



OriginOil, Inc.

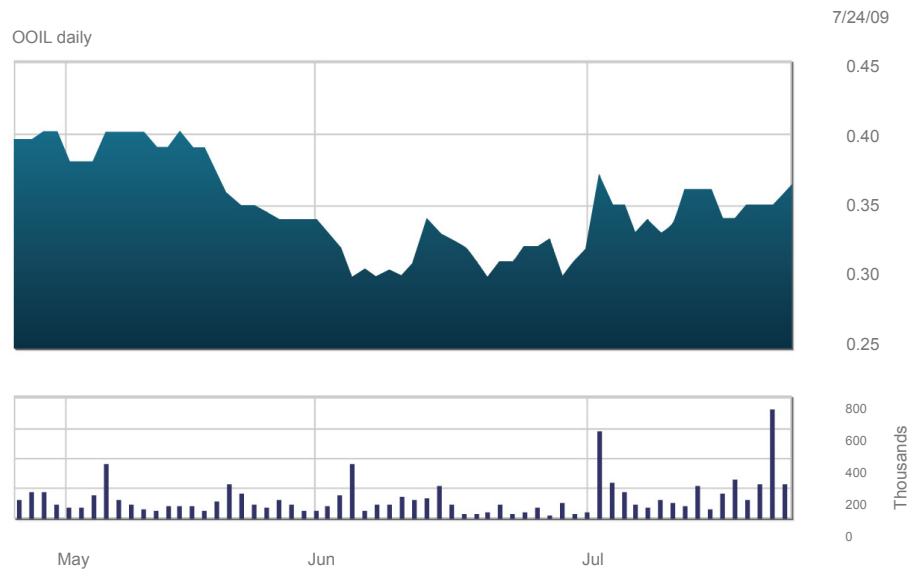
2029 Century Park East, 14th Floor
Los Angeles, CA 90067

Phone: (424) 202-6944
Fax: (424) 203-2035
E-mail: ir@originoil.com
Website: www.originoil.com

MARKET DATA

Symbol	OOIL
Exchange	OTC BB
Current Price	\$0.362
Rating	Speculative Buy
Outstanding Shares	144.18 Mn
Market Cap.	\$52.19 Mn
Average 3M Volume	133,317

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. By creating a fuel that replaces fossil fuel, OOIL also helps producers garner saleable carbon credits. The OriginOil System may 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 nine patent filings and two international Patent Cooperation Treaties (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 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 to break down algae cells, much in the same way high-frequency sound waves break glass. Used in combination with tuned low-power microwave radiation, this process maximizes oil yield while minimizing energy use. Recently, the Company announced advances in automated process control, LED-based lighting and continuous live oil extraction.

Technology Update

Patent application for live extraction of algae oil

The Company recently filed for patent protection of a method for extracting algae oil on a continuous basis without cell sacrifice, called Live Extraction™. This new 'milking' process will join OOIL's Cascading Production™ technique to create a combined cycle promising new efficiencies.

Live Extraction™, or milking, is inherently efficient because it achieves continuous production of algae oil without destroying the algae cell. As a result, a single algae cell can produce more oil during its lifetime using lower amounts of energy.

Unlike other approaches to live extraction, OOIL's process does not employ expensive consumables such as reverse osmosis membranes. In addition, it is not limited to oil-bearing algae strains, such as *Botryococcus braunii*, that are known to excrete algae oil naturally.

New LED-based lighting and a patent for the Dynamic Control System

The heart of OOIL's system is the Helix BioReactor™, an advanced algae growth system that enables multiple layers of algae biomass to grow around-the-clock, with daily harvests. The helix structure serves as the bioreactor's nutrient delivery system, through which the Quantum Fractured nutrients, including CO₂, can be evenly distributed across the entire algae culture, monitored and tuned for optimum growth.

In a natural pond, the sun illuminates only the top layer of algae growth, down to about half an inch below the surface. The Helix BioReactor™ employs a rotating vertical shaft and very low energy lights arranged in a helix or spiral pattern, to create a theoretically unlimited number of growth layers. Each lighting element is engineered to produce specific light waves and frequencies for optimal algae growth.

This algae growth environment allows the algae culture to replicate exponentially — doubling the entire colony in just a few hours — and creates a very efficient, low-cost, low-footprint industrial algae production.

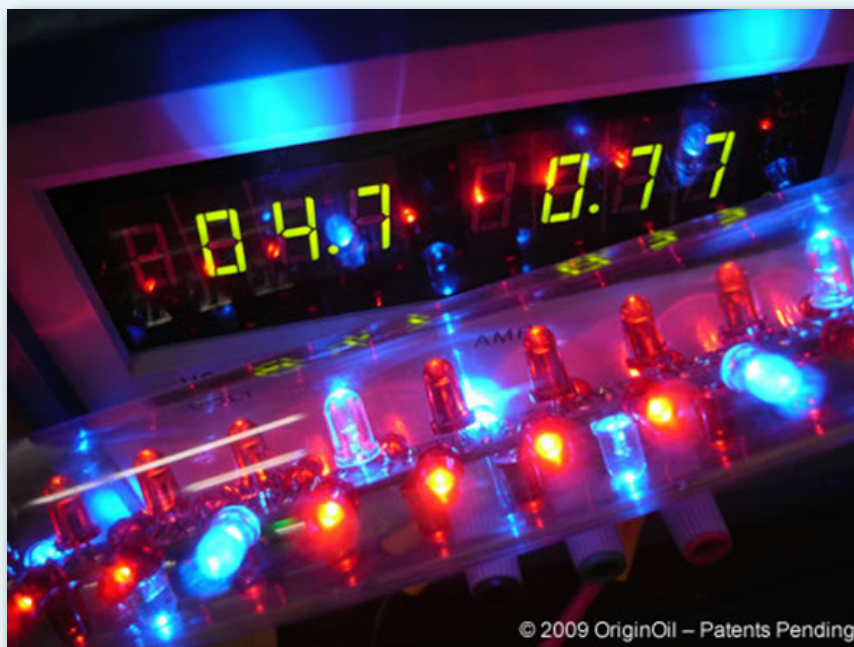
In July, OOIL filed a patent for a Dynamic Control System designed to respond continuously to the algae's growth patterns. This invention improves energy efficiency and growth rates by ensuring the right types and amounts of light are provided on an ongoing basis as the algae grow to maturity.

Testing of LED Lights in Algae Cultures



At the center of the Dynamic Control System is a programmable controller that receives information from multiple sensors reading the algae culture. The controller, which can be programmed for specific algae strains, responds by sending out commands to adjust lighting parameters such as intensity, pulsing frequency, and duty cycle.

OriginOil's high-efficiency LEDs



The new automated lighting system takes advantage of next generation Light-Emitting Diodes (LEDs), which can greatly improve productivity in dense algae cultures by delivering the most accurate frequency tuning and instant-on capability needed for a true feedback loop.

This summer OOIL has begun testing its new LED-based lighting systems as a replacement for current fluorescent arrays.

Patent application for low-energy, high-efficiency algae production

The Company recently filed a Patent Cooperation Treaty (PCT) application titled "Apparatus and methods for photosynthetic growth of microorganisms in a photo bioreactor." This filing consolidates previous inventions and adds new developments to the original filings.

OOIL's patent-pending process addresses key challenges in culturing microalgae, including high energy consumption, fouling of light-emitting surfaces and diurnal growth cycles. The proposed system enables efficient light utilization and comparatively low energy costs by providing light at closely spaced intervals within a photo bioreactor so that light is more evenly distributed and reaches multiple algae layers rather than just a half inch top layer.

Growing Visibility of OOIL Technology

OOIL has been invited to describe its breakthrough technology at several major algae biofuel industry events. Company CEO Riggs Eckelberry outlined a plan to replace petroleum with biofuel during a panel discussion at the inaugural Intergovernmental Renewable Energy Organization (IREO) Conference, held at the United Nations June 11, 2009. Eckelberry warned that without a new approach, petroleum consumption would continue to climb. IREO is a proponent of clean, efficient energy sources that combine sustainable development and social awareness. The organization began as a partnership initiative, launched in response to the Rio Declaration on Environment and Development, the Kyoto Protocol, the Johannesburg Declaration and the United Nations Conference on Climate Change.

The Company has been featured on Associated Press (AP) Television as a part of the syndicate's ongoing coverage of biofuel technologies. An AP film crew interviewed Eckelberry and Chief Technology Officer Vikram Pattarkine regarding the Company's cutting-edge technology for extracting oil from algae in an efficient single-step process. The AP Television segment titled "Could Algae Be Oil's Next Competitor," featured commentary from Eckelberry on OOIL's process for inexpensively cracking algae's tough exterior wall to release the oil inside.

OOIL's technology was recognized in testimony provided before the Senate Subcommittee on Environment and Public Works May 19, 2009. During the session, Sapphire Energy President Cynthia Warner commented on the numerous benefits of utilizing algae as the basis for a new generation of renewable and low carbon fuels. Her testimony specifically singled out OOIL as one of the prominent algae-based fuel companies developing, in her own words, "fascinating algae-based biological carbon capture and beneficial reuse applications." Warner also highlighted the "transformative business opportunity" being created by climate policy, noting that companies like OOIL can produce next-generation, domestically-sourced transportation fuels that will create economic growth and new jobs for the U.S.

In addition, OOIL was one of the featured presenters at the Southern California Investment Association's June conference, where management explained OOIL's technology and business plan to principals, brokers,

institutions, funds and Accredited Investors seeking new investment opportunities.

Technology Commercialization Initiatives

The Company is partnering with Desmet Ballestra, an international pioneer in oil and fats technologies, to commence commercialization of OOIL's technology on a global scale. Privately-owned Desmet Ballestra is based in Belgium and serves customers in the seed crushing, oil refining, oleo chemical, surfactant and detergent markets. It has operations in Africa, South America, Mexico, the United States, China, India, Asia and Europe. Desmet plans to use the Company's Single-Step Oil Extraction technology to create a more cost-efficient algae oil extraction system. In early studies of OOIL's technology, Desmet has measured energy efficiency gains as high as 90% in certain configurations.

The Company intends to use OEM partnerships such as its agreement with Desmet to provision the growing number of algae venture companies worldwide.

Financial Analysis

OOIL is currently developing a technology for cost-effectively producing bio-fuel from algae. The Company plans to eventually license this technology to fuel refiners, chemical and oil companies and other customers but has yet to sign a licensing agreement or generate licensing revenues.

Income statement, \$

	Q1 08	Q1 09	% Chg
Revenue	0	0	n/m
Selling and marketing	0	109,787	n/m
General and administrative expenses	167,131	416,209	149%
Research & development	38,423	131,217	242%
Depreciation & amortization expense	517	13,943	2597%
Total operating expenses	206,071	671,156	226%
Operating income	-206,071	-671,156	n/m
Total other income/(expense)	11,252	642	-94%
Net loss	-194,819	-670,514	n/m

Source: SEC Filings

The Company's operating expenses increased 226% year-over-year to \$671,156 in Q1 09 as a result of increased marketing expense, new hires, higher professional fees and rent expenses and increased R&D investment.

Liquidity and capital resources

As of March 31 2009, OOIL had working capital of \$197,739, down from \$526,503 one year earlier. The working capital decline is attributable to ongoing investment in building the business and preparing the Company's

technologies for commercialization.

Balance sheet \$

	Sept 30, 2008	Dec 31, 2008	Mar 31, 2009
<i>Cash and cash equivalents</i>	967,450	580,055	216,374
<i>Total current assets</i>	990,151	596,984	236,031
<i>Total other assets</i>	143,606	167,726	164,276
<i>Total assets</i>	1,133,757	764,710	400,307
<i>Total liabilities</i>	18,444	70,481	38,292
<i>Total shareholders' equity, including</i>	1,115,313	694,229	362,015
<i>Accumulated deficit</i>	-1,401,133	-1,952,369	-2,622,883

Source: SEC Filings

OOIL will require substantial additional capital to fund its research and development activities and business development in 2009. The Company commenced an equity private placement priced at \$0.20 per share in Q 1 09 that raised \$1.05 million in gross proceeds. Management believes this amount will be sufficient to fund OOIL's working capital requirements through the end of this year.

Analyst Summary

Since our April 2009 update, OOIL's share price has risen 21% to \$0.35. We attribute this growth to the Company's increasing visibility, recovering oil prices (which enhance the attractiveness of alternative fuels) and growing concerns about carbon emissions and climate change.

The Company has enhanced its Single Step Extraction technology by developing a Dynamic Control System that improves energy efficiency and algae growth rates by ensuring the right types and amounts of light are continuously available. OOIL anticipates securing agreements with OEMs to embed its Dynamic Control System and other technologies, which will create service revenues from supporting these systems. Ultimately OOIL expects to generate licensing fees and royalty income from licensing its end-to-end extraction technology.

OOIL has already taken the first steps towards commercializing its technology by partnering with Belgian OEM Desmet Ballestra, who may embed components of OOIL's technology into its own systems. Desmet is currently evaluating OOIL's technology and expects to complete the fitting process within the next 12 months. In addition OOIL has expanded its R&D and business development initiatives with two key new hires.

The renewable energy sector has already recognized the potential of algae as a feedstock to replace soybean, rapeseed and corn in biofuel production. Algae require little space to grow and multiply quickly. Because of these advantages, we expect larger-scale production of algae and/or algae-biomass products over the next five years.

Robust clean energy demand, OOIL's progress in advancing its proprietary algae biofuel technologies and the significant future revenue potential associated with licensing this technology to biofuel manufacturers and refiners are reasons we continue to rate OOIL a Speculative Buy.

Management Team Update

Dheeban Kannan
*Ph.D., Senior Research
Engineer*

Dr. Dheeban Kannan has joined OOIL as senior research engineer. Dr. Kannan recently completed his doctoral studies in biofuel technologies at Pennsylvania State University. His leading-edge work on photo bioreactors for growing oil-producing algae has strong synergies with OOIL's technology development program. As part of his doctoral thesis, Dr. Kannan invented a novel solid catalyst process for producing biodiesel, which forms the basis for a patentable core technology for a biodiesel startup company. His process improves biodiesel production efficiency and, unlike current systems, can accept feedstock with high free acid content such as recycled oil.

Scott Fraser
Vice President of Operations

Scott Fraser joins OIL as vice president of Operations. Prior to joining OOIL, Mr. Fraser led clean tech start-up Global Cooling Solutions from concept to prototype and full product development in just 16 months. He was responsible for developing the company's business model, obtaining funding and developing its channel strategy. Before that, Mr. Fraser held a series of channel management and senior executive positions with various high technology companies from 1991 to 2006. He was a key member of the team that successfully spun off Avaya from Lucent Technologies in 2000. He has developed, managed, marketed and supported solutions for customers, partners and resellers at Covad Communications, Nodus Technologies and Scientific Utilization Inc. Mr. Fraser studied business administration and physics at San Diego State University.

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Information contained in our report will contain "forward looking statements" as defined under Section 27A of the Securities Act of 1933 and Section 21B of the Securities Exchange Act of 1934. Subscribers are cautioned not to place undue reliance upon these forward looking statements. These forward looking statements are subject to a number of known and unknown risks and uncertainties outside of our control that could cause actual operations or results to differ materially from those anticipated. Factors that could affect performance include, but are not limited to, those factors that are discussed in each profiled company's most recent reports or registration statements filed with the SEC. You should consider these factors in evaluating the forward looking statements included in the report and not place undue reliance upon such statements.

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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.