

28 September, 2007

MicroFuze International Plc

Interim Results for the Six Months Ended 30 June 2007

MicroFuze International Plc (AIM: MFZ) (“MicroFuze” or “the Company”), a provider of emerging technology and technology management solutions, announces its interim results for the period ended June 30, 2007.

Highlights:

- Successful completion of a £ 2.5 million capital raising
- Acquisition of Western Utilities Corporation, a South Africa-based start-up positioned to treat and process contaminated mine waste into industrial grade water
- Appointment of Jaco Schoeman as an Executive Director
- Extension of the collaboration agreement with Applied Thermal Coatings, Inc (“ATC”)

Results Summary:

The loss from ordinary activities for the six month period ended June 30, 2007 was £495,000 before exceptional items and £870,356 after exceptional items, a loss of 0.58p per share. This loss is inclusive of research and development costs with respect to both existing and new projects, totaling £34,800. The net cash position of the company at 30 June was approximately £500,000. This does not include the £2.5 million (before expenses) raised in July.

Enquiries

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Chairman's Statement

Background on Operations:

In late 2006, MicroFuze retained the services of consulting group, FTI Consulting for the purposes of conducting a strategic review of the Company's activities, identifying new sources of capital and potential corporate partners. This was seen as necessary as, on its own, MicroFuze was not gaining the commercial traction in the timeframe required and in order to achieve commercial success. The Board formed the view that whilst the basic technology had been proven in a 'pilot' operation, the Company's activities needed to be significantly scaled up. In order to do this and adequately resource the future scale-up it was determined that (a) corporate partner(s) with access to a broader spread of commercial customers and significant additional finance was required in order to achieve success with the commercial rollout of the technology. The search for (an) appropriate corporate partner(s) has continued. In the meantime, MicroFuze has continued to work closely with ATC whose founder and CEO, Harley Grant, is a co-inventor of the technology and a current shareholder in MicroFuze Americas Inc ("MFA").

Harley, together with ATC's Technical Manager, Jeff Henry, continues to work closely with MicroFuze on tailoring the process to meet clients' specific needs. Whilst this represents small, but important steps along the path to commercialisation, it is recognised that a larger, more established corporate partner with greater commercial reach is required to make the commercialisation of the technology successful. At the same time, the Board recognised the need to look at ways to deliver attractive returns to shareholders by broadening the Company's technology portfolio. After reviewing a number of potential projects, the Company acquired Western Utilities Corporation (WUC), a water-technology treatment and management company, capable of addressing an immediate problem of acid mine drainage affecting the large mining companies in the Central Rand. The near-term commercial opportunities together with the mid-term potential for this technology in other areas were among the key reasons why MicroFuze acquired WUC.

The Company completed a £2.5 million capital raising program primarily to UK-based institutional investors, alongside the acquisition of WUC. The majority of the new funds are being applied to the commissioning of the WUC pilot plant and related work. It is expected that the results from the pilot plant will be available in early 2008. Once the results have been analysed, work will commence on the scale-up and planning for the construction of the 75 megalitre (daily capacity) plant and pipeline.

Specific Operations:

US:

The closer working relationship with ATC has enabled a more focused programme to be put in place in respect of the development and rollout of the chrome and boron technologies and applications. Following the Company's own internal review and streamlining of management positions, MicroFuze Americas has reduced its overall head count and consequent monthly burn rate to concentrate on its joint development program with ATC. The focus of this program is to refine the technology to a point where it is repeatable, reliable and effective, particularly in the area of boronising, where it is expected to register the greatest number of commercial applications moving forward. In addition to the current work on boron, the Company is also carrying out work on studs and link pins diffused with chrome as the first commercial products being treated. These low value, high volume, constant size items provide the opportunity for low cost, low risk runs. Through our relationship with ATC, there is a market for these and related products.

Development of Production Microwave:

The Company is currently in discussions with Tennessee-based Molten Metal Technologies, Inc. regarding the development and delivery of a production microwave suitable for carrying out a range of production activities for existing and potential clients in the Tennessee area. Decisions in relation to this microwave will be made once a full assessment of its ultimate capabilities, costs and expected utilisation has been made. It is essential that the Board has formed a view that the capacity of the proposed new microwave will be absorbed by existing and potential customers which, in turn, will produce ongoing and increasing revenues for the Company.

The insights into microwave behaviour, applicator performance, and outcomes at faster processing rates acquired from the chrome business can be applied directly and immediately to boron. This is important in relation to the ways in which the boron technology can be developed and commercialised and the way in which the production microwave is designed and commissioned.

In the meantime, ATC is working to finalise the agreement with the Tennessee Valley Authority (“TVA”) to become the preferred supplier of boron diffusion treatments, in anticipation of successful application of the new process.

South Africa

As stated above, WUC was formed as a result of a Government directive to the three major mining houses in South Africa requiring them to recover, recycle and treat to acceptable quality the contaminated acidic mine water. The water has flooded the underground voids left by centuries of mining activity, forming acidic water which is leaching into the aquifer and threatening fresh water supplies and critical historic formations.

WUC has agreements with the custodians of the contaminated water, long considered a liability, to treat and supply back to the mining companies, thus providing a scarce and valuable commodity in a country where demand generally exceeds supply. The agreements have the potential to address a dangerous legacy problem successfully.

MicroFuze is providing funding and strategic support for the start-up company to establish a pilot plant to refine application of two licensed technologies being trialed to treat the water. The results, once available, are expected to recommend establishment of a 75 megalitre per day commercial plant and execution of long term supply contracts for industrial grade water to the mining industry. The further refinement of the resource to potable water is anticipated.

Outlook

WUC has commenced work on the pilot plant expected to confirm commercialisation potential by early 2008. Efforts will continue at strengthening relationships with key government departments and multinational mining companies with a view to establishing an industry-leading operation, at the same time as securing new applications and opportunities for this technology and management process.

MicroFuze Americas is continuing to review its activities and work closely with ATC in respect of its own commercialisation program. The search for a suitable corporate and financial partner to work with MFA and ATC is continuing. This search is seen as essential in order to fully expedite the commercial rollout of the technology. Without such a partner and given ATC’s other commitments, it is expected that commercial progress will continue to be slow. MicroFuze is continuing to maintain a tight operation in the USA with a focus on cost containment whilst also actively working with ATC and trying to finalise an arrangement with an external joint venture partner.

The Board would like to implement such an arrangement by the end of this year to enable the microwave technology to move ahead in 2008. In keeping with the need constantly to review how the Company’s funds are best deployed and where resources are most appropriately directed, in the event that a suitable joint venture arrangement is not finalised by the end of the year, the Board will assess all options in relation to the future expenditure on, direction and deployment of the microwave technology by end of January 2008.

Finally, the Board wishes to thank all shareholders for their continuing support and interest in the Company’s activities.

Peter Marks
Chairman
28 September 2007.

**MICROFUZE INTERNATIONAL
PLC
INTERIM REPORT JUNE 2007**

Consolidated income statement

	Note	Period 01.1.07 to 30.06.07 £000	Period 19.8.05 to 30.06.06 As restated £000	Period 19.8.05 to 31.12.06 As restated £000
Turnover		-	2	3
Administrative expenses		(591)	(1,027)	(1,644)
Share based employee payments	4	(310)	-	(729)
Operating loss		(901)	(1,025)	(2,370)
Interest receivable		18	30	57
Loss before taxation		(883)	(995)	(2,313)
Taxation		-	-	-
Loss after taxation		(883)	(995)	(2,313)
Minority interests		12	50	87
Loss for the period		(871)	(945)	(2,226)
Loss per share		0.58p	0.96p	1.9p

Earnings per share

Loss per share of 0.58p (2006 : 0.96p) has been calculated using the loss after taxation and minority interest of £871k (2006: £945k) applied to the weighted average number of shares in issue during the period of 149,369,508 shares (2006 : 98,378,743).

Prior year adjustment

Following the adoption of International Financial Reporting Standards (IFRS) a prior year adjustment in respect of the reversal of amortisation of goodwill charged in previous periods has resulted in the restatement of the comparative figures (see note 6).

MICROFUZE INTERNATIONAL PLC
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Consolidated balance sheet

	30 June 2007 £000	30 June 2006 £000	31 December 2006 £000
		As restated	As restated
Non current assets			
Goodwill	1,566	1,566	1,566
Fixed assets	114	62	82
	1,680	1,628	1,648
Current assets			
Receivables - amounts falling due within one year	76	84	62
Cash and cash equivalents	500	1,712	1,069
	576	1,796	1,131
Current liabilities			
Other payables	(277)	(202)	(147)
Net current assets	299	1,594	984
Total assets less current liabilities	1,979	3,222	2,632
Net assets	1,979	3,222	2,632
Equity			
Called up share capital	227	224	224
Share premium account	4,135	3,998	4,026
Share options reserve	927	-	729
Profit and loss account	(3,177)	(911)	(2,226)
Shareholders' funds	2,112	3,311	2,753
Minority interests	(133)	(89)	(121)
	1,979	3,222	2,632

Prior year adjustment

Following the adoption of International Financial Reporting Standards (IFRS) a prior year adjustment in respect of the reversal of amortisation of goodwill charged in previous periods has resulted in the restatement of the comparative figures (see note 6).

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Consolidated cash flow statement

	Note	Period 01.1.07 to 30.06.07 £000	Period 19.8.05 to 30.06.06 £000	Period 19.8.05 to 31.12.06 £000
Net cash outflow from operating activities	2	(545)	(889)	(1,625)
Investing activities				
- Interest received		18	30	57
- Purchases of fixed assets		-	(11)	(30)
Tax paid		-	-	-
Net cash outflow after investing activities		(527)	(870)	(1,598)
Financing activities	2	-	2,582	2,667
(Decrease)/increase in cash and cash equivalents		(527)	1,712	1,069

Movement in net cash in the period

Balance at beginning of period	1,069	-	-
(Decrease)/increase in the period	(527)	1,712	1,069
As at 30 June 2007	542	1,712	1,069

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Statement of total recognised income and expenses

	Period 1.1.07 to 30.06.07	Period 19.8.05 to 30.06.06	Period 19.8.05 to 31.12.06
	£000	£000	£000
Loss for the period as previously stated	(871)	(989)	(2,314)
Prior year adjustment	-	44	88
Loss for the period	(871)	(945)	(2,226)
Exchange adjustments	(80)	33	-
Total recognised income and expenses in the period	(951)	(912)	(2,226)

Statement of changes in shareholders equity

	Period 1.1.07 to 30.06.07	Period 19.8.05 to 30.06.06	Period 19.8.05 to 31.12.06
	£000	£000	£000
Recognised income and expenses relating to the period	(951)	(912)	(2,226)
Shares issued during the period	112	4,223	4,250
Shares options issued	198	-	729
Net increase in shareholders' funds	(641)	3,311	2,753
At beginning of period as previously stated	2,665	-	-
Prior year adjustment (see below)	88	-	-
At end of period	2,112	3,311	2,753

Historical cost profits and losses

There was no difference between the reported loss before taxation and the historical cost loss before taxation for the period.

Prior year adjustment

Following the adoption of International Financial Reporting Standards (IFRS) a prior year adjustment in respect of the reversal of amortisation of goodwill charged in previous periods has resulted in the restatement of the comparative figures (see note 6).

MICROFUZE INTERNATIONAL PLC
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NOTES TO THE HALF YEAR ACCOUNTS

1. Basis of accounting

The interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 6. The interim accounts have not been audited.

2. Consolidated cash flow statement

	Period 1.1.07 to 30.06.07	Period 19.8.05 to 30.06.06	Period 19.8.05 to 31.12.06
		As restated	As restated
Net cashflow from operating activities	£000	£000	£000
Operating loss	(901)	(1,025)	(2,370)
Depreciation charge	10	7	10
(Decrease)/increase in debtors	(14)	35	(35)
Increase in creditors	130	94	46
Foreign exchange	(80)	-	(5)
Share based payments	310	-	729
Net cash outflow from operating activities	(545)	(889)	(1,625)
	Period 1.1.07 to 30.06.07	Period 19.8.05 to 30.06.06	Period 19.8.05 to 31.12.06
Financing activities	£000	£000	£000
Issue of ordinary shares	-	3,010	2,650
Costs of share issue	-	(445)	-
Cash acquired with subsidiaries	-	17	17
	-	2,582	2,667

Prior year adjustment

Following the adoption of International Financial Reporting Standards (IFRS) a prior year adjustment in respect of the reversal of amortisation of goodwill charged in previous periods has resulted in the restatement of the comparative figures (see note 6).

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NOTES TO THE HALF YEAR ACCOUNTS (CONTINUED)

3. Major non cash transactions - Purchase of subsidiary undertakings

On 13 November 2005 the Group acquired 100% of MicroFuze International Pty Limited and indirectly 85% of MicroFuze Americas Inc (formerly Tesla Inc). The goodwill arising on acquisition of £1,566,632 represents the consideration (including expenses) of £1,600,000 less the Group's share of the fair value of net assets acquired of £33,368. The whole of the consideration for the purchase of subsidiary undertakings comprised shares totaling £1,600,00

	£000
Fair value of net assets acquired	
Tangible fixed assets	62
Debtors	21
Cash at bank	17
Creditors	(100)
Minority shareholders interests	34
Goodwill	1,566
Net cost of acquisition	1,600

4. Share Options and Share Based Transactions

The following share options over 0.15p ordinary shares were granted under an Unapproved Share Option scheme during the period.

	Date Granted	Number of share options granted	Exercise price	Period during which exercisable	Market price per share at date of grant
Sandy Barblett	6.06.07	3,000,000	10p	6/6/07 -5/6/12	5p
Harley Grant	6.06.07	2,000,000	10p	6/6/07 -5/6/12	5p
Jeff Henry	6.06.07	2,000,000	10p	6/6/07 -5/6/12	5p
Arthur Greenberg	6.06.07	1,000,000	10p	6/6/07 -5/6/12	5p
Kaylan Holmes	6.06.07	200,000	10p	6/6/07 -5/6/12	5p
Mike Dureau	6.06.07	110,000	10p	6/6/07 -5/6/12	5p
		<u>8,310,000</u>			

The fair value of the options vested in the period was £198,193. The assessed fair value at the grant date is determined using the Black Scholes model that takes into account the exercise price, the term of the option, the share price at date of grant, the expected price volatility of the underlying share, dividend yield and the risk free interest rate for the term of the option.

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NOTES TO THE HALF YEAR ACCOUNTS (CONTINUED)

The following table lists the inputs to the model used for the period ended 30th June 2007:

Dividend yield %	-
Expected volatility %	71
Risk free interest rate %	5.25
Share price at date of grant	5p

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may, not necessarily be the actual outcome.

The exercise period is 5 years from the date of grant being 6 June 2007.

Directors transactions

The company issued 2,248,000 ordinary shares at 5p per share in settlement of £112,400 in respect of its Directors past services. The shares were issued as follows ;

	no of shares	£
Doug Parrish	1,638,000	81,900
Tim Wall	610,000	30,500
	<u>2,248,000</u>	<u>112,400</u>

5. Goodwill

An impairment review was conducted by the Directors of the Company on 17th September 2007 and it was concluded, after due consideration, that the business prospects, market potential and product development were in line with expectations at the time of acquisition. It was therefore concluded that no impairment of goodwill had occurred as at the balance sheet date.

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NOTES TO THE HALF YEAR ACCOUNTS (CONTINUED)

6. Explanation of transition to IFRS

The effect of the transition to IFRS was as follows :

Profit and loss account	Period ended 30th June 2006 £'000	Period ended 31st December 2006 £'000
As previously stated	(989)	(2,314)
Amortisation of goodwill	44	88
As restated	(945)	(2,226)

Loss per share	Period ended 30th June 2006	Period ended 31st December 2006
As previously stated	1.0 pence	2.0 pence
As restated	0.96 pence	1.9 pence

Balance sheet	Period ended 30th June 2006 £'000	Period ended 31st December 2006 £'000
Carrying value of goodwill		
As previously stated	1,522	1,478
As restated	1,566	1,566