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USA DEVELOPMENTS MARK THE START OF HYDRODEC GROUP INTERNATIONAL EXPANSION

Hydrodec Group plc (“Hydrodec” or “the Company”) is pleased to announce plans to construct two *Superfine* transformer oil plants in the USA. This follows significant interest from the American transformer oil market and the identification of a number of suitable sites that may attract financial incentives to locate there. It is anticipated that the two plants, one in the North and one in the South of the United States, will be close to key centres of transformer oil demand. This should give Hydrodec significant exposure to the disparate American transformer oil market, reduce transport and other logistical costs and increase the market awareness of Hydrodec’s technology when production commences. The North American market for transformer oil was estimated to be around 180 million US gallons in 2005. Each plant will be built on a modular system with an initial capacity of between 60,000 and 80,000 litres a day, meaning an eight-fold increase of Hydrodec’s current processing capacity.

A final decision on the two locations will be announced in early Q1 2007, as Hydrodec is currently in the process of finalising negotiations with local and state government bodies and marketing and industry partners to determine the preferred locations.

Given the experience gained in developing Hydrodec’s market in Australia, the American sales and marketing plan for *Superfine* will be run in conjunction with the construction of the plants. The Board believes this should create significant market understanding and demand for *Superfine* before production commences, with the aim of filling plant capacity as quickly as possible.

John Gunn, Chairman, commented, *“Feedback from the American transformer oil industry has been tremendously encouraging. The decision to build two Superfine plants will give Hydrodec exposure to the entire industry and create an immediate impact. This multiplying of our production capacity will have significant financial benefits for the company and should give us the economic and industry credibility to consider other major markets for transformer oils around the world, following the expansion in the United States. I look forward to updating the market further with our expansion plans”*.

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