



TELECONFERENCE BRIEFING

BY CEO RIGGS ECKELBERRY

13 September 2018, 5PM PDT

(Transcript from recording)

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Riggs:

Okay, Riggs Eckelberry here, and it is Thursday the 13th of September at 5 p.m. Pacific. I'm going to wait a few moments to make sure everybody shows up.

Okay. The topic of this call is our announcement this week of the new technology AOxPlus, and I did a MoneyTV today where we brought Ayush Tripathi on the show. Ayush is our Applications Engineer, and he is the genius who came up with this and also another interesting invention, which will be announced separately, that has a lot of merit, as well.

What we're doing these days in the lab is working on the treatment of water that is already clear. We've pretty much scaled up and matured the technology of clarifying very dirty and very oily water with Electro-Water Separation. That's really what we started with. Remember that, back in the day, we had developed a way to pull the algae out of water using electricity, and we basically, once algae proved to have a problem with surviving against a huge explosion of fracking, we found that we could apply this to the frack water and also to industrial water in general.

So that has been a strength, and for example, we have a situation with manure effluents. Our Spanish partner has been rolling out this technology in to



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separating out the solids from the water in the manure effluents in these big cattle farms. And that's very useful because it's really hard to do otherwise. It's hard to do with chemicals. It's just a pain, and it tends to be left alone. Throw the manure out there and let it evaporate. This is a better way to do it. It recovers the manure and keeps it from being kept in huge lagoons. As you can see with the hurricane bearing down on North Carolina, there are some huge farms there that are very exposed with these toxic lagoons. And that's because they're not treating them in real time as it's being produced. So this is very, very much needed, and we're working on that.

We're also working on getting into cleaning up the palm oil residue in Malaysia, where it's very dirty. A slurry of palm leftovers is mixed up with this water and it goes in the rivers and messes them up. So that's been our activity for a long time. Starting in 2016, our founder Nicholas Eckelberry came up with a technology for clearing up what was *not* suspended solids or oils in the water, what was rather invisible. What we call miscible or completely dissolved solids. And that's really interesting because of the whole class of these molecules that it's not necessarily visible, but it can be handled through electro-catalytic processes, which is what we have.

Now, that does not include really minerals. Some heavy metals are included, but in general, for example, salt we don't address because you can't make salt react to electricity very well. But things like drugs, hormones, the material that makes up Roundup, which is called glyphosate. These all can be nuked by electrochemical process. And so that's what we got into, and we developed it quite intensively back in 2017. The whole micro toxins thing. And in fact, we have rolled that out in China at a commercial level, where we've been selling these systems to clean up the ammonia. In one instance for example, there's a chrome plating shop that was generating a lot of ammonia in the water. And AOx, the advanced oxidation process, is taking care of that.

Now, Electro-Water Separation and AOx can be done together. So you can have EWS on the front end that clears up the particulates, and it just goes right in to AOx on the back end, which takes care of the stuff that is less visible. And you end up with something pretty good. It might have certain minerals still in it, such as boron, but those are fairly easy to remove. You've taken care of a lot of the toxic substances with this combination of EWS and AOx.

Now, we saw that there was a way to improve on it, and meanwhile, we did hire a major engineering firm called Carollo to come in and to examine our AOx



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process. And there's a summary in the press release that we put out this week that links to what they learned, and it's got a lot of science in it. So if you want to nerd out, just go right ahead. But basically they found that AOx was a process that generated good amounts of chlorine, primarily, and some hydroxyl radicals.

Now, we're very interested in hydroxyl radicals because it is the most powerful, practical oxidant out there. There's one that's more powerful, and it's fluorine, but fluorine is very toxic. So what the hydroxyl radical is, is basically an unstable OH pair. Basically it's missing an H, so that's what makes it unstable. And when you create it, it exists for just nanoseconds before it recombines. In the brief time that it's unstable and on its own, it's there to combine with any carbon chain to create a CHO, etc. So you've got various carbon materials that can be made out of these, and now it comes out of the water like ash basically, or just turns in to more H₂O.

So the OH radical is very, very useful because not only is it about twice as powerful as chlorine, but it doesn't generate the harmful toxic byproducts of chlorine, and in fact is used in conjunction with chlorine because the two target different toxins. It's used in conjunction with chlorine to actually get the toxins that chlorine doesn't get and also clean up the byproducts of chlorine. So it's a very, very useful thing. Swimming pools, for example, are starting to adopt a lot of OH radical purification because you don't have the smell and there's a bunch of reasons why it's very, very good.

So we like that, and we got in to that line of research two months ago and found that we could essentially, if you look at the picture on our homepage of this research device, you'll see it's basically two plates with a membrane, and the membrane lets the air into solution. And that essentially creates hydrogen peroxide, H₂O₂, because the electricity will cause the extra oxygen to bond with the H₂O, create H₂O₂, and then a further reaction creates this brief appearance of OH radical. That was what Ayush, our engineer, created in the lab, and we were then able to prove that it worked. And then we have filed the patent for it. Already, a pre-commercial unit was shipped out to our China subsidiary for testing there, and that's being actively tested in sales environments.

Now, China is good for us because, unlike the rest of the world, we sell directly there. We have our own manufacturing. We sell directly to customers, and so we have a faster way to commercialize. Rest of the world we license, and that's a slower process. By the way, we really feel that we've done enough licensing and that we need to do more selling of product directly out of our core



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technology as products, and I believe you'll be seeing a lot more of that as we start adding talent, we're able to create commercial channels. But more on that in a little bit. There's going to be some exciting new things to talk about.

Anyway, coming back to the business of how we get AOxPlus into the market, as I said, China is going well with active demonstrations, and then we have other licensees interested. And then our partners at Florida Atlantic University, FAU, have been working with us on the problem of landfill black water, or landfill leachate. That's the water that runs out of landfills when it rains. Very nasty stuff. We've developed some expertise in that area, and we've been sharing that with them for implementation in the U.S. Now, they're interested in using AOxPlus to further treat these waters that were contaminated and are now clear, and then can be further detoxed. So FAU, and that was in the press release, is excited about trialing this technology.

What we have right now is a situation where our core technology continues to grow, and to be dynamically invented. We had, if you look at the investing tab on our website, you'll see that there is, on the right side of the stock prices, there's a link to the patent valuation. That values our patents at \$8 Million for the intellectual property. But that was as of November of last year. Now we have more intellectual property. We have more commercialization, and so we think that's improved.

Nonetheless, if you're an accredited investor you've probably heard by now that the best way to invest in OriginClear is not to buy stock, but to take a piece of the intellectual property as a security for mandatory repayment of your investment with a very generous stock grant called an equity kicker. I strongly recommend that you check it out, because, I'll briefly mention this. It's not really the topic of this conversation. But the current offering allows an accredited investor to invest a certain amount of money and be repaid that amount entirely in two years or less with eight percent dividends along the way, and to receive what's called an equity kicker or a stock grant as incentive for doing that, of literally half of his investment. Which is very very powerful.

I strongly recommend that you check this out. 323-939-6645, extension 201. Or 323-939-6645, extension 116.



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Back to this technology, that's going really well. We plan to come out with another invention that, this is super cool. Whereas AOxPlus requires clear water that it's going to turn into these hydroxyl radicals, this other technology, which I don't want to get into right now, I don't want to step all over the patent that we need to file, has the ability to deal with water that is actually dirty, and also oxidize it. Clarify and oxidize all in one step. This is really really exciting. As you can see, there's a lot of good developments there.

You know, the best defense against piracy is innovation. This is what Microsoft learned long ago. In fact they invited a writer once to write a book called Microsoft Secrets. He was given the full run of Microsoft. He could know everything. He was given the full run of Microsoft for a year. He asked, "Why are you doing this?". They said, "Listen. By the time you publish, that's going to be old stuff. We don't care".

Inevitably things, knowledge gets out there. People pirate or they get inspired or they do reverse engineering. Whatever they do. By the way, the Chinese today are not the worst at piracy. In fact, the Chinese are very interested in western brands. They've told us this. They know they can get, they can steal. But they're really interested in, they'd rather buy a Bugatti than a Chinese car. They like that. They've become consumers, and they tend to value things that have more of a global reputation and brand. We haven't seen a problem with that, in China.

But ironically, one of the very largest water companies in the world, which I won't mention, nor even their nationality, is infamous for stealing. That's from a first world country. You know, you can never tell who's going to steal from you. But basically, the bigger they are, the more likely they are to steal, because how are you going to go after them? We stay away from those people. But inevitably, the stuff gets learned about. Just like Steve Jobs copied the mouse from the Xerox Labs back in the day, stuff gets copied, and what are you going to do?

But if your licensees and partners and distributors and users know that you're always coming up with the latest stuff, then they know that the problem that the pirate hasn't thought about yet, because the pirate's a criminal, all he does is copy, we will be solving that problem. The smartest thing to do is to work with the source, and that's why it's so important that we have a really vibrant research and development operation to this day.



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My brother in fact has done some wonderful work lately. He's been active in the oil and gas industry. He doesn't like to get publicized, because he is very concerned that the oil and gas industry does not like publicity. I think he has a point there. But we've been selling what's called a chlorinator at volume. This is a licensee of ours that has added its own technology to ours. They basically sell a unit called a chlorinator, and this basically zaps the water down well. That creates enough disinfection capability that it kills the hydrogen sulfide bacteria. That's the rotten egg smell you smell in a refinery.

Well the hydrogen sulfide makes petroleum sour. You get sour crude. That costs about 10 percent of the value of the crude. But also there are a lot of refineries that can only take sweet crude. You may have heard that Venezuela has probably the largest deposits of oil in the world, but it's sour and so it can only be handled by certain refineries in the Gulf.

We are in the oil industry with essentially a version of advanced oxidation that is doing this job of chlorinating the water to make the well sweet, and there is a good financial basis for it, and we're getting royalties from that partnership. My brother the inventor continues to be active. But meanwhile back in LA, we are developing very, very innovative leads.

Now, this year we actually gained a whole new technology, and that was unexpected. It was a company that we were trying to buy, because we believed that the owner of that company, Dan Early, was brilliant, and has sold many millions of dollars worth of this modular design of his. He's got about, I don't know, six or seven patents on it already granted worldwide. It's basically a way to package up waste water treatment systems in a box that's rigid, does not require a separate foundation, and can be built in the factory, trucked out, dropped in the ground and plugged in. That's a very powerful concept.

We followed his fortunes for the last couple years, and he had partner problems. Eventually he was able to come to us as an individual with his patents, and the customer relationships that he had maintained. He went to work immediately for us, and we have since licensed that technology worldwide, a global license, which is really really good.

Here's why. Right now Dan is selling these complete systems. He's selling turnkey systems to real estate developments. Last week I talked about the idea of real estate development, 200 or 300 homes. Why would they hook up to the sewage system when they can just have their waste water treatment plant and



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treat the sewage, both the black water and the gray water coming out of all the homes, treat it on the spot, and water the golf course with the treated water, and save a huge amount of money? It's actually a very, very good economic deal given the price of water. Especially in places like California, Arizona, New Mexico, and in Florida. About 65 percent of the systems that Dan Early sells in Florida have recycling built in, because there are water problems in Florida, believe it or not.

This technology is very strong. He's selling it direct, the real estate development will get this complete unit, and it sort of looks like a submarine with a conning tower. The thing gets dropped in the ground, and now you've got yourself a waste water treatment system. It's very easy to maintain. He's developed ways to make it super, super automated so that the regular facilities manager at the real estate development can handle it. We don't need a special water expert. That's a business that we believe is going to dramatically affect our revenues in the months to come, and I hope to be able to be more specific about that soon.

But meanwhile, there's also an opportunity to let other people in the waste water treatment business adopt this packaging method. Essentially, license it or allow them to purchase the packaging. What we want to go out and do is to standardize the product line so that it's basically size A, B, and C, and then be able to deliver it to customers ready for waste water treatment. They could put their own processes in there. Then there's also the opportunity to expand internationally with that. It's really very exciting.

This is really being caused by a trend that we noticed beginning in 2016, with this very, very important research by Lux Research. You'll find that on the OriginClear Group page, called the OriginClear Group. There's a picture of a decentralized water treatment system. Lux Research spotlighted this trend towards decentralization. In other words, of people cleaning their own water. Really, the consumer is not really aware of this, even to this day, because the consumer gets his water at home, and the sewage still goes away.

But the commercial developer, and agricultural users more and more, are having to fend for themselves. That trend is creating a massive market opportunity, and it is also sending a lot of business to the local water treatment company, which may not be big enough to handle the business. We run into this again and again with mom and pop companies that are overstretched. They've taken out home equity lines of credit. They've taken out SBA loans, this and



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that, and they're still not making it. They just still don't have it, but they've got a lot of business.

They're getting million-dollar POs from some local user that has to do its own water treatment. So, that's what this whole acquisition thing is about. We're building Modular Water, a technology that's specifically about decentralized water treatment, self-sufficient water treatment... When I say self-sufficient, I mean that these things can be operated with very little skill.

One of the things that he's done is sell to the Army, these containerized water treatment systems for these forward operating bases in Afghanistan and as he tells it, an 18-year-old can operate this. So, if it a GI can operate it, then a facilities manager in a small plant or real estate development or school or whatever can manage it, too. And that's really, really important in this new decentralized model. You don't want to have maintenance or management problems. You don't want to have experts.

So on the product side is Modular Water, and then in terms of growing the company, acquiring these companies, these Mom and Pop companies that are benefiting from the decentralization trend, bringing them in and being able to quickly acquire a lot of smaller companies so that, from a lot of small, you get big. And we think that's going to be the next big trend, and we hope that OriginClear becomes one of the big water companies by growing through acquisition of small companies, not by acquiring hundred million dollar companies.

First of all, this is a digestion problem, how do you eat an elephant? One bite at a time, right? So the digestion problem with these ... acquiring very, very large companies, but secondly, all the growth is in the small companies. Those are the ones that are getting this self-sufficient or self-reliant water system business that is really starting to trend.

And we think we're right in the sweet spot for that. So from where I sit, I've got a slate of acquisitions that we're working on, I can't tell you that it's going to succeed. There's no reason why not, but that's really not something I'm going to represent to you, but assuming this slate of acquisitions occurs, that's going to dramatically increase our revenues, and we're now going to get in the business. It's one of those things. The more hits you have, the more hits you have.



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Initially, you're like Steppenwolf, you're a one-hit wonder, Born to be Wild, and then it's very hard to get one after that. But then you get a second one, and a third one, and then things rev up. And then once you rev up, you can get a lot of deals done on a kind of momentum basis with a minimum of cash, and I think that's where we're going.

You know, the fact that you're in here listening to me means a lot. We've got ... Each time into this briefing, we get a bunch more people. We've basically been doubling each time, and that means a lot because you understand the importance first of all, of bringing all these stranded assets in because so much water is not treated in the world.

70% of industrial waste is not treated at all. 80% of all sewage is never treated in the world, and in some countries, 95%. There's a real need for a solution to the water problem. It's not going to come from centralized resources. It's not going to come from giant projects because those take forever to launch. It comes from a lot of what we call point solutions. Distributed technology, just like you have distributed processing in personal computers versus mainframes. If you spread the load out, then you can get something done.

So we think that the water problem in the world is going to be handled through these distributed systems, number one, and number two, that there are key technologies that are enablers. That's where Electro Water Separation and Advanced Oxidation come in because these are very troublesome, toxic waters that are not being treated properly, and on top of it, you have the Modular Water technology, which is a way to package it. And so, you've got the packaging of these decentralized systems, and we've got a technology that can deal with some of these tough situations. I'm quite sure, I've got my eye on some other technologies that are really, really interesting that will blow your mind that we'll acquire, but that will follow.

Basically, what I wanted to say was that this was a review of our technology direction, how and what we're doing, I'm very happy with the integrity of our technology process. Jean-Louis Kindler, the head of our OriginClear Technology Division, is very attentive to our patent situation, and we have an excellent patent lawyer who works for us and he's literally doing filings as I speak, making sure that garden is well-weeded.



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That's very, very important in that we have Ayush Tripathi at Headquarters doing a huge amount of development, and we've had some other input from other people that I'll be happy to talk about with the announcements that we make for these future things.

I'm thinking of a specific breakthrough that has been made, and we ended up taking some very strong inspiration from someone who we've been compensating to bring the technology in, and also this summer, we had a very able intern, Alexandra Arnatskaya, who has moved on to her studies in the medical field but at the time, she was really, really good. She's at U.S.C. Keck School of Medicine, but she was a really, really good, very, very sharp researcher for us as an intern, and we look forward to having more.

And then of course, with Dan Early, we've got a heck of an inventor who actually has a suite of patents.

So, that's the picture, it's been a pleasure talking to you today, and again, I really appreciate your loyalty and interest and from where I stand, it's a heck of a lot going on but I really think we have a fantastic team, well vetted. We've gone through the storm, we've got a good team, and I have tremendous confidence in them.

Everybody from Jean-Louis Kindler in technology, Bill Charneski in M&A, Marc Stevens, who runs Progressive Water and has been doing better and better, and of course, Dan Early. We now have also Brian Pierce, our new Operations Manager, and then I have a very important hire coming that I cannot announce yet, but this is a major, major executive from the water industry who is joining us, who has just an amazing background, and has made the leap, but we're not able to announce it yet, that will come.

He's a guy. Most people in water are guys unfortunately, but he will bring a tremendous amount of network and relationships and also, I think, he will make OriginClear that much more serious. This guy has been in water for more than two decades, going on 30 years, has just done wonderful things, and he knows how to build channel and networks relationships. It's going to be a whole amazing thing but again, I can't get into that just yet because it's still confidential.



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So, great team, great technology, great momentum, good mission, people joining us, companies coming on board, I think we're very well set up for the completion of the third quarter, going into a very strong fourth quarter.

Thank you very much, and all of you have a good evening, and a great weekend. Goodnight.

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