

7 June 2011

**PETARDS GROUP PLC
(AIM: PEG)**

Capital Reorganisation

Petards Group plc ("Petards" or "the Company"), the AIM quoted developer of advanced security and surveillance systems, announces that the Notice of 2011 AGM and Annual Report and Accounts for the year ended 31 December 2010 have been sent to shareholders. In addition, the Company has sent notice of a circular and notice of a general meeting convened to approve a proposed capital reorganisation. The above documents can be viewed from the Company's website, www.petards.com.

Background to and reasons for the Capital Reorganisation

The Company's share price has been below the nominal value of its Existing Ordinary Shares for some time. Company law prohibits companies from issuing new shares at less than the nominal value, therefore at present the Company is restricted as to how it can use its shares: for example, it would currently be unable to raise new share capital from investors.

At close of business on 26 May 2011, the latest practical date prior to publication of the Circular, the Company had 14,132 Shareholders of which 13,502 had shareholdings of less than 10,000 shares. These 13,502 Shareholders account for 95 per cent. of the Shareholders by number, but represent 1.6 per cent. of the total number of Existing Ordinary Shares.

At the closing bid price of 0.35 pence on 26 May 2010, the latest practical date prior to the publication of the Circular, the market value of 10,000 shares would be £35. The Directors consider that should a shareholder with less than 10,000 shares choose to sell their shares, the proceeds will be significantly reduced or even completely eliminated by the dealing costs of selling. Therefore the Directors recognise that for small Shareholders it is uneconomic for them to dispose of their shares. The Capital Reorganisation will allow certain small Shareholders to realise value for their shares free of dealing costs.

Another benefit of the Capital Reorganisation is it will allow the Company to reduce certain costs associated with maintaining a large shareholder register in particular printing, postage and registrars' costs.

For the reasons set out above, the Directors are proposing to reorganise the Company's share capital on the terms set out below.

Capital Reorganisation

Under the Capital Reorganisation, the Existing Ordinary Shares will be consolidated into New Consolidated Ordinary Shares on the basis of one New Consolidated Ordinary Share for each 10,000 Existing Ordinary Shares. Each New Consolidated Ordinary Share will then be sub-divided into 100 New Ordinary Shares and 9,900 Deferred Shares.

Any fractions arising as a result of the Consolidation will be aggregated and, following the Sub-division, the Directors will, in accordance with the Articles sell the aggregated shares in the market for the benefit of the relevant Shareholders.

The proceeds from the sale of the fractional entitlements shall be distributed pro rata amongst the relevant Shareholders save that where a Shareholder is entitled to an amount which is less than £3 it will (in accordance with the Articles) not be distributed to such Shareholder but will be retained by the Company for its benefit.

One consequence of the Capital Reorganisation is that Shareholders holding less than 10,000 Existing Ordinary Shares will receive no New Ordinary Shares.

Shareholders holding 10,000 Existing Ordinary Shares will receive 100 New Ordinary Share and 9,900 Deferred Shares.

The rights attaching to the New Ordinary Shares will be identical in all respects to those of the Existing Ordinary Shares.

The Deferred Shares will have no voting rights and will not carry any entitlement to attend general meetings of the Company. They will carry only the right to participate in any return of capital to the extent of the amount paid up or credited as paid up on each Deferred Share but only after the holder of each New Ordinary Share has received in aggregate capital repayments amounting to £10,000,000 per New Ordinary Share. Accordingly, the Deferred Shares will, for all practical purposes, be valueless and it is the Board's intention, at an appropriate time, to cancel the Deferred Shares.

Existing share certificates will cease to be valid following the Capital Reorganisation. New share certificates in respect of the New Ordinary Shares will be issued by 8 July 2011. No certificates will be issued in respect of the Deferred Shares, nor will CREST accounts of Shareholders be credited in respect of any entitlement to the Deferred Shares. No application will be made for the Deferred Shares to be admitted to trading on AIM or any other investment exchange.

A CREST Shareholder will have their CREST account credited with their New Ordinary Shares following their Admission, which is expected to be on 1 July 2011.

A General Meeting to obtain the necessary approval has been convened for 30 June at 11.15 p.m. Capital Reorganisation. The Capital Reorganisation is conditional upon the approval of the Shareholders at the GM as required by the Companies Act 2006 and the Articles.

The Definitions which apply in the Circular have been used in this announcement.

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