

ADVANCED PLANT PHARMACEUTICALS INC. (OTC BB:APPI)

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Recent Price: \$0.0056
 (12 month) Target price: \$ 0.03

Main Headquarters

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Innovator of Whole Plant Pharmaceuticals

Company Overview

Advanced Plant Pharmaceuticals, Inc. (OTC:BB -APPI) focuses on the research and development of whole plant-based nutritionals. The company has a composition-oriented patent for a proprietary process of utilizing whole plants to safely manufacture all-natural nutritional supplements. APPI markets and distributes its line of products including Lo-Chol™ worldwide through various sales distribution channels. Advanced Plant Pharmaceuticals recently announced the signing of a Memorandum of Understanding to acquire a Biodiesel company, World Health Energy, an emerging energy company focusing on biofuels and renewable energy production and distribution to compliment and broaden current operations.

- Advanced Plant Pharmaceuticals, Inc., is the innovator of whole plant pharmaceuticals and is a pharmaceutical company **dedicated to utilizing whole plants to develop products for the treatment of human diseases.**
- APPI has developed and protected a **unique method of manufacturing such products without extracting active ingredients.** This unique manufacturing process, enabled the Company to receive the **first patent and IND (investigational new drug) on a whole plant pharmaceutical.**
- APPI received its first formulation patent on their **Cholesterol lowering agent, "Lo-Chol"**, a whole plant product derived from 6 different botanicals. Patients in clinical studies have shown that the botanicals used in this formulation **help lower total Cholesterol 20%, lower triglycerides 45%, and also increase HDL 60% and the proportion of HDL (the good Cholesterol) to LDL (bad Cholesterol).**
- The **Cholesterol market** in the US is valued at **over \$17 billion annually** and APPI hired Ed McMahon as the spokesperson for its US & international marketing campaign.
- World Health Energy, Inc. (WHE) is an **emerging energy company focusing on biofuels and renewable energy production and distribution.** APPI has decided to acquire WHE and plans to produce and market high-quality, low cost **B100 Biodiesel** and also feedstock from this process, to replace traditional fossil fuels. On Dec 6, 2006, Advanced Plant Pharmaceuticals, Inc. **entered in merger negotiations to acquire a clean coal technology company.** The proposed agreement will include the merger candidate's patented **clean coal technology designed to increase the BTU of low quality coal, which substantially increases the value of low-grade lignite, and sub-bituminous coal.**
- We look forward to the company's advancing its business plan and building shareholder value. A large and unsaturated market exists for the company that is able to develop effective natural pharmaceuticals for treatment of common human diseases/ailments such as to lower Cholesterol, Alzheimer's Disease etc. Advanced Plant Pharmaceuticals shares offer shareholders access to this intellectual property and expertise of research specialists looking to develop and commercialize whole plant-based nutritionals. Under the critical assumption that Advanced Plant Pharmaceuticals can raise additional capital in the near term that will allow them to conduct further clinical trails and R&D work needed on submitted patents, we are optimistic that Advanced Plant Pharmaceuticals can further broaden its product base that can lift revenues. We look forward to more news on its alternative energy expansion strategy involving biofuel and clean coal technology to diversify its reach. See INVESTMENT THESIS & RECOMMENDATION for more in-depth discussion (Page 9-11).**

See Appendix A-1 for Analyst Certification and Important Disclosures.



ADVANCED PLANT PHARMACEUTICALS INC.	
<i>(all figures in millions)</i>	
52 Week Hi/Lo Range	0.0145/0.0005
Fiscal Year End	31-Dec
Shares Outstanding (11/01/2006)	798.2
Float (approximately)	NA
Share price (12/11/2006)	0.0056
Market Capitalization	4.5
Average Volume (3 months)	
Insider Ownership (approximately)	5%
Institutional Ownership	
Enterprise Value (EV)	10.91
Long Term Debt (09-30-06)	6.440
Total Cash (09-30-06)	0.000
12/31/2006 12/31/2007	
FY2006 E FY2007 E	
Earnings Per Share (EPS)	-0.012
Book Value (\$/share)	
FY2006 E FY2007 E	
Total Revenue	0.005
Cost of Sales	0.005
Gross Profit/Loss	0.000
Operating expenditures	9.563
Income/Loss from Operations	-9.563
Other Expenses	0.000
Tax Items	0.000
Net Income	-9.563
NA = Not applicable/Not Available. A = Actual Reported figures E = Estimates	
Balance Sheet & Financial Statement Extracts (06-30-2006)	
Current Assets	0.005
Current Liabilities	2.194
Total Assets	0.035
Total Shareholders Deficit	8.600
Operating Cashflow (9 mo to 9/30)	-0.349
Capital Structure (06-30-2006)	
Authorized Common Stock	880 000 000
Authorized Preferred Stock	10 000 000

COMPANY

Advanced Plant Pharmaceuticals, Inc. (OTC:BB - APPI) continues to focus on the research and development of plant based dietary health supplements. APPI takes pride in itself as being the innovator of whole plant technology. During July 1999, the Company acquired **exclusive rights and interests to a 13-step process, which utilizes virtually the whole of the nutrients found in plants to manufacture all natural herbal dietary supplements**. The purchase price for the process was 12,000,000 shares of Common Stock. The shares were issued February 13, 2001. A further 6,000,000 shares will become due when marketing of the product commenced. The Company intends to use this process to manufacture products that it hopes to distribute worldwide through various sales distribution contracts. APPI was incorporated in November 1994 and had devoted most of its efforts since inception to 1999 conducting research and development, acquiring agreements to the rights of the 13-step process, and one major sinus product. This unique manufacturing process, **enabled the Company to receive the first patent and IND (investigational new drug) on a whole plant pharmaceutical**.

The Company's roots began in 1987, as a research program to study the use of whole plants as a source of pharmaceutical products to enhance the immune system to combat debilitating diseases, such as HIV and AIDS. The founders believed that whole plants would provide a safer, and less expensive product than chemical based compounds. The Company went Public in **1994 through a reverse merger with Ventra Management**, a publicly-traded company which was renamed Advanced Plant Pharmaceuticals Inc. to reflect the change in operations.

The Company has 3 main products namely: **Lo-Chol** (cholesterol). **ACACaplets** (for chronic fatigue and boost normal metabolic processes that support immune system function) and **Sinusol™** (a unique nasal and sinus solution that pleasantly cleanses and moisturizes the nasal and sinus mucosa. **Sinusol™**, being one of the formulations purchased from Dr. Bielory, is a generalized base solution for the development of an extensive line of specialty products related to **allergy and sinus conditions**. The ingredients include a mixture of gently pH-balanced essential mineral oils that combat the various symptoms related to allergies and sinus disorders, including congestions, irritated nasal mucosa and bacterial and fungal infections. Specialized advanced formulations are being reviewed for patent submission. On February 28, 2000, the Company entered into an Asset Purchase Agreement with **Dr. Bielory** to purchase his **various allergy and nasal formulations**. The Board of Directors approved this Agreement on September 6, 2000. Dr. Bielory was granted a five year option to purchase an aggregate of 18,000,000 shares of the Company's Common Stock, par value \$0.0007 per share, at an exercise price of \$180.00. Dr. Bielory exercised an option for 12,000,000 shares in the first quarter of 2001.

The Company's products are available for sale to retail stores and its operations are located in Long Island, New York and its corporate offices are located in New York City. During FY2005, **90% of APPI's products** were sold to a single **retail store in Brooklyn, NY** offering healthy lifestyle products. The remaining **10% of its products were sold via its website** on the internet.

In January 2004, the Company acquired a 44% interest in **Amazing Nutritionals, Inc.**, a development stage company, whereby APPI sold Amazing all of the rights, title, patents, trademarks, processes and related items of LHM123 which is a natural composition for the treatment of **senile dementias** in consideration for 3,300,000 shares of Amazing's common stock. **Dementia** (from Latin *de-* "apart, away" + *mens* (genitive *mentis*) "mind") is the **progressive decline in cognitive function due to damage or disease in the brain beyond what might be expected from normal aging**. Particularly affected areas may be memory, attention, language and problem solving, although particularly in the later stages of the condition, affected persons may be disoriented in time (not knowing what day of the week, day of the month, what month or even what year it is), place (not knowing where they are) and person (not knowing who they are).

In December 2004, the Company acquired a 99% interest in **Mazal Plant Pharmaceuticals, Inc. (Mazal)**, a development stage company, whereby APPI sold Mazal all of its rights relating to or connected with developing, manufacturing and distributing of three of its products, **plant based compositions designed to treat elevated cholesterol, leukemia and Alzheimer's disease** in consideration for 7,000,000 shares of Mazal's common stock and a receivable of \$50,000. On June 6, 2005, the Company consummated the transactions contemplated by the Share Exchange Agreement dated as of May 2005 by and among the Company, Akid Corporation and James B. Wiegand. Pursuant to the Share Exchange Agreement, the Company sold its entire ownership interest in 7,000,000 shares of the common stock of Mazal to Akid. In exchange, Akid agreed to issue to the Company 20,000,000 shares of Akid's common stock. In addition, in a separate transaction, Akid acquired 3,130,000 shares of Mazal's outstanding shares from third parties in exchange for 6,180,000 shares of its common stock. Following the consummation of such share exchange, (i) the Company held 94.2% of Akid's issued and outstanding common stock and (ii) Akid held (including the 3,130,000 shares acquired in the separate transaction) 100% of Mazal's issued and outstanding common stock. In October 2005, Akid filed an amendment to its charter changing its name to Mazal Plant Pharmaceuticals, Inc.

On November 8, 2006, Advanced Plant Pharmaceuticals Inc. **took a step in a new direction to broaden its strategy to enter into the alternative energy industry** when it announced signing a Memorandum of Understanding (MOU) to acquire the Biodiesel Company, **World Health Energy, Inc.** World Health Energy, Inc. (WHE) is an **emerging energy company focusing on biofuels and renewable energy production and distribution**. The company plans to produce and market high-quality, low cost B100 Biodiesel to replace traditional fossil fuels.

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Under the terms of the MOU, Advanced Plant Pharmaceuticals, Inc. would acquire World Health Energy, Inc. in return for 20% of APPI. Additionally, **APPI would change the name of the company to World Health Energy, Inc. and a new ticker symbol will be applied for in the near future.**

World Health Energy, Inc. plans to use **renewable, cost-effective agricultural products from around the world to develop natural alternative fuels and marketable agricultural by-products such as feedstock.** WHE's proposed Biodiesel production plant is designed to produce biodiesel that complies to or exceeds international biodiesel production requirements and standards, including the European standard for Biodiesel EN 14214 as well as ASTM D6751 specifications. In addition to renewable energy production, **WHE's unique process will create a newly engineered feedstock as a by-product of the biodiesel production. Due to a feedstock shortages worldwide, the company plans to sell the feedstock as a secondary source of revenue,** capitalizing on all aspects of the biodiesel production process.

On Dec. 5, 2006, Advanced Plant Pharmaceuticals, Inc. announced that they **entered in merger negotiations to acquire a clean coal technology company.** The proposed agreement will include the merger candidate's patented coal technology.

The clean coal patented process is designed to increase the BTU of low quality coal, which substantially increases the value of low-grade lignite, and sub-bituminous coal. The environmentally friendly process captures and removes harmful elements without disintegrating the coal and destroying further processing. T, the patented process requires only 4-18 minutes retention time vs. the industry standard of 2-6 hours. Further development will require limited capital expenditures to be funded via grants from future partners.

As of May 15, 2006, there were approximately 320 record holders of APPI common stock. To the best of the Company's knowledge, such figure does not take into account those stockholders whose certificates are held in the name of broker-dealers or other nominees. The Company believes that there are more beneficial owners of APPI common stock, most of whose shares are held in street name. As of November 1, 2006, the issuer had 798,157,996 shares of its common stock issued and outstanding.

TECHNOLOGY

APPI has developed and protected a **unique method of manufacturing such products without extracting active ingredients.** This unique manufacturing process, **enabled the Company to receive the first patent and IND (investigational new drug) on a whole plant pharmaceutical.** APPI takes pride in itself as being the innovator of whole plant technology.

Plant Pharmaceuticals

The finest sources of raw garlic is selected with great care, to assure uniformity of potency, quality and the freedom of contaminants or adulterants of every garlic clove utilized. It is vitally important to adhere to these standards. APPI microbiologists require that they keep these sanitized raw materials under strict quarantine until release after testing. Because medicinal plant materials often have soil particles adhering to them, the raw materials are then thoroughly washed. Having weighed, ground, sieved, sized and separating extraneous parts of plant materials, the blended raw material results in an ultra fine homogenous powder with the desired bioavailability of APPI quality.

At some time during the process, gentle heat may be used to drive off unwanted volatile oils, gasses and moisture. After passing in-process bulk product testing, the homogenous powders are formed into caplets or capsules and packaged into bottles for commercial distribution. During the processing of the raw materials, state of the art Pharmaceutical GMP (Good Manufacturing Practice) is maintained at all times, utilizing commercially available equipment that has been modified to APPI's design and specifications.

Benefits of the APPI Pharmaceutical Grade Process:

- Guarantees a standardized pharmaceutical grade product in its' original natural chemical formation.
- Eliminates Bacteria and free radicals without residues, chemicals, etc.
- Leaves almost all the phyto chemicals and active ingredients in the plant.
- Process is accepted by the FDA in a commercial IND (investigational new drug).
- Works with single or multiple botanical products.
- Creates the most natural product you can achieve.

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Biodiesel

Biodiesel refers to a diesel-equivalent, processed fuel derived from biological sources. Though derived from biological sources, it is a processed fuel that can be readily used in diesel-engined vehicles, which distinguishes biodiesel from the straight vegetable oils or waste vegetable oils used as fuels in some modified diesel vehicles. Biodiesel is biodegradable and non-toxic, and has significantly fewer emissions than petroleum-based diesel when burned. Biodiesel functions in current diesel engines, and could in theory supplement fossil fuels as the world's primary transport energy source. Biodiesel reduces emissions of carbon monoxide (CO) by approximately 50% and carbon dioxide by 78% on a net lifecycle basis.

Biodiesel can also be used as a heating fuel in domestic and commercial boilers. Biodiesel can be distributed using today's infrastructure, and its use and production are increasing rapidly. Fuel stations are beginning to make biodiesel available to consumers, and a growing number of transport fleets use it as an additive in their fuel.

Biodiesel is a multi-billion dollar industry and World Health Energy is positioned to make an impact and capture a healthy segment of the industry. Once APPI can complete the MOU process and add World Health Energy to the operations of the present company; the Company will be in a position to benefit from a presence in the rapidly expanding renewable energy industry.

PRODUCTS

Lo-Chol

APPI received its **first formulation patent on their Cholesterol lowering agent, "Lo-Chol", a whole plant product derived from six different botanicals.** Patients in clinical studies have shown that the botanicals used in this formulation help lower total Cholesterol and triglycerides 45%, and also increased the proportion of HDL (the good Cholesterol) to LDL (bad Cholesterol).

The **cholesterol market in the USA is valued at over \$17 billion per year** and APPI has hired Ed McMahon as a International spokesperson for a national and international marketing campaign. Lo-Chol - Lo-Chol's patented formula is derived from the "whole plant" parts of 6 selected plants that work in concert to **help tip your lipid balance** (good and bad cholesterol) **towards a more normal level.** These six plants are synergistically combined using a **proprietary "whole plant technology"** (a *special pharmaceutical-grade process*) that delivers virtually all the natural phyto-chemicals and active ingredients in the plants. Unlike almost all other herbal supplements on the market, Lo-Chol does not contain any extracts. Instead, it utilizes the entire part of a specific plant that is processed and standardized to deliver optimum potency and nutritional benefits.

Lo-Chol derived from whole plants, is a patented formula, which has proven in clinical studies to help tip your lipid balance (good and bad cholesterol) towards a more normal level.

Research shows that Lo-Chol helped test subjects lower total cholesterol up to 29%, triglycerides 45%, increased HDL (good cholesterol) 60%, and improved the ratio of HDL to LDL 46%.

Lo-Chol **doesn't contain extracts**, instead, it **utilizes the entire part of a specific plant** that is processed and standardized to deliver optimum potency and nutritional benefits.

Lo-Chol contains a full-spectrum of phyto-chemicals derived from natural plants. Lo-Chol contains ingredients that science and medicine have identified as having excellent health properties. In addition to the Lo-Chol patent, the Company **also has submitted patents on their processing methods, Leuknil**, a whole plant product to be utilized for the treatment of **Leukemia and cancer**, and LMH-123 for the treatment of **Alzheimers disease. Current R&D efforts center around Keuknil and LMH-123.**

ACA

ACACaplets contain a carefully selected group of 11 natural plant substances, which work in harmony to **help chronic fatigue and boost normal metabolic processes that support immune system function.** These 11 plants (including Boswelliacaterii, Impatiens balaminia and Curcuma zedoria) have long and storied histories in ancient herbal medicine and folklore. Many are referred to in the Bible as well as Ayurveda, "India's natural science of life and well-being". Now, incorporated together in ACA, they offer the best of traditional herbal wisdom and modern science.

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Sinusol™

APPI also owns Sinusol™, which is an Allergy Sinus Solution (AS2760) - it is a **generalized base solution for the development of an extensive line of specialty products related to allergy and sinus conditions.** This should combat various symptoms related to allergies and sinus disorders and includes congestions, irritated nasal mucosa, and bacterial and fungal infections. **The allergy-sinus market is valued at over \$3 billion per year.**

Sinusol™ is formulated to provide safe, effective temporary relief of sinus pain and nasal congestion. It is an all-natural non-habit-forming, non-drowsy gentle solution that can be used in conjunction with cold, allergy and sinus medications. Sinusol™ is a unique blend of natural essential oils that have been formulated for nasal moisturizing, cleansing and sinus irrigation. It is a physician recommended pure alternative with no preservatives such as **iodine, thimersol (merthiolate), disodium edetate, phenylcarbinol, potassium sorbate, sodium silicoaluminate, or benzalkonium chloride** that can further irritate mucosal surfaces.

Sinusol was developed in concert with a leading board certified Allergy and Sinus specialist. **Sinusol™** thins nasal solutions to clear stuffy and blocked allergic nasal passages as well as relieves sneezing and sinus pressure. Sinusol™, is the safe and natural alternative to over the counter nasal sprays and saline products that contain irritating preservatives and additives.

Garlic “The Miracle Healer”

Garlic has been shown to have almost miraculous preventative and / or therapeutic properties in the treatment of a variety of diseases proven in controlled and reliable clinical studies (animal as well as human).

Some of the ailments successfully treated with the use of garlic are **high blood pressure, atherosclerosis, tuberculosis, Diabetes, arthritis, cancer, hypoglycemia, bronchitis, asthma, whooping cough, pneumonia, common cold, allergies, dysentery and insomnia.**



RECENT DEVELOPMENTS & BUSINESS DEVELOPMENT

On July 17, 2006, Mazal entered into a consulting agreement whereby the consultant is to introduce medical clinics and assist in the development of clinical trials for Mazal for a term of 1 year. Either party may terminate the contract with or without cause upon 30 days written notice. The agreement calls for the issuance of 500,000 shares of Mazal common stock upon signing and 1,500,000 shares of Mazal common stock upon Mazal receiving a letter of intent from a medical center that has previously performed clinical trials for a major pharmaceutical company, to perform clinical trials at competitive rates, in which at least one third (33%) of the payment shall be in shares of Mazal common stock.

On July 31, 2006, **Mazal** (a holding company of APPI) entered into an Interim Letter of Agreement for a **Phase I/II, double-blind, placebo and active-controlled, randomized, parallel-group study to evaluate the safety and efficacy of MAHDL01 alone and as an adjunct to statin therapy**, versus placebo or statin therapy alone, in increasing HDL in subjects with **Hypoalphalipoproteinemia (HA)** who are maintaining a restricted diet. **Hypolipoproteinemia is defined as a lack of fat in the blood due to genetic or other diseases such as malnutrition and malabsorption. It can be diagnosed via blood study that identifies fat particles.** The patient must fast overnight to prevent interference from fat in the blood due to food intake. The agreement calls for a minimum number of subjects of 10 and a maximum of 400. Mazal is responsible for all external direct trial expenses. The consultant will receive \$2,500 per subject who completes the study, where 50% will be paid in cash and the remaining 50% will be paid in shares of Mazal common stock.

In the 3rd quarter of 2006, the Company transferred certain of the Mazal Plant Pharmaceuticals (formerly known as: Akid Corporation) common stock held by it as follows: (i) 16 million shares were transferred to a significant stockholder/related party consultant in payment of accrued consulting fees and loans payable and (ii) 1 million shares to an employee as payment of accrued salary.

Prior to these transactions, the Company held 20 million shares of Mazal common stock, or approximately 53%, based on approximately 38 million shares outstanding at 6/30/06. After consummation of these transactions, the Company now holds approximately 8% of Mazal's outstanding common stock.

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Advanced Plant Pharmaceuticals recently announced the signing of a Memorandum of Understanding to acquire the Biodiesel company, World Health Energy, an emerging energy company focusing on biofuels and renewable energy production and distribution.

On Nov. 29, 2006 these two companies signed an interim agreement to lease a **5,000 square foot property in West Palm Beach, Florida**. The one-acre location is slated to be the location of the company's planned biodiesel plant with an **initial production capacity of 5,000 gallons per day increasing to 10,000 gallons daily**.

FINANCIAL STATEMENTS

The company filed **Form 10-QSB** containing financials for the period ending September 30, 2006 on November 20, 2006. The Company has its fiscal year-end on December 31. Most recent results for the first 9 months of FY2006 were un-audited. The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

Revenues for the nine month period ended September 30, 2006 were \$7,775 as compared to \$7,387 for the nine month period ended September 30, 2005, which represents an increase of \$388. This increase in revenues from the prior year is primarily due to more purchases from APPI's exclusive distributors. Costs of goods sold for the nine month period ended September 30, 2006 were \$3,450 as compared to \$1,948 for the nine month period ended September 30, 2005, an increase of \$1,502. This increase was primarily due to the use of product in connection with clinical trials. Selling, general and administrative (SG&A) expenses increased to \$2,314,597 in the nine-month period ended September 30, 2006 from \$655,504 in the comparable period for 2005. This increase in SG&A expenses is primarily based on stock issued for services.

Salaries and consulting fees increased to \$5,877,741 for the nine months ended September 30, 2006 from \$424,610 for the comparable period in 2005. This increase results from the transfer of stock held for investment to three officers and stockholders for services. Cost of Goods Sold as a percentage of revenue increased to 44% in the nine-month period ended September 30, 2006 from 26% in the comparable period in 2005. This increase was primarily attributable to the use of product in connection with clinical trials.

The Company suffered a net operating loss of \$8,188,850 for the nine months ended September 30, 2006 compared to a net operating loss of \$1,075,513 for the comparable period in 2005. The increase in net operating loss compared to the comparable period for 2005 was due to significant increases in salaries, consulting fees, and selling, general, and administrative expenses. The net loss and net loss per share was \$8,123,738 and \$0.01 for the nine month period ended September 30, 2006, as compared to \$439,294 and \$0.00 for the nine month period ended September 30, 2005, an increase of \$7,684,444. This increase was due primarily to significant increases in salaries, consulting fees, and selling, general, and administrative expenses. The difference between the net loss and operating loss can be accounted for in the first nine months of FY2006 by an interest expense of \$4,388 and a gain on the Sale of an investment of \$69,500. **The gain on sale of investment** resulted from the sale of **500,000 shares** of common stock of **Amazon Biotech, Inc.**, an affiliated company, for \$70,000. The Company received \$65,000 and \$5,000 is included in miscellaneous receivables. The stock had a basis of \$500. This compares to the difference between net operating and net loss was attributed only to interest expense of \$2,072 that reduced net losses during the same period in FY2005.

Revenues for the year ended December 31, 2005 were \$11,577 as compared to \$54,964 for the year ended December 31, 2004, which represents a decrease of \$43,387. **This decrease in revenues from the prior year is primarily due a decrease in marketing due to the lack of funding.**

Cost and expenses for FY2005 were \$5,108,228 as compared to \$3,779,562 for the year ended December 31, 2004 (FY2004), an increase of \$1,328,666. This increase was primarily due to an increase in the issuance of stock for services, which was offset by an increase in cost of good sold, selling general and administrative expenses and an impairment loss. Selling, General and Administrative (SG&A) expenses increased to \$4,350,659 in FY2005 from \$497,829 in the comparable period for FY2004. This increase in SG&A expenses is primarily based on Mazal's inactivity in 2004. Mazal's total SG&A expenses were \$4,030,862 in 2005 comprised of \$3,665,00 in consulting fees (stock and cash), \$138,000 in legal/accounting fees, \$101,000 in travel and entertainment, \$39,000 in payroll taxes and \$31,000 in rent expense.

Salaries and consulting fees decreased to \$732,118 for the year ended December 31, 2005 from \$2,747,550 for the comparable period in 2004. This decrease results from the fact that the Company did not issue any stock for services to stockholders in 2005 whereas **APPI issued approximately 174 million shares of stock valued at \$2.3 million in 2004**. This decrease was partially offset by the following Mazal salaries and consulting fees: \$203,000 for salaries pursuant to employment agreements and the issuance of 675,000 shares of Mazal/Akid common stock valued at \$115,400.

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The Company recorded a gain on forgiveness of debt of \$638,291 in FY2005. This debt related to a write off of old accounts payable and accrued expenses, some of which is attributable to vendors who conducted clinical trials. This was a one-time occurrence and there was no similar event in 2004.

Cost of goods sold as a percentage of revenue decreased to 37% in the year ended December 31, 2005 from 191% in the comparable period in 2004. The reason for this decrease was primarily attributable to the write off of raw materials in 2004. Advanced Plant Pharmaceuticals Inc. incurred a net loss and net loss per share of \$4,458,390 and \$0.01 for the year ended December 31, 2005, as compared to \$3,721,598 and \$0.01 for the year ended December 31, 2004, an increase of \$736,792. This increase was due primarily to an increase in the issuance of stock for services. Research and development costs are expensed as incurred. Total research and development expenditures for the years ended December 31, 2005 and 2004 amounted to \$1,000 and \$149,419, respectively.

On September 30, 2006 the total amount of debt on the balance sheet consisted of \$6.44 million in deferred credit. On November 22, 2006, The **Company made significant progress in reducing its debt by negotiating with many of its debt holders to accept equity to retire the majority of the outstanding debt of more than \$1.5 million.** In addition, management is experiencing a great deal of success in negotiations with its remaining debt holders to accept its equity as payment for the remaining debt. Debt reduction is an integral part of APPI's plan to enhance its financial flexibility as it builds the company.

Liquidity and Capital Resources

At September 30, 2006, the Company had working capital deficiency of \$2,189,889 as compared to \$3,290,487 at September 30, 2005 and cash of \$43 at September 30, 2006, compared to having cash of \$560 at September 30, 2005.

Cashflow from operations was negative \$349,574 for the nine months ended September 30, 2006 compared to negative operating cashflow of \$469,805 in the nine months ended September 30, 2005. The operating loss of \$8,123,738 for the first 9 months of FY2006 was significantly offset by stock issued for services and stock held for investment issued for services and payment of liabilities. Net cash flows provided by investing activities was \$65,000 for the nine months ended September 30, 2006, compared to net cash flows used in investing activities of \$5,579 in the nine months ended September 30, 2005. These cash flows were related to an amount due from related parties. Net cash flows provided by financing activities were \$272,929 for the nine months ended September 30, 2006, compared to net cash provided by financing activities of \$474,899 in the 9 months ended September 30, 2005.

Management anticipates that APPI will need additional financing to finance its proposed growth over the next 12 months. The Company is currently looking to raise such amount via a private placement of its debt and/or equity securities. There are no assurances that the Company will be able to raise the requisite funds. If APPI is unable to secure financing it may need to curtail its growth plans. Currently the working capital is not sufficient to meet its obligations. These factors raise substantial doubt about APPI's ability to continue as a going concern. No assurance can be given that the Company will be able to obtain this capital on acceptable terms, if at all if needed. In such an event, this may have a materially adverse effect on the business, operating results and financial condition.

If the need arises, APPI may attempt to obtain funding through the use of various types of short term funding, loans or working capital financing arrangements from banks or financial institutions.

Other noteworthy financial and per share statistics are listed in the table found on page 1 of this report.

RISK FACTORS /CONCERNS

The business model, and longer-term consistency of revenue and income potential, remain uncertain and are not yet proven. The Company is looking to diversify its present R&D of plant pharmaceuticals and extend its presented portfolio of products available to the public and is still defining its identity and nature of business. APPI intends to broaden its strategy by moving into the alternative energy arena for biofuels and clean coal technology, and the success or outcome of such new ventures remains uncertain. The company is **dependent on the successful development of its plant pharmaceutical intellectual property and the commercialization of technology.**

APPI do not anticipate any material capital expenditures and believe that any such expenditure will be in the natural course of its plant pharma business. APPI does not have any significant elements of income or losses that do not arise from its continuing operations and its business is not seasonal.

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The Company believes that the impact of inflation on its operations since inception has not been material. If APPI needs to obtain capital, no assurance can be given that the Company will be able to obtain this capital on acceptable terms, if at all. In such an event, this may have a materially adverse effect on its business, operating results and financial condition. If the need arises, APPI may attempt to obtain funding through the use of various types of short term funding, loans or working capital financing arrangements from banks or financial institutions.

As reflected in the accompanying financial statements, the Company has current liabilities in excess of current assets of \$2,189,889, resulting in negative working capital and an **accumulated deficit of \$30,916,128, which is up from \$22,792,391 as at year-end FY2005**. Management is **presently seeking to raise permanent equity capital in the capital markets to eliminate negative working capital and provide working capital**.

Failure to raise equity capital or secure some other form of long-term debt arrangement will cause the Company to further increase its negative working capital deficit and could result in the Company having to curtail or cease operations. Additionally, even if the Company does raise sufficient capital to support its operating expenses and generate revenues, there can be no assurances that the **revenue will be sufficient to enable it to develop business to a level where it will generate profits and cash flows from operations**.

Failure to develop these whole plant pharmaceutical products to completion or obtain regulatory approval for the product, either on its own or in collaboration with other pharmaceutical companies or the inability to fund future operations from either revenue or the issuance of additional equity, will have an adverse effect on the Company. Advanced Plant Pharmaceuticals is dependent on the successful culmination of R&D, licensing partnerships and regulatory approval of its products and failure to develop and market this product will have a significant and negative effect on its ability to continue operations. Its most recent audited financial statements contain a **going concern qualification** from its auditors. Its financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

Advanced Plant Pharmaceuticals business development is substantially dependent on the expertise of its management team and scientific team, the loss of which could materially adversely affect future anticipated results. The company is still considered to be a **development stage company** and generated little revenue and has a scant financial history. Before Advanced Plant Pharmaceuticals can **must comply and adhere to various regulatory requirements** with regards to marketing and sales of its plant pharmaceutical products.

The company to date has not yet achieved sufficient sales traction of its present products and we cannot be certain that they will be able to start generating revenues from these products, or that these potential products will prove to be effective for treatment of cholesterol, nasal problems. Even if effective, there may be factors beyond the control of the company that may impede the acceptance of this product by practitioners, patients and the medical community.

The Company has **submitted patents on their processing methods, Leuknil, a whole plant product to be utilized for the treatment of Leukemia and cancer, and LMH-123 for the treatment of Alzheimer`s disease**. A number of companies in the drug delivery, biotechnology and pharmaceutical industries have suffered significant setbacks in clinical trials, testing and R&D efforts even after showing promising results in earlier studies or trials. Advanced Plant Pharmaceuticals cannot give assurances that favorable results in any trial/study will mean that favorable results will ultimately be obtained in future studies of its plant pharmaceutical patents currently being tested in clinical trials. Similarly, there is no assurance that the U.S. Food and Drug Administration (FDA) and other regulatory agencies in countries where the products is sold or licensed, will approve its potential products.

The **FDA may make new rulings in future** which mandate a suspension or a recall of production or sales of products sold under Advanced Plant Pharmaceuticals license, and result in Advanced Plant Pharmaceuticals losing such revenue and incurring expenses for a period until the company is in compliance with the regulations specified by the FDA or other regulatory body. All trials and studies, as well as the manufacturing and marketing of its potential product, are subject to extensive, costly and rigorous regulation by various governmental authorities in the United States and other countries. The process of obtaining required approvals from the FDA and other regulatory authorities **often takes many years, is expensive and can vary significantly based on the type, complexity and novelty of the potential product**.

The company may not be able to generate or obtain sufficient funds to operate its business, which could harm results, and force the company to curtail or cease planned operations. Most recent financials statements alert to the fact that liquidity is insufficient to support the expansion, research and development plan(s) of Advanced Plant Pharmaceuticals. There can be no assurance the company will be successful in its effort to secure additional financing for the R&D work that lie ahead.

See Appendix A-I for Analyst Certification and Important Disclosures.

Trading in the shares will continue to be subject to major fluctuations for the foreseeable future. The stock is thinly traded at prices below a penny and selling of small positions could have a negative impact on the share price in absence of sufficient liquidity. The reverse is true if one or more large investors decide to acquire a block of Advanced Plant Pharmaceuticals shares that would result in demand outstripping supply and result in an upward squeeze in the price given the low liquidity and daily trading volume.

We caution that historical volume activity on Advanced Plant Pharmaceuticals has been noticeably light, and we are unable to predict the direction of trading volumes over the coming months. Major dilution of common stock can occur if company issues large blocks of common stock or convertible debt is converted or warrants are exercised into common stock, which can negatively impact on the value of its shares. NASD and SEC Regulations covering rules on Penny Stocks apply for Advanced Plant Pharmaceuticals.

MANAGEMENT & BOARD OF DIRECTORS

All directors hold office until the next annual meeting of stockholders and the election and qualification of their successors. Directors receive no cash compensation for serving on the Board of Directors other than reimbursement of reasonable expenses incurred in attending meetings.

Officers are elected annually by the Board of Directors and serve at the direction of the Board of Directors. The Company's sole executive officer David Lieberman is also the sole director of the Company. On March 18, 2003, Dr. Bielory resigned as the Chairman of the Board of Directors of the Company.

Mr. David Lieberman – Chief Executive Officer, President, CFO & Director

David Lieberman has served as President of the Company since July 1, 1996, and as a member of its Board of Directors since June 1996. Since 1991, he has worked in the offices of the Chief Rabbi of Bnai Brak, Israel. He also serves as a consultant for Osem Industries, Inc., an international food conglomerate located in Israel.

Mr. Joel Appel – Pres of Sales and Marketing

Dr. Gerard Armand – Director : Clinical Research and Manufacturing

Dr. Mechael Kanovsky – Head of Pharmaceutical Drug Development Program

Dr. Mechael Kanovsky has spearheaded the Company's pharmaceutical drug development program since August 2004. This program has been initiated by APPI in order to develop "whole plant" pharmaceutical drugs from the Company's R&D program for High Cholesterol, Leukemia and Alzheimer's. Dr. Kanovsky plays an important role in an attempt to obtain FDA approval for the Company's whole plant pharmaceutical drugs.

Dr. Kanovsky has extensive knowledge of pathology, as well as his work on innovative therapies to treat cancer and other disease. Dr. Mechael Kanovsky has been involved in cancer research for many years. Dr. Kanovsky performs most of his research in the Department of Pathology and Laboratory Medicine at the VA Medical Center, and in the SUNY health Science Center, both located in Brooklyn, New York. He has a Ph.D. in molecular biology from Mount Sinai Medical School, New York.

INVESTMENT THESIS AND RECOMMENDATION

Advanced Plant Pharmaceuticals Inc. is a unique pharmaceutical company that makes dietary and vitamin supplements derived from plants, including garlic, allergy and sinus remedies, and cholesterol reducers. The Company is an interesting speculative play among micro-cap companies offering exposure to the investor on a developed and protected a method of manufacturing the products without extracting active ingredients.

Right now APPI is well positioned in the growing nutritional supplement industry and are on their way into the multi-billion dollar biodiesel industry as well. Latest market research from Packaged Facts shows nutritional supplement sales growing upwards of \$6 billion by 2011. Almost everyone takes a nutritional supplement on a daily basis. Many people don't or can't follow a balanced diet in today's fast-paced environment and are forced to take supplements in order to maintain good health.

See Appendix A-I for Analyst Certification and Important Disclosures.

APPI has a composition-oriented patent for a proprietary process of utilizing whole plants to safely manufacture all-natural nutritional supplements. APPI received its first formulation patent on their Cholesterol lowering agent, Lo-Chol. High cholesterol can lead to heart attack or stroke and over 100 million Americans have cholesterol levels that are higher than desirable.

APPI's Lo-Chol is a whole plant product derived from six different botanicals. Patients in clinical studies have shown that the botanicals used in this formulation help lower total Cholesterol 20%, lower triglycerides 45%, and also increase HDL 60% and the proportion of HDL (the good Cholesterol) to LDL (bad Cholesterol).

In addition to the Lo-Chol patent, the Company also has submitted patents on their processing methods, Leuknil, a whole plant product to be utilized for the treatment of Leukemia and cancer, and LMH-123 for the treatment of Alzheimer's disease. APPI also owns Sinusol™, which is a physician, recommended product and is formulated to provide safe, effective temporary relief of sinus pain and nasal congestion. It is an all-natural non-habit-forming, non-drowsy gentle solution that can be used in conjunction with cold.

The financial risk involved in investing in a young research and developing company is typically high and should be considered by investors. In this case the risks are tied to the successful implementation of the current Advanced Plant Pharmaceuticals' strategy to utilize whole plants to manufacture all natural nutritional supplements that has consumer awareness and high efficacy. Also there remains uncertainty about the future success of its processed methods for Leukemia and cancer and of LMH-123 for the treatment of Alzheimer's disease. Even if the current clinical work yields positive results any further regulatory approvals are not guaranteed to prevail.

The lack of regulatory approval for Advanced Plant Pharmaceuticals's products will prevent the sale of these products. Delays in obtaining regulatory approval or the failure to obtain regulatory approval in one or more countries may have a material adverse impact upon Advanced Plant Pharmaceuticals's. Regulatory compliance and research and development costs associated with developmental work imply that Advanced Plant Pharmaceuticals will have a negative cash flow from operations for the foreseeable future and plans may be inhibited or halted if capital resources are unavailable.

This can compound over time and result in full cash burn of all capital raised without deriving the intended economic benefit, sales or intellectual property that holds value for shareholders. Readers should understand that there can be no assurance that the company will be able to fast-track its intended path towards development and commercialization of its proprietary technology of utilizing whole plants to safely manufacture all-natural nutritional supplements will flow through directly to the top and or bottom line to build a consistent longer term profitable track record that will build shareholder value. Secondly the ability to extend its current pharmaceutical efforts to include Clean Coal technology and biofuel production may not produce the intended results for shareholders.

We therefore only recommend investors that have a high tolerance for risk that are able and willing to forfeit either most or all of their capital in search for extraordinary returns, to consider investing in the shares. Also, in our view investors willing to commit capital to Advanced Plant Pharmaceuticals should do so with absolute minimum 2 year investment horizon, but preferably longer, to allow ample opportunity for growth to emerge until broader price discovery can materialize within the investment community that will allow the value behind the current intellectual property and whole plant manufacturing process to be unlocked once further marketing and distribution agreements are completed and the company can advance its drive towards commercialization of its IP, which becomes the predominant intermediate term objective for the company and shareholders if its present R&D work continue to produce positive results. Short term we expect some consolidation in the price-action to occur following the recent run-up in the share price. Once company releases news of increased unit shipments and sales revenues of existing products, new marketing or distribution relationships, positive clinical trial results, successful negotiation and closure of a capital raising activity to pursue its strategy, it should transpire as a positive catalyst for the stock.

In the near term a major risk factor of delays in receipt of additional funding for its 2007 R&D Plan, its outlined acquisition plans and establishment of its biofuel plant in West Palm Beach, FL, may hinder further improvement in the rating of the shares until adequate funding is secured that will satisfy concerns that may be present, or resurface in the investor community. We believe that this may act as a short-term headwind in the absence of other positive news. The Company's short and medium term goals may not be clearly defined to its investors which raises some confusion in capital markets about the ultimate identity and classification of this Company, which may indeed be one of several businesses operating in vastly different industries, such as pharmaceuticals/nutrionals, biofuels and clean coal.

APPI recently announced signing a Memorandum of Understanding (MOU) to acquire the Biodiesel company, World Health Energy, Inc. Biodiesel is the only alternative fuel to have fully completed the health effects testing requirements of the Clean Air Act in the U.S. APPI could really capitalize on an acquisition like this if they are able to gain a small market share ahead of what appears to be a long secular upswing in the biodiesel/biofuels market.

According to an economic study by the National Biodiesel Board, the biodiesel industry will add \$24 billion to the U.S. economy by 2015. Freedonia Group Inc. forecasted U.S. demand for biodiesel to increase 32% by 2008 in a study titled, "Gasoline & Other Fuel Additives." The group said biodiesel demand would increase the fastest of all fuel additives, going from \$60 million in sales in 2003 to \$240 million in 2008.

We are unable to use traditional methods to make a valuation call on the security at this early stage in the company's life cycle, due to an inability to derive revenue projections in the near term. Such forecasts are virtually impossible to make with any degree of certainty due to lack of clarity about changing operations or prospects of current sales traction that has been uninspiring of available products such as Sinusol™, Lo-Chol, ACA and Garlic. We believe a sum of parts valuation would be best following establishment of a new company that consists of several units. The nutraceutical/plant pharmaceutical business can be valued by looking at peer companies such as Herbalife (NYSE:HLF) that generated \$1.81 billion in revenue during the last 12 months and generated a net income of \$131.4 million. HLF trades on a historic PE on trailing twelve month EPS of \$1.78 and a similarly derived Price-to-Sales multiple of 1.59x. The current market capitalization of HLF is \$2.9 billion. The company has gross operating margins running near 45% and net operating margins of 14%. Sales growth trends have averaged in mid to high teens during the past several years on a year-on-year comparative basis.

The biofuels business that APPI is looking to venture into is called World Health Energy Inc. (WHE). WHE we believe should trade closely in line with the ethanol producing peer group that are currently listed on US exchanges. Two major listed ethanol-producing companies are -- VeraSun Energy Corp. (NYSE:VSE) and Aventine Renewable Energy Holdings Inc. (NYSE:AVR) VeraSun Energy Corp. and Aventine Renewable Energy Holdings Inc., the country's second- and fourth-largest ethanol producers, respectively. There are also Archer Daniels Midland (NYSE:ADM) the US largest ethanol producer and Pacific Ethanol (PEIX:NASDAQ).

When taking into account all of the factors in this report, the risk associated with a developmental stage nutritional supplements company with specialization in whole plant pharmaceutical products such as Advanced Plant Pharmaceuticals and its progress and phase of its life cycle, together with limited disclosure of the prospects for future revenue generation and cloudy picture on future profitability we initiate coverage on Advanced Plant Pharmaceuticals with a SPECULATIVE NEUTRAL rating.

Risk to our recommendation include amongst other, failure of the company to obtain approval to market products utilizing its and protected method of manufacturing the pharmaceutical all-natural plant products without extracting active ingredients, failure to attract companies willing to enter into marketing and distribution agreements for Advanced Plant Pharmaceuticals products, a slowdown or disruption in its R&D plans due to other regulatory and legislative issues that serve to push out or hinder R&D efforts of new products in the pipeline, unfavorable terms with new partners such as WHE and its clean coal acquisition that prevents its rollout into alternative energy, new or additional competition or availability for alternative herbal/nutraceuticals that directly compete with current products such as Lo-Chol and Sinusol™ etc., Unforeseen FDA and other Regulatory policy changes impacting adversely on R&D efforts to expand its product, and/or little or low acceptance of its product by the medical community.

Also, any inability to obtain necessary financing from capital markets to proceed with the R&D plans and/or new announced acquisitions, the loss of intellectual property and patents, which protect its competitive position, the loss of key personnel and or scientists and/or major share dilution that can occur, if large quantities of shares are issued to extinguish debt or paid for services, inability to obtain positive results from further studies, are some additional factors that will counteract price appreciation potential or cause shares to decline in value.

We would caution that given the size of the company (nano-cap) and risks involved, overall we advise private client positions be limited below 5% of the client's total portfolio size.

Advanced Plant Pharmaceuticals Inc.

APPI



ANALYST CERTIFICATIONS

APPENDIX A-1

The research analyst, who upon request wrote this report, certifies that the views expressed in this research report, accurately reflects his personal view about the subject company. The analyst also certifies that he does not own or have any beneficial interest in shares of the covered company, also that no part of his compensation was, is or will be directly or indirectly related to the specific recommendation or view expressed in this report. Tri-State Capital received \$7,000 in compensation for work on the subject company from a third party.

Based on the facts that were provided, the industry trends present and sources of information used to produce this report, it is my best opinion and reflection of what the company's rating and share appreciation potential could be once research coverage is widely adopted. Investors are urged to consider this report as only a single factor in making their investment decision. Information, opinions or recommendations contained in this report or research note are submitted solely for advisory and information purposes and we also do not accept any obligation to provide updates to this report in future.

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