

HYDRODEC GROUP PLC **("Hydrodec" or "The Company")**

23 February 2009

Placing

The Company announces that it has conditionally raised approximately £1.9 million, before expenses, from the placing by Numis Securities Limited of 19,230,114 new ordinary shares of 0.5 pence each in the capital of the Company ("Ordinary Shares") at 10 pence per Ordinary Share with institutional and other investors (the "Placing"). The Placing is conditional on, amongst other things, admission of the new Ordinary Shares to trading on AIM becoming effective ("Admission").

Financing

Further to the Company's announcement on 17 February 2009, the proceeds of the Placing will be used to provide additional working capital for the Company. The Hydrodec Board is confident that this capital will provide the funding needed to bridge the group's current working capital shortfall and should allow the Company to report a profit from its operations in the current financial year.

The Board still intends to secure a working capital facility with a commercial bank in order to supplement the working capital available to the group from the proceeds of the Placing and the group's existing resources.

Market conditions

As announced on 17 February 2009, the recent deterioration in the price of transformer oil in the US has not been accompanied by a proportional decline in the price of used oil feedstock. As feedstock is acquired ahead of the sale of Superfine, the dramatic fall in price created pressure on the group's margins which was exacerbated by a reduction in production volumes over the course of December 2008.

However, the Board believes that the market price of Superfine in the US is stabilizing and that the cost of feedstock will reduce significantly over the coming months as the group benefits from recently announced contracts. This, combined with expected increases in production volumes in Canton to full capacity in the second half of the year, is expected to reduce the group's margin pressure and facilitate profitable trading in the US operations. The Board expects the price of Superfine to improve over the course of the year, though this has not been factored in to their forward planning.

Pricing in Australia remains robust and the group's Australian operations continue to trade profitably and generate cash.

Strategy

The Board intends to focus on ensuring that Hydrodec's US operations become profitable in order to achieve profitability for the group as a whole. It is expected that this will be achieved by careful stock management to bring down the average cost of feedstock and by ensuring that the plant operates at as close to maximum capacity as possible in order to reduce refining costs. The Board will monitor closely the group's working capital position in order to avoid any future shortfall.

The Board continues to believe that the ability to treat contaminated PCBs is important for Hydrodec's future business. The recently attained certification in Australia for Hydrodec's technology to be used in treating concentrated PCB's with effective zero air emission is an important accreditation. Hydrodec

intends to continue its application for a PCB treatment license in the US as this would allow the Canton plant to generate fees for the treatment of PCB contaminated transformer oils and as a result reduce the overall cost of feedstock. The re-refined oil would then be sold as Superfine.

The Board also believes that the group's joint venture in Japan is an important opportunity that should continue to be pursued as it should allow Hydrodec to benefit from the higher margin business of treating PCB contaminated oil. However, the Board recognizes that expenditure on future growth opportunities must not take precedence over prudent overall working capital management.

Board changes

The Company also announces that Rodger Sargent, a Non Executive Director, is retiring from the Board and would like to thank him for his contribution to the Company. He will remain on the Board until the next AGM.

The Board is currently considering a number of high calibre candidates to join the Board as Non Executive Directors and will make a further announcement as and when appropriate.

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