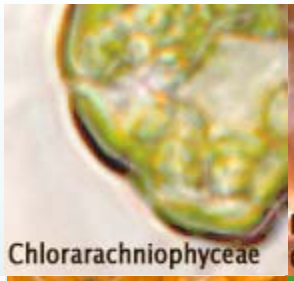
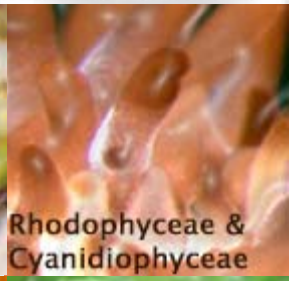
algaebiosciences CORP

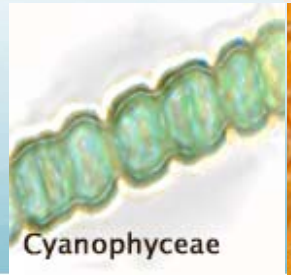
Exceptional Products from Algae

The Opportunity

- Exclusive use of rare, pristine saltwater from aquifer located in sun-rich Arizona
- Existing/expanding intellectual property base
- Rapidly expanding world markets
- Unique, ultra-pure products
- Expandable access to inexpensive land
- Large potential scale of production
- Large array of potential products
- Low production costs
- Exceptional leadership team





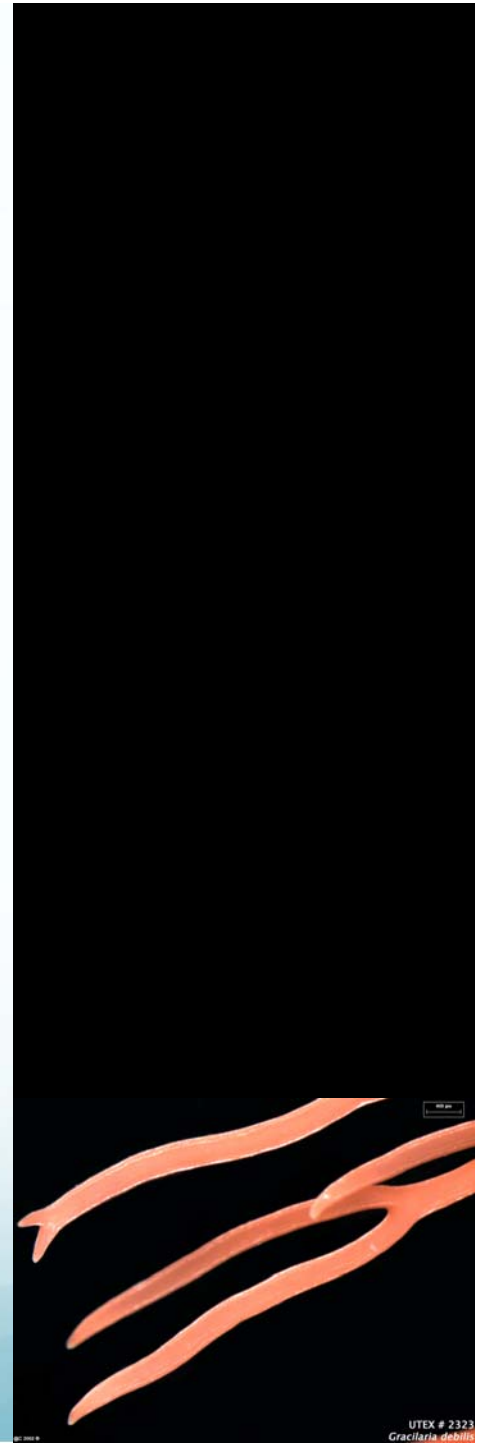


World-Scale Production of Algae-Based Products

- Ultra-pure nutritional products such as dried algae and EFAPure™
- Utlra-pure pharmaceutical and cosmeceutical compounds
- Biodiesel and alcohols
- Scientific reagents
- Feeds and feed ingredients for aquaculture and animal nutrition
- Nori and other edible seaweeds

Potential for Exceptional Financial Performance

- Achievable revenues of $300–$500 million plus
- Low capital-to-revenue ratio
- Extremely low labor involvement
- Predictable, consistent, low cost of production
- 24/7 production capacity
- Readily available, low-cost land for expansion



Potential for Exceptional Financial Performance

- Forecasted market trends support strong revenue and profit growth
- Major revenue expansion opportunities available from added products
- Cash flow provides enhanced leverage for future non-equity financing
- 40% net profit achievable in medium term

Patented Process


The United States of America

The Director of the United States Patent and Trademark Office

Has received an application for a patent for a new and useful invention. The title and description of the invention are enclosed. The requirements of law have been complied with, and it has been determined that a patent on the invention shall be granted under the law.

Therefore, this

United States Patent

Grants to the person(s) having title to this patent the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States of America or importing the invention into the United States of America for the term set forth below, subject to the payment of maintenance fees as provided by law.

If this application was filed prior to June 8, 1995, the term of this patent is the longer of seventeen years from the date of grant of this patent or twenty years from the earliest effective U.S. filing date of the application, subject to any statutory extension.

If this application was filed on or after June 8, 1995, the term of this patent is twenty years from the U.S. filing date, subject to any statutory extension. If the application contains a specific reference to an earlier filed application or applications under 35 U.S.C. 120, 121 or 365(c), the term of the patent is twenty years from the date on which the earliest application was filed, subject to any statutory extensions.

U.S. Patent # 6,986,323

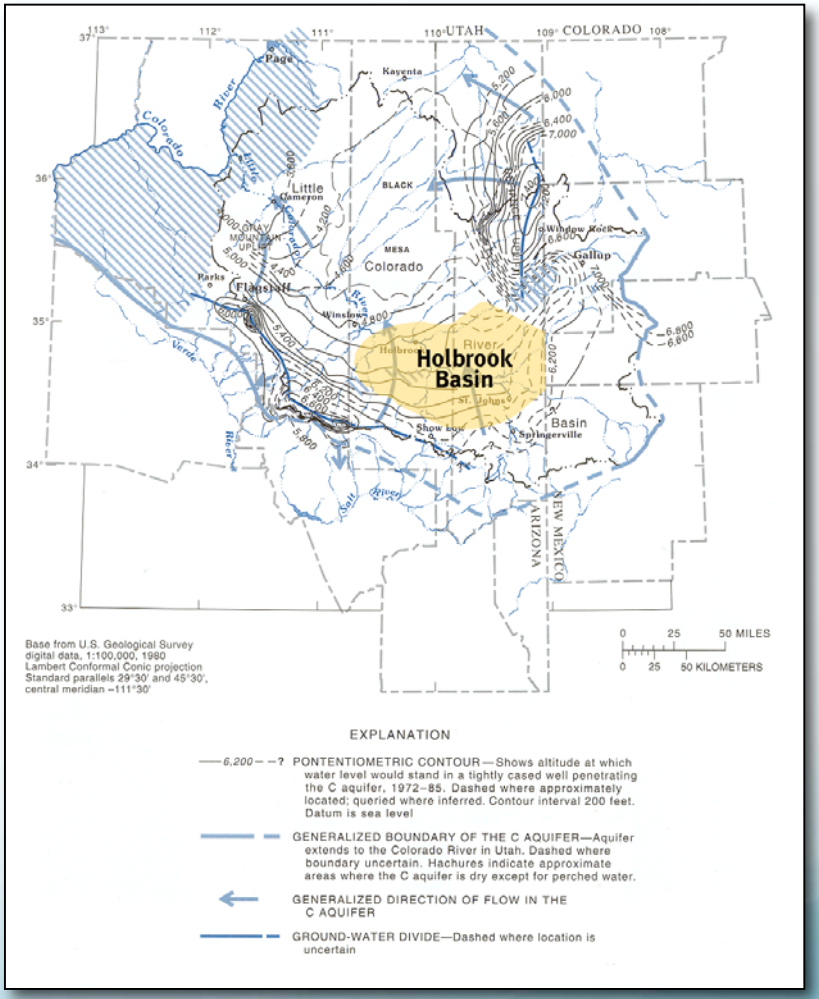
- Provides exclusive algae production using unique, pristine, contaminant-free saltwater aquifers in the U.S. and (when financing allows) in other countries
- Protects AlgaeBio's high-yield / high-quality production method
- Trade secrets and patent create major competitive advantages

Patented Process

- AlgaeBio's patented manufacturing process…
  - Enables simultaneous production of multiple algae species
  - Supports production of massive quantities of algae and algae-derived products **on a large scale previously unachievable by prior technologies**
- Patent's 39 claims cross-verified for validity and enforceability

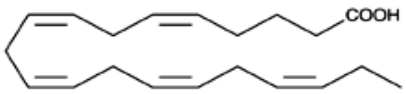
Ultra-Pure Saltwater Aquifer

- **The perfect algae-growing medium**
- Unique, ultra-pure saltwater source within northern Arizona's Coconino aquifer
- Holbrook salt basin is deep and large; offers unlimited supplies of saltwater
- Originated from ancient, evaporated seawater

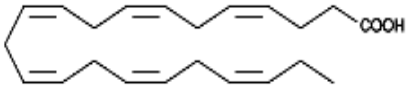


Unique Initial Products

EPA
Eicosapentaenoic acid
20:5 ω-3
C20H30O2



DHA
Docosahexaenoic acid
22:6 ω-3
C22H32O2



AlgaeBio's omega-3 products contain *both* **EPA** and **DHA**. Competing products contain only DHA.

•Highly valued, vegetarian, nutritional ingredients

•Sought by nutraceutical and pharmaceutical manufacturing / distributing companies

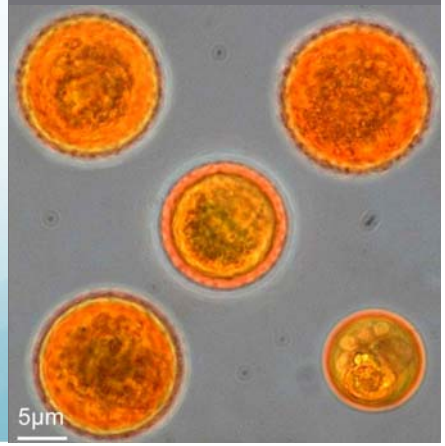
•Commands a price of $100 per kilo

•First sales year projections:

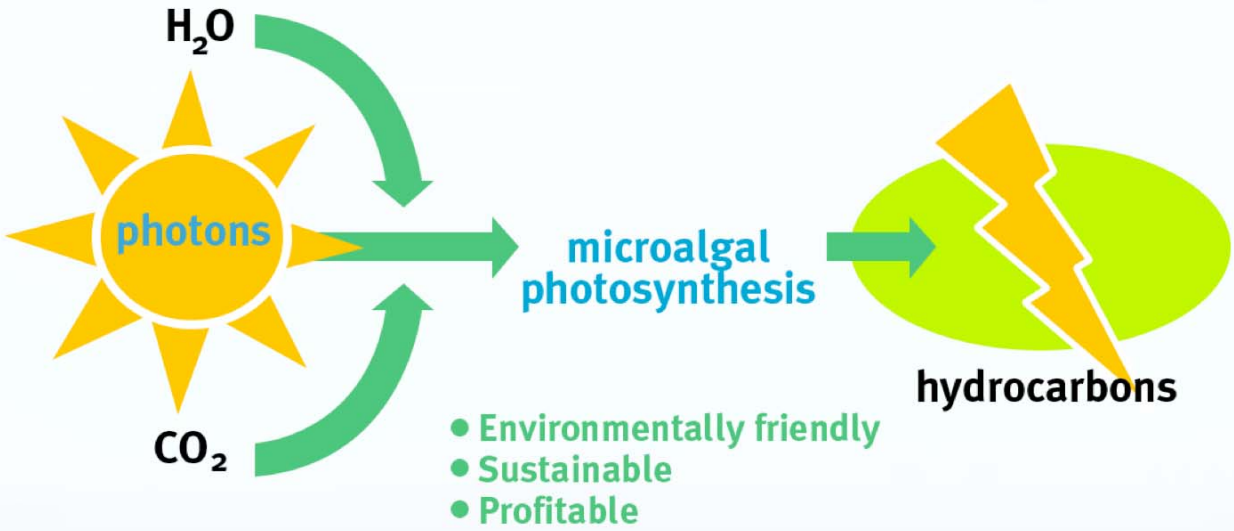
- Revenues: ~$4 million
- Net profit: 10.6%

Future Products

- **Carotenoids:** Lutein, zeaxanthin, fucoxanthin, and astaxanthin—pigments that are potent antioxidants, which reduce cell damage and fight disease.
- **Fluorescent dyes:** Scientific reagents that can replace synthetic dyes in food and cosmetics
- **Algae concentrates:** Liquid feed for fish, shrimp, and mollusks



Biofuels:
Energy for the Future



AlgaeBio's breakthrough ability to economically produce biofuel is based on…

Biofuels: Energy for the Future

AlgaeBio's proprietary algae strains and cultivation techniques

•Eliminate the contamination problems that plague our competitors

•Reduce production costs dramatically

AlgaeBio's northern Arizona location offers access to…

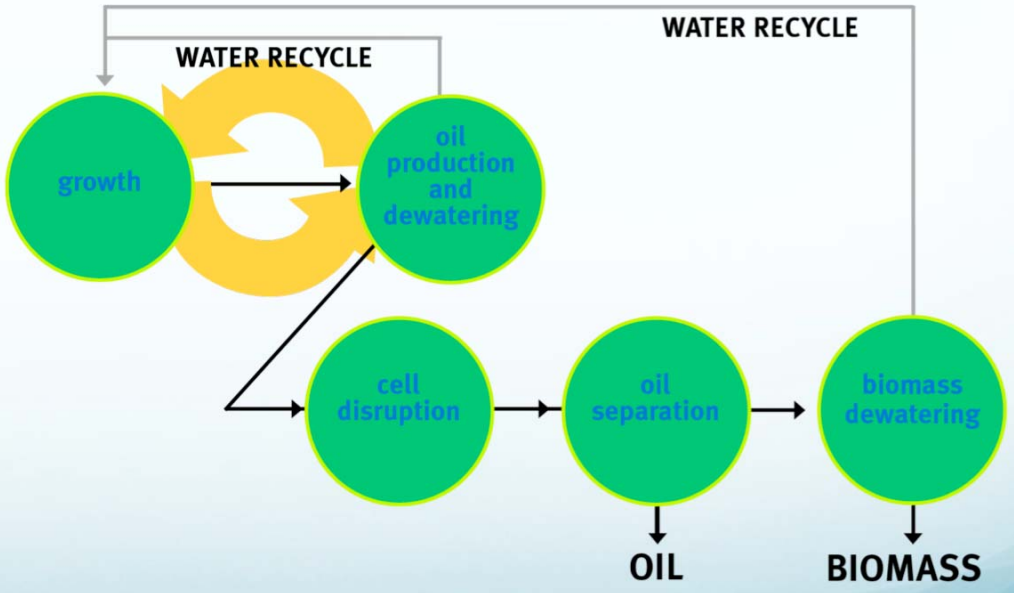
- An unlimited supply of saltwater for culturing
- Abundant solar radiation
- Massive amounts of land for economies of scale

Proprietary Manufacturing Process

- Algae are cultured in sterilized, fertilized aquifer saltwater within proprietary bioreactors.
- A fresh “crop” is harvested every 24 hours using proprietary techniques.
- Algae paste biomass is dried/packaged for sale or processed to extract oils and other valuable compounds.

Proprietary Manufacturing Process

- Supercritical CO_2 is used to extract algae. Competitors use a hexane solvent to extract oils, which leaves a toxic residue.
- Harvest wastewater is recycled after cleaning and disinfection.



Future Patentable IP &Trade Secrets

Based on…

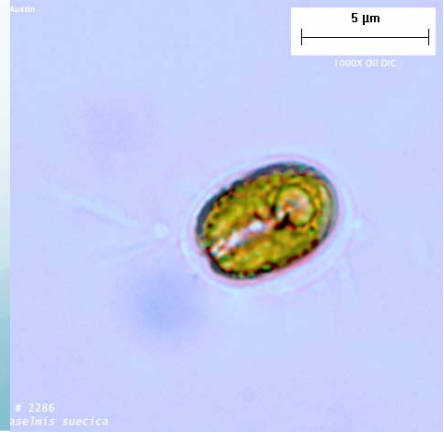
- Continuous development of bioreactor, harvesting, and extraction-system efficiencies
- Isolation and development of new, unique algae strains
- Continuous search for new applications for algae and algae-derived products

Markets for Products Expanding Rapidly

- Market demands for omega-3 fatty-acids exceed current industry production capacity
  - Current world demand = $4.6 billion U.S.
  - 2011 estimate = $8.2 billion U.S.
- Expected annual growth of 12% for nutrition market
- Increasing demand for algae-based ingredients in food and nutritional products — **with premium prices paid for the purest product**s

Brand-within-a-Brand Marketing Strategy

- Applied to products whenever possible (e.g. CocaCola™ with NutraSweet™)
- Distributed through major nutritional supplement companies as base ingredients to their products
- Sold in bulk to food-product manufacturers (e.g. General Mills)
- Use of strong agency relationships
- Use of multiple distribution channels



Leadership Team

Robert Thompson, C.A., CMC, Chairman of the Board of Directors

•Past National Partner-in-Charge, Stevenson Kellogg Ernst & Whinney, Management Consultants

•Arizona State University mentor to emerging technology companies

•Past Chairman of the Board of a major Canadian investment bank / broker dealer

•Director of more than 20 public and private companies in the U.S. and Canada

•Partner of CanAm Capital Partners, LLC, an international corporate-finance advisory firm

Leadership Team

Andrew Ayers, Chief Executive Officer, Co-Founder & Board Member

•Leading research biologist with expertise in all facets of marine and freshwater algae production and manufacturing

•Former researcher at Texas A&M University and Granada Biosciences, Incorporated; author of numerous scientific publications

•More than 30 years of experience in field of aquaculture

•Expert in culturing / purifying a wide array of unicellular algae species, on a large scale

Leadership Team

Glen Galster, President, Co-Founder
& Board Member

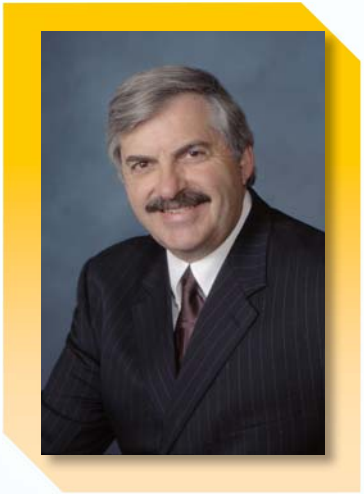
•30 years experience as a business executive and entrepreneur

•Former President of LMG Consultants

•Director of AZ BioIndustry Association

•Business development expert who specializes in planning, implementation, promotion, and fundraising for various critical requirements including sales, marketing, and mergers and acquisitions

Leadership Team



R. Keith Guelpa, Board Secretary

•Cofounder /President/CEO of QuoteMedia, Inc.

•35-year career

•Served as President/CEO of high-tech firms in telecommunications, digital imaging, and Internet communications

•Served as President of a public company offering securities brokerage, financial planning, and investment banking services

Leadership Team

Rakesh M. Amin, L.L.M., R.Ph, Board Member

•Attorney and pharmacist

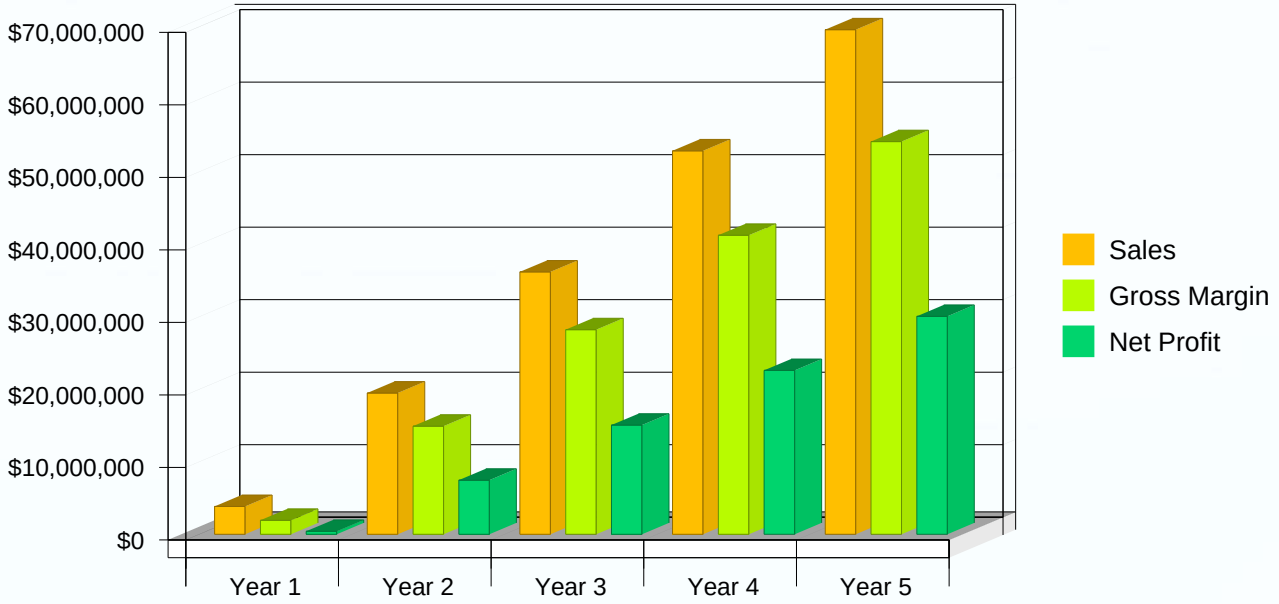
•Specializes in regulatory issues related to the nutraceutical and pharmaceutical industries

•Provides counsel to food, drug, cosmetic, medical device, and biotechnology companies

•Practices patent, trademark, copyright, Internet trade, and unfair competition law

•Extensive experience prosecuting, maintaining, licensing, and litigating IP

Financials

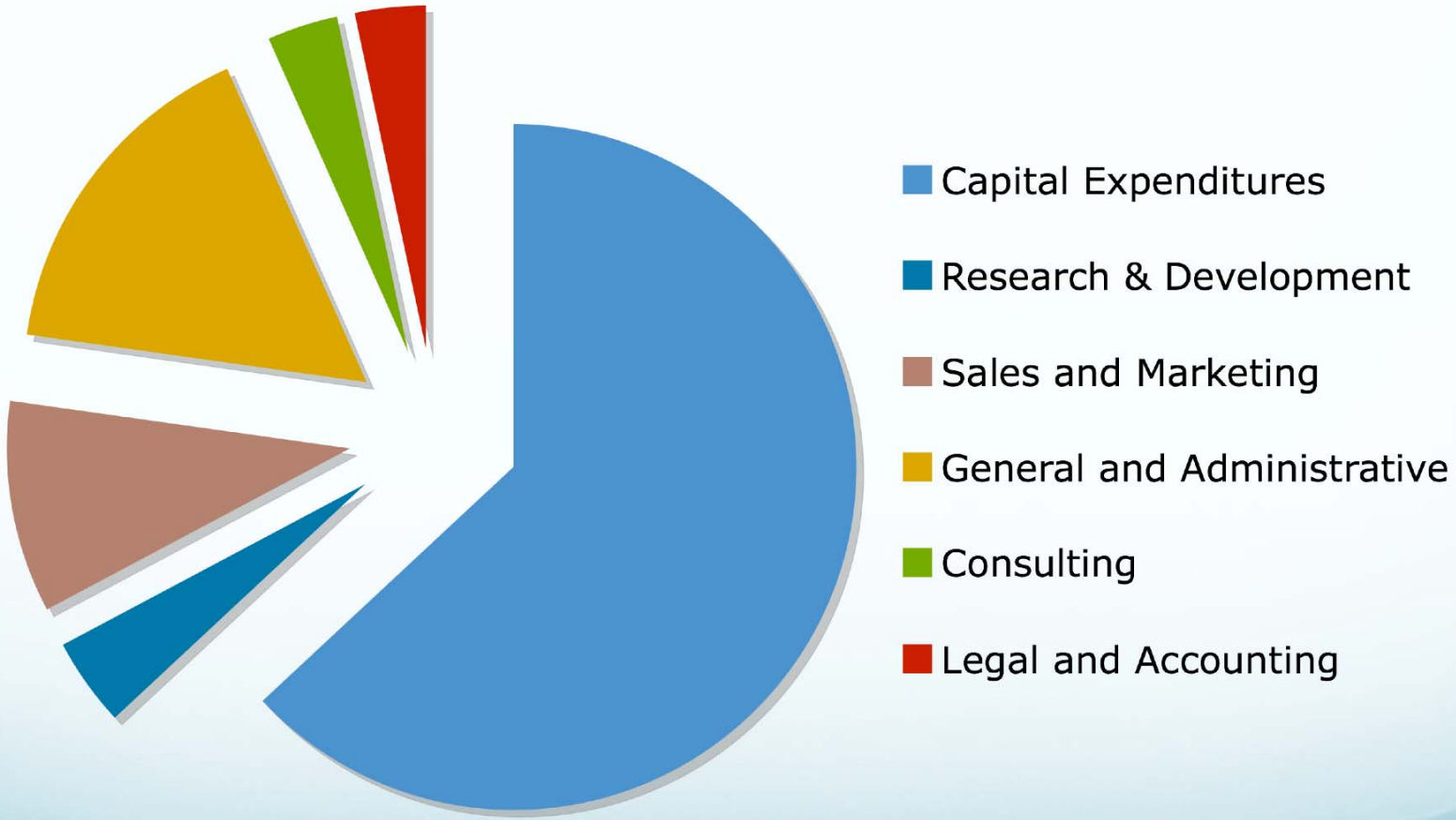


Dried Algae & EFAPure™ Omega-3 Fatty Acid Projected Revenues

Revenues are expected to grow to $70 million from AlgaeBio's **first two nutritional products only**, yielding a net profit exceeding $30 million by the fifth year of operation after funding

Use of Funds

Planned current funding: $3 million



Use of Funds

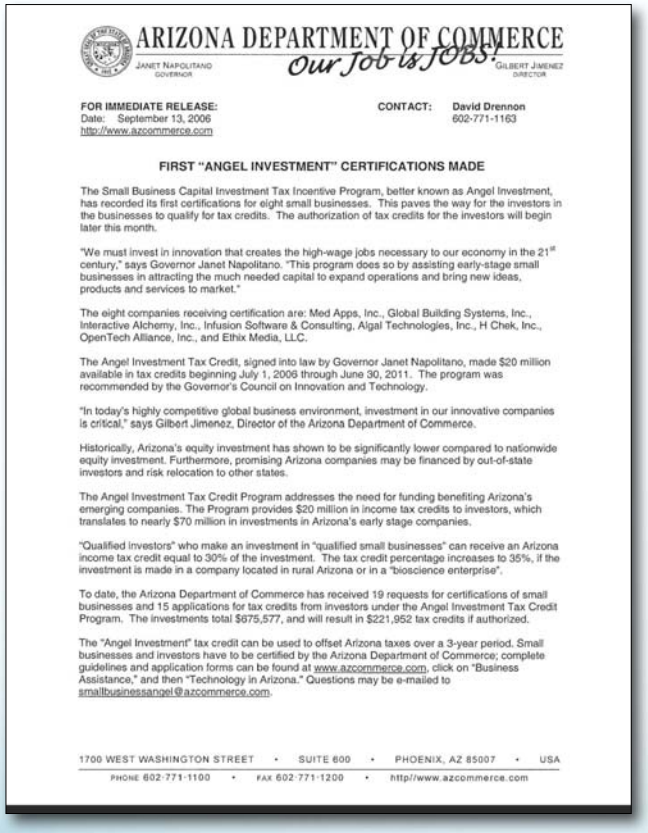
Funding will allow AlgaeBio to establish full economies of scale and a solid platform for exceptional financial performance.

- Fully equip existing manufacturing facilities with 1,500 state-of-the-art, third-generation bioreactors

- Complete development of fourth-generation bioreactor design

- Continue R&D efforts to extend the oil and fatty-acid content of proprietary algae strains

Angel Investment Tax Credit



ARIZONA DEPARTMENT OF COMMERCE

Janet Napolitano, Governor — *Our Job is JOBS!* — Gilbert Jimenez, Director

FOR IMMEDIATE RELEASE:
Date: September 13, 2006
http://www.azcommerce.com

CONTACT: David Drennon
602-771-1163

FIRST "ANGEL INVESTMENT" CERTIFICATIONS MADE

The Small Business Capital Investment Tax Incentive Program, better known as Angel Investment, has recorded its first certifications for eight small businesses. This paves the way for the investors in the businesses to qualify for tax credits. The authorization of tax credits for the investors will begin later this month.

"We must invest in innovation that creates the high-wage jobs necessary to our economy in the 21st century," says Governor Janet Napolitano. "This program does so by assisting early-stage small businesses in attracting the much needed capital to expand operations and bring new ideas, products and services to market."

The eight companies receiving certification are: Med Apps, Inc., Global Building Systems, Inc., Interactive Alchemy, Inc., Infusion Software & Consulting, Algal Technologies, Inc., H Chek, Inc., OpenTech Alliance, Inc., and Ethix Media, LLC.

The Angel Investment Tax Credit, signed into law by Governor Janet Napolitano, made $20 million available in tax credits beginning July 1, 2006 through June 30, 2011. The program was recommended by the Governor's Council on Innovation and Technology.

"In today's highly competitive global business environment, investment in our innovative companies is critical," says Gilbert Jimenez, Director of the Arizona Department of Commerce.

Historically, Arizona's equity investment has shown to be significantly lower compared to nationwide equity investment. Furthermore, promising Arizona companies may be financed by out-of-state investors and risk relocation to other states.

The Angel Investment Tax Credit Program addresses the need for funding benefiting Arizona's emerging companies. The Program provides $20 million in income tax credits to investors, which translates to nearly $70 million in investments in Arizona's early stage companies.

"Qualified Investors" who make an investment in "qualified small businesses" can receive an Arizona income tax credit equal to 30% of the investment. The tax credit percentage increases to 35%, if the investment is made in a company located in rural Arizona or in a "bioscience enterprise".

To date, the Arizona Department of Commerce has received 19 requests for certifications of small businesses and 15 applications for tax credits from investors under the Angel Investment Tax Credit Program. The investments total $675,577, and will result in $221,952 tax credits if authorized.

The "Angel Investment" tax credit can be used to offset Arizona taxes over a 3-year period. Small businesses and investors have to be certified by the Arizona Department of Commerce; complete guidelines and application forms can be found at www.azcommerce.com, click on "Business Assistance," and then "Technology in Arizona." Questions may be e-mailed to smallbusinessangel@azcommerce.com.

1700 WEST WASHINGTON STREET • SUITE 600 • PHOENIX, AZ 85007 • USA
PHONE 602-771-1100 • FAX 602-771-1200 • http://www.azcommerce.com

- **Available to AZ Residents**
- **35% of investment results in a tax credit off of Arizona State tax liability**

ARIZONA DEPARTMENT OF COMMERCE
Our Job is JOBS!

Angel Investment Program
Certificate of Eligibility as a Qualified Small Business

Businesses that are interested in being designated as a "Qualified Small Business" for purposes of the Small Business Capital Investment Incentive Program (Angel Investment Program) must be certified by the Arizona Department of Commerce pursuant to A.R.S. §41-1518.

The statute requires that a qualified small business:

1. Maintains a portion of its operations in Arizona
2. Has at least two principal non-administrative full-time equivalent employees who are Arizona residents
3. Is in the early stages of development and is not principally engaged in statutorily precluded activities as provided in A.R.S. §41-1518(K)(6)
4. Does not engage in activities that involve human cloning or embryonic stem cell research
5. Does not have assets exceeding $2 million, exclusive of intellectual property and qualified investments
6. Has not received aggregated qualified investments in excess of $2 million by all qualified investors in all years

Effective July 5, 2006 through July 4, 2007 investments in Algal Technologies, Inc. may generate tax credits of up to 35% of the investment amount for qualified investors. This certification is valid for one calendar year and may be renewed annually. Assuming the above requirements are met each year, certification of eligibility can be issued until June 30, 2011.

Based on the information provided by the applicant, the Arizona Department of Commerce hereby certifies that

Algal Technologies, Inc.
9895 Old Route 66, Holbrook, AZ, 86025
is a Qualified Small Bioscience Business located in Rural Arizona

Issued this 12th day of September, 2006

Gilbert Jimenez, Director
Arizona Department of Commerce