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Dear Shareholder,

I usually write to shareholders during January in each year. This year is later as we are further reorganizing our business to take advantage of new opportunities opening up for us and I wanted to include these matters in my letter.

Firstly let me summarise briefly on our activities this last year. During the first quarter we completed our restructuring plan brought about by the financial fall out of 2008. This was well reported on at the time and involved the reorganisation of our debt holders and credit facilities. This put our company in a secure position to go forward despite the exceedingly difficult market conditions that prevailed. I would like to again thank our debenture holders for agreeing to restructure our debentures and the carrying cost, to help us going forward and our credit providers for converting debt to shares to open up further our “burn” facility. I would also like to thank shareholders for their continued support particularly those that participated in further financings. With the cost cutting and reduced interest charges, despite the deterioration during the year of the dollar against the Euro, we have stayed within our planned reduced spending.

During the year we have advanced a number of potential production sites all within Europe with a view to possible plant buildings to meet the demand now determined in the various applications open to CalciTech. For example a potential project was announced in September 2009 partnered with Calcinor SA of Spain, which indicates the merits of the model where the SCC plant is built at the quarry head with a neutral balance on CO₂ and zero cost in transportation of feed material. This plant will meet the demands of the Iberian Peninsula and South West France. Meanwhile our marketing efforts have continued with several new product launch announcements and attendance at various symposiums and exhibitions during the year. Potential customers have continued to test and trial SCC products with satisfactory results further evidencing valued properties with SCC.

We are now becoming active in territories outside Europe where initial work has been on going.

We have made two extremely important announcements in 2009 for new patent applications initially in the UK. The first will extend the coverage and term of our original patent, while the second provides us with a further waste feed material resulting from the recycling of paper. Besides providing a much sought after solution for the paper makers in recycling the waste from recovered paper, CalciTech will supply directly its fine coating SCC, produced from the paper sludge ash, to the paper mill. This process will also provide CalciTech with a further additional product of value in the building trades.

In early September 2009 we announced the formation in the UK of a new company, CalciTech Synthetic Minerals Europe Ltd, (“CSME”) the intention being that this company would become responsible for all European operations. It is this company that will play a major role in our plans for Europe going forward.

After the collapse of the credit markets, the European Investment Bank announced several programs late in 2008, to assist in financing of developments within the Member States of the European Union. In particular the Innovation and New Technology Programmes and EIB have confirmed that SCC plants, licensed with the CalciTech IPR from outside Europe, would qualify on an aggregated CAPEX basis. This of course would be subject to all the normal due diligence requirements. The funding allows up to 50% of CAPEX at favourable interest rates for extended terms. They have also confirmed that CSME may arrange all financings for each Member State through a UK House Bank, thereby facilitating the due diligence process. The proposed locations are generally speaking in depressed areas and many are eligible for grants of varying amounts depending on the rating of the region.

CalciTech will arrange to license use of its technology, with future upgrades, to CSME for the European territory and will also transfer all its European development work to date at valuation. CSME will become a licensee and operator for Europe with separate and independent management to execute a new business plan that has been developed, based on the market applications identified and the production facilities planned.

When I wrote to shareholders last year I indicated that there seemed to be some improvement in the funding conditions in Germany. This, subsequently, turned out not to be the case. It is now our intention to proceed with our project at Leuna together with a number of plants located in EU Member States to serve European markets, funded through the new arrangements being negotiated in the UK. To bring all plant financings under one central banker will avoid repetition in the due diligence process with the high cost associated with separate financings. This will also facilitate the process for grant applications and EIB funding into our projects. A number of the projects will have participating partners of an industrial nature as previously reported, however interests may be restricted due to limiting criteria of EIB on Small and Medium Enterprises (“SME”). CSME meets these criteria.

Typically all projects will require equity investment of some 20% of CAPEX. We are in discussions with London financial advisers with a view to raising, by way of an institutional private placement for CSME, equity funding and working capital to prepare projects for building. This investment will dilute CalciTech’s interest in the operations of CSME. Industrial partners in each project will provide their share of funding for their equity

participation in each instance. It would be intended, when market conditions are appropriate, to list CSME on the AIM segment of the London Stock Exchange.

Although plants will vary in their type of production in order to meet the market applications that CalciTech has targeted, the criteria for funding is similar and much the same as has been prescribed at Leuna in Germany. I am unable to go into the detail of the business plan in this letter, but as the milestones are achieved so they will be announced in the normal way to keep shareholders in touch with developments as they occur.

When CSME equity financing is completed, CSME will operate entirely independently and allow CalciTech to concentrate on introducing SCC into other territories, initially the United States of America and certain developing territories.

I am sure this year is an important one for CalciTech. Although the effects of the recession are extremely hard, we have the opportunity to develop a matrix of production to provide our superior products as stability returns and I am convinced the industries we will supply will have streamlined and refined their activities for the medium term, where premium product will be in high demand. The ability to work with new waste materials significantly enhances our environmental credentials and our ability to offer, in particular the paper industry, some real economic solutions, which are totally sustainable.

I look forward to the continued support of our shareholders and our small but dedicated team during this next phase of growth of our company.

Yours faithfully,

R A Leopard
President