

THIS ANNOUNCEMENT IS NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN OR INTO THE UNITED STATES, CANADA, JAPAN, AUSTRALIA OR SOUTH AFRICA.

HYDRODEC GROUP PLC

ISSUE OF NEW EQUITY TO FUND AUSTRALIAN INFRASTRUCTURE AND USA EXPANSION PLANS

Hydrodec Group plc (“Hydrodec” or “the Company”) today announces the conditional placing of 6,000,000 new ordinary shares of 0.5p each at a price of 28p per share (“New Ordinary Shares”), to raise £1,680,000 gross (the “Placing”). Application has today been made to the London Stock Exchange plc for the admission of the New Ordinary Shares to trading on AIM. Immediately following the Placing, the total number of shares in issue will be 184,645,402. The New Ordinary Shares will rank *pari passu* in all respects with the existing Hydrodec shares in issue. It is expected that admission will become effective and dealings in the New Ordinary Shares will commence on 19th October 2006.

The funds raised will be used for infrastructure development at Hydrodec’s 20,000 litre a day transformer oil production facility at Young, New South Wales. Demand from Australian customers has created a requirement for expansion of the *Superfine* product line to include passivated as well as inhibited oil products (see Glossary below) together with expansion of used oil feedstock capacity in order to store the oil that is the basis of *Superfine* production. This will allow Hydrodec to plan production schedules and to meet customer demands in the future, completing Hydrodec’s stated mission of creating a world-class centre of excellence for transformer oil at Young.

Ongoing development of *Superfine* production systems has also identified a high rate product finishing process that provides a more efficient way of meeting customer quality and delivery needs, a process which further underpins Hydrodec’s production technology advantage in the transformer oil market.

The funds will also be used to further the development of *Superfine* production in America. Significant progress has been made in this area that has seen considerable management and financial resource dedicated to legal, logistical and development work to analyse the US transformer oil industry and to identify the ideal location, structure and partners for the plant. Hydrodec has identified a number of possible production sites and a final decision will be based upon the outcome of ongoing negotiations with local and state government bodies. Hydrodec is also working to finalise marketing partnerships that will support rapid commencement of sales upon the commissioning of the USA plant.

John Gunn, Chairman, commented “*I am delighted that take up of Superfine oil in Australia has led to the requirement for expansion of the Superfine product line and additional product storage and delivery capacity. As well as developments at Young, significant progress has been made towards the establishment of Hydrodec in the USA, and I hope to shortly announce detailed plans for the first Hydrodec transformer oil plant there*”.

For further information please contact:

John Gunn, Chairman
Hydrodec Group plc

Tel: 020 7236 6236

Glossary

Inhibited oil has had an anti-oxidant added. *Superfine* has only been sold to date with inhibitor added. The power industry is generally moving to inhibited oil in transformers.

Passivated oil has a corrosion passivator added. The passivator is used to protect the internal components in a transformer. Passivated oil is specified by some utilities for use in transformers. Hydrodec now produces both inhibited and passivated transformer oil.

END