16 September 2016

Hydrodec Group plc
("Hydrodec", the "Company" or the "Group")

Unaudited Interim Results

Hydrodec Group plc (AIM: HYR), the clean-tech industrial oil re-refining group, today announces unaudited results for the six months ended 30 June 2016.

Financial highlights

- Revenues from continuing core re-refining business increased by 148% to US$8.1 million (H1 2015: US$3.3 million), reflecting full commissioning of new Canton plant at the end of 2015 and increased market penetration
- H1 2016 gross unit margins in continuing business higher than H1 2015 despite lower product sales prices and challenging market conditions
- Key focus on reduction of corporate costs in continuing operations, falling from US$2.1 million (H1 2015) to US$1.5 million
- Group EBITDA from continuing operations improved from US$3.4 million loss (H1 2015) to US$1.1 million loss – expectation of move to positive EBITDA in H2
- Overall loss for the period (including discontinued operations) down from US$8.4 million (H1 2015) to US$5.3 million
- Operating cash outflow (before working capital movements) reduced to US$2.0 million (H1 2015: US$5.8 million)

Operational highlights

- Substantially increased Group sales volumes of premium quality **SUPER**FINE transformer oil and base oil of 16.75 million litres (H1 2015: 1.7 million litres) – record monthly sales in June of 3.2m litres
- Improving plant utilisation – Canton reaching 76% in May
- Continued successful production in Australia and improving feedstock position
- **SUPER**FINE transformer oil in US achieved "500 hour" status, certifying its quality

Strategic highlights

- Appointment of new CEO with strategic focus on core transformer oil re-refining business and associated technology
- Disposal of loss-making UK recycling operations in March

Post period-end highlights

- Awarded 5-year contract for supply of transformer oil by Essential Energy, a major Australian utility

- Obtained American Carbon Registry approval for registering, and monetising, carbon credits

Chris Ellis, Chief Executive Officer of Hydrodec, commented: **"***I am pleased to be able to report significant progress in moving Hydrodec towards profitability and re-establishing its position in the transformer oil market in our key operating arenas as we have moved Canton into full operations and improved efficiency in Australia. Whilst market conditions and margins, particularly in the US, remain challenging, both operations are generating positive EBITDA and the focus now for the rest of this year is to improve margins and profitability as well as taking advantage of any opportunities the current market may yet present to grow the business within both our existing platforms and in new markets*."

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Notes to Editors:

Hydrodec's technology is a proven, highly efficient, oil re-refining and chemical process initially targeted at the multi-billion US$ market for transformer oil used by the world's electricity industry. MarketsandMarkets forecasts that the global transformer oil market is expected to grow from US$1.98 billion in 2015 to US$2.79 billion by 2020 at a CAGR of 7.14% from 2015 to 2020. Spent oil is currently processed at two commercial plants with distinct competitive advantage delivered through very high recoveries (near 100%), producing 'as new' high quality oils at competitive cost and without environmentally harmful emissions. The process also completely eliminates PCBs, a toxic additive banned under international regulations. Hydrodec's plants are located at Canton, Ohio, US and Bomen, New South Wales, Australia.

Hydrodec's shares are listed on the AIM Market of the London Stock Exchange. For further information, please visit www.hydrodec.com.

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

Chief Executive's Report

After a particularly difficult 2015 for the Company, I am pleased to be able to report significant progress in delivering the Company's key objectives during the period under review, achieved against a challenging, yet improving, market backdrop.

Strategy

At the time of my appointment as CEO and the divestment of the UK recycling operations in March 2016, the Board restated its strategy to concentrate on the Group's market leading transformer oil re-refining technology and business and to grow that business to access an increasing proportion of the US$2 billion plus global transformer oil market. Specifically, the Board stated its intention, as the Company moves forward through 2016, to look to strengthen Hydrodec's footprint in the US and in the international transformer oil market, where the Board believes Hydrodec has a competitive advantage through its proven and market-leading technology.

In line with this strategy, my focus has been to grow the transformer oil business in order to drive profitability, with a rigorous focus on execution when deploying our market leading transformer oil re-refining technology, making effective costs savings and delivering the ramp-up of production and sales in the US.

Continuing business – re-refining

Summary

	6 months 30-Jun-16	6 months 30-Jun-15	% change
Volume ('000 litres)	16,750	5,281*	217%
Revenue (US$'000)	8,117	3,278	148%
Operating EBITDA pre one-off costs	(86)	(1,078)	

**includes traded oil (3.6 million litres) pending recommissioning of Canton plant*

Operational review

- ***USA***

The main drivers in 2016 have been to refocus on the core transformer oil re-refining technology by optimising the performance of the Canton facility, and to increase production levels through a combination of leveraging the experience gained since fully commissioning the plant at the end of last year along with specific targeted operating improvements, building on lessons learned during the commissioning process. These improvements have been validated by the significantly lower number of production hours lost through unscheduled stoppages and the record monthly production performance of the plant in May of 2.82 million litres of **SUPER**FINE transformer oil and base oil. Plant utilisation increased over the period, from an average of 64% in Q1 to 70% in Q2 with a peak of 76% in May and has averaged 68% through Q3 to date.

These developments have supported total sales volumes in Canton in the period of 15.5 million litres. An additional primary objective relates to improving the sales mix between higher margin transformer oil and lower margin base oil produced at the Canton plant. At the beginning of the year, January transformer oil sales represented 19% of US volumes sold. Since then significant improvements have been made in this area and in June transformer oil represented 71% of sales, with further advances targeted. Growth in transformer oil sales have been supported by the **SUPER**FINE product achieving "500 hour" oil status, certifying the oil to be high quality transformer oil and a prerequisite to accessing the larger power transformer market.

Post period-end, in September, we announced that the American Carbon Registry ("ACR") had approved Hydrodec's patented technology as a carbon offset project in the voluntary carbon offset market, allowing the Company to generate, and monetise, carbon credits. Hydrodec of North America ("HoNA") is now generating offsets through the re-refining of used transformer oil, which would otherwise ordinarily be incinerated or disposed of in an unsustainable manner. The ACR has recognised 165,000 credits for HoNA's previous production between 2009 and 2014 and the Company anticipates that it will generate 50,000 to 60,000 tons of carbon offset annually going forward. Whilst the historical credits may only generate nominal sums through trading, the ongoing generation of such credits could realise up to US$5 per ton (source: Carbonomics).

- ***Australia***

In respect of the operations in Australia, since the commissioning of the plant at the Southern Oil Refinery in May 2015 we have had to work hard to re-establish our commercial position in the market. Total sales volumes in Australia for the period were 1.3 million. In May, the Australian business enjoyed one of its highest feedstock acquisition months since 2012 and since then has consistently sourced feedstock at an optimal level to maximise its profitability going forward. The focus is now on expanding the customer base and increasing the proportion of transformer oil sales.

Post period-end, in August, we announced the award of a 5 year contract to supply **SUPER**FINE transformer oil to Essential Energy, a major Australian utility. The contract includes the collection and re-refining of all their PCB and non-PCB waste oils and is expected to generate over 1 million litres of new transformer oil sales over the life of the contract. The contract was awarded under a competitive tender process, with the Company successfully competing against a range of new oil suppliers.

- ***Market background***

In the US, leading producers of naphthenic speciality products, of which Hydrodec is one, have experienced lower margins due to high value inventory and lagging market prices from the impact of the first quarter crude price fall. Whilst the Group has been successful in improving margins since the first quarter, the Board expects margins to remain challenging for the second half of the year before improving into 2017, driven by improving product prices which lag recent increases in crude prices.

In Australia, market demand and margin remain relatively stable and the key to margin and volume improvement will be based around leveraging the award of the Essential Energy contract to increase sales of transformer oil into the key utilities.

Financial review

Revenues from continuing operations increased 148% to US$8.1 million (H1 2015: US$3.3 million), reflecting the full commissioning of the Canton plant at the end of last year. The Group sold 16.8 million litres during the period, an increase of 217% on the corresponding period in 2015 which had included 3.6 million litres of traded oil whilst the US business was being recommissioned. Of the volumes sold in the period, 40% represented transformer oil and 60% was base oil, with margins steadily improving since the beginning of the year.

There has been a key focus on the reduction of overheads and corporate costs. Significant reductions have already been realised with the expectation that the benefits from more recently implemented initiatives will filter through in H2. These savings are reflected in the reduction in administrative expenses from continuing operations from US$6.1 million to US$3.9 million as highlighted below.

	Six months ended 30 June 2016 USD'000	Six months ended 30 June 2015 USD'000	% change
Indirect operating costs	**(1,530)**	(2,824)	(46%)
Corporate costs	**(1,451)**	(2,087)	(30%)
Depreciation and amortisation - overheads	**(939)**	(1,171)	(20%)
Administrative expenses	**(3,920)**	(6,082)	(36%)

Group EBITDA from continuing operations improved from US$3.4 million loss (H1 2015) to US$1.1 million loss. The total loss for the period (including discontinued operations) was US$5.3 million (H1 2015: US$8.4 million).

Operating cash outflow (before working capital movements) reduced to US$2.0 million (H1 2015: US$5.8 million). The improved EBITDA performance resulted in lower working capital outflows which reduced from $3.0 million to $2.4 million. Total net cash expended in the first six months of 2016 was US$0.2 million compared to a US$12.6 million outflow in the prior year comparable period. Overall, the Group held US$0.6 million in cash on its balance sheet at the end of the period and retained approximately US$1.4 million headroom under its working capital facilities provided by Andrew Black, a Director and the Company's largest shareholder.

Disposal of UK recycling operations

In late 2015 and January 2016, the Company undertook a detailed strategic review of its UK waste oil collections business and proposed UK lubricant oil re-refining project, following a significant deterioration in its UK operations. This deterioration was driven predominately by the rapid decline in global oil prices and continued challenging market conditions which resulted in the UK business generating an increasing level of significant losses. Despite implementing extensive restructuring and cost-saving measures during 2015, Hydrodec remained exposed to the impact of the global oil price decline. Given the significant cash consumption and limited cash resources available to the Company (in the absence of a significant further fundraising), the Directors reviewed all available options and concluded that it was in the best interests of the Company to dispose of the UK operations.

Following a strategic auction process conducted by an independent third party financial adviser, the Company sold its UK operations to Andrew Black, a non-executive Director and substantial shareholder (the "Buyer"), on 4 March 2016 for a consideration of £1 in cash, including the transfer to the Buyer of c. £1.2 million of existing third party indebtedness in the UK business and involving the injection by the Buyer of further working capital into that operation. In addition, the Buyer granted

Hydrodec a contractual right to receive a proportion of the Buyer's entitlement to any future profits of the UK re-refining project on the following waterfall basis (a) first, the Buyer, as primary risk taker, to recover the costs of its investment in the UK re-refining project; (b) then, the next tranche to be applied 70:30 between Hydrodec and the Buyer respectively until Hydrodec has recovered its costs incurred to date in connection with the UK re-refining project; and (c) finally, the balance of any profits to be shared 90:10 between the Buyer and Hydrodec. The Buyer will bear all risk and responsibility for developing the UK lubricant oil re-refining project going forward, with Hydrodec retaining only a passive economic interest under these profit share arrangements. The UK re-refining project also offers a potential opportunity to develop transformer oil re-refining capacity in the UK. The impact on the Company of all of the above is described in note 12 to the interim financial statements.

Risk management process

The Group has policies, processes and systems in place to help identify, evaluate and manage risks at all levels throughout the organisation. Risks are regularly reviewed and monitored by business unit or functional management teams. The executive team review the major risks across the Group on a quarterly basis to ensure that the management of these risks has appropriate focus. The Board review these at least twice a year.

The principal risks that could potentially have a significant impact on the Group in the future are set out on pages 12 and 13 of the 2015 Annual Report. The continued successful operation of Canton is the key performance imperative for the Group. The Annual Report can be downloaded at www.hydrodec.com

Outlook

Today's results confirm significant progress in the turnaround of the Company over the first half of the year. Our key objective during the rest of the year is to strengthen margins as we grow market share and seek to leverage the recent carbon credit approval in the US, whilst continuing the program of cost reduction. Volumes and margins in Q3 to date remain consistent with Q2 and, with both operations now generating positive EBITDA, we continue to make strong progress towards positive Group EBITDA in the second half of the year.

Chris Ellis
CEO

16 September 2016

CONSOLIDATED INCOME STATEMENT

	Note	**Six months ended 30 June 2016 (unaudited) USD'000**	Six months ended 30 June 2015 (unaudited) *Restated USD'000	Year ended 31 December 2015 (audited) *Restated USD'000
Continuing operations				
Revenue	**3**	**8,117**	3,278	8,231
Other income		**404**	1,519	1,521
Total income		**8,521**	4,797	9,752
Cost of sales		**(7,695)**	(3,561)	(10,421)
Gross profit/(loss)		**826**	1,236	(669)
Administrative expenses		**(3,920)**	(6,082)	(11,763)
Operating loss		**(3,094)**	(4,846)	(12,432)
Finance costs	**4**	**(522)**	(169)	(20)
Finance income	**4**	**-**	485	5
Loss on ordinary activities before taxation		**(3,616)**	(4,530)	(12,447)
Income tax benefit/(charge)		**78**	18	(14)
Loss for the period from continuing operations		**(3,538)**	(4,512)	(12,461)
Discontinued operation				
Loss from discontinued operation, net of tax	**12.1**	**(1,768)**	(3,919)	(18,677)
Loss for the period		**(5,306)**	(8,431)	(31,138)
Loss for the period attributable to:				
Non-controlling interests		**(282)**	(184)	(1,004)
Owners of the parent		**(5,024)**	(8,247)	(30,134)
Total loss for the period		**(5,306)**	(8,431)	(31,138)
Loss per share - basic/diluted	**5**	**(0.71) cents**	(1.13) cents	(4.17) cents
Loss per share (continuing operations) - basic / diluted	**5**	**(0.47) cents**	(0.60) cents	(1.67) cents

*Restated
Historical balances presented to show continuing operations and discontinued operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2016 (unaudited) USD'000	Six months ended 30 June 2015 (unaudited) *Restated USD'000	Year ended 31 December 2015 (audited) *Restated USD'000
Total loss for the period	**(5,306)**	(8,431)	(31,138)
Other comprehensive income			
Items that may be reclassified to profit and loss:			
Exchange differences on translation of foreign operations	**(589)**	(399)	(1,361)
Items that will never be reclassified to profit and loss:			
Revaluation of property, plant and equipment	**-**	-	(496)
Total comprehensive loss for the period	**(5,895)**	(8,830)	(32,995)
Other comprehensive income for the period attributable to:			
Non-controlling interests	**(282)**	(184)	(1,004)
Owners of the parent	**(5,613)**	(8,646)	(31,991)
Total comprehensive loss for the period	**(5,895)**	(8,830)	(32,995)

*Restated
Historical balances in six months ended 30 June 2015 presented to reclassify US$325,000 capital contributions from non-controlling interests out of comprehensive income into transactions with owners in the Statement of Changes in Equity as well as the associated exchange differences.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2016 (unaudited) USD'000**	30 June 2015 (unaudited) *Restated USD'000	31 December 2015 (audited) *Restated USD'000
Non-current assets				
Property, plant and equipment	**6**	**39,707**	49,914	45,645
Intangible assets	**7**	**7,962**	18,853	9,616
		47,669	68,767	55,261
Current assets				
Trade and other receivables	**8**	**2,605**	8,475	6,799
Inventories		**515**	3,668	1,282
Cash and cash equivalents		**628**	2,382	2,064
		3,748	14,525	10,145
Current liabilities				
Bank overdraft		**(1,100)**	-	(2,367)
Trade and other payables	**9**	**(4,885)**	(11,752)	(10,489)
Provisions		**(80)**	(663)	-
Other interest-bearing loans and borrowings	**10**	**(2,871)**	(2,798)	(6,195)
		(8,936)	(15,213)	(19,051)
Net current liabilities		**(5,188)**	(688)	(8,906)
Non-current liabilities				
Employee obligations		**(50)**	(90)	(46)
Provisions		**(820)**	(1,084)	(1,776)
Other interest-bearing loans and borrowings	**10**	**(16,053)**	(10,352)	(13,091)
Deferred taxation		**(1,572)**	(2,004)	(1,827)
Other non-current liabilities		**-**	(1,000)	-
		(18,495)	(14,530)	(16,740)
Net assets		**23,986**	53,549	29,615
Equity attributable to equity holders of the parent				
Called up share capital	**11**	**6,200**	6,200	6,200
Share premium account		**130,539**	130,539	130,539
Merger reserve		**48,940**	48,940	48,940
Employee benefit trust		**(1,150)**	(1,219)	(1,150)
Foreign exchange reserve		**(9,763)**	(3,395)	(9,174)
Share option reserve		**899**	7,652	883
Revaluation reserve		**-**	513	-
Capital redemption reserve		**420**	420	420
Profit and loss account		**(157,686)**	(142,342)	(152,662)
		18,399	47,308	23,996
Non-controlling interests		**5,587**	6,241	5,619
Total equity		**23,986**	53,549	29,615

*Restated
Exchange differences on equity balances on the presentation of sterling denominated reserves balances in US dollars. Also reclassification of intangible assets (CEP license) offset by trade and other payables as at 30 June 2015 to be consistent with changes made as at 31 December 2015.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Revaluation reserve	Merger reserve	Treasury reserve	Employee benefit trust	Foreign exchange reserve	Capital redemption reserve	Share option reserve	Profit and loss account	Total attributable to owners of the parent	Non-controlling interest	Total equity
At 1 January 2015	6,620	130,539	548	48,940	(44,186)	(1,239)	(2,915)	-	7,556	(90,234)	55,629	6,100	61,729
Change in exchange rates *Restated	-	-	-	-	-	20	(20)	-	-	-	-	-	-
Cancelled shares	(420)	-	-	-	44,186	-	-	420	-	(44,186)	-	-	-
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	325	325	325	650
Transactions with owners	(420)	-	-	-	44,186	20	(20)	420	-	(43,861)	325	325	650
Change in exchange rates	-	-	(35)	-	-	-	(460)	-	96	-	(399)	-	(399)
Loss for the period	-	-	-	-	-	-	-	-	-	(8,247)	(8,247)	(184)	(8,431)
Total comprehensive income	-	-	(35)	-	-	-	(460)	-	96	(8,247)	(8,646)	(184)	(8,830)
At 30 June 2015	6,200	130,539	513	48,940	-	(1,219)	(3,395)	420	7,652	(142,342)	47,308	6,241	53,549
Change in exchange rates*	-	-	-	-	-	38	(36)	-	-	-	2	(2)	-
Issue of shares	-	-	-	-	-	31	-	-	-	-	31	-	31
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	200	200
Transactions with owners	-	-	-	-	-	69	(36)	-	-	-	33	198	231
Change in exchange rates *Restated	-	-	(17)	-	-	-	(5,743)	-	(455)	5,253	(962)	-	(962)
PPE revaluation	-	-	(496)	-	-	-	-	-	-	-	(496)	-	(496)
Share options lapsed	-	-	-	-	-	-	-	-	(6,314)	6,314	-	-	-
Loss for the period	-	-	-	-	-	-	-	-	-	(21,887)	(21,887)	(820)	(22,707)
Total comprehensive income	-	-	(513)	-	-	-	(5,743)	-	(6,769)	(10,320)	(23,345)	(820)	(24,165)
At 31 December 2015	6,200	130,539	-	48,940	-	(1,150)	(9,174)	420	883	(152,662)	23,996	5,619	29,615
Share-based payment	-	-	-	-	-	-	-	-	16	-	16	-	16
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	250	250
Transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16**	**-**	**16**	**250**	**266**
Change in exchange rates	-	-	-	-	-	-	(589)	-	-	-	(589)	-	(589)
Loss for the period	-	-	-	-	-	-	-	-	-	(5,024)	(5,024)	(282)	(5,306)
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**-**	**(589)**	**-**	**-**	**(5,024)**	**(5,613)**	**(282)**	**(5,895)**
At 30 June 2016	**6,200**	**130,539**	**-**	**48,940**	**-**	**(1,150)**	**(9,763)**	**420**	**899**	**(157,686)**	**18,399**	**5,587**	**23,986**

*Restated

Exchange differences on transactions with owners arise on the presentation of sterling denominated reserves balances in US dollars.

CONSOLIDATED STATEMENT OF CASH FLOW

	Six months ended 30 June 2016 (unaudited) USD'000	Six months ended 30 June 2015 (unaudited) USD'000	Year ended 31 December 2015 (audited) USD'000
Cash flows from operating activities			
Loss before tax	**(5,384)**	(8,449)	(31,124)
Net finance costs	**522**	197	522
Amortisation, depreciation and impairment	**2,007**	3,189	16,872
Gain on sale of property, plant and equipment	**-**	(521)	(760)
Share based payment expense	**16**	17	31
Asset revaluation	**-**	-	496
Loss on sale of discontinued operation, net of tax	**209**	-	-
Other non-cash movements	**-**	-	(2,389)
Foreign exchange movement	**626**	(227)	884
Operating cash flows before working capital movements	**(2,004)**	(5,794)	(15,468)
Decrease/(increase) in inventories	**455**	(1,551)	835
(Increase)/decrease in receivables	**(1,970)**	2,365	4,041
Decrease in trade and other payables	**(859)**	(3,480)	(3,268)
Increase/(decrease) in provisions	**12**	(334)	270
Taxes paid	**(5)**	(14)	(133)
Net cash outflow from operating activities	**(4,371)**	(8,808)	(13,723)
Cash flows from investing activities			
Acquisition of Eco-Oil	**-**	(3,575)	(3,575)
Acquisition of property, plant and equipment	**-**	(10,912)	(14,937)
Proceeds from sale of property, plant and equipment	**-**	648	2,536
Disposal of discontinued operation, net of cash disposed of	**1,716**	-	-
Interest received	**-**	4	5
Net cash inflow /(outflow) from investing activities	**1,716**	(13,835)	(15,971)
Cash flows from financing activities			
Proceeds from loans and borrowings	**3,546**	9,630	15,404
Capital contribution from NCI	**250**	650	850
Interest paid	**(522)**	(201)	(527)
Repayment of lease liabilities	**(817)**	-	(573)
Net cash inflow from financing activities	**2,457**	10,079	15,154
Decrease in cash and cash equivalents	**(198)**	(12,564)	(14,540)
Movement in net cash			
Cash and cash equivalents	**(303)**	14,946	14,946
Effect of movements in exchange rates on cash held	**29**	-	(709)
Opening cash and cash equivalents	**(274)**	14,946	14,237
Decrease in cash and cash equivalents	**(198)**	(12,564)	(14,540)
Closing cash and cash equivalents	**(472)**	2,382	(303)
Reported in the Consolidated Statement of Financial Position as:			
Cash and cash equivalents	**628**	2,382	2,064
Bank overdraft	**(1,100)**	-	(2,367)
Net cash balance	**(472)**	2,382	(303)

NOTES TO THE UNAUDITED INTERIM REPORT

1. BASIS OF PREPARATION

Hydrodec Group plc is the Group's ultimate parent company. It is incorporated and domiciled in England and Wales. The address of Hydrodec Group plc's registered office is 6 Hay's Lane, London, United Kingdom. Hydrodec Group plc's shares are listed on the Alternative Investment Market of the London Stock Exchange.

The Group presents its financial statements in US dollars, as the Group's business is influenced by pricing in international commodity markets which are primarily dollar based.

These consolidated condensed interim financial statements have been approved by the Board of Directors on 15 September 2016.

The interim consolidated financial statements for the six months ended 30 June 2016, which are unaudited, do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. Accordingly, this condensed report is to be read in conjunction with the Annual Report for the year ended 31 December 2015, which has been prepared in accordance with IFRS as adopted by the European Union, and any public announcements made by the Group during the interim reporting period.

The statutory accounts for the year ended 31 December 2015 have been reported on by the Group's auditors, received an unqualified audit report and have been filed with the registrar of companies at Companies House. The unaudited condensed interim financial statements for the six months ended 30 June 2016 have been drawn up using accounting policies and presentation expected to be adopted in the Group's full financial statements for the year ending 31 December 2016, which are not expected to be significantly different to those set out in note 1 to the Group's audited financial statements for the year ended 31 December 2015.

The financial statements have been prepared on the going concern basis, which assumes that the Group will have sufficient funds to continue in operational existence for the foreseeable future.

2. ACCOUNTING POLICIES

Restatement of prior period balances
In preparing the six months ended 30 June 2016 financial statements, certain balances in respect of prior period (six months ended 30 June 2015) have been restated.

- The retranslation of certain reserve accounts has been reversed so as to present the reserve accounts at their historical position as at 1 January 2014. It has not been possible to restate back to the original opening position but any impact is within reserves and deemed immaterial.
- In the Statement of Comprehensive Income, exchange differences on translation of foreign operations and capital contribution from non-controlling interests have been restated to show the reclassification of capital contribution of US$325,000 from non-controlling interests from other comprehensive income to transactions with owners. This has subsequently changed the figure for exchange differences from US$(417,000) to US$(399,000).
- In the Statement of Financial Position, the carrying amount of the intangibles relating to the CEP license has been restated to reflect the US$953,000 write-off in the six months ended 30 June 2015 with the offset reflected in trade and other payables. This restatement has no impact to profit and loss.
- In finalising the fair value of assets acquired with the purchase of Eco-Oil for the financial statements for the year ended 31 December 2015, the Directors had reviewed the estimates of fair value made initially and recorded on a provisional basis in the Group's interim accounts for the six months ended 30 June 2015. Consequently, the reassessed figures for intangible assets were determined to have no

material value assigned at the date of acquisition. This was further supported by the subsequent sales.

Certain other balances in respect of prior periods (six months ended 30 June 2015 and year ended 31 December 2015) have been restated without any overall impact on net assets.

- Presentation of Income Statement to show reclassification between continuing operations and discontinued operations.

3. REVENUE AND OPERATING LOSS

Following the disposal of Hydrodec (UK) Limited ("HUK") and Hydrodec Re-Refining (UK) Limited ("HRR") (together the "Recycling" business) on 4 March 2016, the Group operates one main operating segment, Re-refining.

3.1. SEGMENT ANALYSIS

Six months ended 30 June 2016	Re-refining USD'000	Recycling (discontinued)* USD'000	All other segments USD'000	Total USD'000
Revenue	8,117	4,724	-	12,841
Other income	404	-	-	404
Operating EBITDA	(86)	(1,559)	(1,594)	(3,239)
Depreciation	(1,132)	(213)	(4)	(1,349)
Amortisation	(871)	-	-	(871)
Share-based payment costs	-	-	(16)	(16)
Foreign exchange gain	421	4	188	613
Operating loss before impairment (including discontinued operations)	**(1,668)**	**(1,768)**	**(1,426)**	**(4,862)**

Six months ended 30 June 2015	Re-refining USD'000	Recycling (discontinued)* USD'000	All other segments USD'000	Total USD'000
Revenue	3,278	16,547	-	19,825
Other income	1,519	-	-	1,519
Operating EBITDA	(363)	(1,227)	(1,623)	(3,213)
Growth costs	(715)	(422)	(90)	(1,227)
Re-commissioning costs	(494)	-	-	(494)
Restructuring costs	-	(105)	-	(105)
Depreciation	(447)	(806)	(4)	(1,257)
Amortisation	(1,039)	(893)	-	(1,932)
Share-based payment costs	-	-	(17)	(17)
Foreign exchange gain / (loss)	(25)	48	(30)	(7)
Operating loss before impairment (including discontinued operations)	(3,083)	(3,405)	(1,764)	(8,252)

Year ended 31 December 2015	Re-refining USD'000	Recycling (discontinued)* USD'000	All other segments USD'000	Total USD'000
Revenue	8,231	34,083	-	42,314
Other income	1,521	2	-	1,523
Operating EBITDA	(3,254)	(2,855)	(5,114)	(11,223)
Growth costs	(1,246)	(422)	(92)	(1,760)
Re-commissioning costs	(302)	-	-	(302)
Restructuring costs	(231)	(1,028)	-	(1,259)
Depreciation	(1,310)	(1,414)	(11)	(2,735)
Amortisation	(1,683)	(1,381)	-	(3,064)
Share-based payment costs	-	-	(31)	(31)
Foreign exchange gain	784	3	58	845
Operating loss before impairment (including discontinued operations)	(7,242)	(7,097)	(5,190)	(19,529)

* See Note 12.1

3.2. GEOGRAPHIC ANALYSIS

	Six months ended 30 June 2016		Six months ended 30 June 2015		Year ended 31 December 2015	
	Revenue and other income USD'000	**Non-current assets USD'000**	Revenue and other income USD'000	Non-current assets USD'000	Revenue and other income USD'000	Non-current assets USD'000
USA	**6,807**	**33,839**	2,706	33,235	5,559	34,616
Australia	**1,714**	**11,239**	2,091	11,994	4,193	11,855
Unallocated	**-**	**2,591**	-	7,738	-	3,274
Recycling (discontinued)*	**4,724**	**-**	16,547	15,800	34,085	5,516
	13,245	**47,669**	21,344	68,767	43,837	55,261

* See Note 12.1

4. FINANCE COSTS

	Six months ended 30 June 2016 USD'000	Six months ended 30 June 2015 *Restated USD'000	Year ended 31 December 2015 *Restated USD'000
Interest income on:			
Loan and receivables	**-**	485	5
Finance income	**-**	485	5
Financial liabilities measured at amortised cost - interest expense	**(522)**	(169)	(20)
Finance costs	**(522)**	(169)	(20)
Net finance costs recognised in profit or loss	**(522)**	316	(15)

5. LOSS PER SHARE

	Six months ended 30 June 2016 Number of Shares	Six months ended 30 June 2015 Number of Shares	Year ended 31 December 2015 Number of Shares
Issued ordinary shares at beginning of year	**746,682,805**	803,356,138	803,356,138
Add back EBT shares cancelled	**-**	-	2,583,333
Add back treasury shares (cancelled in 2015)	**-**	(59,256,666)	(59,256,666)
Weighted average shares in issue	**746,682,805**	744,099,472	746,682,805
Loss per share - basic/diluted	(0.71) cents	(1.13) cents	(4.17) cents
Loss per share (continuing operations) - basic / diluted	(0.47) cents	(0.60) cents	(1.67) cents
Loss per share (discontinued operations) - basic / diluted	(0.24) cents	(0.53) cents	(2.50) cents

6. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings USD'000	Plant and equipment USD'000	Assets in course of construction USD'000	Total USD'000
Cost				
At 31 December 2014	4,838	21,450	18,098	44,386
Change in exchange rates	(68)	(297)	-	(365)
Additions	14	96	10,675	10,785
Acquisitions	894	3,091	-	3,985
Disposals	(6)	(536)	-	(542)
At 30 June 2015	**5,672**	**23,804**	**28,773**	**58,249**
Change in exchange rates	(83)	(338)	-	(421)
Reclassification	-	18,098	(18,098)	-
Additions	585	14,242	(10,675)	4,152
Acquisitions	(152)	13	-	(139)
Revaluation	-	(496)	-	(496)
Disposals	(4)	(3,251)	-	(3,255)
At 31 December 2015	**6,018**	**52,072**	**-**	**58,090**
Change in exchange rates	-	143	-	143
Disposals	-	(10,568)	-	(10,568)
At 30 June 2016	**6,018**	**41,647**	**-**	**47,665**
Accumulated depreciation				
At 31 December 2014	503	7,093	-	7,596
Change in exchange rates	(7)	(98)	-	(105)
Depreciation charge for the period	54	1,205	-	1,259
Disposals	(3)	(412)	-	(415)
At 30 June 2015	**547**	**7,788**	**-**	**8,335**
Change in exchange rates	12	173	-	185
Depreciation charge for the period	535	941	-	1,476
Impairment	742	3,318	-	4,060
Disposals	(7)	(1,604)	-	(1,611)
At 31 December 2015	**1,829**	**10,616**	**-**	**12,445**
Change in exchange rates	-	407	-	407
Depreciation charge for the period	37	1,099	-	1,136
Disposals	-	(6,030)	-	(6,030)
At 30 June 2016	**1,866**	**6,092**	**-**	**7,958**
Carrying amount				
At 30 June 2016	**4,152**	**35,555**	**-**	**39,707**
At 30 June 2015	5,125	16,016	28,773	49,914
At December 2015	4,189	41,456	-	45,645

7. INTANGIBLES

	Re-Refining				Recycling			Total
	Royalty USD'000	Hydrodec Technology USD'000	Goodwill USD'000	CEP License USD'000	Contracts USD'000	Brand Name USD'000	Goodwill USD'000	USD'000
Cost								
At 31 December 2014	4,593	24,414	6,349	1,948	2,223	2,079	-	41,606
Exchange translation	(292)	252	65	(38)	23	22	-	32
Acquisition	-	-	-	-	-	-	1,536	1,536
Write-off	-	-	-	(953)	-	-	-	(953)
At 30 June 2015	**4,301**	**24,666**	**6,414**	**957**	**2,246**	**2,101**	**1,536**	**42,221**
Exchange translation	(211)	(1,410)	(366)	(54)	(129)	(121)	(127)	(2,418)
Acquisition	-	-	-	-	-	-	-	-
Write-off	-	-	(2,904)	-	-	-	-	(2,904)
Disposals	-	(389)	-	-	-	-	-	(389)
At 31 December 2015	**4,090**	**22,867**	**3,144**	**903**	**2,117**	**1,980**	**1,409**	**36,510**
Exchange translation	69	(2,222)	(364)	(88)	(206)	(192)	(147)	(3,150)
Disposals	-	-	-	-	-	-	(1,262)	(1,262)
At 30 June 2016	**4,159**	**20,645**	**2,780**	**815**	**1,911**	**1,788**	**-**	**32,098**
Accumulated amortisation and impairment								
At 31 December 2014	3,265	13,270	3,118	-	750	816	-	21,219
Exchange translation	(1)	163	31	-	18	8	-	219
Provided in the period	255	784	-	-	455	436	-	1,930
At 30 June 2015	**3,519**	**14,217**	**3,149**	**-**	**1,223**	**1,260**	**-**	**23,368**
Exchange translation	(198)	(841)	(534)	-	(77)	(67)	-	(1,717)
Provided in the period	(145)	789	-	-	305	185	-	1,134
Write-off	-	-	(2,904)	-	-	-	-	(2,904)
Impairment	-	-	3,433	903	666	602	1,409	7,013
At 31 December 2015	**3,176**	**14,165**	**3,144**	**903**	**2,117**	**1,980**	**1,409**	**26,894**
Exchange translation	55	(1,425)	(364)	(88)	(206)	(192)	(147)	(2,367)
Provided in the period	134	737	-	-	-	-	-	871
Disposals	-	-	-	-	-	-	(1,262)	(1,262)
At 30 June 2016	**3,365**	**13,477**	**2,780**	**815**	**1,911**	**1,788**	**-**	**24,136**
Carrying amount								
At 30 June 2016	**794**	**7,168**	**-**	**-**	**-**	**-**	**-**	**7,962**
At 30 June 2015	782	10,449	3,265	957	1,023	841	1,536	18,853
At 31 December 2015	914	8,702	-	-	-	-	-	9,616

*Restated

CEP license write-off of US$953,000 restated in six months ended 30 June 2015 to reflect adjustment made in the year ended 31 December 2015 carrying amount as well as exchange translation. Corresponding adjustment was to trade and other payables. See note 9.

Restatement of acquisition of Contracts and Brand Name in six months ended 30 June 2015 to nil to show change in treatment of acquisition of Eco-Oil from gain on bargain purchase to goodwill on acquisition. The goodwill on acquisition is subsequently written off when the Recycling business is disposed of in the six months ended 30 June 2016.

8. TRADE AND OTHER RECEIVABLES

	Six months ended 30 June 2016 USD'000	Six months ended 30 June 2015 USD'000	Year ended 31 December 2015 USD'000
Trade receivables	**2,125**	6,632	5,103
Prepayments and accrued income	**40**	1,546	1,260
Other receivables	**440**	292	436
Other taxation and social security	**-**	5	-
	2,605	8,475	6,799

9. TRADE AND OTHER PAYABLES

	Six months ended 30 June 2016 USD'000	Six months ended 30 June 2015 *Restated USD'000	Year ended 31 December 2015 USD'000
Current			
Trade payables	**3,304**	7,776	7,420
Non-trade payables and accrued expenses	**1,581**	3,976	3,069
	4,885	11,752	10,489

*Restated

CEP license write-off of US$953,000 restated in six months ended 30 June 2015 to reflect adjustment made in the year ended 31 December 2015 carrying amount as well as exchange translation. Corresponding adjustment was to trade and other payables. See note 7.

Change in classification between trade and other payables and other interest-bearing liabilities. See note 10.

10. OTHER INTEREST-BEARING LIABILITIES

	Six months ended 30 June 2016 USD'000	Six months ended 30 June 2015 *Restated USD'000	Year ended 31 December 2015 USD'000
Current liabilities			
Current portion of finance lease liabilities	**1,552**	168	2,074
Unsecured bank facility	**1,319**	2,630	4,121
	2,871	2,798	6,195
Non-current liabilities			
Finance lease liabilities	**8,728**	10,348	9,125
Loan from shareholder	**7,325**	-	3,966
Other loan	**-**	4	-
	16,053	10,352	13,091

*Restated

Change in classification between trade and other payables and other interest-bearing liabilities. See note 9.

11. SHARE CAPITAL

Issued and fully paid - ordinary shares of 0.5 pence each

	Six months ended 30 June 2016 Number of shares	Six months ended 30 June 2015 Number of shares	Year ended 31 December 2015 Number of shares
At the beginning of the period	**746,682,805**	803,356,138	803,356,138
Cancelled	**-**	(56,673,333)	(56,673,333)
At the end of the period	**746,682,805**	746,682,805	746,682,805

	Six months ended 30 June 2016 USD'000	Six months ended 30 June 2015 USD'000	Year ended 31 December 2015 USD'000
At the beginning of the period	**6,200**	6,620	6,620
Issued in settlement of loan	**-**	(420)	(420)
At the end of the period	**6,200**	6,200	6,200

12. DISCONTINUED OPERATIONS

12.1. RESULTS OF DISCONTINUED OPERATIONS

	Six months ended 30 June 2016 USD’000	Six months ended 30 June 2015 USD'000	Year ended 31 December 2015 USD'000
Revenue	**4,724**	16,547	34,085
Expenses	**(6,283)**	(20,466)	(52,762)
Results from operating activities	**(1,559)**	(3,919)	(18,677)
Income tax	-	-	-
Results from operating activities, net of tax	**(1,559)**	(3,919)	(18,677)
Loss on sale of discontinued operation	**(209)**	-	-
Loss for the period	**(1,768)**	(3,919)	(18,677)
Basic/diluted earnings (loss) per share (USD cents)	**(0.24)**	(0.53)	(2.50)

12.2. CASH FLOWS FROM / (USED IN) DISCONTINUED OPERATION

	Six months ended 30 June 2016 USD’000	Six months ended 30 June 2015 USD'000	Year ended 31 December 2015 USD'000
Net cash used in operating activities	**(798)**	(985)	(4,461)
Net cash from/(used in) investing activities	**1,716**	(5,247)	(2,128)
Net cash flow for the period	**918**	(6,232)	(6,589)

12.3. EFFECT OF DISPOSAL ON THE FINANCIAL POSITION OF THE GROUP

	Six months ended 30 June 2016 USD'000
Property, plant and equipment	**(4,538)**
Inventories	**(313)**
Trade and other receivables	**(6,164)**
Bank overdraft	**2,015**
Trade and other payables	**4,732**
Provisions	**894**
Other interest-bearing loans and borrowings	**3,464**
Net liabilities	**90**
Costs of disposal, satisfied in cash	**(299)**
Bank overdraft disposed of	**2,015**
Net cash inflow	**1,716**

On 4 March 2016, the Group disposed of Hydrodec (UK) Limited ("HUK") and Hydrodec Re-Refining (UK) Limited ("HRR") (together, the "UK Operations") and agreed to transfer certain other rights and assets relating to its UK Operations for a consideration of £1.

Terms of the disposal

The Company sold the UK Operations to Andrew Black (the "Buyer") for a consideration of £1 in cash, including the transfer to the Buyer of circa £1.2 million of existing third party indebtedness in HUK. In addition to this, the Buyer granted Hydrodec a contractual right to receive 10% of the Buyer's entitlement to any future net profits of the UK lubricant oil re-refining project on distribution or exit. The Buyer will bear all risk and responsibility for developing the UK lubricant oil re-refining project going forward, with Hydrodec retaining only a passive economic interest under these profit share arrangements.

Related party transaction

Andrew Black is a Non-Executive Director and a substantial shareholder (as defined in the AIM Rules for Companies) of the Company. Accordingly, the disposal of the UK Operations constitutes both a related party transaction and a substantial transaction for the purposes of the AIM Rules.