

BIOGANIX PLC (' Bioganix' or ' the Group')

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

Bioganix , the AIM listed waste management services group, is pleased to announce its maiden preliminary results for the year ended 31 December 2006.

HIGHLIGHTS

- Successful placing and admission to AIM in April 2006, raising £2.52m net
- Turnover up 130% to £1.6m
- Opening of first full scale commercial plant in Suffolk in May 2006
- Capacity of Suffolk plant increased from 24,000 to 35,000 tonnes p.a. during second half of the year– significantly ahead of schedule
- Commencement of DEFRA sponsored research project at Wharton site
- Planning permission granted, after year end, for a 48,000 tonne capacity plant at Sharpness, Gloucester, to be operational in early 2008. ' Long term' lease agreed with British Waterways Board for 55,000 sq ft site
- Further placing announced today raising approximately £2,250,000 net of expenses

Commenting on the results, the Chairman, Andrew Walker, said;

“This has been a year of significant achievements for Bioganix. Our flotation on AIM has allowed the continued development of our composting facilities at a time when the waste market is evolving and demanding more innovative waste solutions. Gate fees and waste volumes have increased and we are continually developing important strategic commercial partnerships. Your Board is very encouraged by the progress made in this year and believe that legislative changes as well as a broader awareness of waste management issues will continue to support the ongoing growth of your business.”

Enquiries:

Nick Helme, Managing Director, Bioganix plc
Julian Morgan, Finance Director, Bioganix plc

Tel: 01568 619 115
Tel: 01568 619 101

Mike Coe, Director, Blue Oar Securities Plc

Tel: 0117 933 0020

Paul Vann/Tom Cooper, Winningtons Financial PR

Tel: 0117 920 0092

www.bioganix.co.uk

CHAIRMAN' S STATEMENT

INTRODUCTION

I am pleased to report on the Company' s results for the year ended 31 December 2006. This was a momentous year for the Company in which the highlights were the successful flotation of the Company on AIM in April 2006 and the opening of the Company' s first full-scale commercial plant at Parham in Suffolk.

FINANCIAL PERFORMANCE

Turnover for the 12 months ended 31 December 2006 was £1,600,626 compared with £696,735 for the 12 month period ended 31 December 2005. Not included in turnover are the receipts from the DEFRA "New Technologies Demonstrator Programme" and the amortisation of the capital grant received in respect of the Suffolk Plant which are included in other operating income.

Pre-tax losses for the period were £63,581 compared with a pre-tax profit of £6,936 for the year ending 31 December 2005. The loss for the period is stated after charging £24,291 (2005: NIL) in respect of FRS20 (Share Options). As in the previous year, the Group has taken advantage of the research and development tax credit arrangements and, therefore, the loss after tax was £39,543 compared with a profit after tax in the previous year of £90,734. Net assets at 31 December 2006 were £4,467,990 compared with net liabilities of £736,202 at the end of the previous period. During the year, the Group raised £2.52 million (net of expenses) as part of its flotation on AIM. At the same time as raising new equity capital, the Group converted outstanding Convertible Loan Notes into 2,011,311 Ordinary Shares with a market value on flotation of £2,413,573.

Cash in-flow from operations during the period amounted to £653,291 compared with a cash out-flow of £183,683 in the previous year. As at 31 December 2006, the Group held £141,886 in its bank accounts and had asset related borrowings of £211,940.

ACTIVITIES

The increase in turnover reflects gate fee and tonnage increases at the Wharton Plant and, most significantly, the start of operations at the Suffolk Plant. During the year the Group brought forward the expansion of the Suffolk Plant although the necessary construction activity caused some disruption to production during the later months of 2006, as already reported in a previous statement.

Wharton (Herefordshire) Plant

The Wharton Plant continues to process waste material from the food processing sector and mixed garden and kitchen waste from Bioganix' s contract with South Shropshire District Council. During the year, the DEFRA New Technologies Demonstrator Programme commenced and the Wharton composting facility is now dedicated to this activity, which is expected to be completed by early 2008. The results achieved so far are most encouraging and some of the lessons learned, as a result of the research activity, have already been incorporated into the Suffolk Plant and the designs for the proposed Sharpness plant.

Suffolk (Parham) Plant

In the first half of the year, the initial build programme was completed and in the latter part of the year, the Suffolk Plant was extended so that it now has an operational capability of 35,000 tonnes per annum. During the eight months of its operation in 2006 the plant was profitable. In early 2007, (as previously reported on 1 February 2007) the Directors became aware of some manufacturing issues with two of the composting vessels. As a result, a programme of upgrade work was undertaken during February and March 2007. This work is now complete and the Directors are entirely satisfied with the results.

A number of improvements have been made to the Suffolk Plant since operations commenced. In particular the Directors consider that significant further progress in the understanding and management of odour control has been made. Nevertheless, odour management remains an issue and the Group

continues to work with its regulator to explore, and where appropriate implement, both structural and operational improvements.

Volumes of waste material being processed at the Suffolk Plant are increasing and are in line with management's expectations.

Compost sales and marketing

The Directors are pleased to report that during the year, the compost produced by both Bioganix plants was certified as being suitable for use in organic farming systems regulated by the Organic Farmers' and Growers' Organisation. The Directors consider this to be a significant achievement, which will help with the marketing of Bioganix Compost. In addition, the Group has licensed Bioganix Compost produced at the Wharton Plant as an agricultural fertiliser under the Fertiliser Industry Assurance Scheme. The Directors are now proceeding to license the Suffolk plant's output under the same scheme. The Directors believe that the primary markets for Bioganix Compost are agriculture and horticulture and, therefore, research and product development work has been focussed on the needs of customers in these markets. The Group is also pursuing certification under the Compost Association's PAS 100 Standard.

Sharpness (Gloucestershire) plant

Throughout the year, the Group expended significant effort in acquiring Planning Permission for a Bioganix in-vessel composting plant in premises at Sharpness Docks in Gloucestershire. The Directors are pleased to report that Planning Permission was granted in January 2007. Bioganix Composting Limited completed a 25 year lease with British Waterways Board on 13 June 2007. The lease provides British Waterways Board with the ability to terminate the lease on the tenth anniversary of the date of the lease and every anniversary thereafter, upon service of six months' notice. However, in the event that this right is exercised between years 10 and 15, a reducing payment will be made by the British Waterways Board to Bioganix, the amount of which being dependent on the date of termination. Starting in 2007, the Directors plan to install in-vessel composting equipment with a maximum capacity of 48,000 tonnes per year. It is anticipated that composting activities will begin in late 2007 or early 2008.

The funding required for the construction and development of the Sharpness plant as a build, own and operate ('BOO') plant is expected to be met through a combination of bank debt, a government grant and from the proceeds of a conditional placing of new ordinary shares announced today. The Placing is conditional upon shareholders' approval being obtained at an Extraordinary General Meeting.

OUTLOOK

Bioganix has now been in existence since 2001 and the Group has been processing waste material into compost fertiliser continuously over the past five years. During that time Bioganix has supplied approximately 75,000 tonnes of compost fertiliser to the agricultural and horticultural sectors as well as other niche markets. Both of the Group's composting plants are operating in line with management's expectations and the Group's current annualised waste processing activity amounts to approximately 45,000 tonnes of production per annum. The Directors are pleased with the significant growth in activity that has taken place over the last twelve months.

The current year's performance will be significantly second half weighted, due to the impact of the modifications and operational downtime experienced at the Suffolk Plant in the first half. At the operating level (excluding the cost of modifications to the vessels which are expected to amount to approximately £250,000, but after recognising the associated operational downtime which the Directors estimate has reduced profits by approximately £200,000) the Suffolk Plant is expected to break even this year. The performance of the Wharton Plant is expected to be broadly the same year-on-year.

The Directors' ongoing ambition is to expand the size and scope of the Group's activities. During 2007, much of the Group's focus will be on building the new Sharpness facility. Bioganix will continue to seek out commercial opportunities for waste processing throughout the UK and, to that end, are actively pursuing a number of Local Authority tenders and other commercial opportunities. The

Directors are encouraged by the latest rise in Landfill Tax and believe that this will have a positive effect on gate fees for the types of waste material that Bioganix processes.

The Group will also continue to investigate opportunities to develop the market for Bioganix compost fertiliser, especially in the agricultural and horticultural sectors as well as other ancillary markets. For example, Bioganix has recently signed an agreement with IEG Technologies UK Limited, whereby research work will be undertaken at Cranfield University into the possibilities of using Bioganix Compost combined with other materials to treat contaminated soils.

In summary, the Directors are much encouraged by the Company's progress to date and are looking forward to a further period of successful growth for Bioganix.

Andrew Walker
Chairman – Bioganix plc

Profit and Loss Account
For the year ended 31 December 2006

	2006 £	2005 £
Group turnover	1,600,626	696,735
Cost of sales	<u>(1,016,293)</u>	<u>(294,490)</u>
Gross profit	584,333	402,245
Distribution costs	(196,925)	(84,838)
Share based payments	(24,291)	-
Administrative expenses	(852,504)	(305,459)
Other operating income	<u>426,200</u>	<u>-</u>
Operating (loss)/profit	(63,187)	11,948
Interest receivable	21,298	9,326
Interest payable and similar charges	<u>(21,692)</u>	<u>(14,338)</u>
(Loss)/profit on ordinary activities before taxation	(63,581)	6,936
Taxation	<u>24,038</u>	<u>83,798</u>
(Loss)/profit for the financial year	<u><u>(39,543)</u></u>	<u><u>90,734</u></u>
(Loss)/Earnings per share	<u><u>(0.92p)</u></u>	<u><u>824.85p</u></u>
Diluted (Loss)/Earnings per share	<u><u>(0.86p)</u></u>	<u><u>824.85p</u></u>

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

Balance Sheet
For 31 December 2006

	2006 £	2005 £
Fixed assets		
Intangible assets	71,515	-
Tangible assets	5,357,306	1,651,163
	<u>5,428,821</u>	<u>1,651,163</u>
Current assets		
Stocks	32,213	90,205
Debtors	373,759	295,560
Cash at bank	141,886	491,794
	<u>547,858</u>	<u>877,559</u>
Creditors		
Amounts falling due within one year	<u>(593,048)</u>	<u>(3,052,984)</u>
Net current liabilities	<u>(45,190)</u>	<u>(2,175,425)</u>
Total assets less current liabilities	5,383,631	(524,262)
Creditors		
Amounts falling due after more than one year	<u>(915,641)</u>	<u>(211,940)</u>
	<u><u>4,467,990</u></u>	<u><u>(736,202)</u></u>
Capital and reserves		
Called up equity share capital	645,834	11
Share premium account	4,573,621	-
Other reserve	24,291	-
Profit and loss account	<u>(775,756)</u>	<u>(736,213)</u>
Shareholders funds/(deficit)	<u><u>4,467,990</u></u>	<u><u>(736,202)</u></u>

Cashflow Statement
For 31 December 2006

	2006 £	2005 £
Net cash flow from operating activities	653,291	(183,683)
Returns on investment and servicing of finance		
Interest received	21,298	9,326
Interest paid	(5,005)	(1,837)
Loan interest	(16,687)	(12,501)
Capital repayments	(100,039)	-
Net cash outflow from returns on investments and servicing of finance	(100,433)	(5,012)
Taxation	83,883	-
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(4,181,411)	(1,480,130)
Investment in intangible fixed assets	(71,515)	-
Net cash outflow for capital expenditure and financial investment	(4,252,926)	(1,480,130)
Cash outflow before financing	(3,616,185)	(1,668,825)
Financing		
Issue of ordinary share capital	6,263,573	-
Expenses paid in connection with share issues	(532,056)	-
New capital receipt - SCC	1,000,000	-
Increase in loan to group undertaking	-	16,839
New bank loan	-	278,082
Repayment of director loan	-	(20,000)
Repayment of bank loans	(111,142)	-
Repayment of group undertakings	(1,081,620)	-
Loan notes	(1,760,406)	1,760,406
Interest on loan notes	(512,072)	-
Net cashflow from financing	3,266,277	2,035,327
(Decrease)/increase in cash in the year	(349,908)	366,502

Notes:

1. This preliminary announcement does not consist of a full set of statutory accounts for the year ended 31 December 2006, within the meaning of section 240 of Companies Act 1985.

2. Earnings per share

Including discontinuing operations

The calculation of the basic and diluted earnings per share is based on the following data

	2006 £	2005 £
Earnings		
Earnings for the purposes of basic earnings per share (net profit for the year attributable to equity holders of the parent)	(39,543)	90,734
Earnings for the purposes of diluted earnings per share	(39,543)	90,734
	2006 £	2005 £
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	4,309,223	11,000
Effect of dilutive potential ordinary shares:		
-Share options	315,123	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	4,624,346	11,000
	2006 £	2005 £
Basic	(0.92p)	824.85p
Diluted	(0.86p)	824.85p

3. The full statutory accounts, upon which the auditors have expressed an unqualified opinion, will be filed with the Registrar of Companies before 30 June 2007.

4. The annual report and accounts will be posted to shareholders by 30 June 2007 and will be available upon application (free of charge) from the Company's registered office at Wharton Court, Leominster, Herefordshire, HR6 0NX or on the Company's website www.bioganix.co.uk