



16 April 2010

Farmacule Announcement to Shareholders

Farmacule Bioindustries Pty Ltd to Merge with Aquacarotene Limited

Headline: The merger of Farmacule and Aquacarotene (ASX: AQL) will create a leading plant biotechnology company with both short, medium and long term revenue growth prospects emanating from a core focus on the production of biofuels (ethanol) and high value commercial proteins.

It is with much pleasure that I announce that the Directors of Farmacule Bioindustries Pty. Ltd. have today signed an agreement to merge with an ASX listed company Aquacarotene Pty. Ltd. (AQL).

The objective of the merger will be to deliver improved plant based systems for the production of bioethanol from sugar cane and plant made compounds for use in the medical research, nutraceutical and industrial markets.

AquaCarotene Limited is an Australian company which until recently was a producer of organically certified dry marine algae (*Dunaliella salina*) at its seawater holding ponds at Karatha, which is located in North-Western Australia. More details about Aquacarotene are available on their website at www.aquacarotene.com.au

Aquacarotene recently agreed to sell its Karatha algae pond assets to the California based Aurora Biofuels Inc. Aurora Biofuels is well advanced in the pursuit of an economic model of biofuels production from algae. More details about Aurora Biofuels are available on their website at www.aurorabiofuels.com

Aurora Biofuels is proposing to establish a bio-diesel production facility which will service the demand for diesel from the surrounding mining industry and potentially nearby demand for diesel in south-east Asia. The terms of the sale include the following:

- Payment of AUD\$2,000,000 upon transfer of the land and fisheries leases.
- Payment of a royalty of 2% of gross revenue for 15 years from full production from the leases transferred to Aurora (there is a lifetime cap of \$18,000,000 on the royalty payments).

Aurora has indicated that its time frame for the development of the Karatha site is:

- 2011 - Pilot project operating
- 2012 – Construction of full facility
- 2013 – Full project operational

In addition to the revenue generated from the algae pond production from Aurora Biofuels, AquaCarotene also occupies two high ground mining leases of approximately 158 ha, which, are expected to generate intermittent revenue from the sale of general fill material currently being recovered.



Under a separate agreement with Aurora Biofuels, Aquacarotene will have first right of refusal to provide any gravel and general fill it needs for all future construction work on the expansion of the site and any other site within 100 km of Karatha, at going market prices.

The board of Farmacule has been judicious in the management of its available resources and has therefore focused on directing investment into research and development that will drive the launch of its first commercial product (Vitronectin) in 2010/2011.

Vitronectin is an extra cellular matrix protein with diverse functions, principally in the promotion of cell adhesion, migration and proliferation. Due to its cell attachment and production capabilities, Vitronectin is currently used as a coating on tissue culture plates amongst other uses.

Farmacule's plant derived Vitronectin will compete with Vitronectin from blood or mammalian (often bovine) cells with the following advantages:

- Significant reduction in production costs
- Enhanced safety (minimal risk of pathogen infection)
- Plant based production systems for Vitronectin offer flexibility and scalability of supply.

Farmacule has successfully processed the protein to 70% purity and demonstrated the equivalent functionality of Farmacule's Vitronectin to that of a current commercial source of Vitronectin by undergoing bioequivalence testing using a cell adhesion assay.

Farmacule has commenced discussions with a number of multinational distribution companies for the supply of Vitronectin as an alternate to current mammalian sources of the protein. Revenues from the sale of Farmacule's first plant made protein Vitronectin are expected during 2010 – 2011.

In addition the board has invested in the initiation of R & D to produce and commercialize its second protein (Trypsin) and to optimize the performance of its core technology INPACT®.

Upon the successful merger of Aquacarotene and Farmacule all the patents supporting INPACT® will be transferred to the merged company.

The Agreement

The major elements of the transaction, which is subject to AQL shareholder's approval, are:

- AQL will consolidate its shares on a basis of 20 old to 1 new.
- AQL will issue 15,000,000 post consolidation shares to Farmacule shareholders as follows:
 - 11,250,000 on settlement
 - 3,750,000 Performance shares that will convert to Ordinary shares on the achievement of the following criteria

- The issue of 1,250,000 Ordinary shares in AQL to be issued to Farmacule shareholders if Farmacule successfully demonstrates, through independent verification, that the technical performance of plant derived Vitronectin (>90% purity) is equivalent to a commercial standard within the 6 months of completion; and
 - The issue of 2,500,000 shares in AQL to be issued to Farmacule shareholders if Farmacule successfully Commercializes Vitronectin within 12 months of completion.
 - If the milestones are not achieved in the required timeframes then the Performance shares will be redeemed at \$0.00001per share
- The new Board initially will be Mel Bridges (Chairman), Mike Finney, Charles Wilson and Ken Richards. The intention is that additional Farmacule representation at board level will be actioned on completion of the merger and advised to the market and shareholders.
 - The Chief Executive Officer will be Farmacule's current CEO David Hudson.
 - The Chief Scientific Officer will be Farmacule's current CSO Professor James Dale.

Other conditions for the transaction are:

- Farmacule balance sheet being materially in line with their June 2009 balance sheet.
- AQL receiving the \$2,000,000 AUD from the Aurora transaction and their balance sheet at completion reflects that \$2,000,000 AUD in cash.
- AQL Managing Director Mr Ken Richards to resign as AQL MD on completion of the transaction
- The company within 12 months of merging will adopt a new name.

Aquacarotene's Managing Director Ken Richards said that he was extremely pleased with the agreement with Farmacule, which if approved by shareholders, would complete the transformation of Aquacarotene. Farmacule has an exciting suite of potential applications for its technology that apply to markets such as alternative fuels and compounds for the medical research, nutraceutical and industrial markets. These focal areas are in line with our current business. As we turn our assets (including our gravel leases) to cash we can utilise that cash on a promising new business with an exciting future, Mr Richards added.



As Chairman of Farmacule (and the proposed merged company) I believe that the combination of Farmacule and Aquacarotene is a classic merger where the sum of the parts was greater than that of the individual parts. Farmacule has an exciting future, however the merger will accelerate its delivery of high end valuable products such as Vitronectin and biofuels from sugarcane. The merger of Aquacarotene and Farmacule paves the way to build a very successful global plant biotechnology company.

Yours Sincerely

A handwritten signature in black ink that reads 'm g Bridges'.

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