US dollar accounts	2,499	4,517
Total	7,686	7,667

## 8. CASH OUTFLOWS FROM OPERATING ACTIVITIES

	<b>2009</b>	2008
	£'000	£'000
Operating loss	(6,228)	(4,969)
Depreciation and amortisation	844	379
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)		
- Trade and other receivables	279	(262)
- Trade and other payables	884	(1,709)
- Foreign exchange differences	-	(213)
- Share-based payments	675	1,248
- Other	19	-
Net cash consumed by operations	<u>(3,527)</u>	<u>(5,526)</u>

## 9. CONTINGENT LIABILITY

Velocys has recently received notification of the results of an audit of contract billings from the US Defence Contract Audit Agency. The audit relates to an examination of amounts billed to the US government for a period ending 30 September 2005. This report details amounts of \$1,267,000 which are stated as not being compliant with the terms of the contract. The Directors strongly refute the audit findings and believe they have evidence to support the claims Velocys made. Based on this, the Directors have not recognised any liability relating to this audit report.

Furthermore, the contract relates to the period prior to acquisition of Velocys. Under the terms and conditions of the sale and purchase agreement for Velocys, there are warranty provisions which trigger a payment from the former owner of Velocys, the Battelle Memorial Institute, for claims in excess of \$250,000.

## 10. STATUTORY INFORMATION

Copies of the 2009 Annual Report will be posted to shareholders in April 2010 and may be obtained from the date of posting for one month free of charge from the registered office of the Company, 115e Milton Park, Oxford, OX14 4RZ, as well as from the Company's web site [www.oxfordcatalysts.com](http://www.oxfordcatalysts.com)

## 11. ANNUAL GENERAL MEETING

The annual general meeting is to be held on 7<sup>th</sup> May 2010. Notice of the AGM will be dispatched to shareholders with the Group's report and accounts.