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If you have sold or otherwise transferred all of your Ordinary Shares, you should immediately forward this document to the purchaser or transferee or the stock broker, bank or other agent through whom the sale was effected, for onward transmission to the purchaser or transferee.

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# **Biofutures International plc**

*(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5712979)*

## **Proposed cancellation of the Restrictive Agreement**

## **Proposed adoption of the Investing Strategy and reclassification of Biofutures from a trading company to an Investing Company**

## **Notice of Extraordinary General Meeting**

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Notice of the Extraordinary General Meeting of Biofutures to be held at the offices of Stephenson Harwood, One St Paul's Churchyard, London EC4M 8SH at 11.00 a.m. on 6 June 2008 is set out at the end of this document. A form of proxy for use at the meeting is enclosed with this document and should be returned to the Company's registrars, Share Registrars Limited, Craven House, West Street, Farnham, Surrey GU9 7EN as soon as possible and in any event so as to be received by 11.00 a.m. on 4 June 2008.

The Directors, whose names and details are set out on page 5 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Blomfield Corporate Finance Limited, which is authorised and regulated in the United Kingdom by The Financial Services Authority, is acting for Biofutures and for no one else in connection with this document and will not be responsible to anyone other than Biofutures for providing the protections afforded to clients of Blomfield Corporate Finance Limited nor for providing advice to any other person in relation to this document, the contents of this document nor any other matter referred to in this document.

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## DEFINITIONS

“Act”	the Companies Act 1985 (as amended) and as applicable, the Companies Act 2006
“AIM Rules for Companies”	the rules for AIM companies published by the London Stock Exchange from time to time
“AIM”	AIM, a market operated by the London Stock Exchange
“Board” or “Directors”	the directors of the Company whose names appear on page 5 of this document
“Company” or “Biofutures”	Biofutures International plc
“Group”	Biofutures and its subsidiaries and its subsidiary undertakings
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company convened for 11.00 a.m. on 6 June 2008, the notice convening which is set out at the end of this document
“Investing Company”	an AIM company which in the opinion of the London Stock Exchange, has a primary business in the investing of its funds in the securities of other companies or the acquisition of a particular business
“Investing Strategy”	to continue to review the Zurex Project including potentially re-engineering the project into the Refinery Project which, through the addition of a plant module could be expanded into a palm oil biodiesel plant should the production of palm oil biodiesel become economically feasible and/or to invest in or acquire projects, assets, partnerships, joint ventures, businesses or companies (public or private) in Europe, Asia and the Middle East in the energy and utility sectors and their related infrastructures. Acquisitions and investments may be funded with cash, equity, debt or any mixture of the aforementioned.
“London Stock Exchange”	the London Stock Exchange plc
“Lurgi”	JJ-Lurgi Engineering Sdn. Bhd
“Ordinary Shares”	ordinary shares of 1 penny each in the capital of the Company
“Proposals”	the proposed cancellation of the Restrictive Agreement and the proposed adoption of the Investing Strategy and reclassification of Biofutures from a trading company to an Investing Company
“POIC”	POIC Sabah Sdn. Bhd., an entity set up by the Sabah regional government of Malaysia to develop palm oil downstream processing (POIC stands for Palm Oil Industrial Cluster)
“Refinery Project”	the proposed establishment of a palm oil refinery plant at POIC Lahad Datu, Sabah, Malaysia
“Restrictive Agreement”	the agreement made by the Directors in the document sent to Shareholders seeking, <i>inter alia</i> , the approval for the acquisition of Zurex, dated 30 October 2006, to the effect that if sufficient bank facilities were not entered into, and other forms of financing could not be found, the Company may decide not to proceed further with the construction of the palm oil biodiesel

plant and instead seek, subject to obtaining POIC's permission, to sell its rights to the development of the palm oil biodiesel plant to a third party and to return its remaining cash resources to Shareholders or obtain Shareholder consent to make an alternative investment

“Shareholders”

holders of issued Ordinary Shares

“Zurex Project”

the establishment of a 200,000 tonnes per annum palm oil biodiesel plant at POIC Lahad Datu, Sabah, Malaysia

“Zurex”

Zurex Corporation Sdn. Bhd., a wholly owned Malaysian subsidiary of Biofutures

LETTER FROM THE CHAIRMAN OF THE COMPANY

# Biofutures International plc

*(Incorporated and registered in England and Wales under the Companies Act 1985  
with registered number 5712979)*

*Directors:*

Yeoh Keat Hoe (*Executive Chairman*)  
Dr Wong Kai Fatt (*Chief Executive Officer*)  
Julie Patricia Pomeroy (*Finance Director*)  
Dr Patrick Dennis Howes (*Non-Executive Director*)  
David John Long (*Non-Executive Director*)

*Registered Office:*

One St Paul's Churchyard  
London EC4M 8SH

20 May 2008

*To the holders of Ordinary Shares and, for information only, holders of options and warrants*

Dear Shareholder

## **Proposed cancellation of the Restrictive Agreement**

and

## **Proposed adoption of the Investing Strategy and reclassification of Biofutures from a trading company to an Investing Company**

### **Introduction**

The purpose of this document is to explain the details of and reasons for the Proposals. To be implemented, these Proposals require the approval of Shareholders in a general meeting. Accordingly, at the end of this document is a notice convening the Extraordinary General Meeting to consider, and if thought fit, to approve the proposed resolutions.

### **Background to and reasons for the Proposals**

Biofutures was admitted to AIM, on 5 May 2006 as an Investing Company, as defined under the AIM Rules for Companies. On admission to AIM the investing strategy of the Company was to appraise opportunities with a structural competitive advantage and an ability to generate revenue streams with potential for growth.

In November 2006 the Company acquired Zurex which constituted a reverse takeover, as defined under the AIM Rules for Companies and was re-admitted to AIM. Zurex, now a wholly owned subsidiary of Biofutures which acts as a holding company, was incorporated in Malaysia to establish a 200,000 tonnes per annum palm oil biodiesel plant at POIC Lahad Datu, Sabah, Malaysia. Zurex's strategy was to produce palm oil biodiesel from the feedstock of refined and crude palm oil in Malaysia and to sell the palm oil biodiesel produced.

In the document sent to Shareholders seeking, *inter alia*, the approval for the acquisition of Zurex, dated 30 October 2006, the Directors stated that if sufficient bank facilities were not entered into, and other forms of financing could not be found, the Company may decide not to proceed further with the construction of the palm oil biodiesel plant and instead seek, subject to obtaining POIC's permission, to sell its rights to the development of the palm oil biodiesel plant to a third party and to return its remaining cash resources to Shareholders or obtain Shareholder consent to make an alternative investment (the "Restrictive Agreement").

Zurex has entered into various contracts in order to commence the Zurex Project including;

1. an agreement to acquire 50 acres of land from POIC on which the palm oil biodiesel plant was to be built. As announced on 16 May 2008 the Directors have agreed (with the consent of POIC) to only purchase 14 acres of this land which is sufficient acreage to construct the Refinery Project and to add a trans-esterification module and associated ancillary equipment to the Refinery Project which would result in a biodiesel plant similar to that anticipated by the Zurex Project; and
2. an agreement with Lurgi under which Lurgi agreed to supply components for the palm oil biodiesel plant anticipated to be constructed under the Zurex Project.

Due to the rising price of crude palm oil, the primary feedstock for the biodiesel plant being constructed by the Company, it was not possible for the Directors to find debt financing on acceptable terms and even if acceptable debt financing had been found the biodiesel plant could not have commenced operations due to the negative margins of biodiesel relative to the price of crude palm oil. Therefore, the Directors believe that the plant, if built, could not be operated profitably and informed Shareholders in their interim report for the six months ended 30 June 2007, released on 27 September 2007, that contracts with suppliers (including the contract with Lurgi) had been put on hold and that negotiations were taking place with a view to re-engineering the Zurex Project.

Having completed the review of the Zurex Project the Directors believe that the Zurex Project, as currently defined, is no longer economically viable. However, having considered the global trend which shows an increased demand for palm oil and the resultant rise in prices, the Directors consider it a viable option (as part of the re-engineering exercise) to consider the refining of palm oil (through the Refinery Project) while retaining the flexibility to consider the production of palm oil biodiesel should economic circumstances permit in the future.

The refining of palm oil requires similar technologies to that which would have been utilised in the pre-treatment stage of the palm oil biodiesel plant under the Zurex Project, and thus the pre-treatment plant can be redesigned to become a palm oil refinery. If commissioned, the plant will initially be built as a palm oil refining plant and if a palm oil biodiesel plant becomes economically feasible, a trans-esterification module and associated ancillary equipment could be added to the Refinery Project to enable the production of palm oil biodiesel.

Once all necessary approvals are obtained and the Directors are satisfied on the feasibility of the Refinery Project they intend to utilise available funds to commission the Refinery Project and to maximize the use of existing assets that have been acquired and paid for by the Company without raising additional funds for capital expenditure. Working capital facilities will however be required to finance the Refinery Project in the initial period of its operations. The Directors believe that by using the 14 acres of land and the equipment that has been acquired to date, the value in the initial investment cost can be optimised and losses kept to the minimum.

For the six months ended 30 June 2007 losses attributable to the Zurex Project were £0.11 million and the total asset value relating to the Zurex Project was £20.73 million. For the same period the Group made losses of £0.45 million and had total assets of £29.41 million, of which £8.65 million was cash. As at 30 April 2008 available cash was £8.17 million.

In order to be in a position to increase Shareholder value the Board are seeking Shareholders' approval to consider the refining of palm oil while retaining the flexibility to produce biodiesel should economic circumstances permit. In addition, the Board would like Shareholders' approval to invest in other businesses and investments when opportunities arise in line with their proposed Investing Strategy. The Directors are therefore seeking Shareholder approval through Resolution 1 to cancel the Restrictive Agreement. The Restrictive Agreement prevents the Directors from making other investments, in the event that the Directors decide not to proceed with the construction of the Zurex Project, without, inter alia, first seeking Shareholders' approval to re-invest Shareholders' funds as opposed to winding up the Company and returning any funds from the termination of the Zurex Project to Shareholders. Without this ability to make other investments (which includes the ability to invest in the Refinery Project) the Directors are prevented from expanding the Company's business unless the Zurex Project is first terminated, which the Directors do not believe to be in the best interests of Shareholders at this time.

## **Investing Strategy**

Although the Directors believe that Biofutures could exist in its current form for the foreseeable future, by maximising interest income and minimising expenditure, without either making an investment or returning funds to Shareholders, the Directors would like to pursue the following active strategy of investment:-

“to continue to review the Zurex Project including potentially re-engineering the project into the Refinery Project which, through the addition of a plant module could be expanded into a palm oil biodiesel plant should the production of palm oil biodiesel become economically feasible and /or to invest in or acquire projects, assets, partnerships, joint ventures, businesses or companies (public or private) in Europe, Asia and the Middle East in the energy and utility sectors and their related infrastructures. Acquisitions and investments may be funded with cash, equity, debt or any mixture of the aforementioned.”

Due to the geographical location of the land on which the Zurex Project was to be built (amidst oil palm plantations) the Company is well placed to operate the Refinery Project subject to appropriate approvals being obtained. The Directors believe that the location of the land together with the supporting infrastructure should allow for a smooth transition from the Zurex Project to the Refinery Project.

If the Directors proceed with the Refinery Project they believe that existing funds would be sufficient to complete the construction of the Refinery Project without the need to raise additional funding for capital expenditure. Working capital facilities will however be required to finance the Refinery Project in the initial period of its operations.

The Directors have undertaken a preliminary feasibility study of the Refinery Project and believe from the findings that the Refinery Project is economically feasible and would provide a good return on investment. Subject to Shareholder approval being obtained for the Proposals at the EGM, further due diligence will be conducted prior to final project approval by the Directors.

The Directors believe that due to a global increase in expenditure in relation to energy projects by oil and mining corporations, and the implementation of targets for national biofuel consumption by various governments, there are increased business opportunities available in these sectors and their related infrastructures. The Directors intend to explore opportunities in line with their Investing Strategy which should enable the Company to make suitable investments providing potential for growth and accordingly enhance Shareholder value.

The Directors intend that Biofutures makes at least one investment in the next twelve months, which could be an investment into the Refinery Project.

The members of the Board and its management team are made up of experienced individuals with diverse backgrounds covering legal, financial, engineering and energy related chemical industries with experience in corporate transactions over a variety of sectors. The Directors will be guided by their experiences in their respective fields of expertise and management skills in implementing the Investing Strategy. Investments and acquisitions will be subject to the relevant legal and financial due diligence being first made, and where necessary, the Company will appoint suitably qualified consultants and market researchers to advise the Directors on the feasibility and risks associated with any potential acquisition or investment.

The Investing Strategy, if approved, will guide the future direction of Biofutures which at present is unclear to Shareholders due to the uncertainty regarding the viability and direction of the Zurex Project. If Shareholders' approval is obtained in relation to the Investing Strategy, Biofutures will be reclassified from a trading company to an Investing Company, as defined by the AIM Rules for Companies, with Zurex being one of Biofutures' existing investments. This reclassification will be viewed as a fundamental change of business and as an Investing Company Biofutures will therefore have to make an acquisition or acquisitions which constitute a reverse takeover under the AIM Rules for Companies or otherwise implement its Investing Strategy to the satisfaction of the London Stock Exchange within twelve months of having received the consent of Shareholders at the EGM. If this does not occur, trading in the Company's Ordinary Shares will be suspended.

### **Extraordinary General Meeting**

Your attention is drawn to a notice convening the Extraordinary General Meeting of the Company, which is set out at the end of this document, to be held at 11.00 a.m. on 6 June 2008. At the Extraordinary General Meeting the following ordinary resolutions will be proposed:

1. to approve the cancellation of the Restrictive Agreement; and
2. to approve the proposed Investing Strategy and therefore the reclassification of Biofutures from a trading company to an Investing Company as defined by the AIM Rules for Companies.

### **Action to be taken**

You will find enclosed with this document a form of proxy in respect of the EGM. **Whether or not you propose to attend the EGM in person, you are asked to complete the form of proxy and return it to the Company's registrars, Share Registrars Limited, Craven House, West Street, Farnham, Surrey GU9 7EN so as to arrive as soon as possible, but in any event, so as not to be received any later than 11.00 a.m. on 4 June 2008.** Completion and return of the form of proxy will not preclude you from attending and voting at the EGM in person if you wish.

### **Recommendation**

The Directors believe that approving the cancellation of the Restrictive Agreement and approving the Investing Strategy and therefore the reclassification of Biofutures from a trading company to an Investing Company is in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the resolutions being proposed at the Extraordinary General Meeting as they intend to do in respect of their beneficial shareholdings amounting to 16,867,500 Ordinary Shares representing approximately 11.2 per cent. of the Company's issued ordinary share capital.

Yours faithfully

Yeoh Keat Hoe  
*Executive Chairman*

NOTICE OF EXTRAORDINARY GENERAL MEETING

# Biofutures International plc

(Incorporated and registered in England and Wales under the Companies Act 1985  
with registered number 5712979)

Notice is hereby given that an extraordinary general meeting of the above named company (the “Company”) will be held at the offices of Stephenson Harwood, One St Paul’s Churchyard, London EC4M 8SH at 11.00 a.m. on 6 June 2008 for the purpose of considering and, if thought fit, passing the following resolutions which shall be proposed as ordinary resolutions:

## ORDINARY RESOLUTIONS

1. THAT the cancellation of the agreement made by the Directors in the document sent to Shareholders seeking, *inter alia*, the approval for the acquisition of Zurex, dated 30 October 2006, to the effect that if sufficient bank facilities were not entered into, and other forms of financing could not be found, the Company may decide not to proceed further with the construction of the palm oil biodiesel plant and instead seek, subject to obtaining POIC’s permission, to sell its rights to the development of the palm oil biodiesel plant to a third party and to return its remaining cash resources to Shareholders or obtain Shareholder consent to make an alternative investment be and is hereby approved.
2. THAT the Investing Strategy, which is  
“to continue to review the Zurex Project including potentially re-engineering the project into the Refinery Project which, through the addition of a plant module could be expanded into a palm oil biodiesel plant should the production of palm oil biodiesel become economically feasible and/or to invest in or acquire projects, assets, partnerships, joint ventures, businesses or companies (public or private) in Europe, Asia and the Middle East in the energy and utility sectors and their related infrastructures. Acquisitions and investments may be funded with cash, equity, debt or any mixture of the aforementioned.”

and therefore the reclassification of Biofutures International plc from a trading company to an Investing Company, as defined by the AIM Rules for Companies, be and is hereby approved.

## BY ORDER OF THE BOARD

Secretary

.....

Julie Pomeroy

20 May 2008

Biofutures International plc

*Notes:*

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the EGM and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
2. A proxy does not need to be a member of the Company but must attend the EGM to represent you. Details of how to appoint the Chairman of the EGM or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the EGM you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.
4. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, Shareholders who hold their shares in uncertificated form must be entered on the Company's share register by 11.00 a.m. on 4 June 2008 in order to be entitled to attend and vote at the EGM. Such Shareholders may only cast votes in respect of shares held at such time. Changes to entries on the register of members after such time on such date will be disregarded in determining the rights of any person to attend and vote at the EGM.
5. To be effective, a proxy form must be duly completed, executed and returned, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power of attorney or authority, so as to reach the Company's registrars, Share Registrars Limited, Craven House, West Street, Farnham, Surrey GU9 7EN (or faxed to Share Registrars Limited on 01252 719232) by 11.00 a.m. on 4 June 2008
6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
7. If multiple corporate representatives are appointed, in order to facilitate voting by corporate representatives at the EGM, arrangements will be put in place at the EGM so that:
  - (i) if a corporate member has appointed the Chairman of the EGM as its corporate representative with instructions to vote on a poll in accordance with the directions of all the other corporate representatives for that member at the EGM, then, on a poll, those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
  - (ii) if more than one corporate representative for the same corporate member attends the EGM but the corporate member has not appointed the Chairman of the EGM as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.



