

AVAC UPDATE



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News

Ceapro Launches Superior Care for Man's Best Friend in U.S. Market.

Ceapro Inc. announced on April 18 the U.S. launch of Ceapro Dermatology pet care products, approved by and sold through veterinarians – a significant thrust as the American market constitutes over 70% of global animal health sales. Ceapro Dermatology products use 100% bioavailable oat actives. Unlike most other oat products, all of Ceapro's patented active ingredients are fully soluble, providing immediate penetration of active components. The products help reduce the incidence of skin and ear disease while minimizing the need for active treatment and are available exclusively through veterinarians. The product was launched to over 300 veterinary practitioners attending the North American Veterinary Dermatology Forum in Hawaii from April 18-22. The rollout is supported by a dedicated website: www.ceaproderm.com.

Ceapro Inc. also announced the highest revenue in its 12-year history for fiscal year ended Dec. 31/06. Sales were increased by 35% to a record \$3,31M compared to \$2,76M in 2005; the Company forecasts revenues of more than \$5 million for 2007. Gross margin remained very high at 57% of sales.

Grand Opening of Agrivalue Processing Business Incubator Leduc (May 16, 10:00)

The Hon. George Groeneveld and the Hon. Luke Oulette will attend the ceremony. The Incubator has three tenants: Ceapro Inc., Aliya's Fine Foods, and Siwin Foods with four of eight bays remaining unoccupied. Each of the tenants is in the process of transferring equipment to their respective bays and expect to begin operations this spring.

Special Report: Bioenergy

Bioenergy investments are heating up.

When the price of gas spikes, AVAC sees a spike in applications for bioenergy ventures. In the last 9 months AVAC spoke with more the 30 companies in this space. We've reviewed technologies for bioethanol, biodiesel, biodigestors, pyrolysis, and biorefineries based on grain, canola, rendered livestock, wood biomass, and municipal waste. The rising price of fuel and new federal and provincial policies continue to make a wide-range of technologies commercially viable.

Provincial and National funding landscape

Federal and provincial grants announced in 2006 are non-repayable. The Biofuels Opportunities for Producers Initiative is \$20M in federal grant money over two years. The Alberta government committed \$239 million over five years to encourage manufacturers to bring more bioenergy products to the marketplace.

Recent Alberta bioenergy investments

Federal and provincial incentives encouraged rapid movement in the industry. The Biofuels Opportunities for Producers Initiative announced that three Alberta companies would receive \$300,000 grants.

Canadian Bioenergy Corporation is doing a feasibility study of construction of a 114M litre biodiesel plant in Sturgeon County; BioStreet Canada Inc. is analysing the construction of a 175M biodiesel crusher and refinery in central Alberta; and CR Fuels Inc. is developing a \$275M biofuel complex in Strathmore.

Canadian BioEnergy Corp. also received support from Alberta's Biorefining Commercialization and Market Development Program. Other successful applicants include:

- Infinite Energy - Feasibility study of ethanol plant in Vegreville.
- ECB Enviro North America - Construction of a 3 megawatt green power bio/gas co-generation project in Lethbridge.
- Highmark Renewables - Construct a bio-based fertilizer facility in Vegreville.
- Lignol Innovation Corp - Complete Lignol's proprietary bio-refining technology platform (Alberta site to be determined).
- Olds College - Establish a split tank bio-diesel storage demonstration system in Olds.
- Rogers Sugar - Feasibility study on production of bio-ethanol facility in Taber.
- Kyoto Fuels Corp - Establish a 33M litre bio-diesel facility in Lethbridge.
- Western Biodiesel Inc - Establish a 19M litre bio-diesel facility in Aldersyde.
- West Coast Biodiesel Ltd - Establish a 57M litre bio-diesel facility in Calgary.

Dominion Energy also received Alberta funding and took advantage of the announcement to unveil its broader plans. Dominion and its partners just announced a \$400M complex near Innisfail. At 378M litres each of ethanol, canola oil, and biodiesel it will be the largest biofuel facility in North America. The plant will use about one million tonnes of wheat and 900,000 tonnes of canola a year.

Other recent corporate announcements:

- Western BioFuels Ltd. acquired the necessary outside investment to construct a 2,000 tonne per day canola crushing facility and 227M litre biodiesel refinery.
- The town of Rimbey is proposing a plant to process 90% of its municipal waste along with 80,000 tonnes of agriculture biomass per year.

- B.C. Grain Producers Association is considering Fort St. John or Dawson Creek as a potential site for its \$22M, 22.7M litre biodiesel facility.
- Dynamotive Energy Systems Corporation just launched First Resources Corporation to work with First Nation communities across Western Canada on wood based bioenergy ventures.

AVAC's bioenergy investment focus

With governmental funds finally allocated, AVAC is seeing applications again. We've invested in five bioenergy related opportunities and are actively engaged with more than 15 ventures. Of those we are considering, the most attractive are companies focused on further refinement of biofuels and companies pursuing a biorefinery-based model.

Targeting further refinement allows Alberta to take advantage of regional oil and gas expertise to identify viable niche opportunities. This strategy also explicitly recognizes the strong competitive advantage of major world players (Brazil, US, EU) in commodity biofuel production. By 2010 these countries will dwarf Canada's bioenergy capacity by as much as 22B litres (10 times) in ethanol alone (Agra CEAS Consulting and FO Licht, 2006).

Multi-feedstock, multi-use biorefinery systems absorb some of the risks inherent in commodity-dependent bioenergy ventures such as straight bioethanol or biodiesel facilities. This is particularly important in Canada where feedstock fluctuations are dramatic and population concentrations are too low to utilize the full production of large biofuel facilities resulting significant transportation costs.

AVAC is actively seeking opportunities where companies are developing technologies to utilize multiple feedstocks; revisit, refine, or create new feedstocks, enzymes, and microorganisms related to all areas of bioenergy; refine biofuels or by-products through secondary and tertiary processes; and enhance synergies between complimentary bioenergy and bioprocessing systems.