

Specialist Energy Group plc
("SEG", "Group" or the "Company")

Placing and Notice of General Meeting

Highlights

- Specialist Energy Group plc (AIM: SEGR.L), the specialist engineering group, today announces the conditional placing by finnCap Limited of up to 10,416,667 Ordinary Shares at a price of 48 pence per share raising approximately £5 million (before commissions and expenses).
- The new funds will provide working capital principally to support the Group's exports to India, the expansion of its US nuclear operation and to provide greater flexibility to fund new orders. As at 31 October 2010 the Company's order intake for the year to date stood at £26.3 million with a confirmed order book of £25.3 million.
- SEG's wholly owned subsidiary, Hayward Tyler, is a leading designer and manufacturer of mission critical components to the power generation and offshore oil and gas sectors.
- On 4 November 2010 SEG announced that Hayward Tyler had won new orders worth almost £3 million in India and China through Bharat Heavy Electricals Ltd and Shanghai Boiler Works Ltd.
- The Company has also identified a potential new site for its North American nuclear focused operations to create a "nuclear stamped" facility which has the potential to almost double Hayward Tyler's current footprint.
- SEG's directors Ewan Lloyd-Baker, Ronald Emerson and Nicholas Flanagan are participating in the Placing.
- The Placing is conditional, *inter alia*, upon the Company obtaining approval from its Shareholders to grant the Board authority to allot the Placing Shares at a General Meeting convened for 23 December 2010. A copy of the Circular, Notice of General Meeting and Proxy Form has been posted to Shareholders today and copies will be made available on the Company website – www.segroupplc.com

John May, non executive Chairman of SEG, commented:

"We are delighted by the strong interest that has been shown by new and existing institutional investors in the Placing. Not only does it allow the Group to continue expanding but it clearly strengthens our balance sheet and should facilitate the move to more flexible banking arrangements."

Defined terms used in this announcement have the same meaning as set out in the Circular.

PLACING STATISTICS

Placing Price	48 pence
Gross proceeds of the Placing	up to £5,000,000
Estimated proceeds of the Placing receivable by the Company, net of expenses	up to £4,665,000
Number of Ordinary Shares in issue immediately prior to the Placing	25,090,737
Number of Placing Shares to be issued pursuant to the Placing	up to 10,416,667
Number of Ordinary Shares in issue at Admission <i>(Note: Assuming no further issues of Ordinary Shares on or before Admission)</i>	up to 35,507,404
Number of Ordinary Shares under option at Admission <i>(Note: Assuming no further granting of options on or before Admission)</i>	59,420
Placing Shares expressed as a percentage of the enlarged issued share capital of the Company at Admission	29.34 per cent.

EXPECTED TIMETABLE FOR ADMISSION

Publication of this document	29 November 2010
Latest time and date for receipt of Forms of Proxy	11.15 a.m., 21 December 2010
General Meeting	23 December 2010
Admission and dealings in the Placing Shares expected to commence on AIM	24 December 2010
Expected date for CREST accounts to be credited (where applicable)	24 December 2010
Despatch of definitive share certificates (where applicable) on or around	15 January 2011

Enquiries:

Specialist Energy Group plc Ewan Lloyd-Baker, Chief Executive Officer Nick Flanagan, Finance Director	Tel: 020 7747 8380 Tel: 020 7747 8384
FinnCap Limited Tom Jenkins – Corporate Broking Marc Young – Corporate Finance	Tel: 020 7600 1658
Akur Partners LLP Andrew Dawber David Shapton	Tel: 020 7499 3101
GTH Media Relations Toby Hall Christian Pickel	Tel: 020 3103 3900

Introduction

The Company today announced a conditional placing by FinnCap of, in aggregate, up to 10,416,667 Ordinary Shares at a price of 48 pence per share. Once completed and assuming full subscription under the Placing, the proceeds available for the Company will be approximately £5 million (before commissions and expenses). The purpose of the Placing is to underpin the short term funding requirements of the recently won new unit orders in India, to enable the Company to commit to moving to a larger nuclear facility in the US and for general working capital purposes to fund the future growth of its business.

The Placing is conditional, *inter alia*, upon the Company obtaining approval from its Shareholders to grant the Board authority to allot the Placing Shares and to disapply pre-emption rights contained in the articles which would otherwise apply to the allotment of the Placing Shares.

The purpose of this document is to explain the background to and reasons for the Placing, to explain why the Board considers the Placing to be in the best interests of the Company and its Shareholders and why the Directors unanimously recommend that you vote in favour of the Resolutions to be proposed at the General Meeting, notice of which is set out at the end of this document.

General update

The Company was admitted to trading on AIM in January 2010 following the reversal of Southbank UK plc into Nviro Cleantech plc. The Company is, through its operating subsidiary Hayward Tyler, focused on providing mission critical equipment to end markets that have significant growth potential.

The Company's unaudited interim results for the six months ended 30 June 2010 demonstrated revenue growth of over 7.6 per cent. on a constant currency basis versus the corresponding period in 2009, an improvement in operating profit to £1.3 million (H1 2009 £0.04 million) and an increase in gross margins to 32.3 per cent. (H1 2009 30.5 per cent.). Net debt at 30 June 2010 stood at £10.5 million compared to £13.7 million at 31 December 2009.

Hayward Tyler is a leading designer and manufacturer of mission critical components in the power generation and offshore oil and gas sectors. Hayward Tyler has, as announced by the Company on 4 November 2010, won new orders worth almost £3 million through Bharat Heavy Electricals Ltd, one of the largest engineering and manufacturing enterprise in the energy infrastructure related sector in India and Shanghai Boiler Works Ltd in China.

As at 31 October 2010 the Company's order intake for the year to date stood at £26.3 million with a confirmed order book of £25.3 million.

Outlook

The business continues to focus on its key end markets of power generation and offshore oil and gas.

Power Generation (including nuclear)

The current pipeline and activity levels are high, particularly driven by the Chinese and Indian markets with new unit contract wins totaling £2.85m recently announced. Provision of electricity to a wider user base remains a key political and economic driver across both countries with larger more efficient coal fired power stations being an important part of the overall generating mix. In the USA it is encouraging to see some significant new order wins for the nuclear market both in terms of servicing and spares but also for new units. Next generation reactor designs specifically from Areva and Westinghouse have led to a number of bids being submitted for pump packages in the EU, China and India and the previously announced order win for the new AP1000 reactor design is particularly positive. Likewise the Company is also looking to develop its recent success in the synthetic gasification market particularly given the potential of this technology to reduce the emissions of existing coal fired power stations.

Oil & Gas

The market for 'topside' applications is recovering with encouraging signs from a number of major contractors particularly with the move to large floating liquefied natural gas platforms and ships with requirements for large submersible motors. This interest is global with potential application in South East Asia, West Africa and China in particular. Interest is also increasing in terms of the deep submersible motor units which have been delivered to Aker Solutions and are in production for GE Oil & Gas. Development activity is likely to focus on building larger pumping units operating at 3+ megawatts and at depths of up to 5,000 metres.

With management's focus on Hayward Tyler the Company remains confident that it will continue to see improved gross and operating margins for the remainder of 2010 into 2011 and 2012. Indeed the long-term growth of the operating business is being driven by two long-term macro-drivers - firstly the increased desire for electricity and power in the developing economies, most notably China and India; secondly, the desire for more efficient energy provision and new energy sources in the developed and developing economies.

Opportunities for growth and reasons for the Placing

The Company's Directors and its broker have conditionally raised capital of up to £5 million which it intends to use as follows:

- To provide working capital, principally to support exports to India and afford the business greater flexibility to fund new orders, and;
- To support the expansion of the US operation.

The Directors believe that the positive impact of the placing will also include:

- Stronger balance sheet
- Broader institutional shareholder base
- Improved liquidity of the shares
- Expedite the move to more flexible banking arrangements

The strong order book and revenue growth delivered by Hayward Tyler to date combined with the change in the geographic sales mix has presented a changing working capital dynamic. In order to support further growth the Directors believe that it is prudent to raise equity finance in order to strengthen the Company's balance sheet and provide greater flexibility to fund new orders.

Following the Placing and based on the interim balance sheet, the Directors estimate that the ratio of net debt to EBITDA will fall from 2.5 times to 1.4 times. The improved balance sheet is expected by the Directors to

allow the Company to negotiate new banking facilities on more favourable and flexible terms (particularly relating to trade finance) than would otherwise be available.

The Company has already identified a potential new site for its North American nuclear focused operations which have the potential to enable the Company to almost double its current footprint and be better able to service new unit capital build plans for potential customers who include Areva, General Electric and Westinghouse. Discussions are underway with the equivalent of the local council and the potential developer which if successful will enable the Company's North American business to move into a new purpose-built 'nuclear stamped' facility in the second half of 2012.

The Company is also encouraged by the ongoing development of its subsea booster motor technology. The Company has already delivered three 2.5megawatt motor units to Aker Solutions, and is due to ship a new unit to General Electric for it to incorporate into a pump package before comprehensive testing. According to Aker the SeaBooster™ technology can extract an additional 20 per cent. from a well's existing reserves and with over 3,000 subsea wells worldwide there should be plenty of opportunity for this to become a significant driver of revenues and profits in the longer term.

Underpinning the Company's strategy is its focus on continuing to drive gross and operating margin improvements. With a focus on sales of new units and aftermarket services, the export markets of China and India, the nuclear new build sector and subsea oil recovery the Directors believe that further increases in gross and operating margins are deliverable.

The Placing

The Company is conditionally raising, in aggregate, approximately £5 million (before commissions and expenses) by means of the Placing. The Placing Shares will rank in full for all dividends and otherwise *pari passu* with the existing Ordinary Shares from the date of Admission.

Certain Directors have agreed to subscribe for New Ordinary Shares under the Placing as follows:

<i>Director</i>	<i>Number of Existing Shares currently held</i>	<i>Number of new Ordinary Shares conditionally subscribed for</i>	<i>Number of Ordinary Shares held following the Placing</i>	<i>Percentage of Enlarged Issued Share Capital</i>
Ewan Lloyd-Baker	2,526,196	531,250*	3,057,446	8.61
Ronald Emerson	–	52,083	52,083	0.15
Nicholas Flanagan	140,000	208,333	348,333	0.98

* Of the 531,250 shares being subscribed for by Ewan Lloyd-Baker, 166,667 represent the conversion of £119,000 owed to him by the Company in lieu of a deferred tax asset created by the exercise of his options in Southbank UK plc at the time of the reverse takeover by Nviro Cleantech plc. Following the completion of the acquisition Mr Lloyd-Baker made a payment of £261,173 to the Company to cover tax liabilities in relation to the exercise of his options, £119,000 of which is repayable to Mr Lloyd-Baker on realisation of the associated tax asset by the Company. Mr Lloyd-Baker has agreed to convert the amount (being £119,000) owed to him into £80,000 worth of shares at the Placing Price. The discount reflects the Directors' assessment of the net present value of the tax asset repayable to Mr Lloyd-Baker.

It is expected that the Placing Shares will be admitted to trading on AIM on 24 December 2010. The Placing is conditional, *inter alia*, upon:

- the approval of the Resolutions at the General Meeting;
- the Placing Agreement not having been terminated in accordance with its terms; and
- Admission having occurred on or before 8:00 a.m. on 24 December 2010 (or such time and date as the Company and FinnCap may agree, being not later than 30 January 2011).

The net proceeds of the Placing are estimated to be £4,665,000 and the Directors propose to use them as below:

Short Term funding of Indian power sales	£0.75 million
Commitment to new US nuclear facilities	£1.00 million
Working Capital	£2.915 million

The Placing Agreement

Pursuant to the terms of the Placing Agreement, FinnCap as agent for the Company, has agreed conditionally to use its reasonable endeavours to place the Placing Shares on a non-underwritten basis at the Placing Price.

In consideration of its services in connection with the Placing, the Company will pay to FinnCap a commission equal to 5 per cent. of the aggregate value, at the Placing Price placed by FinnCap, and a corporate finance fee of £20,000.

The Placing Agreement contains certain warranties from the Company in favour of FinnCap in relation to, *inter alia*, the accuracy of the information contained in this document and certain other matters relating to the Company and its business. In addition, the Company has agreed to indemnify FinnCap in relation to certain liabilities it may incur in respect of the Placing. FinnCap has the right to terminate the Placing Agreement in certain circumstances prior to Admission, including without limitation for an event of *force majeure* or in the event of a material breach of the warranties set out in the Placing Agreement.

Related Party Transactions

On 15 January 2010 the Company agreed that it would reimburse Ewan Lloyd-Baker with any tax credit that the Company might obtain as a consequence of his subscription for Ordinary Shares following the exercise of his share options in Southbank UK plc. This agreement constitutes a related party transaction under the AIM Rules. Following the completion of the acquisition of Southbank UK plc by Nviro Cleantech plc Mr Lloyd-Baker made a payment of £261,173 to the Company to cover tax liabilities in relation to the exercise of his options, £119,000 of which is repayable to Mr Lloyd-Baker on realisation of the associated tax asset by the Company. Mr Lloyd-Baker has agreed to convert the amount (being £119,000) owed to him into £80,000 worth of shares at the Placing Price. The discount reflects the Directors' assessment of the net present value of the tax asset repayable to Mr Lloyd-Baker.

The Placing, is classified as a related party transaction for the purposes of the AIM Rules due to the participation by Ewan Lloyd-Baker, Ronald Emerson and Nicholas Flanagan. The conversion of amounts owed to Ewan Lloyd-Baker as detailed above also constitutes a related party transaction for the purposes of the AIM Rules. The Independent Directors of the Company (being John May, Nicholas Winks and Chris Every), having consulted with FinnCap, as nominated adviser to the Company, consider the Placing and the conversion of Mr Lloyd-Baker's outstanding liability to be fair and reasonable insofar as the Shareholders are concerned. In providing advice to the Independent Directors, FinnCap has taken into account the Independent Directors' commercial assessments.

Admission and dealings

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. The Placing Shares will, when issued, rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive dividends and other distributions declared following Admission. It is expected that Admission on AIM will become effective and that dealings will commence on 24 December 2010.

General Meeting

At the end of the circular there is a notice convening the General Meeting of the Company to be held at 11.15 a.m. on 23 December 2010 at Burleigh Manor, Peel Road, Douglas, Isle of Man IM1 5EP at which the following resolutions will be proposed:

1. to authorise the Board to allot Ordinary Shares in connection with the Placing as if the pre-emption rights set out in article 5.2 of the Articles did not apply (Resolution 1); and
 2. to amend the Articles principally, by removing certain restrictions which require the management and control of the Company to be located outside of the United Kingdom (Resolution 2).
- Resolutions 1 and 2 will be proposed as Special Resolutions.

Irrevocable undertakings

The Company has received irrevocable undertakings to vote in favour of the Resolutions from the Directors who in aggregate have a beneficial interest in respect of 2,908,159 Ordinary Shares representing approximately 11.6 per cent. of the existing issued share capital of the Company.

Resignation of a Director

Nicholas Winks has informed the board of his intention to resign as a director at the General Meeting in order to pursue other business interests. The board wish him well in the future.

Recommendation

The Directors consider the Resolutions to be proposed at the General Meeting to be in the best interests of the Company and the Shareholders as a whole. Consequently, the Directors unanimously recommend that Shareholders vote in favour of all of the Resolutions to be proposed at the General Meeting as they intend to do in respect of their own beneficial holdings.