

30<sup>th</sup> September 2010

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

**Interim Results for the Period Ended 30<sup>th</sup> June 2010**

Oxford Catalysts Group PLC, the leading technology innovator for clean synthetic fuels, is pleased to announce its interim results for the six months ended 30 June 2010.

**Highlights**

- FT unit achieving good performance in phase one of the demonstration at Güssing
- SGCE confirmed Group on track for first commercial order when milestones concluded
- SMR and FT reactors complete and shipped for integrated GTL demonstration in Brazil
- \$5 million contract signed with Thai national oil and gas company, PTT
- Revenues increased to £4.1 million (H1 2009: £3.5 million)
- Cash\* at period end of £8.8 million (2009 H1: £12.4 million)
- Significant industry recognition continues with receipt of three high profile awards

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

“The first half of 2010 was a busy period for the Group, with all of our key activities progressing well. Performance to date from our demonstration in Güssing is encouraging and our partner, SGCE, is ‘very pleased’ with the results obtained. The Group has also successfully completed and shipped its reactors for the forthcoming integrated Gas-to-Liquid demonstration in Brazil, maintaining schedule for start-up in 2011.

“Oxford Catalysts continues to focus on commercial roll out at this exciting juncture in the Company’s development. The Board looks to the future with confidence.”

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\* 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 bio-waste. 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 small 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 that during the first half of 2010 the Group made good progress whilst focusing on demonstration and implementation projects – achieving significant delivery towards our commercialisation objective.

The Group's relationships with all of its key partners have remained strong, namely with: Toyo Engineering Corporation ("Toyo Engineering", a global Engineering, Procurement and Construction company); MODEC, INC. ("MODEC", the world's second largest owner / provider of Floating Production, Storage and Offloading vessels to the oil industry); SGC Energia, S.G.P.S, S.A. ("SGCE", the renewable energy investment arm of a leading Portuguese industrialist); and PTT Public Company Limited ("PTT", Thailand's national oil and gas company).

The Group's technology demonstrations are progressing well; its Fischer-Tropsch ("FT") pilot unit in Güssing, the unique "eco-town" in Austria, is achieving good performance in phase one of the demonstration, with the Group's preferred partner SGCE being 'very pleased' with the results obtained, and on this basis having confirmed that the Group remains on track to secure a commercial order upon completion of the technical milestones.

The Group's Gas-to-Liquid ("GTL") demonstration unit is currently under construction and remains on course to achieve its target start date next year. All the required reactors have been delivered to the Group's partner, Toyo Engineering, for incorporation into the integrated plant. The demonstration site, in Fortaleza, Brazil, is located at one of the world's largest customers for offshore oil production vessels – Petróleo Brasileiro S.A. ("Petrobras", Brazil's national oil company). Both the FT and GTL demonstrations are fully funded by the Group's partners.

The Group's financial performance was better than during the same period last year; Group revenues for the first half were £4.1 million (2009 H1: £3.5 million). Cash\* at period end stood at £8.8 million (2009 H1: £12.4 million), whilst cash\* outflow was £3.2 million (2009 H1: £3.9 million).

On 1<sup>st</sup> February 2010, Dr Andrew Jamieson, OBE joined the Board as a Non-executive Director. Andrew worked at Royal Dutch 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. In addition, Andrew was responsible for all of Shell's projects in chemicals, refining, gas, LNG and coal gasification. Andrew's addition to the Board provides further endorsement and stewardship of the Group's business and its small scale GTL technology.

The Group continues to receive awards and recognition from industry, as highlighted during the period by its winning: the award for Excellence in the Field of Environmental Technology Commercialisation at the CleanEquity Monaco 2010 Awards; the 2010 World XTL Award, and; the Chemical Industry Association's Innovation Award. These awards are highly regarded within the industry and are a testament to the significant progress the Group continues to make.

I would like to take the opportunity of thanking the entire Oxford Catalysts team for their hard work, dedication and determination during the first half of the year.

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

### **Outlook**

It is an exciting time for the business as the various demonstrations continue to progress. Performance to date from Güssing is positive, and the Group has delivered completed reactors for its GTL demonstration in Brazil, maintaining project schedule. Proving its technology in the

field is a prelude to commercial orders, as the Group transitions from reliance on research income to being a fully commercial organisation, deriving revenues primarily from commercial activities. This transition is well underway, with line-of-sight to the Group's first commercial order. The Board looks to the future with confidence.

## **CHIEF EXECUTIVE'S REPORT**

**Roy Lipski**

### **Introduction**

The first half of 2010 witnessed solid progress being made by the Group on several fronts. Our team is focused and aligned to the common goal of transitioning from research to commercialisation. Our field demonstrations are progressing well; preliminary results from Güssing are encouraging; our GTL demonstration remains on schedule for start-up in 2011; our 6 months accounts are better than during the same period last year; and we continue to receive high praise and recognition from our industry peers.

### **Market Conditions**

Despite the challenging global economic environment, the outlook for synthetic fuels remains positive, with an increasing expectation that such fuels will comprise a substantial portion of the future fuels supply mix. The situation in the Gulf of Mexico is further galvanising political support for alternative sources of fuel, particularly in the US where the Group has a significant presence.

### **Commercialisation**

#### Demonstration

The Group's FT unit in Güssing is achieving good performance in phase one of the demonstration which began in early July; the Group's FT unit is working at its full capacity of more than 900 commercial-length microchannels, and is operating smoothly together with the Güssing gasifier and the gas conditioning unit.

Operations have demonstrated the unit's robust responsiveness to shutdowns and start-ups, as well as the very significant process intensification potential of the Group's FT technology – the unit has already been producing more than 0.75 Kg of FT products per litre of catalyst per hour, some 4 to 8 times greater productivity than conventional systems. Going forward, the demonstration will be operated over a wide range of conditions, as well as for an extended steady-state run of several months.

The Group's GTL demonstration, announced in February, is being conducted in collaboration with its partners Toyo Engineering and MODEC, and is to be hosted at the Petrobras facility in Fortaleza, Brazil.

The Group has completed and shipped its reactors for this demonstration, including full scale Steam Methane Reforming ("SMR") and matched capacity FT. This involved the successful manufacture and quality assurance of all reactors and catalysts, integration of catalysts into the reactors, and addition of appropriate connections to the plant. The reactors were shipped to an Asian facility for incorporation into the modular demonstration plant, being assembled under the supervision of Toyo Engineering. This completed the majority of the Group's tasks in relation to the Petrobras demonstration, which remains on schedule for start-up in Brazil during the first half of 2011.

#### Manufacturing

Manufacturing remains a key focus for the Group and it continues to collaborate with a number of major manufacturers to ensure reliable commercial supply of its reactors and catalysts. In February, the Group announced that it was 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. The Group is also looking at advanced manufacturing techniques for its microchannel reactors through a recent grant awarded to it by the US Department of Energy.

#### Other Agreements

In January, the Group announced that it had signed a memorandum of understanding with the Thai state-owned energy company, PTT, for the development and commercialisation of small

scale land based GTL facilities based on the Group's microchannel reactor and catalyst technologies. PTT is providing funding of \$5 million over two years for the development and commercialisation of the Group's SMR technology, a key component in the GTL process. This project is progressing well, and the Group's relationship with PTT continues to be strong.

#### Grant Funding

In May, the Group secured a \$300,000 grant from the US Department of Energy as part of the Industry Energy Efficiency Grand Challenge program, building on previous proof-of-concept work it carried out on microchannel distillation. The Group will continue to look for further grant opportunities where these support its strategy and key priorities.

#### **Intellectual Property**

Intellectual property ("IP") is central to the Group's business and revenue model. The Group's IP portfolio has over 650 active patent cases (including those licensed from Battelle and ISIS Innovation), and more than 850 invention records. During the period, the Group filed 2 new and 12 divisional / continuation patent applications, and had 33 existing applications granted in jurisdictions including the US, China, South Korea, Australia, and various European countries.

Given the strength of the Group's leading IP position in the field of microchannels, defending, and where necessary asserting its patents is normal course of business for the Group. Such activities are expected to grow in line with the Group's expansion, and due to the increasing opportunities for microchannels as they become more broadly adopted in industry. The Group is also active in identifying potential licensing opportunities to further leverage its IP assets.

#### **Industry Recognition**

In March, the Group won the award for Excellence in the Field of Environmental Technology Commercialisation at the CleanEquity Monaco 2010 Awards. CleanEquity Monaco is one of the leading industry conferences, and with only three awards presented at the event, this is a substantial endorsement for Oxford Catalysts and its technologies.

In May, Oxford Catalysts won the 2010 World XTL Award which was established in 2006 to celebrate excellence and encourage innovation in the synthetic fuels sector. It is widely regarded as the most important award in the industry. Runners up were ENI / IFP / Axens, Oryx GTL, Shell and Technip. Past winners are Shell, Sasol, and Statoil.

In June, the Group was awarded the Chemical Industry Association's Innovation Award in acknowledgement of the demonstrable potential of its technologies to make a significant contribution to the overall performance and sustainability of the chemical industry. Runners up included Johnson Matthey, Eli Lilly and Huntsman. Past winners include Dow, Solvay and Lucite.

#### **Financial Review**

Revenues during the first half year increased to £4.1 million (2009 H1: £3.5 million). Losses for the period were £3.2 million (2009 H1: £3.4 million). Cash\* outflow in the period decreased to £3.2 million (2009 H1: £3.9 million).

As at 30<sup>th</sup> June 2010, the Group had £8.8 million of cash\* (2009 H1: £12.4 million). The Directors believe that this level of funds is adequate to take the Group through to first commercial orders. As ever, management remains mindful of 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 SIX MONTHS ENDED 30 JUNE 2010

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	Note	6 months ended 30 June 2010 (unaudited) £'000	6 months ended 30 June 2009 (unaudited) £'000	Year ended 31 December 2009 (audited) £'000
<b>Revenue</b>	3	4,135	3,486	8,655
Cost of sales		(3,168)	(2,667)	(5,441)
<b>Gross profit</b>		967	819	3,214
Development costs		(1,502)	(1,370)	(2,661)
Share-based payments (IFRS2)		(169)	(332)	(675)
Other administrative expenses		(3,089)	(2,839)	(6,106)
<b>Total administrative expenses</b>		(4,760)	(4,541)	(9,442)
<b>Operating loss</b>		(3,793)	(3,722)	(6,228)
Interest on bank deposits and similar income		92	204	290
Finance costs		(17)	(235)	(142)
<b>Loss on ordinary activities before tax</b>		(3,718)	(3,753)	(6,080)
Tax		500	315	616
<b>Loss for the period from continuing operations</b>		(3,218)	(3,438)	(5,464)
<b>Loss per share from continuing operations</b>				
Basic and diluted (pence)	4	(5.16)	(5.73)	(9.07)

All amounts relate to continuing operations.

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

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	<b>6 months ended 30 June 2010 (unaudited)</b>	6 months ended 30 June 2009 (unaudited)	Year ended 31 December 2009 (audited)
	£'000	£'000	£'000
Loss for the period	(3,218)	(3,438)	(5,464)
Foreign currency translation differences	1,562	(2,953)	(3,019)
<b>Total recognised expense for the period</b>	<b>(1,656)</b>	<b>(6,391)</b>	<b>(8,483)</b>

# CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2010

		30 June 2010 (unaudited)	30 June 2009 (unaudited)	31 December 2009 (audited)
	Note	£'000	£'000	£'000
<b>Non-current assets</b>				
Intangible assets		26,006	23,786	23,876
Property, plant and equipment		3,289	3,102	3,189
		<u>29,295</u>	<u>26,888</u>	<u>27,065</u>
<b>Current assets</b>				
Trade and other receivables		1,812	2,043	1,740
Current tax asset		800	315	300
Financial assets – restricted access escrow account		334	-	308
Short term investments – cash held on deposit		1,000	4,000	4,000
Cash and cash equivalents		7,487	8,422	7,686
		<u>11,433</u>	<u>14,780</u>	<u>14,034</u>
<b>Total assets</b>		<u>40,728</u>	<u>41,668</u>	<u>41,099</u>
<b>Current liabilities</b>				
Trade and other payables		(4,343)	(2,504)	(3,544)
Borrowings		(80)	(15)	(73)
		<u>(4,423)</u>	<u>(2,519)</u>	<u>(3,617)</u>
<b>Non-current liabilities</b>				
Trade and other payables		(773)	(915)	(765)
Borrowings		(453)	(30)	(227)
<b>Total liabilities</b>		<u>(5,649)</u>	<u>(3,464)</u>	<u>(4,609)</u>
<b>Net assets</b>		<u>35,079</u>	<u>38,204</u>	<u>36,490</u>
<b>Equity</b>				
Called up share capital	5	631	605	613
Share premium account	5	45,132	45,047	45,074
Merger reserves	5	369	369	369
Share-based payment reserve	5	4,608	4,096	4,439
Retained earnings (deficit)	5	(15,661)	(11,913)	(14,005)
<b>Total equity</b>		<u>35,079</u>	<u>38,204</u>	<u>36,490</u>

The financial statements were approved by the Board of Directors on 29<sup>th</sup> September 2010, and were signed on its behalf by:

Susan Robertson  
Chief Financial Officer

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2010

		<b>6 months ended 30 June 2010 (unaudited) £'000</b>	6 months ended 30 June 2009 (unaudited) £'000	Year ended 31 December 2009 (audited) £'000
	Note			
<b>Cash outflow from operating activities</b>				
Cash consumed by operations	6	(3,118)	(3,190)	(3,527)
Tax credit received		-	172	488
<b>Net cash used in operating activities</b>		<b>(3,118)</b>	<b>(3,018)</b>	<b>(3,039)</b>
<b>Cash flows from investing activities</b>				
Acquisition of subsidiary (net of cash acquired)		-	(19)	-
Interest received		152	586	697
Interest paid		(17)	-	-
Purchases of patents and trademarks		(147)	(89)	(188)
Purchases of property, plant and equipment		(604)	(1,063)	(1,602)
Investments – cash taken off/(placed on) deposit		3,000	4,645	4,337
<b>Net cash from investing activities</b>		<b>2,384</b>	<b>4,060</b>	<b>3,244</b>
<b>Cash flows generated from financing activities</b>				
Proceeds from issue of shares		76	9	44
Increase in borrowing		281	-	271
<b>Net cash from financing activities</b>		<b>357</b>	<b>9</b>	<b>315</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(377)</b>	<b>1,051</b>	<b>520</b>
Cash and cash equivalents at the beginning of the period		7,686	7,667	7,667
Exchange (losses)/gains on cash balances		178	(296)	(501)
<b>Cash and cash equivalents at the end of the period</b>		<b>7,487</b>	<b>8,422</b>	<b>7,686</b>

# NOTES TO THE ACCOUNTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial report is unaudited and has been prepared using accounting policies consistent with International Financial Reporting Standards ('IFRS') as adopted by the EU and in accordance with IAS 34 'Interim Financial Reporting'.

## 2. PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information for the six month periods ended 30 June 2010 and 30 June 2009 has not been audited and does not constitute full financial statements within the meaning of Section 240 of the Companies Act 1985.

The financial information relating to the year ended 31 December 2009 does not constitute a full financial statement within the meaning of Section 240 of the Companies Act 1985. This information is based on the Group's statutory accounts for that period. The statutory accounts were prepared in accordance with IFRS, received an unqualified audit report, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 237(2) or (3) of the Companies Act 1985. These accounts have been filed with the Registrar of Companies.

## 3. SEGMENTAL INFORMATION

### Business Segments

At 30 June 2010 the Group is organised as a world-wide business comprising a single segment.

### Geographic Segments

The Group's business operates in three main geographical areas. Revenue is allocated based on the country in which the customer is located.

	6 months ended 30 June 2010 (unaudited)			6 months ended 30 June 2009 (unaudited)		
	Europe £'000	USA £'000	Asia £'000	Europe £'000	USA £'000	Asia £'000
Revenue	805	527	2,803	444	385	2,657

## 4. EARNINGS PER SHARE

The calculation of earnings per share is based on the following losses and number of shares:

	6 months ended 30 June 2010 (unaudited)			6 months ended 30 June 2009 (unaudited)			Year ended 31 December 2009 (audited)		
	Loss £'000	Number of shares '000	Pence per share	Loss £'000	Number of shares '000	Pence per share	Loss £'000	Number of shares '000	Pence per share
Basic & fully diluted	(3,218)	62,353	(5.16)	(3,438)	59,999	(5.73)	(5,464)	60,212	(9.07)

## 5. RECONCILIATION OF MOVEMENT IN TOTAL EQUITY

	Called up share capital	Share premium account	Merger reserve	Share- based payments reserve	Retained earnings	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2010	613	45,074	369	4,439	(14,005)	36,490
Loss recognised for the period	-	-	-	-	(3,218)	(3,218)
Share issues	18	58	-	-	-	76
Employee share-based payments (IFRS2)	-	-	-	169	-	169
Exchange gains/ (losses)	-	-	-	-	1,562	1,562
At 30 June 2010	631	45,132	369	4,608	(15,661)	35,079

## 6. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	<b>6 months ended 30 June 2010 (unaudited)</b>	6 months ended 30 June 2009 (unaudited)	Year ended 31 December 2009 (audited)
	£'000	£'000	£'000
Operating loss	(3,793)	(3,722)	(6,228)
Depreciation and amortisation	657	410	844
Changes in working capital			
- Trade and other receivables	25	(211)	279
- Trade and other payables	(183)	(83)	884
Foreign exchange differences	-	84	-
Share-based payments	169	332	675
Other	7	-	19
<b>Net cash consumed by operations</b>	<b>(3,118)</b>	<b>(3,190)</b>	<b>(3,527)</b>

## 7. CONTINGENT LIABILITIES

During the first half of 2010, the Group's US subsidiary, Velocys, Inc. ("Velocys") 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 the acquisition of Velocys by Oxford Catalysts. 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, Battelle Memorial Institute, for claims in excess of \$250,000.

In April 2010, Velocys filed a lawsuit in the US against Catacel Corp. ("Catacel"), a supplier of catalysts to CompactGTL plc ("CompactGTL"), claiming infringement of several of the Group's microchannel related patents. In response, CompactGTL has challenged the validity of a small number of the Group's patents, including certain patents covering the UK.

Whilst the outcome of these cases is not certain, the Directors are confident of the Group's infringement case against Catacel, as well as the validity of those of its patents which are being challenged. Furthermore, the Directors consider that even in the unlikely eventuality of a successful challenge to the few patents in question, this would have no material detrimental impact on the Group's business or the overall strength of its patent portfolio.

Costs incurred to date responding to this challenge have been expensed. However, given the nature of defending UK patent challenges, should its defence be unsuccessful, the Group may be liable for some of CompactGTL's UK legal costs (and vice versa). The Directors intend to vigorously defend the UK action should it proceed. On this basis, no provision has been recognised in respect of this action.

The Group's policy is to always explore licensing opportunities for its IP where possible. Management will continue to seek business solutions that forward the Group's interests, in preference to resolution through legal means.