

Biofuels Corporation plc

Proposed Restructuring

KEY POINTS

- Restructuring necessitated by level of borrowings and difficult trading environment
- Group currently only able to continue trading as a result of Barclays' continuing support
- Insolvency is unavoidable if restructuring proposals are not approved by shareholders at an Extraordinary General Meeting
- Under proposed terms, Barclays Bank will own a new holding company which will own 94% of the trading entity within the Biofuels group. Barclays to capitalise £40m of debt
- Cancellation of AIM Listing, subject to shareholder approval of restructuring proposals
- Independent directors unanimously in favour of proposed restructuring

Mike Buzzacott, Chairman, comments:

"The Board has undertaken a thorough review of the Group's options, including seeking purchasers of the Company, but the Board has concluded that, given the existing financial structure, neither a trade sale nor an equity fundraising is possible taking into account the economic interests of the various stakeholders in the Company.

"Given the difficult trading backdrop, and the level of Existing Debt, the Board has concluded that it should enter into restructuring discussions with Barclays to seek to create a platform from which the Group could fulfil its potential as a significant force in the renewable transport fuels market. The Board has accordingly succeeded in agreeing the terms of the Restructuring with Barclays, from which shareholders could derive some potential value, and this is unanimously recommended by the Board."

26 June 2007

ENQUIRIES:

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Expected timetable of principal events

		<i>2007</i>
Despatch of circular to shareholders		26 June
Latest time and date for receipt of the forms of proxy in respect of the EGM and AGM	10.30 am and 10.45 am respectively,	21 July
EGM and AGM		23 July
Restructuring becomes effective		23 July
Cancellation of the Company's AIM trading facility to be effective		07:00 (UK time) 2 August

The Circular will be posted to shareholders on 26 June 2007 and will also be available on the Company's website, www.biofuelscorp.com

Definitions

The following definitions apply throughout this document unless the context requires otherwise:

"Act"	the Companies Act 1985 (as amended)
"AIM"	AIM, a market operated by London Stock Exchange
"AGM" or "Annual General Meeting"	the annual general meeting of the Company convened for 10.45 am on 23 July 2007 (or as soon as possible thereafter as the EGM shall have concluded or been adjourned).
"AIM Rules"	the rules published by the London Stock Exchange relating to AIM
"Asset Sale Agreement"	the business sale agreement dated on or about the date of this announcement made between (1) the Company, (2) Biofuels Corporation Trading and (3) Newco, further details of which are set out at paragraph 1 of Part II of the Circular.
"Barclays"	Barclays Bank plc
"Biofuels Trading"	Biofuels Corporation Trading Limited, a wholly owned subsidiary of the Company
"Circular"	A circular to Shareholders dated 26 June 2007
"Claims"	all rights and claims of the Company arising at any time out of or in connection with the Energea Contract or any subcontracts in connection with the Energea Contract
"Collins Stewart"	Collins Stewart Europe Limited
"Company"	Biofuels Corporation plc
"Cross Guarantee"	a cross guarantee dated 15 May 2004 made between Biofuels Trading (as borrower), the Company (as guarantor) and Barclays (as lender) guaranteeing the obligations of Biofuels Trading under the Facilities
"Directors" or "Board"	the directors of the Company, whose names appear on page 6 of the Circular
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting of the Company convened for 10.30 am on 23 July 2007, or any adjournment thereof
"Energea Contract"	the contract dated 30 March 2004, as amended from time to time, between the Company and Energea Umwelttechnologie GmbH for the design, manufacture and installation of a biodiesel production facility
"Executive Directors"	Sean Sutcliffe, Richard Nickels and Andy Leeser
"Existing Debt"	the sum of £99.94 million owed by Biofuels Trading and

	guaranteed by the Company pursuant to the Facilities as at 31 May 2007
"Facilities"	the existing bank facilities available to the Group from Barclays
"Group"	the Company and its subsidiaries
"Independent Directors"	Mike Buzzacott, Geoff Brady and Clare Spottiswoode
"Inter-company Loan"	all debt owed by Biofuels Trading to the Company as at the date of completion of the Asset Sale Agreement
"London Stock Exchange"	London Stock Exchange plc
"Newco"	Broomco (4091) Limited, a company which, it is intended, will be majority owned by Barclays Converted Investments Limited and Globe Nominees Limited, wholly owned subsidiaries of Barclays
"Ordinary Shares"	ordinary shares of 1p each of the Company
"Plant"	the plant located at Seal Sands, Teesside designed by Energea for the Company
"Resolutions"	the resolutions to be proposed at the EGM
"Restructuring"	the proposed restructuring of the Existing Debt, details of which are set out in this announcement and the Circular
"Shareholder"	a holder of Ordinary Shares
"Share Option Schemes"	the employee benefit trust established by the Company in October 2003, the Company's EMI option scheme established in 2004 and the Biofuels Corporation Sharesave Scheme adopted on 27 May 2005 and amended on 25 July 2006
"UK"	the United Kingdom of Great Britain and Northern Ireland

Biofuels Corporation plc - Restructuring Proposals; Delisting and Change of Name; Extraordinary General Meeting and Annual General Meeting

The following details of the proposals are extracted from the Circular, which is being posted to Shareholders on 26 June 2007

Introduction

The Board today announces the terms of the Restructuring, the key element of which is the forgiveness of £40 million of the Existing Debt in exchange for the issue of ordinary shares in Biofuels Trading, the release of the Company from its guarantee obligations to Barclays of the Existing Debt and the consequent ownership by Newco of 94 per cent. of the enlarged ordinary share capital of Biofuels Trading. Newco will become the largest shareholder in Biofuels Trading. As a result, the Company will have disposed of the majority of its business and, therefore, in accordance with the AIM Rules, the Restructuring is conditional upon the approval of Shareholders at the Extraordinary General Meeting, notice of which appears at the end of the Circular. Furthermore, as a consequence of the Restructuring the Directors have given, subject to the passing of the Resolutions, notification to London Stock Exchange of the Company's intention to cancel the trading facility for the Ordinary Shares on AIM.

Set out below are some of the circumstances which have led to the need for the Restructuring, and in this announcement and the Circular Shareholders will find detailed information on the current financial situation, details of the consequences for Shareholders following the Restructuring and a unanimous recommendation from the Independent Directors that Shareholders vote in favour of the Resolutions. As the Executive Directors will have an involvement (on their existing employment terms) with Biofuels Trading and Newco after the Restructuring, they have not taken part in the recommendation of the Restructuring which is made by the Independent Directors alone.

Background to the Restructuring

First sales of biodiesel from the Group's Plant began in April 2006 and by September 2006 the Plant had been tested at production rates of 30 tonnes of biodiesel per hour, representing more than 90 per cent. of its maximum rated capacity. A number of technical and commercial issues, however, affected the Company, as indicated in the Group's previous announcements.

The extent of technical issues with the Plant has necessitated a remedial engineering programme, focussed on the intermediate product re-processing unit, and has led to the requirement for further expenditure on plant remediation works, as indicated in the update statements issued on 13 March 2007, 28 March 2007 and 1 June 2007. The Company is actively pursuing a potential claim in respect of design deficiencies against the Plant providers, Energea.

Up until September 2006, biodiesel margins were relatively strong and underpinned future business plans. However, recent market conditions have been very difficult for the Company. The combination of higher vegetable oil prices and lower biodiesel prices have together meant that the Company has been unable to make profits from the production of biodiesel. In particular the price of European biodiesel has been depressed by US biodiesel that benefits from both European market support mechanisms and US production subsidies. This situation has been exacerbated by a high \$/£ exchange rate. Whilst the Directors believe that steps are being taken in the EU and the US to address this issue, the situation is having an impact on European biodiesel producers in general.

As a consequence, high-capacity production of biodiesel at acceptable margins has not been possible and as reported in the announcement of 13 March 2007, the Board maintained a policy of limiting production, by only taking on contracts that provided acceptable margins. This policy has proved effective in containing losses, and effective cash management has allowed the Group to trade within its banking facilities.

The Board is still of the view that the Renewable Transport Fuel Obligation in the UK and other government programmes for mandated use of biofuels across Europe should underpin longer term demand for biodiesel. However, the Board considers that there are few immediate indications that the oil industry is gearing itself up for implementation of the Renewable Transport Fuel Obligation in the UK and that its real impact on the Group, therefore, remains uncertain.

Purpose of the Restructuring

The Board has undertaken a thorough review of the Group's options, including seeking purchasers of the Company, but the Board has concluded that, given the existing financial structure, neither a trade sale nor an equity fundraising are possible taking into account the economic interests of the various stakeholders in the Company.

Given the difficult trading backdrop, and the level of Existing Debt, the Board has concluded that it should enter into restructuring discussions with Barclays to seek to create a platform from which the Group could fulfil its potential as a significant force in the renewable transport fuels market and Shareholders could derive some potential value. The Board has accordingly succeeded in agreeing the terms of the Restructuring with Barclays.

A restructuring of the Group has become essential in view of the scale of borrowings (which are currently circa £100 million, as previously set out in the Company's announcement dated 29 May 2007) in order to avoid an insolvent liquidation of the Company and the consequent total negation of Shareholder value. The Restructuring will provide an improved financial basis for the business.

The level of the Existing Debt has meant that the Group has only been able to continue trading as a result of the support of Barclays, which has provided funding facilities to the Group since flotation and continues to support the Group. On 28 March 2007, the Board announced additional facilities from Barclays, but indicated that further funds would still be required for working capital and fixed capital purposes from 31 May 2007. This announcement also indicated that options to restructure the current debt were under review, including the possibility of a debt for equity swap.

On 29 May 2007, the Board announced that it had received outline proposals from Barclays, which would be likely to lead to significant dilution for Shareholders and could lead to a cancellation of the trading facility for the Ordinary Shares on AIM. A further update to Shareholders was issued by the Board on 1 June 2007, confirming that its on-demand facilities from Barclays had been rolled over to 31 December 2007, with an additional £7 million provided to meet interim requirements for working and fixed capital purposes and the deferral until 31 December 2007 of future interest payments.

Financial information relating to the Group

The Group's fixed assets (property plant and equipment) have a net book value at 31 March 2007 of £34.4 million. At this date the Group had net current liabilities of £96.5 million, negative shareholder funds of £62.1 million and made a loss before taxation of £32.0 million. Total exceptional items for the period ended 31 March 2007 amounting to £12.0 million included an impairment charge for the Plant of £6.5 million.

The Directors have considered the likely cash requirements of the Group over the next 12 months and believe that the current level of Facilities, which are provided on an on-demand basis and extend only until December 2007, are highly unlikely to meet these requirements. These facilities total £106.1 million and were agreed with Barclays on 31 May 2007. At the same time Barclays has agreed to defer the payment of interest due to them on borrowings since 1 January 2007 until 31 December 2007.

Nevertheless, the Directors believe that it is appropriate to prepare the Report and Accounts of the Group for the financial year ended March 2007 on a going concern basis.

Principal terms of the Restructuring

The effect of the Restructuring will be to reduce the shareholding of the Company in Biofuels Trading to 6 per cent. Without the Restructuring being implemented an insolvency of the Company is unavoidable. In the event of an insolvency, in view of the level of Existing Debt and the guarantee structures which are in place in respect of the Facilities, Shareholders would receive nothing. Although Barclays has, as the Group's banker, supported and continues to support the Group, it has indicated as conditions of its continued support that the level of secured debt must be reduced and that it must receive a significant equity stake in Biofuels Trading.

The Restructuring gives Biofuels Trading an opportunity to reduce its secured debt considerably and continue its business. The proposed shareholding of 6 per cent. that will remain with the Company allows Shareholders to participate in an upturn in the business of Biofuels Trading should this occur.

The principal steps of the Restructuring are, that subject to the passing of the Resolutions, the Company will be released from its obligations to Barclays under the Cross Guarantee in exchange for:

- (a) the right for Newco to acquire new ordinary shares in Biofuels Trading. These shares will be paid up by application of £40 million of the Existing Debt, such that Newco will own 94 per cent. of the enlarged ordinary share capital of Biofuels Trading;
- (b) the sale by the Company of all of its trading assets (other than its interest in Biofuels Trading and its interest in certain contracts, including the Energea Contract) including the goodwill attaching to its name to Biofuels Trading;
- (c) the release by the Company of Biofuels Trading from the obligation to repay the Inter-company Loan;
- (d) a cash sum adequate to pay all the outstanding creditors of the Company;
- (e) a commitment by Biofuels Trading to pay to the Company on an annual basis a sum to allow it to comply with certain ongoing legal and administrative obligations relating to its position as a private limited company; and
- (f) funding to be paid by Biofuels Trading to the Company to pursue Claims under the Energea Contract, to the extent that Biofuels Trading requests such Claims to be pursued. The proceeds of these Claims (if any) received by the Company will belong to Biofuels Trading.

As part of the Restructuring, the Company's executive directors, Sean Sutcliffe, Andy Leeser and Richard Nickels will have their existing terms of engagement transferred to Biofuels Trading. They will also become Directors of Newco. Newco will have a Chairman, Stephen Boyd, appointed by Barclays Ventures. Clare Spottiswoode will, upon completion of the Restructuring, cease to be a Director of the Company and Paul Elliott will become a Director of the Company. The Independent Directors have agreed, as a term of the Restructuring, to waive the six months' notice period contained in their terms of engagement with the Company. Mike Buzzacott and Geoff Brady will remain as Directors of the Company.

Stephen Boyd (57) is Chairman of Pittards plc, a company whose shares are admitted to trading on AIM. A chemical engineer by training, Mr. Boyd has worked in a number of manufacturing industries, including five years as Group Chief Executive of Capital Industries plc. He now owns a number of companies from plastic injection moulding to building materials businesses.

Further details of the documents relating to the Restructuring are set out in the Circular.

Shareholder position following Restructuring

Following the Restructuring, the Company's only significant asset will be its 6 per cent. minority shareholding in Biofuels Trading. In the event that at a future date, Biofuels Trading is in a position to pay dividends or the Company is in a position to realise any value for its investment, such value will accrue to the Company and on any subsequent liquidation of the Company would in principle be available for distribution to Shareholders. There can be no guarantee that such will be the case.

The Board will give notice to London Stock Exchange pursuant to Rule 41 of the AIM Rules to effect, subject to the passing of the Resolutions, the cancellation of the admission of the Ordinary Shares to trading on AIM. In accordance with Rule 41, the cancellation of admission of the Ordinary Shares to trading will require the consent of 75 per cent. of votes cast at the EGM. The cancellation of admission should result in the Company achieving some administrative cost-savings. Such cancellation is likely to take effect on or about 2 August 2007. **AFTER THIS TIME THERE WILL BE NO PUBLIC MARKET THROUGH WHICH ORDINARY SHARES CAN BE TRADED AND NO PRICE WILL BE PUBLICLY QUOTED FOR THE ORDINARY SHARES. AS SUCH, HOLDINGS OF ORDINARY SHARES ARE UNLIKELY TO BE CAPABLE OF SALE AND WILL BE DIFFICULT TO VALUE.**

Shareholders should also note that, as a consequence of the dilution of the Company's shareholding in Biofuels Trading to 6 per cent., the Company will no longer have the benefit of certain minority protection rights in relation to its investment in Biofuels Trading. These include, for example, the inability of the Company, as shareholder of Biofuels Trading, to prevent a special resolution being passed by the shareholders of that company.

In addition, Biofuels Trading's New Articles of Association contain provisions (sometimes known as "drag-along" provisions) which would enable Newco unilaterally to oblige the Company to transfer its shareholding in Biofuels Trading to a third party purchaser on a sale by Newco of its shares in that company.

The Company proposes to put in place a facility which, it is intended, will enable shareholders to crystallise their tax losses in relation to their shareholdings in the Company. If the Restructuring is completed further details in respect of this facility will be made available to Shareholders in due course. **All shareholders are strongly recommended to consult their own independent advisers if they are in any doubt as to their tax position.**

Extraordinary General Meeting

An Extraordinary General Meeting of the Company is to be held at 10.30 am on 23 July 2007 at Belasis Business Centre, Belasis Hall Technology Park, Billingham, Teesside TS23 4EA.

At the EGM special resolutions will be proposed (all of which, other than the final one, are interconditional):

- (a) authorising the Directors to implement the Restructuring including authorising the Directors to do all such things they might consider necessary or desirable in connection with the Restructuring, including but not limited to, approving any non-material amendments to any of the documents required to implement the Restructuring;
- (b) changing the name of the Company to Earls Nook plc;
- (c) authorising and approving the giving of notification by the Directors to London Stock Exchange pursuant to Rule 41 of the AIM Rules for Companies to effect cancellation of admission of the Company's ordinary shares to trading on the AIM market of London Stock Exchange; and
- (d) changing the status of the Company to a private limited company.

The resolutions set out at (a) to (c) above are not conditional on the resolution set out at (d) above being passed.

Directors' Recommendation

The Independent Directors, who have received advice from Collins Stewart, the Company's Nominated Adviser and broker, consider the terms of the Restructuring to be in the best interests of the Company and Shareholders as a whole. In providing such advice, Collins Stewart has placed reliance on the Independent Directors' commercial assessments in relation to the Restructuring.

THE BOARD DRAWS SHAREHOLDERS' ATTENTION TO THE IMPORTANCE OF VOTING IN FAVOUR OF THE RESOLUTIONS. SHAREHOLDERS SHOULD PAY PARTICULAR ATTENTION TO THE FACT THAT IF THE RESTRUCTURING DOES NOT PROCEED AN INSOLVENCY PROCESS WILL BE UNAVOIDABLE. IN SUCH CIRCUMSTANCES, GIVEN THE LEVEL OF EXISTING DEBT, SHAREHOLDERS WILL RECEIVE NO VALUE.

The Independent Directors unanimously recommend that Shareholders vote in favour of the Resolutions as they intend to do in respect of, in aggregate, 73,709 Ordinary Shares in which they are interested, representing approximately 0.15 per cent. of the existing issued Ordinary Shares.

The Executive Directors intend to vote in favour of the Resolutions in respect of, in aggregate, 67,563 Ordinary Shares in which they are interested, representing approximately 0.14 per cent. of the existing issued Ordinary Shares.

Annual General Meeting

The Annual General Meeting of the Company for 2007 will take place at 10.45 am on 23 July 2007 (or as soon as possible thereafter as the Extraordinary General Meeting shall have concluded or been adjourned).