



OriginOil, Inc.

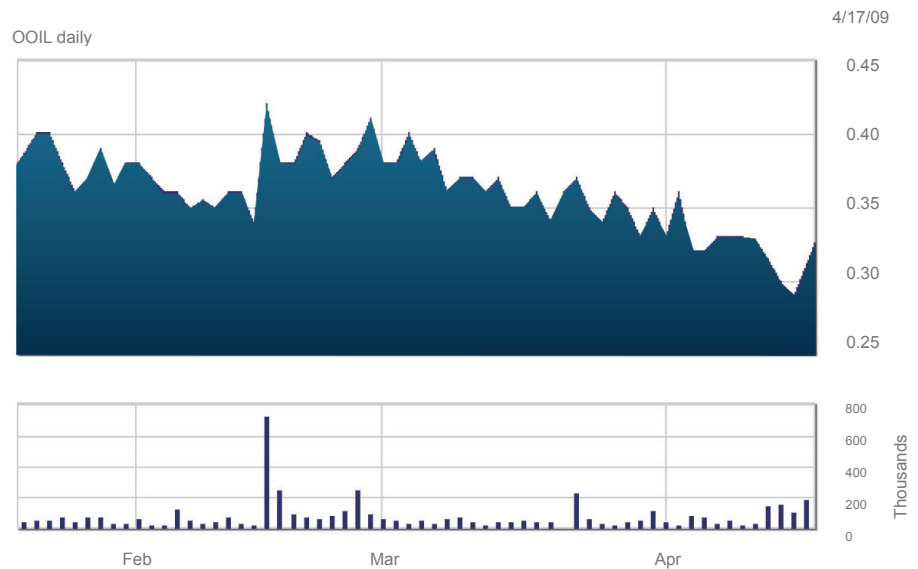
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MARKET DATA

Symbol	OOIL
Exchange	OTC BB
Current Price	\$0.325
Rating	Speculative Buy
Outstanding Shares	148.20M
Market Cap.	\$48.16M
Average 3M Volume	69,875

Source: Yahoo Finance, Analyst Estimates



Company Introduction

OriginOil Inc. (OOIL) is developing a portfolio of new technologies for producing oil from algae, a next-generation biofuel feedstock that may yield 30 times more energy per acre than crops such as soybeans. The biofuel produced by the OriginOil System can replace petroleum in various applications such as diesel, gasoline, jet fuel, plastics and solvents. In addition, by-products of algae oil extraction can be used for animal feed and fuel. By creating a fuel that replaces fossil fuel, OOIL also helps producers garner saleable carbon credits. The OriginOil System can be operated as a stand-alone production system or connected in a parallel network. OOIL's proprietary process is supported by intellectual property assets that include seven patent filings and one international Patent Cooperation Treaty (PCT).

Efficiently producing oil from algae in a closed system requires cultivating an algal strain with high lipid content and a rapid growth rate, which in turn requires the right combination of water, sunlight, nutrients and carbon dioxide. In addition, algae organisms are protected by a tough cell wall, which must be cracked to extract the oil. This is normally an energy-intensive process. OOIL has successfully developed a cost-effective cultivation and extraction system that is also safe and energy-efficient. The cultivation system, known as the Helix BioReactor™, is designed to increase and optimize photosynthetic growth of algae. This system has been deployed in OOIL's laboratory prototypes, and will be expanded for use in pilot systems in 2009. In December 2008, OOIL announced the successful automation of its Helix BioReactor™ system, which makes large-scale commercial algae production scalable. To help dissolve nutrients in the growth phase and solve the tough cell wall problem in the extraction phase, the Company has developed the

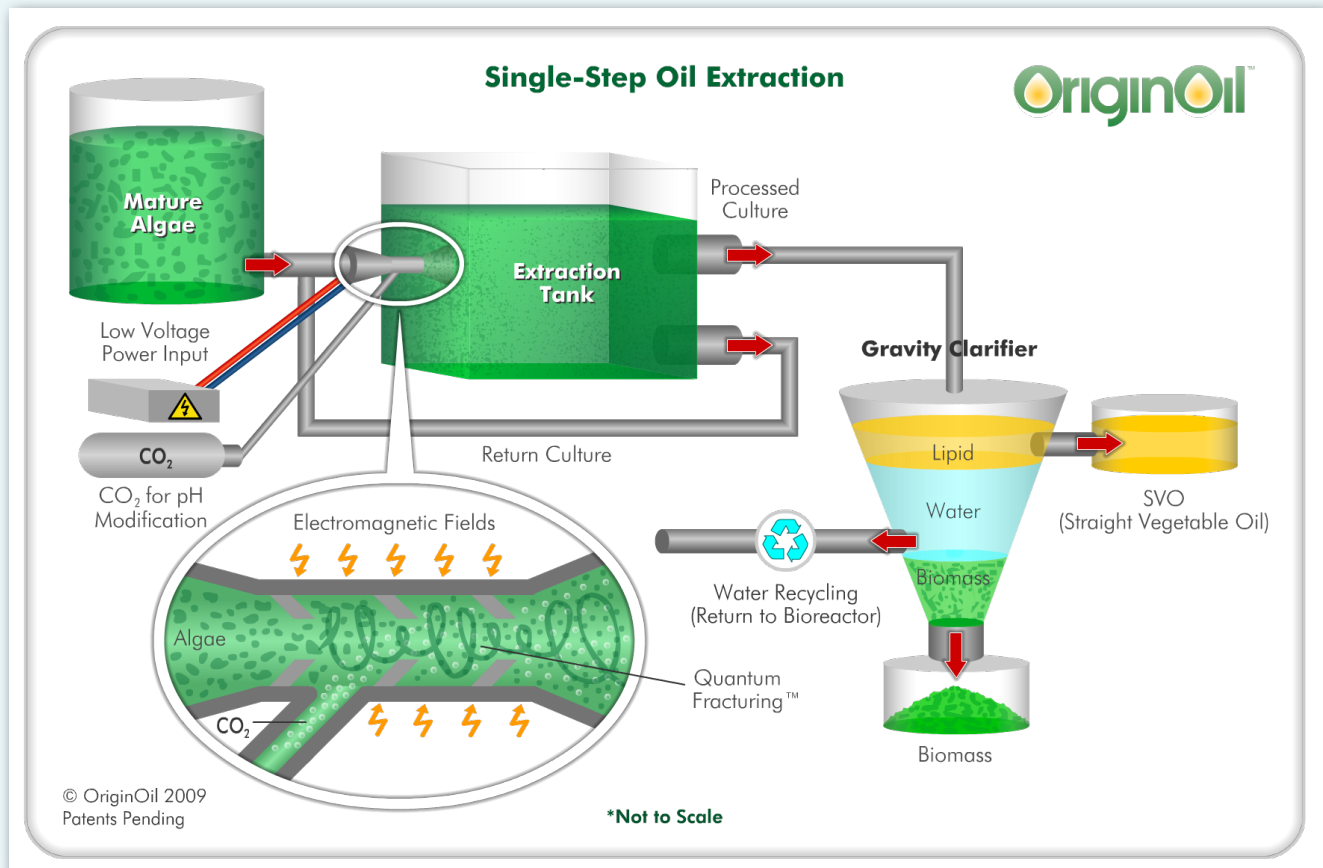
Quantum Fracturing™ process, which uses ultrasound from intense fluid fracturing to break down algae cells, much in the same way a high-frequency sound wave breaks glass. Combined with electromagnetics and pH modification, this process maximizes oil yield while minimizing energy use.

New Single-Step Process for Extracting Oil from Algae

In April 2009, the Company introduced an innovative single-step process for extracting oil from algae. OOIL's process reduces the complex task of algae harvesting to a single, cost-effective step, dramatically increasing the efficiency and simplicity of algae harvesting. No chemicals or heavy machinery are used in this process, and no initial dewatering is required.

Efficiently harvesting algae has been a principal challenge of oil-from-algae technology. Algae grow suspended in large quantities of water. Once ready for harvest, the algae must be concentrated and the oil extracted from inside each algae cell. Then, the oil, water and biomass must all be separated for processing. OOIL's harvesting process completes all these steps in a single pass. The process uses Quantum Fracturing, electromagnetism and pH modification to break down cell walls, thereby releasing the oil within the cells. Algae oil rises to the surface for skimming, while the biomass falls to the bottom. The biomass can be further processed for use as fuel and other valuable products.

Single-step process for extracting oil from algae



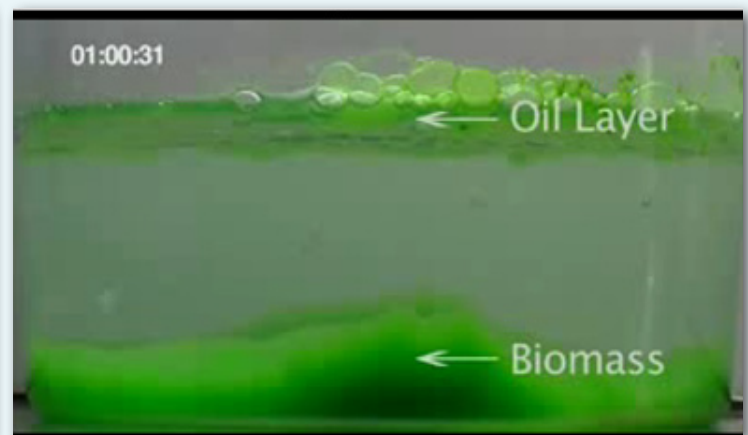
Source: OOIL presentation

Practical demonstration of algae oil separation from water and resulting biomass

Separation process



The process result



Source: OOIL presentation

The Company has filed for patent protection of its new algae oil extraction process. In addition to integrating this process into its own production system, OOIL plans to commercialize this process for use by others in the alternative energy market.

This Company's plan to rapidly commercialize a component process of its end-to-end system represents a major milestone. By moving from the R&D phase to commercialization, OOIL may achieve revenues in the foreseeable future.

Growing Recognition of OOIL Technology

OOIL has been invited to explain its breakthrough technology at several upcoming major algae biofuel industry events. On April 30-May 1, 2009, the Company's president and CEO Riggs Eckelberry will address industry leaders and fellow members at the National Algae Association's fifth quarterly Algae Commercialization, Research and Business Networking Forum to be held in Houston, Texas. During the conference, OOIL's CEO will discuss the many applications for algae, both on a local and global scale. He will also explain the Company's single-step process for extracting oil from algae and update attendees regarding OOIL's progress towards commercializing its technology.

On April 27, 2009, Dr. Vikram Pattarkine, OOIL's chief technology officer, will address the Algae World 2009 Conference. The purpose of this conference is to share insights on the commercial production of algae, with a particular focus on the latest advances and constraints in algae cultivation, harvesting and processing. The conference will be held in Rotterdam, the Netherlands. Dr. Pattarkine's address, entitled "Algae for Fuel: Promises and Challenges," will discuss specific technology issues and present solutions to industry challenges, and describe the Company's novel approach to algae production and commercialization.

OOIL's algae-to-oil technology featured on CNN

On February 26, 2009, the Company and its technology were featured on CNN television's "Energy Fix" segment.

The program, hosted by CNN anchor Poppy Harlow, aired nationally in prime time on multiple occasions. The show explained OOIL's breakthrough algae-to-oil technology and discussed algae's potential as a fuel to replace petroleum. The segment also highlighted OOIL's multi-phase partnership with the Department of Energy's Idaho National Laboratory.

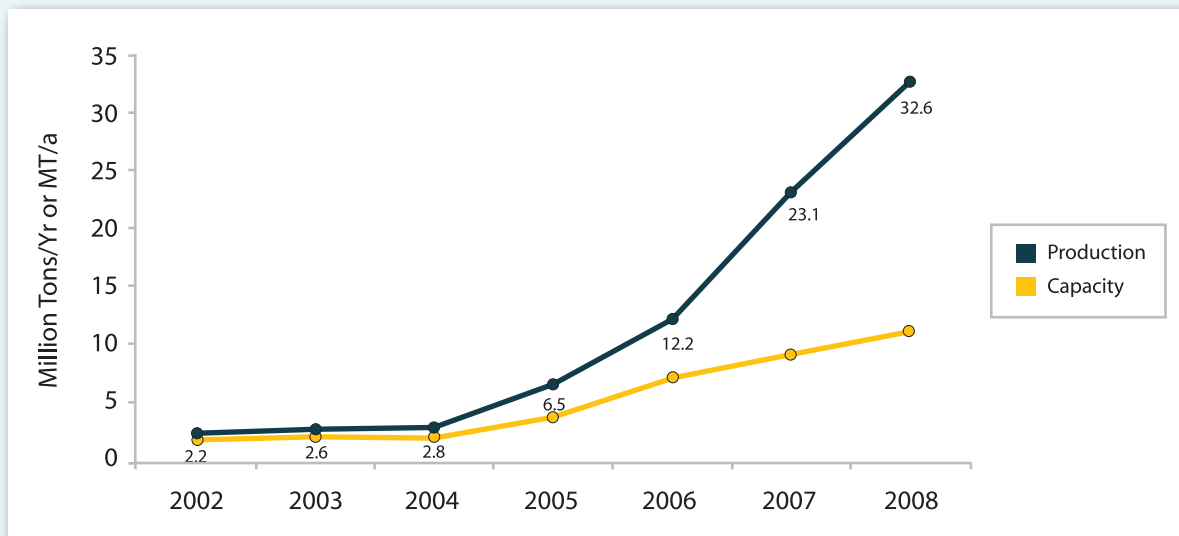
Industry Outlook

Biofuel industry

The value of the biofuel market is currently estimated at \$42 billion and forecast to grow at double-digit annual rates. The two main sub-categories of biofuels, bioethanol and biodiesel, represent an estimated 85% and 15% of the global market, respectively. Global ethanol production grew 25% in 2007 to more than 50 billion liters, and ethanol and biodiesel supplied 1.0% of the world's energy requirements in 2008.

Biofuels consulting firm Emerging Markets Online concluded in a recent study that the U.S. and Europe aren't growing enough corn, soy and rapeseed to meet their biofuels production goals. Although the U.S. and European biodiesel markets had more than 3 billion gallons production capacity in 2008, actual production remains well below capacity, and the biodiesel and ethanol markets are expanding faster than soybean, rapeseed and corn feedstock producers can supply them. The study predicts biofuel demand in the U.S., E.U. and Asia will exceed each region's agricultural capacity in 2009¹.

World Biodiesel Production and Capacity



Source: Biodiesel 2020: A Global Market Survey

While the National Renewable Energy Laboratory researched algae as a fuel source between 1978 and 1996, interest tapered off because algae couldn't compete with \$20-a-barrel oil. More recently, rising oil prices and depleting fossil fuel resources have rekindled interest in algae research. In 2008, more than \$300 million was invested in algae fuel-based public/ private partnerships, private algae companies, and first-stage commercial

1. www.emerging-markets.com/algae/Algae2020StudyandCommercializationOutlook.pdf

projects. Solazyme Inc., a partner of Chevron Corp., has raised about \$25 million in venture capital, debt and federal grants for its process using fermentation to speed the growth of algae. San Diego-based Sapphire Energy has raised \$100 million from Bill Gates and Venrock. Another company focused on producing algae-based oil, LiveFuels Inc., has raised \$10 million in capital since its founding in 2006. Shell Oil, which is already the world's largest distributor of biofuels, has been stepping up its investments in efforts to develop next-generation biofuels from marine algae. Despite the recession, analysts expect to see increased investment in developing and commercializing algae-based biofuels technologies in 2009.

Financial Analysis

OOIL is introducing a new algae oil extraction process which reduces complicated algae harvesting to a single step, significantly improving the efficacy and simplicity of algae harvesting. Up until now, the complexity of harvesting algae was recognized as a major barrier to cost-effective biofuel production. The company's proprietary algae-to-oil extraction process brings algae one step closer to competing effectively with petroleum.

Going forward, OOIL plans to integrate this process into its own production system and license its technology to others. The Company anticipates reporting its first revenues from licensing fees and supporting its technology for fuel refiners and chemical and oil company customers.

Income statement, \$

	FY 2007	FY 2008	% Chg
Revenue	-	-	n/m
Selling & marketing expenses	20,474	298,034	1,356%
General and administrative expenses	425,421	964,202	127%%
Research & development	11,431	258,771	2,164%
Depreciation & amortization expense	-	13,126	n/m%
Total operating expenses	457,326	1,534,133	236%
Operating income	-457,326	-1,534,133	n/m
Total other income/(expense)	11,235	27,855	148%
Net loss	-446,091	-1,506,278	n/m

Source: SEC Filings

The Company's main expenses in 2008 and 2007 consisted of general and administrative expenses, which increased 127% in 2008 to \$964,202, and selling and marketing expenses, which increased nearly 14-fold to \$298,034. The increase in expenses was mainly the result of operating for a full year in 2008; the Company commenced operations in June 2007.

Liquidity and capital resources

As of December 31, 2008, OOIL had \$526,503 of working capital, down from \$1,237.629 at the prior year-end. The working capital decline reflects ongoing expenses for developing OOIL's technology.

Balance sheet \$

	31-Dec-07	31-Dec-08
<i>Cash and cash equivalents</i>	1,267,670	580,055
<i>Total current assets</i>	1,267,670	596,984
<i>Total other assets</i>	8,678	39,946
<i>Total assets</i>	1,276,348	764,710
<i>Total liabilities</i>	30,041	70,481
<i>Total shareholders' equity, including</i>	1,246,307	694,229
<i>Accumulated deficit</i>	-446,091	-1,952,369

Source: SEC Filings

The Company will likely require significant additional capital to fully develop and commercialize its technology and plans to raise funds through equity sales. There is no guarantee, however, that OOIL will be able to raise the necessary capital on acceptable terms, if at all.

Analyst Summary

Since our February 2009 update, OOIL's share price has declined 10% from \$0.36 to \$0.325. We attribute this decline to stock market weakness, falling oil prices and continued uncertainties regarding the potential and development timeframe for algae-to-oil technologies.

In our opinion, algae are among the most viable feedstocks in the renewable energy sector and have the potential to replace soybean, rapeseed and corn as the main feedstock for biofuel production. In addition, the steep rise in grain prices in 2008 demonstrates the importance of developing more affordable, non-food feedstock alternatives for biofuel production. Also, the Obama administration's increased funding of renewable and alternative energy initiatives creates opportunities for OOIL and others to develop and commercialize new alternative energy technologies.

Robust clean energy demand, OOIL's progress in advancing its biofuel technology, and the significant revenue stream the Company is poised to generate from royalties and licensing fees, are reasons we continue to rate OOIL a Speculative Buy.

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Victor Sula, Ph.D. - Senior Analyst

Victor Sula, Ph.D. has held the position of Senior Analyst with several independent investment research firms since 2004. Prior to 2004, Mr. Sula held Senior Financial Consultant positions within the World Bank sponsored Agency for Restructuring and Enterprise Assistance and TACIS sponsored Center for Productivity and Competitiveness of Moldova, where he was involved in corporate reorganization and liquidation. He is also employed as Associate Professor at the Academy of Economic Studies of Moldova. Mr. Sula earned his Ph.D. degree in 2001 and bachelor's degree in Finance in 1997 from the Academy of Economic Studies of Moldova. Mr. Sula is currently a level III candidate in the CFA program.