

16 January 2007

Shareholder Update

The directors of Virotec International plc ("Virotec") (AIM: VTI) are pleased to provide the following shareholder update on its operations for the last quarter of 2006.

USA - Virotec Aquasolve

In June 2006, we advised the market the Department of Health and Environmental Control ("DHEC") confirmed that Virotec's ViroFlow™ Technology utilising the Radium ProActiv™ reagent "is a simple, effective, and efficient process for reducing and maintaining Radium concentrations in drinking water below regulatory Maximum Contamination Levels", and that it is "the best alternative available in South Carolina". Since then, DHEC have established funding of approx USD30 Million to assist public utilities in the state of South Carolina to introduce water treatment processes for the treatment of naturally occurring Radium in drinking water. It is expected that this funding will be available to be drawn down by the public utilities from the end of January, 2007.

Naturally occurring Radium in drinking water is a widespread problem throughout North America and the results of work completed to date have generated interest from a number of different states. A demonstration trial has commenced in Colorado, and negotiations are continuing with water companies and regulators in four other states.

In December 2006, Virotec Aquasolve completed the Phosphate treatment of six ponds for large food processing companies in South Carolina to demonstrate the effectiveness of ViroFlow™ Technology using the ViroPhos™ reagent. To date this has generated approximately USD100,000 in revenue. Virotec expects this will lead to orders for the treatment of additional ponds throughout 2007.

Middle East

Virotec has completed a large scale project with Clean Environment Technologies ("CET") of Al-Khobar in the Royal Kingdom of Saudi Arabia for the implementation of its ViroCompost™ Technology at the NADA dairy in Al-Hofuf.

The project demonstrated the ability of the ViroCompost™ Technology to convert dairy waste, produced by the dairy at a rate of 35,000m<sup>3</sup> per annum (including sand, cow manure, and waste milk and feed generated from 16,000 cows), into commercial fertiliser products for resale to local date farms. ViroCompost™ Technology is a combination of know-how, site and process design, specialised operations, plant and equipment, and ViroBlend™ reagent, which controls odour and temperature, adds micronutrients to the finished fertiliser, and helps retain moisture during the composting process. Composting is not practiced widely in Saudi Arabia, but this project is an initiative being encouraged by the Saudi Government.

Virotec has also begun verifying the suitability of its ViroFlow™ Technology for treating Hydrocarbon-rich waste water from a large petroleum refinery in Saudi Arabia.

Australia

The Australian operation has continued to expand and operated profitably in the December quarter. The Australian market has been used to prove the commerciality of Virotec's various Technologies and provides the platform for their

commercialisation globally. The main areas of achievement in the December quarter include:-

- a. It has completed the site remediation of ten sites affected by Copper Chrome Arsenate treatment. Whilst each of the sites is relatively small, the work has enhanced Virotec's reputation as a solution provider where no such solutions have previously existed.
- b. Virotec received Queensland Environmental Protection Agency ("EPA") approval to treat all forms of hazardous solids (including sludges, soil and dry solids) contaminated with heavy metals using its ViroFlow™ Technology. Virotec has been operating for many years with EPA approval on a "project-by-project" basis, but this is the first time the EPA has provided a company in Queensland with "blanket approval" for its technology.
- c. Virotec has received orders for the implementation of two new ViroSewage™ Technology systems. One of the systems was implemented in December 2006 and the second system will be implemented in Quarter 1 2007. The contracts will generate AUD250,000 in revenue for the implementation of the systems and once installed the ongoing technical support for providing the ViroSewage™ Technology will provide approximately AUD250,000 per annum of ongoing annual revenue.
- d. Virotec has completed laboratory trials for a large Zinc smelter company to demonstrate the effectiveness of its ViroFlow™ Technology to bind up various waste materials including mercury, generated through its smelting process. As a result of this success, Virotec has been commissioned to complete large scale trials at two sites. Virotec is confident of successfully completing both trials in Quarter 1 2007.
- e. Virotec has also recently signed a two-year contract for the conversion of low-level contaminated marine dredge spoil into commercial topsoil using its ViroSoil™ Technology. This agreement resulted from a year of research and on-site trials. The contract is expected to generate revenue of approximately AUD120,000 per year.

#### United Kingdom

Virotec has commenced its first commercial trial with a UK Water Authority for the treatment of Phosphate in municipal waste water. This follows the successful trial completed by the Water Research Council in 2006. Negotiations are continuing with four other Water Authorities for the introduction of ViroFilter™ Technology.

Executive Chairman, Brian Sheeran, said "This quarter saw very rapid growth and expansion into a number of areas, particularly the highly prized drinking water market of the USA, with outstanding technical successes. This is a lucrative market and Virotec expects to develop a significant market share. Phosphate treatment also represents an important market for Virotec and we are well positioned to expand into this market in 2007. Overall I believe that the prospects for Virotec in 2007 are very encouraging".

For further information please contact Angus Craig, Company Secretary on +617 5530 8014 or by email at [mail@virotec.com](mailto:mail@virotec.com).

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