

28 July 2009

## **HYDRODEC GROUP PLC ("Hydrodec" or the "Company")**

### **AGM Statement and Trading Update**

The Chairman of Hydrodec Group plc ("Hydrodec" or the "Company"), will make the following statement at the Company's AGM which will be held later today.

#### *Board changes*

The Board is pleased to welcome Neil Gaskell and Gillian Leates to the Board as recently announced. In accordance with the announcement made on 23 February 2009, Rodger Sargent, a non-executive Director, is today retiring from the Board and we would like to thank him for his contribution to the Company.

The Company has experienced many challenges over its relatively short history. In the past few months it has, like many others, been affected by the financial crisis, and in our case, by the rapid fall in oil prices just as the Canton plant began its operations. I am glad to say that these challenges were met and overcome by dint of the efforts of our management and staff, supported by our shareholders in backing two separate fund raisings this year, for which we are all grateful.

During the last year, Hydrodec progressed, by virtue of the Canton plant start up, from being a late development stage company into an early stage international transformer oil production and sales business. This welcome progress naturally requires different skills to oversee the Company's future development, and therefore the Board has asked Neil Gaskell to become non-executive Chairman following today's meeting. As detailed in the announcement of his appointment to the Board in June 2009, Neil's experience makes him uniquely positioned to take Hydrodec through the next stage of its development. We are lucky to have a businessman of his calibre with such wide and relevant experience on the Board. The Board has asked me to remain as Deputy Chairman and I will be pleased to do so. My Board colleagues and I wish Neil - and the Company, of course - every success in achieving Hydrodec's full potential in the years to come.

The Company also welcomes Mike Preen as Company Secretary, commencing 3rd August 2009. Mike is a qualified solicitor who was a commercial lawyer in London and Sydney and has considerable experience of corporate finance, compliance, governance and investor relations. One of his first roles will be the establishment of Hydrodec's first UK office, in the City of London.

#### *Trading update*

Despite the challenging period experienced by the Company in the final quarter of 2008 and the first quarter of 2009, Hydrodec continues to experience solid demand for transformer oils. Production in Canton is steadily increasing and is now approaching 80% of operational capacity. The global prices of crude oil and transformer oil have experienced both reduced volatility and gradually increasing prices since the first quarter of 2009, whilst the Company's average feedstock prices are slowly trending lower through a progressive change in the balance of supply agreements.

The Company therefore continues to make progress towards reporting a profit from its operations in the current financial year.

#### *United States*

Previously announced standing agreements for feedstock supply and *SUPERfine* sales are now operating successfully. The Board considers that the forward sales of *SUPERfine* continue to be encouraging and that the Canton plant remains on course to achieve full operational capacity in 2009. The Group has secured

committed feedstock supply in excess of 90% of current available plant capacity and additional feedstock sources have been identified.

Technical acceptance of *SUPERfine* by two additional major transformer equipment manufacturers has been achieved in the past four weeks and oil supply agreements are currently under negotiation with these new customers.

#### *Australia*

The Young, NSW plant continues to run consistently and reliably and to provide systems, process and product development support for all activities across the Group.

Importantly, the Company has reached an agreement with primary equipment manufacturers and utilities for the use of *SUPERfine* in smaller, volume produced transformers. Sales prospects for the Australian plant have improved markedly as a consequence.

#### *Japan*

During the previous half year, demonstration trials for the benefit of the Japanese Environment Ministry were completed under witness by Japanese representatives in the Young, NSW plant. The independent results of the tests are awaiting review by the Japanese Ministry for the Environment. Negotiations with the prospective Japanese partner continue to progress.

#### *The future*

The increasingly stabilised and improving general market conditions, accompanied by progressive improvement in market uptake for *SUPERfine* continues to indicate a positive second half for Hydrodec in 2009. The Japanese opportunity continues to progress, and 2009 should see the Hydrodec business model begin to fulfil its potential."

John Gunn  
Chairman  
28th July 2009

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