

1 August 2014

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

Engineering, Licensing and Technology agreements with CEP Corporation

Hydrodec Group plc (AIM: HYR), the cleantech industrial oil re-refining group, is pleased to announce that it has signed an engineering and licence agreement and a technical collaboration agreement with California-based Chemical Engineering Partners (CEP). The agreements cover the engineering, planning and development for a UK lubricant oil re-refinery that will create a material source of sustainable, high quality base oil for the UK lubricant market; it will also enable the creation of a platform for further improvement in a world leading technology proposition in the field of used lubricant oil re-refining.

The agreements provide Hydrodec with an exclusive UK license to develop the CEP wiped-film evaporation and hydrogenation technology, as well as the basic engineering for a 75 million litre per annum capacity lubricant re-refinery. The plant would be capable of producing the leading commodity grade API Group II/II+ base oils for lubricant blending. As CEP technology is deployed at a Hydrodec facility, opportunities are expected to be identified to incorporate Hydrodec's provisionally patented pre-treatment and hydrogenation technology within the CEP technology platform. The intent is to improve oil recovery and re-refined base oil quality and to use these technologies in combination to develop additional facilities in the United Kingdom and elsewhere. The technology collaboration agreement creates a framework by which Hydrodec and CEP will work together to take advantage of these future opportunities both in the UK and potentially in international markets.

It is anticipated that this collaboration will enable Hydrodec to accelerate its plans to enter the lubricant oil re-refining market in the UK and, moreover, realise additional value from the waste-oil collection and waste management business of its UK trading arm OSS. The key deliverable will be the development of a new re-refinery and lubricant base oil business at substantially lower technology risk than previously envisaged. CEP's leading technology can produce API Group II/II+ quality base oil from collected used lubricant oil feedstock with base oil recoveries in excess of 70%; by-products include bitumen and light-end hydrocarbon residues which can be sold for blending. Hydrodec proprietary technology is specifically targeted at adding value by increasing base oil recoveries to 85% plus, as well as improving base oil quality to higher margin Group II+/III suitable for specialist high quality lubricant manufacture.

These agreements are outside of our previous arrangements with Essar Oil UK (EOUK) such that Hydrodec will pursue this CEP enabled project independently and at a separate advantaged location on which it is developing an option for lease and development. The Company intends to initiate a basic engineering design and begin a process of consultation for planning permission; assuming both provide positive assurance on a viable business plan, we will create a lubricant oil re-refining project by the fourth quarter of this year, with the potential for a full-scale re-refinery which would be operational during 2016.

CEP licenses the most widely distributed re-refining technology with ten plants operational globally and two more in design, approaching nearly a billion litres of re-refining capacity. It is assessed by Hydrodec as the most compatible technology platform with Hydrodec's own technology development programme. When combined, the platform should be capable of creating a step change improvement in the best available technology for the re-refining of used lubricant oil. The technology collaboration should support CEP's commitment to spreading its technology and expertise in used oil re-refining around the globe with the potential for Hydrodec to contribute to and benefit from maintaining CEP's position as a world leading technology provider.

Ian Smale, Chief Executive Officer of Hydrodec, commented: 'The collaboration with CEP will enable us to pursue an accelerated development of lubricant re-refining at significantly lower technology and commercial risk in the UK, thereby allowing Hydrodec to focus its own technology development on upgrading rather than re-inventing the re-refining process. We would hope that any technology improvement will be rapidly incorporated into all existing and future plants, so positioning us to offer upgrades or retrofit technology on existing re-refineries anywhere in the world. We are very excited about the opportunity of working with the exceptional team at CEP and are very confident that in combination we will be able to quickly build market share in lubricant oil re-refining in a way that complements our existing transformer oil business.'

Joshua Park, President of CEP, commented: 'We are excited to work with Hydrodec to bring CEP's state of the art re-refining technology to UK. It will provide a great environmental benefit to the UK while generating attractive economic returns. We look forward to the continuing relationship and collaboration with Hydrodec to build more re-refineries worldwide.'

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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. 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 Young, New South Wales, Australia. In September 2013, Hydrodec acquired the business and assets of OSS Group, the UK's largest collector, consolidator and processor of used lubricant oil and seller of processed fuel oil, with a national network of oil storage and transfer stations, currently serviced by a fleet of more than 90 trucks which collect used oil and other garage workshop waste from over 30,000 customers. Used oil is converted into processed fuel oil at OSS's plant at Stourport and principally sold on to the UK quarry and power industry.

Chemical Engineering Partners (CEP) is an advanced process technology company that provides re-refining technology, process simulation, consulting services and technology designs for clients worldwide. The CEP re-refining technology is based on vacuum distillation (using Wiped Film Evaporation) and hydrotreating (also known as hydrofinishing). This is the most successful commercial method of re-refining. CEP has been providing re-refining technology to companies around the world since 1988. They have designed plants located in five continents and have wide experience treating different qualities of used oil to produce API Group II/II+ base oil for re-use in lubricant manufacture.

The UK market demand for base oil is assessed as 700-800 million litres per annum, most of which is imported.

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