

Transcript of  
BioLargo, Inc  
BioLargo Year End 2021 Earnings Results Conference Call  
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**Participants**

Brian Loper - Investor Relations, BioLargo, Inc.  
Dennis Calvert - Chief Executive Officer, BioLargo, Inc.  
Charles Dargan - Chief Financial officer, BioLargo, Inc.

**Analysts**

**Presentation**

**Operator**

Good afternoon, ladies and gentlemen, and welcome to the BioLargo Year End 2021 Earnings Results Conference Call. At this time, all participants have been placed on a listen-only mode. It is now my pleasure to turn the floor over to your host, Brian Loper. Sir the floor is yours.

**Brian Loper - Investor Relations, BioLargo, Inc.**

Thank you, operator. Appreciate that. Good afternoon, everyone and welcome to BioLargo's 2021 Annual Results Conference Call. By now everyone should have had access to the earnings press release, which was issued last Thursday prior to market open and the annual report filed at the SEC. This call is being webcast and is available for replay. And our remarks today we may include statements that are considered forward-looking within the meanings of securities laws, including forward-looking statements about future results of operations, business strategies and plans, our relationships with our customers, market and potential growth opportunities. In addition, management may make additional forward-looking statements in response to your questions.

Forward-looking statements are based on management's current knowledge and expectations as of today, and are subject to certain risks and uncertainties and may cause the actual results to differ materially from forward-looking statements. A detailed discussion of such risks and uncertainties are contained in our most recent Form 10-K, Form 10-Q and in other reports filed with the SEC. The company undertakes no obligation to update any forward-looking statements. And with that, I'll now hand the call over to BioLargo's Chief Executive Officer, Dennis Calvert.

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Hey Brian, and thank you, everyone. I'm glad you're here. We've got a lot to cover. And we also have Charley Dargan, our CFO joining us today, Charley, can you say hello?

**Charles Dargan - Chief Financial officer, BioLargo, Inc.**

Hello, everyone. Glad to be here.

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

There you go. Yes, I'm glad you're here too, Charley. And Charley would be speaking and reviewing some of those numbers in his comments about our progress. So BioLargo right an innovator and solution provider focused on clean air, clean water, a cleaner earth all with this overriding purposeful work to make life better. It's been a very exciting time, a long time coming to get to the stage, our symbol of course is BLGO.

Last year's performance and sort of to date, year-to-date, where we're at, some level as well. So we do have a new presentation would like to share. Just a second to get that started. And here we go, let's watch this for a few minutes.

All right, that's a great segue of course, and for those stockholders have been with us for a while, you know that we've segmented the business into really two operating groups, the Environmental Group, and the Medical Group, Clyra Medical has actually made some significant strides, we will spend a lot of time talking about it. But it's got products that are now going to market. It's got clean balance sheet, and really a remarkable future. And BioLargo is now about a 56% shareholder in that company. So we're very excited about it, we think it's a great target for spin off in the coming near future, so that's very exciting.

On the Environmental Group, amazingly, each of these companies has a discrete focus, but they overlap quite often, they overlap in science and engineering. So where one picks up the other leaves off, and vice versa. And it creates an incredible team, we're going to tell you a story as we get through this presentation about our recent win, that involves both owning Environmental and our Engineering Group combined to land a significant business opportunity that's turned into a contract. So we'll talk about that in a bit. As we published significant information about we have three catalysts, they are major growth catalyst, there's actually more than that. But these are the big ones. These are the ones that have leverage in front of them. The idea that we're going to not only grow organically, but grow through partnerships, to create replication and margin.

And I think they're all very important. The relationship with Garratt-Callahan has progressed very nicely, it's about a year and a half old. I think the key takeaway number one, this is the largest privately held water company in the United States, we came together because they had an idea. And they suggested to BioLargo that if we make an invention for minimum liquid discharge, make it proven, validated, that we could become the manufacturer and service provider. And they would become our partner for selling into the market with an existing footprint.

The first customer has been identified. And we're building a portable unit to take that first constructed product that is working for minimal liquid discharge, the proven successful into the marketplace as we speak. They're anticipating something like 30 to 50 units average somewhere between 100,000 and 500,000. The first project is bigger than all of that, which is good. And this is just now taking shape to go to market. So we think this is a significant catalyst that can drive value for our shareholders, and frankly, can keep us busy for years.

Our relationship with Ikigai Holdings, as everyone knows, the product proof has been launched. You probably have seen it on TV, I get calls all the time. We saw it on CNN, we see it on eBay and see it on LinkedIn and Facebook. And this is getting attention all over the marketplace. And it's a growing revenue stream where we're very excited to be partnered up with Ikigai, this is a winner.

And it has a chance, I always want to remind everyone we'll go into some detail. These folks are thinking big, they want to go big mass market and build an international brand that is going to be desirable for very, very large, the largest consumer products companies in the world for purchase. So the agenda is to drive it to retail create significant brand value as fast as possible, create something that's sellable is an asset in which we would participate as a 20% owner partner. It's going very, very well, very exciting. There you see is an invention developed by Engineering Group to concentrate and remove PFAS, PFAS, widely considered a multi billion dollar market. Most people recommend that it's something like \$60 billion a year in aggregate. It's an emerging market, people spend a lot of money. We've got a great technical solution. It's now a hot button for the regulators at EPA by the administration.

We're looking at projects that we believe will be in the 10 plus million a year range, and could run for 10 and 20 years. And these are big, big projects, way to think about those as they're sort of like a superfund remediation project. And we are smack dab in the middle of that storm with an innovation that is just on the verge of becoming commercially available. Now we'll take a quick look back. And I will ask Charley Dargan to make some comments. Charley's been with us for a very long time. He is within the business. And, Charley, I think you've might have some comments and thoughts about our performance. And let me hand it over to you.

**Charles Dargan - Chief Financial officer, BioLargo, Inc.**

Yes and just to make it clear, it's 14 years that I've been with the company. So a little bit of history there. Yes, we did the earnings release last week, and we continue to improve dramatically, revenue is up. But more importantly, the acceleration of revenue in the fourth quarter over the third quarter, which is about 10% is really placing us on a really good foundation platform, leading into this year 2022.

The other element, which is you're seeing is dramatic reduction in debt. And that has really improved the balance sheet again, providing us with a great foundation. And with the revenue increases and the decline in debt, meaning also the interest, we had an almost 30% improvement in our net loss. What I think that does for us when you step back is it sets the stage for us to find the big anchor to help us because we get a lot of opportunities coming our way. And we do have to try and pick and choose which ones will be the most helpful to us. But the good news is as Dennis mentioned, that the subsidiaries are working together, and there is absolutely a synergy there which dramatically helps our financial statements.

So this coming year, again, a little bit into the future. I feel very good about both from our balance sheet, and our ability to drive revenue. Dennis?

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Yes, thank you, Charley, I just moved to the next slide as well. And we've got a couple of these key numbers, which you basically had covered, the biggest is the reduction in the net loss figure, which is really interesting and my comment to me, it's dramatic that the company has maintained a significant investment in R&D for an extended period of time. Do you have thoughts on that?

**Charles Dargan - Chief Financial officer, BioLargo, Inc.**

Yes, absolutely. Even though there wasn't a dramatic increase, we have been able to maintain a significant level of investment in research and development. I mean, that's what developed the PFAS solution. It's what's happening in order, environmental with their new solutions. So the integration of research and to the point of development, trying to get out, as we have commercial development is extremely important. And even through, these terrible times with COVID and now a war, we've been able to maintain a significant investment in R&D, which has been extremely helpful.

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Yes, I mean the way I like to talk about it, is it creates a diversity of opportunity, when put in the hands of science and engineering professionals on the front line, it means that there's multiple value propositions that can create commercial opportunity. And we're witnessing that especially we're going to talk about a specific project, recent win in a minute, but especially when it comes to just sort of let me frame it, our operating unit, O&M environmental, has continued to morph, right morph itself. And it started out with this great chemistry, a technology CupriDyne, that became a product, that became part of a system, that became a vertically integrated service company, with professionals from the waste industry, who are engineers, combined with an engineering firm, who now have the ability to offer value across the field, right across the industry.

And it's a pretty remarkable sort of evolution, part necessity, right and part opportunity. One is the, when you face these technology adoption cycles that are so difficult with barriers to entry, the idea that you can come in with the breadth of knowledge and talent to secure wins while you're selling technology. And we're proving daily that that combination model sets us apart from in the marketplace. And it's always funny to me because I see it on the frontline. The client will say, oh, you're that order control company and I think, oh, we're a lot more than that, right and yet that's awesome. It creates the opportunity. I just remind our stockholders that that is a breath of investment and focus across the field at the highest level on science and engineering, with environmental focus, it's enabled us to now compete in such an incredible way.

**Charles Dargan - Chief Financial officer, BioLargo, Inc.**

Okay. Yes, I agree all the elements are there to take stuff into commercial development, which is extremely exciting.

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Yes, thank you, Charley. And to jump in anytime I'm going to go high level on some of these technologies and products and how they're unfolding, we're going to cover some detail. So the engineering, I can't speak enough, this team of people have 20 and 30 years experience. And at the highest level, we say that all the time. But it's really true. When you look at the backlog or not the backlog, the history of their accomplishments, the projects where they worked and succeeded so many ways. They bring a wealth of experience to the marketplace. And I think we're just seeing the tip of the iceberg there.

As we like to say, people are calling us now. And the phone is ringing. People laugh at them, I go, no, it really is true. Some of the biggest and most significant projects that were involved in, in many ways, our partner, our customer sought us out looking for a solution to a very special problem. The engineers have been a critical part of that. PFAS, we mentioned briefly in the film, this is an incredibly fast moving market. If we get the question, do you have competition? Like oh, my goodness, there's 1000 competitors.

What distinguishes us from the competition is the question. And anybody that's in the environmental services business, must have access to a solution, because they probably have a client, it's got some PFAS somewhere they have to deal with. And so what we've really focused on is developing a toolkit, this AEC technology, prove it to the farthest possible degree, the most advanced commercial stage we can make, even if that's a project all the way through, to be able to position that for adoption with channel partners, and customers at the highest order and we are doing just that.

We think this is an enormously significant market for us. And we have a winner. And behind the scenes, we're participating in industry conferences, our people have been keynote speakers, technical leaders, really bonafide subject matter experts in so many ways and that is continuing to expand. And in the project pool, we've got at least I don't know, eight or 10 projects moving through some stage of analysis, right.

Then there are a lot of work, so don't miss that, they're not fast either. But they are significant. And each one of these projects represents a significant commercial opportunity. We also have two channel partner agreements on PFAS in negotiation as we speak, that was referenced in our 10-K. And so we're refining the details in preparation of launching the commercial market, not only with customers, but with channel partners representing the opportunity for expansion and the leverage that that creates.

The key value proposition for the AEC is really pretty simple. I mean, it's low cost available for use in a wide variety of waters, that is the infographic on the right. But the biggest is the waste stream 1000 of waste stream of a typical activated carbon system, activated carbon systems are being installed actually. It's amazing. And you look at it and you say, oh my goodness, they must be really desperate to put a carbon system with the kind of expense associated with the management of the waste stream. And in fact, that's exactly what's happening. They feel compelled, they have to do it during the regulatory mandate something is making them move extraordinarily fast even though many times they recognize that it's not the most economical and long-term sustainable solution for the environment.

[Indiscernible] gear account, we talked about that. I think the key takeaway here is we've got our first customer identified, we're doing a trailer mounted units that go on site, that pilot would probably run about 45, 60 days. We already know the customer wants the system. So this is the last field trial to prove that's going to work on site for them. And then we'll have an order in the deliverable. And there's a menu of potential clients behind this one. We're already working on ones project in particular, that's pretty significant, million dollar plus sort of project. And in that case, just like everyone else, they want to see as much proof as we possibly can to that commercial stage before we get going, but it is stacking up. And we're excited about this actually launching into the commercial mode in the near, very near future.

On POOPH, early feedback is great. The key takeaway here is that this is a leverage transaction for us. We spent years developing the data, the knowledge, the proof of claim, evidence in the commercial markets, the know how relationships with co-packers and distributors and third-party fulfillment, all the things that come together, when approached with a great brand idea and a marketing budget, and a strategy for launching into Big Box retail, we predict that this will be in Big Box retail much sooner than everyone might realize. And when you get to that level, the numbers become very exciting for everyone, including BioLargo.

So this is a very exciting project and its evidence is really validates the technical achievement of this product performance, safety and performance both. And now in the hands with the right budget has a chance to really go big. So we're excited about that. So if you haven't seen it, be sure to watch it poop.com, it's probably if you're a stockholder in BioLargo, it's probably hitting your social media somewhere. So be sure to like it, and try it. And of course, give some feedback anytime.

**Charles Dargan - Chief Financial officer, BioLargo, Inc.**

I can give some feedback there. I use the product. So it's very, very good.

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Does it actually work, that is the question?

**Charles Dargan - Chief Financial officer, BioLargo, Inc.**

It actually works, it actually works. Yes, right.

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Every time somebody says I tried the product, we say, well, I hope it works. Yes, it really works. Yes, it's a technically proven oxidation of organic molecules. And absolutely, it works. It's not going to hurt that, or a thing that's really, really good. So here's the thing, the O&M, this is just this great case study. Again, we're going to come to this big client that we're going to talk about a few minutes, but this one's exciting because the team, led by Joe Provenzano, and his team have become experts in what they do. They had to learn it, trial and error, to find the business. We landed a number of the major waste handling companies under national contract. But we've really had to work hard to get sort of the traction of rapid adoption.

I mean, we are characterized as this is one hard working business. Okay. And it's interesting, because had we not done all that work, learn that business with such refinements, such skill, the opportunity with Ikigai and the POOPH product would never happened. It's like the, we've laid down cornerstones that do not shake. And as a result of that long development cycle and hard work, we're now in a position to capture opportunities for leverage. So that's what's happening. And thank God, because it's taken a long time. I mean, it's not easy. But let me support everyone with the idea that number one, we know it's the number one technical performer, technically that we know of in the world. And make no bones about it. There's no question. How do people find out about it? How do they use it? How do they get a system? How do you overcome the idea that people just think odors are part of their situation.

And there's no real solution. Anyway, that's a common theme, right. And so the answer is you keep showing up. And that's what our joint venture in South Korea is doing. They're just showing up. They've done 30 something trials with the idea, prove it, prove it, prove it, prove it beyond the approach, gather the data to hold yourself in front of a customer or an opportunity, and know that you're going to be successful. That's what's happening. And it's continuing to happen. So the business is expanding, not just organically, because that's happening, but also through leverage.

And when I say leverage, I talked about distribution, white label, partnerships like the Ikigai and like the relationship in South Korea, South Korea hasn't hit the big numbers yet, but they will. These are very skilled people that committed to the future. They know it's the number one performing product. And they're spending a lot of time with distributors, right? How do you build a business? Do you sell each customer, do you teach a distributor how to sell 50? That's not easy. That's what they're doing. That's happening also in O&M environmental is pretty amazing. So not only within the waste industry, but other markets.

And so there's a couple of recent wins. And we're not going to get too much detail, one for competitive reasons but the second is there's still just unfolding. There's new relationships that are focused on additional markets. We referenced them agriculture, the paint industry, automotive industry, asphalt, I mean, there's rendering plants, I mean agricultural production, it goes on and on and on. And in each of these situations, while we go out and get one account or two accounts or three accounts, we achieved that level of success, the game, the business strategy is to take those wins and convert them into a relationship with someone who already sells to that market. I mean, think about Garratt-Callahan, this is this wonderful company, right? They are 100 plus years old, it takes an enormous amount of work to build that kind of infrastructure and trust across the market with a client base. So we're looking to bring our technology in as a supply chain partner. And the good news is it's happening.

And we also have new distribution coming in internationally. So that's very exciting. Again a chance to place minimum orders, be a wholesale supplier of raw ingredients and formulations and know how, and watch other people invest and expand their markets, and purchase some of those components from us. So we think that's very exciting. And then again, we're going to talk about a big project. Allright, let's see, here we go. These are examples of the CupriDyne clean delivery systems. We have referenced a couple times last year, we got this big exclusive supply chain contract with the municipal client. That's a big deal. It's exclusive, with one of the leaders on the

western half of the United States, it is a showcase account. And it's expanding. So we're happy, we're happy with that. And it also is a calling card for new business.

This is the AOS, we've talked about that, this is a technology that received over 100 grants, we believe we'll find commercial traction, specialists, it's got a number of things that are very special. But number one it's incredibly effective at destroying and collecting, removing micro pollutants, completely seems like pharmaceutical byproducts stuck in water. We have an ongoing commercial trial in Montreal, in Quebec. And it's a great, it's a great showcase, because it's getting such academic rigor. And we've got a lot of support for that. And we are in negotiations with our first commercial accounts that are not quite finalized.

But we think the first one is going to be a good one, it'll probably be over a million dollars in a total project. And we're just right at that last minute trying to finalize agreements. So we hope to have that result soon. We've no, it's been elusive, it seemed it's incredibly difficult journey to get to that first barrier. But we're anxious, and we know that it will. And we've been able to advance that technology in such a significant way. So this will be a commercial cornerstone, as it finds its way to that barrier. So again, we're bidding on the first projects. So we've had multiple pre commercial demonstration pilots, we've come very good at this business and making that device work in the field and so we'll see results.

One project I want to talk about, that's this one. This is a big deal. And we're pretty excited about this. This is the story of how this came to be is enlightening, as everyone knows we've served the waste handling industry. I don't know Gosh, it's got to be 2016, four, five years, almost seven years, we've had some wins, but we had to work really hard. And as I mentioned before, in the marketplace, a lot of times people will say oh, you're that odor control company. And I always think to myself, oh, it just falls so short of who we are. But yes, we have the number one performing odor control technology that we know of in the world, right.

So it's not bad, it's good. But as a result of hiring very talented people, expanding the services of our Engineering Group, we find ourselves with a lot more in the toolkit than we originally planned for. And as a result, we've just been awarded a new contract, which is a waste energy conversion project, an extremely large capital project, we're predicting that it will easily exceed \$250 million over its lifecycle and it could be much bigger. It's a little early to start forecasting, timing and performance because in each of these relationships, a project of this magnitude, there's a series of steps that are required to get to a successful conclusion. We wanted to share with you this story, because we are now marching on a progressive project that will take about four years to get to a fully executable project of significant large capital scale.

In this, we were selected for a whole number of reasons. One is our Engineers with of course, and secondarily, because of our extraordinary experience with O&M Environmental and the waste industry. They know us. And they know we show up, when we do great work. And we know we take care, we love our customers, right? And then our engineers have this extraordinary experience. So the way these typically will roll out over time, is they start with what the industry called feasibility study. So we're engaged now under contract for the very large capital project. This project in particular is based in Latin America, we're working with a company that is specialists in

project finance. And we've been retained now to participate, essentially, like an EPC contractor or project leader.

So the way that looks to us is it starts with feasibility, the next will be an order of magnitude bigger preliminary design, and processes on it, the detailed design and construction, and startup and commissioning of an operating plan. And then ultimately, there'll be an operate and maintain, right operate maintain agreement, our company has the potential to start at feasibility, and compete for every stage of the project over the four year period. When we say construction, we're of course, not a big construction company. But what would happen is the project leaders would be operating as the General Manager, supervising construction, that would be pretty normal.

So what's special really, is this is an example of the scale at which our company is able to compete for customers, show credibility, show know how and experience and the staying power and the sort of the wherewithal to see these projects all the way through. The opportunities like this are also expanding dramatically. It's hard to explain why, right. I think part of it is we keep showing up. The other part is that one success leads to another, your reputation for quality becomes known in the market. We have all the talent in place, where we don't have the talent, we can contract the talent to bring them in, there's a certain amount of critical mass that occurs that allows you to now step into the marketplace and compete.

Remember, they're all competitor, to compete for opportunities like this, where we have a chance to do something significant and meaningful with a lot of revenue attached over a very long period of time. We always remind everybody, you have to earn your way. And by the way, so does every other competitor. Nobody gives you the five year contracts, you do stage by stage, they're all bid driven, or project and budget driven. But this is a really nice piece of business. And it's a wonderful compliment to the way that our operating units work together. And it's remarkable. And so this, I'm proud of this in a big way. And of course, I think it's going to do quite well for making value for our shareholders. And as we say, it's the tip of the iceberg. So this is an existing contract that's now marching ahead.

So we're going to get to questions in just a second. In closing, right, we have a family of companies, environmental group and medical, they work very closely together a science and engineering solving big problems. The way to think about it is environmental, engineering, but with an entrepreneur's flair, and technology and replication that allows us to create margin where others cannot. And with a can do attitude, the market is obviously taking a liking to. So this is, this is the best time in the history of the company. We have extraordinary growth opportunities ahead for us. And as we always say to everyone, including ourselves, let's just go and get it done. We'll get it done, it's bad time, right. All right, so let me stop here. And let's open up for questions and answers and see what we need to do.

**Q:** Excellent, thank you Dennis a lot.

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Thank you.

Q: Yes, can you hear me all right.

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Yes, sir. Go ahead.

Q: All right. Just going to say excellent progress. So a lot of projects are unfolding, as you've been describing over the past few years here. We've been doing these conference calls. So it's really great to see things coming to fruition. We do have an active, I'd say activist shareholder base, a lot of folks are pretty knowledgeable on what BioLargo does, the vision, the things that have been accomplished and what we're continuing to do moving forward here. So we do have quite a few questions. So let's just run on down. Here we go, yes, so first one here. I would guess there's a balancing act between getting contracts and hiring additional staff, as the company grows. Do you view a lack of manpower right now is holding you back?

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Yes, that's a great question. I think that there's anything that sort of wakes me up at 4:30 in the morning, thinking about business, it's that one. Yes, I mean you hit the nail on the head, how do you go from doing a couple million dollars to a big number, \$20 million, \$40 million. And how much manpower is required, we're actually doing some really sophisticated manpower studies internally, in one of our key engineers, as a project manager, from not only the infrastructure side, but also legal, which is really fascinating. And I posed this question internally, all the time, let's go through the order of magnitude of growth potential, the contracts that are on our table, the ones that are here now, not maybes, the ones that are talking about doing business with us now, and run an analysis of time required, capital infrastructure required, manpower and time, and let's do some serious planning, right?

And the truth is that the biggest bulk of that shortfall is going to come through subcontracting while we grow our infrastructure. The other thing is, when we hire engineers, scientists, we hire extraordinarily talented people, they're not hanging out looking for a job. They're eminently employable. So to us, it's the combination of outsourcing, recruiting good talent, building internal training systems, right. And at the same time, the challenge is we're also bootstrapping the revenue growth organically, while we invest in R&D and now quote major projects. I mean it's an incredible challenge. Okay, so how do you find your way through that?

Well, the way we think about it is, it starts with the project. I mean, it's just, it's really that simple. You don't want to go out and hire 20 people and hope you get a contract, you want to get a contract and then hire 20 people and outsource where you have to. And so that chicken and egg balance is a balance. And so just like this project, we just announced waste energy conversion. That's a significant amount of work just to get through the first phase. And it's going to be taxing while we're doing trials for AEC, while we're doing commercial trials with [indiscernible]. So absolutely, the manpower is going to be an issue. So how do you do that?

Well, we think that the marketplace is going to appreciate what we've built and we will see investor enthusiasm rise, and we will see our access to capital at much lower prices come available. And

we will leverage our tools to grow that infrastructure with a first priority on quality outsourcing where we fall short and then continuous rigorous training internally as we mature into the next level, that's not going to happen overnight. It's going to take a lot of work. So the conversations that internally have shifted. Now we say, it's not a question of can we get a customer? It's a question how many customers can we actually manage because we got a lot of customers, okay, go ahead.

**Q:** Yes, that's clear. Thank you for that good explanation there. So another question here popped up a couple times, we've all been hearing about supply chain challenges globally. One of the questions here is, what's the impact of that on the BioLargo's subsidiary businesses?

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Well, we've seen marginal impact for sure, we see some price increases on some of our commodities chemistry that's happening, certainly steel and stainless steel is incredibly short supply. And so when it comes to projects, like Garratt-Callahan, where you're building out stainless steel machines for food processing, and things like that, it means prices go way up, we have not seen a situation where we can't get what we need. Now, we've had delays, we've seen delays in shipping, we've received notices of price increase, we've actually had one customer or one vendor that sent us a notice of allocation. We're on an allocation now. And so certainly at some level, we say to ourselves, are any of these going to make us hemorrhage?

I'm going to say I don't think any are fatal. The way to say it is do any of these threaten the business, no friend, these doesn't make it really hard and expensive, and so and maybe they could on an explosive growth situation challenge that growth, right. But we live in an information world global access. I look at some of these businesses like the battery business that's using rare earth elements that you just can't get. And they have a problem, okay for chips that are in short supply that you can only get from a vendor, we don't have those kinds of problems, right? We have problems of just going from small to big, in a crazy time.

We're not financed in a position to stockpile inventory, and stockpile raw goods. And so we're subject to that distribution channel market and the pricing and the delays that they face. So the challenge is not can we survive, it's how do we manage client expectations, set the table properly so that we don't disappoint. And it's just even recently, we've got a project that started out at about \$1.4 million, it raised to \$2 million, and then it's all in out about \$2.6 million on a project where we're working through the details with the client. And out of that increase, probably 25% of it's just price increases because of supply chain.

And so you have to be very careful, when you're bidding and buying and requisition constructing, you got to make sure you got this stuff covered. So we're well aware of it. Our team has experience in this area. And I guess if you were bigger, you'd have more stockpile, but more stockpile also means risk. And so we're going to face some of those, but I don't think they're fatal. I just think we'll see the bumps along the way. I hope that answers the question.

**Q:** Yes, yes, certainly. All right, so a few more here. So besides POOPH, are you aware of any additional products that Ikigai is currently working on to bring to market? I guess it's more of a question about Ikigai?

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Well, the POOPH product is a brand, and it's focused on odor control for the pet sector. And in so many ways, our company wants to assist them in any way possible to achieve success. It would fit, excuse me the category of odor control in the pet category. So if that's a cat litter product, or that's a special wash product, like a laundry detergent, or so all of those can fall into that basic category. And that's definitely a relationship that evolves over time as they refine the sweet spot of their economic yield for invested capital, right because that's the way their business is driven. How much money take in, and they take out and do it the most excellent way. And if that's a bundle, that's a bundle, that's fine. We support that fully. So relative to how many other companies is Ikigai working with similar to what we're doing with us, I don't think there's, I think we're the only one.

They certainly are not contractually limited to only us, but it's a lot. It's a lot to bite off and swallow. So they're busy. I don't think they're ready for two or three more products. As they expand they will, their business model is brilliant. They're extraordinarily talented in what they do, they're able to tell a story and hit the hot buttons of response, to drive home a need, fill a void in the market that's been unmet for some time, and make people realize that it fills the void that's not met in the market. And then it's valuable and worthy and safe and friendly and all these things they sell. It's a great situation. So as far as I know, we're the number one, it was number one project in the portfolio. But I'll tell you what, it wouldn't surprise me if they end up with 10 more because they're quite skilled at what they do. We're happy to work with them. We have the unique advantage of a lot of years and refinements and their relationships and scalability that makes us a really good partner for them. And so we're thankful for that that relationship, okay.

**Q:** Okay. Yes, great, great. Can you talk a little bit about the partnership with Aquaco, any news to pass along?

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Well, we've had some progress. We love them. They're extraordinarily talented business people. And we came together to focus on a discrete market in the agricultural sectors. And it started out as with Memorandum of Understanding with a big broad focus that both of us promptly narrowed which I think is great. And we narrowed it to specific relationships with an emphasis on wastewater. And so we just got through our first proposal and bidding situation. It's quite large, it's with a very large customer. I think it will be a win-win for both companies. And the buying and purchasing cycle, when you get to those potentially multimillion dollar projects. They're not overnight decisions. So they take a little other process. And so our relationship with Aquaco is in place. It's good. I think it's got a chance to expand. And as we always say, let's get a win under our belt, everything else will get easier. So that's what we're doing.

**Q:** Yes, great, great. This question, what's that?

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Go ahead.

**Q:** All right, yes. Moving to other one. So this question here is in regard to product maturity of AEC and MLD, folks are wondering if it's production ready, if it's in production, can you give us a little bit more clarity on the commercial and scaling on those?

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Well, those are -- that's a hard question. So in each of these cases, the equipment that serves this segment of industry is often agglomeration of technical innovation, put together in an assembly, assembly process that integrates with other tools in a treatment training is the idea that you hit it with a filter, you hit it with a micro filter, a big filter, a coarse filter, a little filter, you might have special technologies, for disinfection, destruction, you might have separation technology, those are components are all called a treatment train. In this business, it's very common, okay, to essentially design treatment trains, where components may stand alone as a commodity.

But when they're combined together, they're integrated as a custom job. That's the way our business works. So you would never want to buy 10 machines and have them sitting on a warehouse floor and hope somebody will buy them. Because what happens is, when you get into the marketplace, especially when it involves water, there's a highly customized process. So the unique thing that we present to the market is the idea that we have number one knowledge, people, we have extraordinary talented people that can go into a situation, analyze what's required and how to get to success, number one.

Number two, we have an engineering team that's capable and willing to teach a customer how to be successful even if it's not our technology. And I can't point out enough how critical that is because it separates you from 95% of the competition. You really look out for the customer first. And it just so happens we got great technology, right? Okay, so now has that done to the production?

Well, AEC is largely ready for commercialization. That means that doesn't mean we will stop refining it. It means we will continue to optimize it for maximum performance, meaning it already works. How long will it last? How long can you operate before you have replacement of membranes? Is there an optimization for energy? Can you enhance reporting capabilities over time, all of those are never ending continual improvement process, can we make an AEC today for a customer make it work in the field? The answer is yes, we can.

So if you define that is okay, does that mean it's commercially available and ready, the answer is, given the scale and what we know in the marketplace the answer is yes, we can make that. So what does that look like? That means parts that are assembled in our facility in Oak Ridge, Tennessee and shipped out in the field and made ready to work. We can make that work. Yes, the other question, let's see, you had the AEC, what was the other?

**Q:** Well, in case of demand for example, few questions here about this.

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Sure, no problem.

**Q:** An estimate of the number of units that we shipped and sold in 2022, for example.

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Well, there's not yet I mean, if we analyze it from the perspective, let me share it this way, what I know, I mean, will share with what we know. We know the first project is probably over a million dollars, that's probably three units. So this is a customer, that's an industrial customer, they make an industrial product, and they use a lot of water, the water that comes off your system also has a significant use of heat exchange. Okay, and the heat exchange system, there's a number of problems that heat exchange systems that have a continual problem all over the world, that's minerals, they accumulate and deposit minerals across the water cooling towers and the systems, the disposal of those are very problematic. They're expensive, they're costly, and in a place where water is scarce, okay, they do not allow for maximum utilization, maximum use of good water, they're very inefficient.

So in other words, they're chewing up a bunch of water in a system that can still get the job done, because they're not doing nothing. But it has significant waste footprint. Well, therein lies the opportunity for us. So what's the opportunity, in this case, it's taking the existing water footprint and replicating a treatment train, putting on site that can treat that, spent water that blow down water from a heat exchange system, take out the mineral content and put it back into the system and reuse it probably 3x or 4x, so that's 300% to 400% more improvement in water utilization, corresponding reduction, right. Do the same job lot less water. Okay and the waste stream is therefore more concentrated to a dewatered situation that becomes landfill material, okay. So how many can we do with those?

We've got our first customer, it's probably going to be for three, it's probably close to a million dollars. And there's more in the queue. And we're just marching through it. And I think it's just too early to forecast and say, yes, we can do three now and six, the next quarter and start ramping up that way, because we're just in the midst of finalizing the first orders. And but here's the thing I can testify to, that we know, we know the demand is there. The demand is there. So let's get the first one, make it really good. Look at that cycle, refine the bumps and the hiccups along the way. And then be in a position to go out and take the next wave of business and do it well. That's what we're doing. I don't know how to really doing it differently, means more capital, more risk more what ifs.

And the truth is, we just need to walk before we run. And we're about to jump into the market on a nice trot. And that trot is going to be a full court sprint as a full court press and oblique. And so we're very excited. And I will also say that the Garratt-Callahan relationships with our customers demands the highest excellence. There's no room to screw it up, okay. You don't go out and screw it up. What you do is you go out and you make it as close to perfect as you possibly can. And that's what we're doing. Okay, so it's going to be built last, it's going to work, we're not going to fail. And then we're going to manage a supply chain and a scale up at a pace that the company has never

seen before our people have, people have seen all that in their careers before this company. That's the next challenge and I think we're up for it.

**Q:** All right. All right. Thank you for sharing all that. Kind of changing tunes here. We have a question here about Clyra. Can you elaborate and update with that and what's going on the medical arm?

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Yes, so there's good news there. We did an 8-K. It's also published the detail of the transactions and things that went on or in report. So this is a lot of public information. There's a product here called [indiscernible], is focused on the orthopedics markets as a wound irrigation solutions leveraging the prior work on the 510(K) just prior to COVID. It's got its first couple of customers, Steve Harrison's running the company, he has also recruited a National Sales Director with extraordinary background. And again, the strategy very similar to the BioLargo strategy is to advance through its early stage commercial adoptions, secure the partners for distribution, and let it grow through that those distribution channels where your partner has a significant stake in the upside in the outcome of those efforts.

The amazing thing about this little segment of the market is that the valuations are so extraordinarily high. We have competitors that have \$1 million and \$2 million and \$3 million, \$5 million in revenue and valuations well in excess of \$100 billion. And the reason is because the markets are so difficult to get into and the value proposition is so high. These are very high margin products and very difficult to get through the barrier to entry. So what have we done? We have been clear in BioLargo well, we've derisked it. What we've done is we've saved the course over an extraordinarily long period of time to get through and have a product design that meets the specifications of the market, which is Biocleanse, that's a bump. So remember it is clear guard, wonderful product design, very, very difficult barrier to entry and also a global political environment that made it near impossible to sell.

So we tried to respond, which we did during the COVID crisis. And as that whole industry shifted with the political wins, we retrenched our core competency, cleaned up our balance sheet with our debt. We also unwound and did a purchase, a buyback of the skin technology in really a good situation for all parties concerned. We looked at that and said to ourselves, how are we at this stage of the business going to finance the significant investment capital required to see that technology all the way through to the marketplace. So we made the decision to step back, take a focus. And we did a transaction that we think is really good for everyone including BioLargo and Clyra. And the net result is that we increased our position to about 56% of the equity, the debt is, the balance was very small line of credit about \$185,000. That's tied to inventory of some of the growth capital and some payables. That's it. We have a dedicated team, singularity of focus, multiple channel partners in the negotiation pipeline, first couple of customers, quality assurance, quality controls in place, technical experts in place and the products ready to roll out, it's going to be difficult to achieve significant numbers with our capital, and we believe Clyra will be very successful in raising capital necessary to go big. So it's not done.

Make sure everyone knows that, but we are working on it, I believe it will be successful. And I believe a long-long hard journey is going to turn out to be very, very profitable and lucrative for the owners, including BioLargo and BioLargo shareholders. So don't miss that. You think it's a winner, so if that doesn't answer the question, come back with more questions. I'm happy to answer.

**Q:** Yes, no, I appreciate that. So just one more question here for the afternoon. Can you update us about plans to uplist in NASDAQ?

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Yes, so sure. It's interesting, as everyone knows, if you're a stockholder here, if you've done your deep dive, you'll see that the company has always sought stockholder approval, asking the stockholders to give the Board of Directors the authority to effect a reverse split, okay. And those words are very important. It's asking for the authority, not the action. Given the authority, it's a big difference. So we've had that I think it's the fourth or fifth year running. The thesis of that request is really, I think, points to who we are, where we're, at in the cycle and where we think we're going.

We've anticipated and believed that the technologies and the things that we're doing will ultimately result in significant revenue, and ultimately profits and growth. We just, why do it if it's not right. I mean, we just believe it to our soul. And we stayed the course to see it happen and weathering all these obstacles. So how does that translate to all of that? Well, to uplift to a national exchange like NASDAQ, you're going to need \$5 million in net shareholder equity, we're about a million. Okay, so that's about a \$4 million number.

You're going to need capital in the bank to accommodate burn rate, if you're not profitable in cash flow, not making cash flow, which we're not yet, we'll need about a year and a half worth of capital in the bank based on your historical burn rate. So let's just round numbers say that's \$3 million. So you'll need \$4.5 million in the bank. Or you'll need contracts in place within a substance and look back history to be able to give a listing, an exchange the confidence to know that the revenue and the revenue of the business is sufficient security operation.

Minimum bid, minimum strike price on the stock for NASDAQ is \$3. Plenty of basic requirements. Okay, there's a more base, there's even more fundamental requirement, not in the rulebook, and that is you've got to be ready. Okay, it's not about technical requirements, it's not being ready and ready, at that level, is to have confidence in your revenue stream sufficient to carry your expectations for the future, the ability to look back and then look forward.

Okay, so that so to me, the biggest part of that is, that's what we need to do. So what's the plans to uplift to NASDAQ or an equivalent? The answer is to build a company. We're going to build a company, and the company is going to enjoy its process to get to an national exchange, because it deserves to be there. So that's our plan, right? That's our plan. It's not about timing. It's not about taking a shortcut. It's not about taking an aggressive reverse split to accommodate the inefficiencies of an OTC market. They are highly inefficient, right. And we can go through a point counterpoint debate on whether we're, we have an accurate valuation for this company. It is traded in an

inefficient OTC market where 95% of the capital that invests in small company up in Congress cannot invest.

So no, it's not efficient. And yet, here we are, right? This great business, all these assets finding their way through this adoption cycle, talented people swinging, swinging for commercial success at extraordinarily high level, and showing the discipline to stay the course through all the rough and tumble to get to the spot. And now win as a competitor, right because it's a highly competitive field and everything we do. So, the way I think about that, that next step is there's going to be a natural moment, right? And I'd like to do it. Again, trying to forecast so be careful. I'd like to do it without a reverse split. Okay, so you say, well, is that even rationally possible, let's say we got a 25% stock, \$60 million valuation. So 10x, 10x would be \$2.60. We're almost there. So what is it about this company that makes someone believe its worth \$2.60? I would say it's the things that we're doing.

These are extraordinarily significant opportunities. And we are competing at an extraordinarily high level. So what do we need to do? Well, we just need to get it done. I mean, it's that simple. And by the way we are, always faster. If I can, I always say no one's going to hold the feet to my file more than me. It's just dumb. We have an extraordinarily high mark for success. And what we've demonstrated for the marketplaces, the insiders, the stakeholders for building discovery, are all long and no short term sellers, no fast money. This is a business that needs the tools to build a business that has significance in mass. And I believe it's coming. Otherwise, we would do it. So what's the plan, yes, when we're loaded with revenue, right, and the valuation reflects an optimism or optimistic version of our future, which we believe is so. Hopefully, that is a good answer, that is a good answer.

**Q:** Yes, sir. Like to share the optimism.

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

All right, well those are all the questions for today. I really appreciate the updates and all the information you've shared with us today. There's a lot of really great things clearly going on at BioLargo, so I'm just going to hold steady, be patient and wait for some of these bigger things to come to fruition, but they're clearly in process.

**Charles Dargan - Chief Financial officer, BioLargo, Inc.**

Yes, they are. Yes, again I would encourage everyone to reach out to us or Brian Loper to Investor Relations Department. You can also reach out to management. It's very exciting time. This is probably the most clearly visible, optimistic moment in our history. And we're anxious to accelerate, so thank you for your support.

**Dennis Calvert - Chief Executive Officer, BioLargo, Inc.**

Great, great. And the last thing I wanted to mention to shareholders on the call today is if you didn't get a chance to see that new corporate update video, please take the time to watch it. Excellent video and overview of BioLargo, it is on the investor relations page and on social media,

please do share that with your friends and your chat groups and all that. We worked hard on that and we're really excited to debut that here today. Thanks again.

**Brian Loper - Investor Relations, BioLargo, Inc.**

All right, awesome. Thanks everybody.

**Operator**

Thank you, ladies and gentlemen. This concludes today's event. You may disconnect at this time and have a wonderful day. Thank you for your participation.