



## Company Update 21 May 2013

Qponics' directors **Dr Graeme Barnett** (MD & CEO) and **Dr Anthony Filippis** will be available to meet with persons interested in learning more about Qponics over tea or coffee in the foyer of the **Westin Hotel, 205 Collins St. Melbourne, at 10am, 1pm and 3pm.**

From **5pm to 7pm in the Westin Room 2 at the Westin Hotel**, Dr Barnett will deliver a presentation on Qponics' plans for production of organic vegetarian omega-3 oil in Australia.

Refreshments will be provided.

### 1. The Company

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Qponics Limited is an unlisted Australian Public company based in Brisbane. The agri-business company is focused on the sustainable organic production of vegetarian EPA and DHA<sup>1</sup> omega-3 oils fatty acids from Australian algae. These essential fats are not efficiently synthesised by the body and dietary deficiency is common, causing many neurological, cardiovascular and degenerative diseases. Consumer recognition of the health benefits of supplementing the diet with omega-3 is rapidly growing the global market.

### 2. The EPA/DHA Omega-3 Market

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Omega-3 oils derived from fish and other marine animals such as krill and calamari supply over 80% of the global US\$2.5 billion global EPA/DHA market. The algal omega-3 oil industry has grown to become 18% of the global US\$2.5 billion EPA/DHA omega-3 market with an annual growth rate of 14%. In the Asia/Pacific region, algal omega-3 oil represents 37% of the US\$530 million EPA/DHA omega-3 oil industry, with large vegetarian populations such as India and China set to create very high demand for quality algal omega-3 oil. Fish stocks are globally in decline and recognition of this fact is also driving the sustainable production of EPA/DHA omega-3 oil from algae. [Source<sup>2</sup>]

### 3. Unique Production Process

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Algal science and biotechnology has made great advances over the past decade as has the technology required to grow algae at commercial scale and extract their oils. This confluence of algal technologies has allowed Qponics to develop a unique concept for the organic production of vegetarian EPA/DHA omega-3 oil.

Qponics is accessing the following key services and technologies through strategic partnerships:

Algal science and biotechnology and omega-3 producing strains of Australian algae: University of Queensland.

**Aquaculture feed stock:** Qponics has partnered with an Australian aquaculture-horticulture company, to access high-nutrient aquaculture effluent to organically fertilise the growth of algae.

**Photo-bioreactors:** Qponics has identified three technologies suitable for the large-scale commercial growth of algae, and is presently evaluating their relative productivities.

**Oil extraction:** There are several proven solvent-free proprietary systems available to extract the oil from algae.

**Route to market:** Qponics has partnered with Melbourne-based Nutrition Care Pharmaceuticals Pty Ltd (NCP), which will ensure Qponics' DHA and EPA omega-3 oils are sold for use in a range of capsules and microencapsulated formats and marketed and distributed through NCP's established Australian and Asia/Pacific networks.

### 4. Products

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Qponics will commercialise three Product Groups, all of which will be sold into existing and rapidly growing global markets:

1. Vegetarian algal EPA/DHA omega-3 oil
2. Vegetarian algal high-protein biomass
3. Other high-value products derived from algae

Algal oil will be the first product to be commercialised.

Sales of high-protein algal biomass that includes lower levels of remnant EPA/DHA omega-3 are also anticipated in the animal feed and human food supplement sectors.

Qponics anticipates that the majority of the algal biomass will be sold as high-protein fish feed.

### 5. Potential Sales

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Based on recent independently published market intelligence on the marine and algal omega-3 industry, wholesale prices of algal omega-3 oil in the Asia/Pacific region is anticipated to average US\$93 per kg in 2014<sup>2</sup>. Directors believe, based on current knowledge, that a single Qponics facility has the potential to produce up to 200,000 kg of algal omega-3 oil per year. Qponics will have the opportunity to scale-up production within facilities and construct additional new plants to generate logarithmic growth.

Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained herein. These forward-looking statements are based largely on the expectations of the Company at date of publication, and are subject to a number of risks and uncertainties. Accordingly, these are estimates and not a guarantee of actual future production or revenues.

### 6. Contact

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<sup>1</sup> EPA: eicosapentaenoic acid; DHA: docosahexaenoic acid

<sup>2</sup> Global Analysis of the Marine and Algae Omega-3 Ingredients Market", Frost & Sullivan report, 2011