

POSITIVE PROFILE

CORPORATE & FINANCIAL COMMUNICATIONS

PRESS RELEASE

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MicroFuze International Plc complete strategic review of Microwave activities and completes deal with MFA

Key points:

MFZ completes an agreement with ATC to fund the commercialization of the technology in exchange for equity in MFA
MFA takes delivery of the first commercial microwave applicator
MFZ retains an equity position and board representation in MFA
MFZ will convene an EGM in February to confirm a change of name to Watermark Global plc

New Arrangements with ATC

Over recent months Microfuze International plc (“MFZ” or the “Company”) has been extremely active in approaching a significant range of parties in the USA and UK with a view to seeking either additional investment in MFZ or its 85 per cent. subsidiary Microfuze Americas Inc. (“MFA”) for the purposes of funding the broad commercial rollout of the microwave or identifying potential joint venture partners who could join with MFZ or MFA to fund and fast track the commercial rollout of the technology.

The results of the various discussions and approaches indicated that for shareholders in MFZ and MFA the option which held the most attraction in terms of potential returns was to renegotiate and extend the deal with Applied Thermal Coatings Inc (ATC).

ATC fully understands and is committed to the microwave technology and already has a large range of commercial customers who ATC believes, will readily accept products processed in the microwave technology during 2008. ATC is excited about the prospects for the technology and has agreed to devote substantial resources (human, financial and time) to ensure that it has the best opportunity for achieving commercial success.

The key terms of the deal with ATC may be summarized as follows:

- i) Capital contributions into MFA by ATC. ATC has agreed to invest up to US\$ 3.5 million in MFA during the period to 31 December 2012 in cash or through the contribution of services (at an agreed value for those services). In consideration of these capital contributions, MFZ has agreed to transfer shares in MFA to ATC at the rate of 1 per cent. of the equity in ATC for every US\$50,000 contributed up to a maximum of US\$3.5 million. If ATC's capital contributions reach the maximum amount, it will hold 70 per cent. of the capital of MFA and MFZ will hold 15 per cent. The other existing shareholders in MFA, BWXT Y12 (the US Department of Energy) and Arapahoe Holdings (Harley Grant, one of the inventors of the technology), will retain their 10.0% and 5.0% shareholding respectively. On completion of this agreement, MFZ will transfer 10 per cent. of the equity of MFA to ATC on account of future capital contributions. The amount of capital contributed will be agreed by MFZ and ATC on an annual basis following the end of the financial year of MFA, which falls on 31 December, and the appropriate transfer of equity will take place at that time.
- ii) Repayment of MFA loans to MFZ. A formula has been agreed whereby MFZ will be repaid loan funds (up to the agreed amount of US\$2.4 million, which represents substantially all of the amount expected to be owed to MFZ at completion) once ATC has received a return on its investment in MFA of three times the amount invested, subject to having invested at least US\$3 million;
- iii) ATC will take-over the day-to-day management operations of MFA, including the technical and commercial aspects of the project and has agreed to provide sufficient resources to the Company in order to maximize the chances of achieving commercial success;
- iv) The Board of MFA will be restructured with Doug Parrish resigning from the Board of MFZ to become non-executive Chairman of MFA. Mr. Jeff Henry, ATC's Technical Manager, will be appointed to the Board of MFA together with Mr. Harry Ray, a Tennessee-based lawyer and attorney for MFA. MFZ will retain Board control of MFA up to and until ATC has subscribed sufficient funds to take its shareholding in MFA to 51% at which point ATC will be permitted to nominate an additional person to the MFA Board. At the same time, one MFZ representative will step down from the Board;
- v) On completion of the transaction, namely 31st January 2008, ATC will take over all funding and other obligations to MFA. MFZ's obligations to the ongoing funding of the program will cease at this time. MFZ will continue to hold its shares in MFA (subject to terms of the agreement) but will no longer have any operational or financial commitment to MFA going forward.

Up to 31st January, 2008 MFZ will continue to have responsibility for all aspects of the MFA business, including funding and commissioning of the new commercial microwave oven.

Commercial Microwave

As advised previously MFZ has commissioned the building, installation and commissioning of a new, next generation commercial microwave applicator being developed for MFA by Microwave Materials Technology (MMT) of Knoxville, Tennessee. MMT are experts in the development, design and deployment of microwave ovens. The microwave applicator being developed by MMT represents state of the art

design and technology and addresses many of the technical issues which were difficult to overcome in the previous pre-production microwaves owned by MFA.

The funding and commissioning of the new commercial microwave applicator (which is expected to be fully completed by 31st January 2008) was an important milestone in securing ATC in the new arrangements now agreed to and to put in place. The new microwave applicator is capable of producing product in commercial quantities and provides the basis for ATC to approach its own client basis with the ability to satisfy orders utilising the new microwave.

Whilst the ongoing investment in MFA by MFZ will be passive there remains considerable upside for MFZ in the new arrangements in terms of existing shareholding in MFA and opportunity to be repaid loan funds advanced by MFZ.

Ongoing Operations

Following completion of the agreement with ATC, MFZ will focus operationally on the recently acquired water treatment technology, located within its subsidiary, Water Utilities Corporation Ltd (WUC). MFZ will now focus its efforts and resources on WUC and aim to ensure that it is able to achieve its milestones on time and on budget. A detailed update on WUC's activities, including the commissioning of the pilot plants will be provided to the market shortly.

Proposed Name Change

Following completion of the new arrangements with ATC and to reflect the fact that even though MFZ is expected to retain majority ownership of MFA for some time to come, operationally the focus now will shift to the WUC business. Accordingly, the Board has determined that it will be appropriate to adopt a new name for the Company which more accurately reflects the ongoing operational activities of the Company. The Board has resolved to recommend to shareholders a change in the name of the listed entity from MicroFuze International Plc to Watermark Global Plc.

A Notice of Meeting seeking Shareholders' approval for the name change will be dispatched to all shareholders shortly. The proposed date for the meeting will be 7 February, 2008.

Board Changes

As part of the dual-track development strategy going forward of accelerating the commercialisation of the microwave technology in partnership with ATC in the USA and developing WUC's water-cleaning technology in South Africa, Mr. Doug Parrish will move from the main Board of MFZ to become Chairman of MFA and to take on a consultancy role with ATC following completion of the new arrangements, which is expected to take place on 31 January 2008.

Mr. Peter Marks, Chairman, explains: "We will, in effect, now have two operational subsidiaries on two different continents, so we wanted to ensure effective, hands-on management where it is needed. With Doug Parrish overseeing the commercialisation of our patented MDT technology in America, and Jaco Schoeman in charge of developments

in South Africa, we've now put in place the senior management expertise required as we progress on both fronts. I will, together with my Board colleagues, continue to ensure strong oversight of the parent company and its operating subsidiaries.”

Conclusion

It is anticipated that the new arrangements which have been agreed with ATC represent a commercially sound and attractive way forward for MFZ and MFA and the commercial rollout for the technology. These arrangements will help to ensure the next stage in the rollout of the technology at the same time alleviating all future funding requirements from MFZ and also protecting its existing investment and providing it with the ability to share in the potential upside of the commercial rollout as well as protecting its position in relation to the outstanding loan funds to MFA which can be repaid in the event of future commercial success.

ENDS.