

21<sup>st</sup> January 2008

**Bioganix plc  
Trading update**

Bioganix plc ('Bioganix', 'the Group' or 'the Business'), the AIM listed waste management services group, today announces the following trading update.

- As reported in the Interim Results on 28<sup>th</sup> September 2007, volumes at Parham have been significantly lower than expected during the second half of the year because of a shortfall in minimum contracted levels of supply of material from a major customer ("the Customer"). The situation deteriorated in the last six weeks of 2007 in that the Customer did not deliver any significant amounts of material to Parham during that period, despite being contractually obliged to so do. The situation has improved in 2008 since the Customer has recommenced delivery of material at similar daily levels compared with the second half of 2007 (excluding the period of dramatically reduced deliveries in the last six weeks of 2007). A contractual remedy through arbitration is being pursued in accordance with the terms of the contracts between Bioganix and the Customer. A binding decision of the arbitrator is expected in the first or second quarter of 2008. Having taken legal advice, the Directors are confident as to the strength of Bioganix's contractual position and would expect to receive a significant payment from the Customer during 2008.
- The 2007 results will therefore be materially affected by the outcome of the arbitration. If the arbitration award is of an amount representing the shortfalls in minimum contracted delivery levels from the Customer, then the Business should break even in its activity in the second half of 2007, in line with expectations. An arbitration result significantly adverse to Bioganix could however result in a second half loss of approximately £600,000.
- Revenues in 2008 are likely to be affected by a number of factors. If 2008 deliveries from the Customer to Parham continue below the minimum contracted levels, Bioganix will again pursue claims for delivery shortfalls and damages. In order to mitigate this situation the Group has contracted to process an additional source of waste material under a three-year contract with Norfolk and Waveney Council and is in discussion with other producers of waste for processing at Parham, should the need arise. In addition a major supplier of waste material to the Wharton plant has recently ceased sending certain types of material to Bioganix for processing. Although the Directors are confident that other waste streams will be available from this supplier and other suppliers to replace a significant proportion of this lost revenue, some impact on 2008 revenues is possible.
- The construction of the Sharpness plant is proceeding well and processing of waste material is expected to start towards the end of the first quarter of 2008. Operations are likely to start slightly later than previously expected (due to final discussions with the landlord and the planning authorities taking longer than anticipated) and, in consequence, revenues from the Sharpness plant during 2008 are likely to be less than previously estimated by the Directors. The Directors are in discussions with a number of customers regarding waste material for this plant and are confident that ample supplies of waste material will be available from the start of production.

- Final contractual negotiations are taking place for a significant capital grant from WRAP (Waste Resources Action Programme) towards the construction costs of the Sharpness plant.
- The directors are in final negotiations with an English Local Authority concerning the award of preferred bidder status in respect of processing approximately 30,000 tonnes per year of green and kitchen waste. In order to fulfil this contract, a new facility is likely to need to be constructed in due course. The directors are excited about this new potential long-term contract, which demonstrates continuing confidence in Bioganix and its technology, and are exploring how best to exploit this opportunity.
- Bioganix are in the final stages of being awarded the PAS100 Accredited Compost Standard. The Directors anticipate being awarded the Standard within the next few weeks for the Wharton Plant output and in due course, the Parham and Sharpness plants.

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