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ROUNDTABLE FORUM FOCUS ON NANOTECHNOLOGY STOCKS

Focus on existing markets helps nano start-ups fulfill hype

Now that the nanotech gold rush is delivering its first real commercial applications, even cautious investors are reevaluating this previously speculative space. What does it take to translate innovative science into profits? On July 26, 2005, *Wall Street Reporter Magazine* hosted its first nanotechnology roundtable to update on recent developments in the evolving nanotech sector.

BROOKSTEIN: Sean, what's the biggest misconception that you think financial professionals have about nanotechnology?

DOYLE: I think there are a couple.

One that I like to focus on is that products and utility matter; science doesn't necessarily sell.

So, there has to be a business model there, and I think that's the place where people start to become enamored with technology.

We are always focusing at Intel on products that we can sell to customers. I think another issue,

really, is that in my own mind nanotechnology is proving to be evolutionary in many respects

rather than revolutionary. While I think there will be revolutionary changes over time in retrospect,

they will seem to happen very quickly. For moving forward, they will take more time as expected. I think the last thing

that I would say is that we need fundamental tools and materials

to do the basic research, so while everyone may start looking for the big applications, a lot of our work is actually focused on

Darrell Brookstein
(moderator)
Managing Director
The Nanotech Company LLC

Warren Packard
Managing Director
Draper Fisher
Jurvetson

Erikki Ruuslahti, MD, Ph.D.
Distinguished Professor
and Past President
The Burnham Institute

Sean Doyle
Sector Director
Intel Capital

Barry Weinbaum, Ph.D.
President and CEO
NanoOpto Corp.

Moderating the panel:
Darrell Brookstein,
Managing Director of
The Nanotech Company.

Participating from Wall Street:
Warren Packard,
Managing Director of
Draper Fisher Jurvetson

Specific disclosures regarding each issue discussed can be found in the analysts' recent reports, available upon request.

From the corporate sector:
Erikki Ruuslahti,
Distinguished Professor
and Past President The
Burnham Institute;
Sean Doyle
Sector Director
Intel Capital;
Barry Weinbaum,
President and CEO of
NanoOpto Corp.

CEO INTERVIEW

H2OIL CORPORATION

PRIVATE EQUITY

Vast Chinese gas market opens up to fuel-saving additives

H2OIL Corporation is the world leader of nanotechnology advancement in fuel and oil, providing a revolutionary solution for gasoline, diesel, and engine oil. Its F2-21 nanotechnology additives provide immediate and dramatic results when added to today's quality of gasoline, diesel fuels and engine oil.



Bernice C. Song
Vice President,
Director of Marketing

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Bernice C. Song, Vice President, Director of Marketing, spoke with *Wall Street Reporter Magazine* on May 26, 2005.

WSR: Could we start with an overview and brief background on H2OIL?

SONG: H2OIL Corporation is the leading developer and manufacturer of fuel and oil additive products, utilizing the most advanced nanotechnology, for making nanotechnology gasoline, diesel fuel and engine oil. Located in California's Silicon Valley, the company's goal has been to develop new generation fuel and oil technology products, which will give users an easy, cost-effective, and highly efficient method of conserving energy, reducing air pollution, and protecting equipment. Over decades of research and development, it has achieved this goal by supplying the first liquid fuel and oil additives applying the principles of nanotechnology. These advanced products are environmentally friendly and user-friendly, bringing multiple benefits. They are easy to use and cost effective. They can be added in bulk at

the refinery or fuel storage tanks or easily dispensed by individual drivers into their own vehicle tanks. F2-21® fuel products are ready and have been

used successfully in real-life driving over billions of miles. F2-21 was selected by the United Nations as the most effective and economical fuel additive for conserving energy and alleviating transport-related air pollution problems in Asia. And, in 1994, H2OIL corporation was selected by Forbes magazine among the 25 best environmental technology companies in the world.

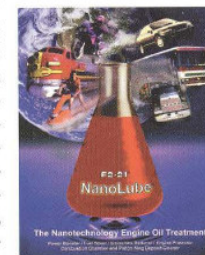
WSR: Can you tell us a little more about the product offerings and the market potential for them?

SONG: We have two major products,

F2-21® NanoTech Fuel Additive for gasoline and diesel fuel and F2-21® NanoTech Engine Oil Treatment for engine oil. When the F2-21 NanoTech Fuel Additive is added to regular gasoline and diesel fuel, it immediately turns them into high-quality nanotechnology gasoline and diesel fuel providing users with many benefits such as fuel savings, power boost, emissions reduction, engine protection, and environmental improvement.

And when the F2-21 NanoTech Engine Oil Treatment is added to regular engine oil, it can also immediately turn it into high-quality nanotechnology engine oil providing users with the same benefits as F2-21 fuel additive. These two products have been designed for easy application

— they require no costly investment in production facilities, no infrastructure changes, and no engine modifications. With the help of bulk treatment at fuel distribution centers or gas stations, our products could quickly reach almost 100% of the existing vehi-



SUMMARY

Privately held H2OIL has developed fuel and oil additives that incorporate nanotech principles, helping engines burn more cleanly and efficiently. The technology can be applied to mass transit, ships and power stations as well as both gasoline and diesel vehicles. Taken together, the products reduce fuel consumption by an average of 15%, representing savings of \$92 million a year worldwide (not counting carbon credits) while lowering toxic emissions by 50%. A manufacturing venture with PetroChina Huafu Chemical will bring the technology to at least 70% of the Chinese market. Management notes that fuel conservation is a strategic and environmental priority. Near-term goals include the cultivation of support from marketing partners, the energy industry and government interests.

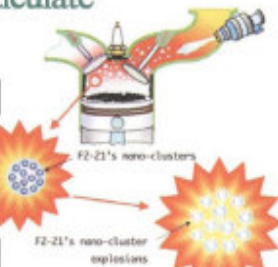
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"Our F2-21 products offer an immediate way to reduce fuel consumption worldwide by about 15%. F2-21 can effectively reduce over 50% of the most toxic emissions such as hydrocarbon (HC), carbon monoxide, nitrogen oxides, particulate matter and smoke."

cle population. The market potential, based upon vehicle population, is about 200 million cars and 50 million trucks in the U.S., and about 500 million vehicles worldwide. In addition, there is tremendous non-highway engine potential such as trains, ocean-going vessels, and power generators. The potential for fuel savings is substantial from using our products. At an average fuel saving of 10% and based on the U.S. annual fuel consumption of 120 billion gallons of gasoline and 60 billion gallons of diesel fuel, at a cost of \$2 per gallon, F2-21 can save \$36 billion a year in fuel cost in the U.S. Worldwide, the annual savings are almost double the U.S. amount, at \$72 billion a year. In addition, the fuel savings from using F2-21 NanoTech Engine Oil can further save gasoline and diesel fuel consumption — an estimated \$10 billion in the U.S. and \$20 billion worldwide at the retail level.

WSR: Those are serious numbers for savings. It's very interesting to note your new plant in China; you just opened this month?

SONG: Yes. We have recently entered a joint venture with China to produce our nanotechnology fuel additives in China. This will be a "major step" toward introducing and utilizing



F2-21 creates millions of tiny nano-clusters in the fuel. These nano-clusters explode fast before and during combustion, increasing turbulence and generating smaller fuel droplets.

Smaller fuel droplets vaporize completely, leaving no unburned fuel residue. This results in more complete combustion, which increases power and improves mileage.

H2OIL's high-quality U.S. technologies in China, whose energy conservation and environmental policies affect not only the Chinese, but the entire world. Our fuel additives produced in China will be able to supply about 70% of the entire gasoline and diesel consumption in China today. We hope that some day the U.S. Government and fuel companies will support the same progressive policies in favor of fuel savings and environmental protection as the Chinese.

WSR: In this nanotech fuel arena and the climate in the world as far as fuel and energy prices, what is unique about your company that gives you a competitive advantage in this market?

Obviously others are racing to do similar things and you seem to have a jump.

SONG: H2OIL Corporation is the manufacturer of the world's most advanced liquid nanotechnology fuel and oil additives. Our products provide immediate results with multiple benefits to users. Our technology is mature, while other major oil companies and chemical companies are still in an early stage of research and development. Furthermore, F2-21 fuel additives have been successfully used in real-life driving for over billions of miles in the last ten years. As I previously stated, we recently completed a manufacturing plant in China, under a joint venture project with PetroChina Huafu Chemical Company. This manufacturing plant can produce enough F2-21 fuel additive to turn 70% or even 100% of the gasoline and diesel fuels used in China into high-performance and cleaner burning gasoline and diesel fuel, as well as enough of our engine oil additive to turn engine lubricating oil into clean and fuel-saving engine oil.

WSR: What are some of the major trends that you see now affecting your business?

SONG: As fossil fuel supplies run out, and demand increases, so does our business potential. This can be broken down into the following factors:

1. Crude oil has been increasingly difficult and expensive to obtain.
2. High fuel costs will harm the economy worldwide.
3. Extensive use of gasoline and diesel fuel emits harmful pollutants such as CO₂, the primary global warming gas, threatening our very lives.
4. The need for energy and natural resource conservation.
5. Alternative fuels such as hydrogen gas are still decades away before that can be effectively used.



6. The urgent need to increase the use of existing technologies that require no additional research and development to reduce the United States' dependence on foreign oil.
7. F2-21's nanotechnology advancement in automotive fuel and oil performance can play a very important role in conserving energy and protecting the environment immediately.

WSR: How is H2OIL working to capitalize on these trends?

SONG:

1. Our F2-21 products offer an immediate way to reduce fuel consumption worldwide by about 15%.
2. F2-21 can effectively reduce over 50% of the most toxic emissions such as hydrocarbon (HC), carbon monoxide (CO), nitrogen oxides (NOx), particulate matter (PM), and smoke from both gasoline, diesel fuel and engine oil.
3. F2-21 is extremely stable and has been designed for easy application, and there is no need to change the engine design or modify existing manufacturing facilities and fuel supply infrastructures.
4. With the huge worldwide consumption of gasoline and diesel fuel, F2-21 can greatly contribute to energy conservation and help to reduce the "greenhouse effect".
5. H2OIL's technology is mature and F2-21 products are ready to be used worldwide. Our production facility, with the proprietary equipment for automatic production, is ready to produce a sufficient quantity of F2-21 to supply worldwide demand. We also have multiple and adequate sources for all ingredients necessary for production of F2-21 products.

F2-21 products.

WSR: What goals and strategies are you focusing on to ensure future success at H2OIL?

SONG: Well, we are a small, self-financed company in a large market. So,

1. We are seeking a strong marketing partner who can help distribute our fuel and oil products to reach every household and every car and truck on the road.
2. We need support from governments and major oil companies to participate in the distribution in order to make a big impact on energy conservation and environmental protection in a way that is most efficient by adding our products at the source.
3. We especially hope to reduce emissions from motorcycles in Asia, where motorcycles rule the road, producing clouds of toxic emissions, which cause health problems including lung cancer and respiratory diseases. These pollutants, according to the scientists, also contribute to the worldwide climate changes.
4. We continue to improve our technology to provide superior cutting edge fuel and oil products, which will improve fuel economy and fight global warming.
5. We want to bring our F2-21 products to be widely used to benefit all users here in the U.S.

WSR: Based on your vision and accomplishments that you already have in place, how would you categorize the next two or three years for H2OIL?

SONG: Our company will remain the forerunner in liquid fuel nanotechnology and a manufacturing, as well as a distributing and marketing company

supplying F2-21 products to Asia and European countries and, hopefully, to the U.S.A. as well. Our products have been well received in Asia and Europe as these countries are truly concerned about energy conservation and environmental protection, and are taking action. We hope that U.S. government agencies and major oil companies will change their views and adopt our products and help distribute them widely to save fuel and reduce air pollution.

WSR: In closing, what best reason would you give to a potential investor about getting involved with H2OIL as a long-term investment opportunity?

SONG: The market potential for F2-21 is to treat all gasoline and diesel fuel consumption worldwide. This is worth about \$72 billion a year. For engine oil, the potential is an additional \$20 billion a year. In addition, there is a potential carbon credit under international treaties from using F2-21, another form of savings. This is worth about \$15 billion worldwide every year. H2OIL's nanotechnology is mature; F2-21 products are ready and proven, and the manufacturing facility is in place to produce a large enough quantity to supply the world. It is a sound investment opportunity for any investor who would like to earn a return while saving the world's energy resources and making our planet a better place to live. I think the opportunity to help provide products that help people to live easier, healthier and better, and also to help protect our quality of life and economy against the effects of cuts in foreign energy supplies and the rising costs of oil is both beneficial and meaningful to the investors.

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