

American Soil Technologies, Inc.





AMERICAN SOIL TECHNOLOGIES, INC.

—The **Growing** Company—

SOYL.BB

\$0.44

July 3, 2006

Basic Shares 3/31/06	26,790,174	Fully Diluted Shares	36,000,000
Est. 12/31/06 EPS	(\$.04)	12/31/06 P/E Ratio	NM
Est. 12/31/07 EPS	\$.01	12/31/07 P/E Ratio	44.0
Est. 12/31/08 EPS	\$.03	12/31/08 P/E Ratio	14.7X
Est. 12/31/09 EPS	\$.05	12/31/09 P/E Ratio	8.8X
Est. 12/31/10 EPS	\$.07	12/31/10 P/E Ratio	6.3X
Market Cap	\$11.8 Million	Public Float	\$3.4 Million (28.8%)
Book Value/Share	(\$.086)	Current Ratio 3/31/06	1.39

Note: EPS estimates for 2008 through 2010 based on average diluted shares outstanding, and impute a normal corporate tax rate.

Michael L. Davis, Analyst

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MAJOR INVESTMENT FACTORS

Pros

- +American Soil has developed a unique array of soil amendments that enhance and conserve a safe growing environment**
- +These products are of significant economic value because they increase crop yields and save precious water resources**
- +The market served by the Company is large and lucrative, with American Soil generally enjoying gross margins of greater than 50%**
- +The Company's IP portfolio is substantive, growing and strongly protected**
- +American Soil is set to capitalize on two years of significant sales efforts, during which the Company has familiarized key end-users with the benefits of its products**

Cons

- Being an early stage company, American Soil has yet to prove the efficacy of its business strategy over a broad customer base**
- A significant amount of future financing will be required in order to fulfill the Company's objectives, which include growth through acquisition**





AMERICAN SOIL TECHNOLOGIES, INC.

—The *Growing* Company—

Concept: American Soil Technologies is an early-stage enterprise concentrating on the development, manufacture and distribution of polymers and other soil amendments for the agricultural, turf, and horticultural industries. This comprehensive array of soil amendment products is designed to increase crop yields, significantly reduce the amount of moisture required for active growth, and to be environmentally safe—all of which add to the bottom-line. Its corporate philosophy is fully in sync with the increasingly higher standards being set by the EPA as well as state governments, for farmers and other green industries for use of safer fertilizers and chemicals, and for better water conservation, in crop and turf management. For a company of its modest size, American Soil has put together a significant Intellectual Property portfolio. After a two-year period of educating key end-users with regard to the benefits of its products, the Company is now ready to launch a full-scale sales campaign through its network of existing dealerships, which will be augmented over time to include additional geographic representation. Increased advertising, joint marketing agreements and acquisitions are also part of management's plan to make American Soil a significant player in its targeted markets. The Company requires a financing in the neighborhood of \$5 million to implement its current plans. We believe that with this amount of additional capital American Soil should break into profitability by mid-2007, and could be earning at the rate of \$.07 per diluted share, on a fully taxed basis by 2010. (Please refer to the Income Model on Page 7.) The rate of growth that we foresee could command a multiple of 35 times earnings—equal to about one times the growth rate—which would indicate a discounted price of \$2.45 a share by mid-2008.



**SOIL-AMENDMENT PORTFOLIO**

PRODUCT	STATUS	MARKET	USAGE	EFFECT
Agriblend™	Proprietary	Agriculture/ Horticulture	To hold moisture and nutrients in root zone in sandy and clay soils	Improves germination and increases crop yields
Soil Therapy™	Proprietary	Turf	To buffer stress created by compaction, pesticides and salt accumulation	Restores healthy plant growth
Soil Medic™	Proprietary	Turf	To give soil biomass proper nutrients	Sustains strong healthy growth
Nutrismoist® L	Proprietary	Turf	To capture and retain water and nutrients	Reduces frequency of watering; maximizes root growth and turf quality
Nutrismoist® Hydromulch	Proprietary	Turf	To bind the mulch and seeds into an aggregate over barren soil	Protects from sun damage, maintains soil temperature, improves water flow
Nutrismoist™ H-2.5	Proprietary	Agriculture/ Turf	To speed water infiltration and reduce soil salinity	Stimulates biological activity in the soil
Nutrismoist® Crystals	Proprietary	Horticulture	To hold moisture and nutrients in root zone	Greatly reduces the amount of water needed to grow lush vegetation
Sircle Saver Sack™	Proprietary	Agriculture	To make the pivot in irrigation systems more efficient	Prevents rutting, minimizes soil erosion, reduces wear and tear on machinery
Anchor MP™	Non-proprietary	Turf	Increases infiltration and improves water use efficiency	Eliminates erosion and reduces soil salinity
Stockobsorb®	Non-proprietary	Agriculture	To hold water and nutrients at the root zone	Increases crop yield and helps prevent leaching
Stockopam®	Non-proprietary	Agriculture	To improve irrigation system efficiency	Increases sprout emergence rates and limits erosion; easier root crop harvesting
Extend™	Non-proprietary	Agriculture	To improve crop moisture control; <i>easy-mix liquid format</i>	Increases sprout emergence rates and limits erosion; easier root crop harvesting
Barraclear™ P80	Non-proprietary	Water Features	To reduce phosphorous levels in ponds, canals etc.	Time-release product clarifies water
Canal Seal™	Non-proprietary	Water Features	To Control water loss in canals	Controls leakage and seepage
Contain	Non-proprietary	Dust Control	To improve dust control in non-traffic areas	Provides long-term benefit by requiring less application frequency
Soil Sement®	Non-proprietary	Dust Control	To control dust and erosion on dirt roads; has EPA certification	Provides superior bonding and cohesion



M-216— Catalyst for Future Growth

The Uniqueness of the Company's soil-amendment portfolio is enhanced by an ingenious proprietary piece of equipment known as the *M-216 Injector Machine*, on which SOYL has four issued patents with others pending. American Soil originally developed this equipment to inject its Nutrimoist® L formulation into golf courses and other established turf environments, in order to maintain moisture and nutrients at the root zone. However, this machine has also found favor in another area of necessary golf course maintenance—aerating the turf. Aerification is a mechanical process that creates more air space in the soil and promotes deeper rooting, thus helping grass to stay healthy longer. In most cases, it involves a process of removing 1/2-inch cores throughout the turf area. Currently, aerification can cost a golf course up to \$2,000 per acre, while with the use of the M-216 and specially designed polymers the cost per acre drops to about \$800, without the production of unsightly and disruptive cores. The device appears to be scaleable, and we believe that the Company will reconfigure it for use in the landscaping portion of its turf business over time. In any case, we believe that this machine will enhance SOYL's competitive edge, and thusly enable it to accelerate sales of soil-amendment products into the market.

Although the M-216 may become a profit center in and of itself, we believe that its primary *raison d'être* is to generate increased sales of soil amendments. Although the Company will continue development and deployment of the product into the foreseeable future, we speculate that at some point a separate entity will be set up to handle leasing, rentals, sales, repairs, replacement parts, and the like, while manufacturing will continue to be outsourced. This will afford management the ability to concentrate on adding to its portfolio of soil amendments, either through internal development or acquisition.





The M-216 has nine 12-inch-diameter rollers lifted and lowered by hydraulics, and each featuring 24 knives mounted in two rows and spaced three inches apart—for a total of 216 knives. Each knifed roller is independently attached to a support arm, which permits 8 inches of vertical play. Down-force to each arm is provided by an air spring, and can be adjusted to over 200 pounds as necessary for varying conditions, even the hardest soils. The independent roller design allows penetration while traveling over uneven terrain and enables sharp turns without tearing up the sod. Water and nutrients are injected through center-drilled knives constructed of induction hardened and tempered

stainless steel for durability. The unit is pulled by a 35 to 65 horsepower tractor, and has a working width of 54 inches with a relatively modest turning radius of 8 feet. A tractor-mounted monitor connects with the onboard computer to track injection rate, pressure, area covered, and volume of fluid injected. Accuracy is ensured with a radar-true, ground-speed sensor. A scaled-down M-216 with a self-contained motor for use in landscaping would not require this latter feature, and could likely be produced at an affordable price; perhaps making it attractive to a broad market, including upscale consumers.

Title	Patent	Date
Method for producing a high analysis suspension fertilizer	U.S. Patent 5,443,613	Issued August 22, 1995
Agricultural Water Retention Mixture and Application Technique	U.S. Patent 5,649,495 Recognized in Israel Pending issuance in Europe	Issued July 22, 1997
Agricultural Water Retention and Flow Enhancement Mixture	U.S. Patent 5,868,087 Recognized in Israel Pending issuance in Europe	Issued February 9, 1999
Fluid Injection Apparatus Having Lift Assembly Shaft Levers	U.S. Patent 6,796,252 2 Utility Patent re M-216	Issued September 28, 2004
Fluid Distribution Assembly	U.S. Patent 6,874,436 B2 Utility Patent re M-216	Issued April 5, 2005
Fluid Injection Apparatus Having Frame Levers	U.S. Patent 6,848,376 B2 Utility Patent re M-216	Issued February 1, 2005
Fluid Injection Apparatus Having Biasing Brackets	U.S. Patent 6,935,252 Utility Patent re M-216	Issued August 30, 2005

In addition, the Company owns registered trademarks on the names, Agriblend® and Nutrimoist®. Trademark applications are pending on Soil Medic™ and Soil Therapy™. SOYL also has exclusive worldwide marketing rights to the patent-pending Sircle Saver Sack™.



**2006—2010 Income Model**

	<u>2004</u>	<u>2005</u>	<u>2006E</u>	<u>2007E</u>	<u>2008E</u>	<u>2009E</u>	<u>2010E</u>
Sales	597,588	643,688	1,800,000	4,888,000	6,737,000	9,372,000	12,650,000
COGS	376,776	405,426	955,000	2,197,000	2,912,000	4,299,000	6,072,000
Gross Profit	220,812	238,262	845,000	2,691,000	3,825,000	5,073,000	6,578,000
Marketing, Sales, and Operations Expenses	1,713,236	2,164,331	2,055,000	2,115,000	2,108,000	2,170,000	2,500,000
Operating Profit	(1,492,424)	(1,926,069)	(1,210,000)	576,000	1,717,000	2,903,000	4,078,000
Net Interest Expense	162,414	149,353	70,000	70,000	70,000	70,000	70,000
Pretax Profit	(1,654,838)	(2,075,422)	(1,280,000)	506,000	1,647,000	2,833,000	4,008,000
Income Taxes*				218,000	708,000	1,218,000	1,723,000
After-tax Profit	(1,654,838)	(2,075,422)	(1,280,000)	288,000	939,000	1,615,000	2,285,000
Profit/(Loss) Per Share	(.162)	(.095)	(.04)	.01	.03	.05	.07
Weighted Ave. Shares	10,218,158	21,837,059	29,000,000	30,000,000	31,000,000	32,000,000	33,000,000
After-tax Profit/Sales				5.9%	13.9%	17.2%	18.1%

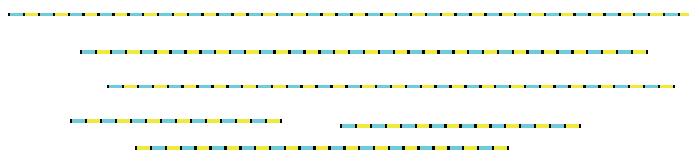
* Income taxes are imputed for years 2007 through 2010 although none will likely be paid. The Company has deferred income tax credits of \$5,024,000 and federal net operating loss carryforwards of \$13,702,000 expiring from 2008 through 2025, and state net operating carryforwards of \$3,370,000 expiring from 2006 through 2009.

Source: Company documents and Grosvenor projections

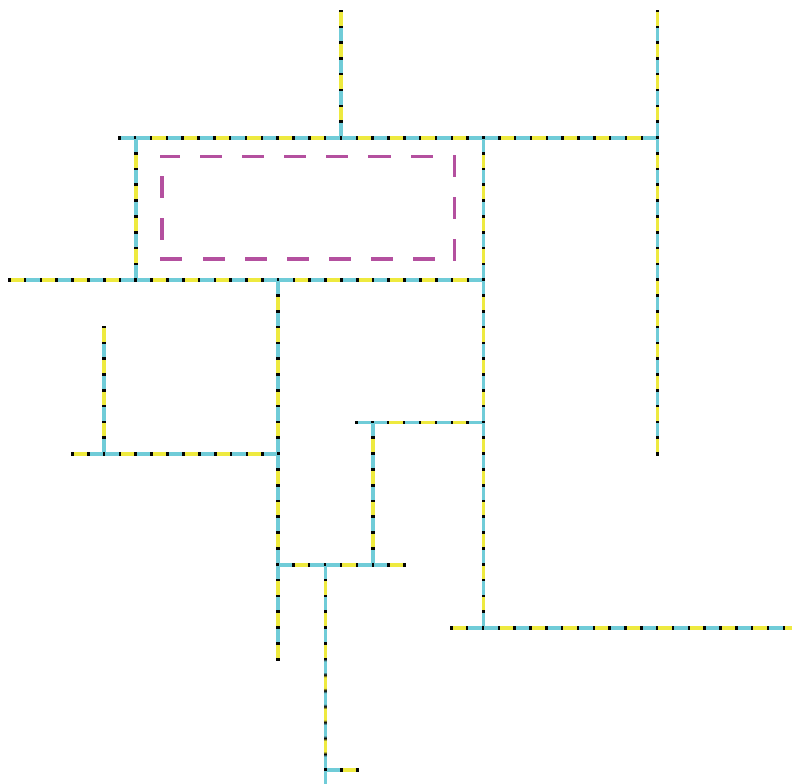


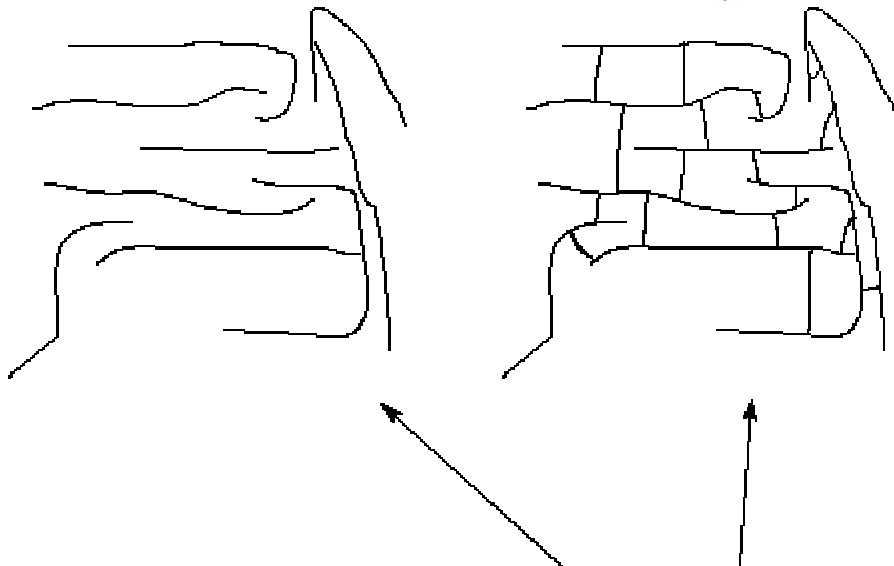
The Black Magic of SOYL

American Soil's basic products are a series of specially formulated cross-linked polymers. Cross-linked polymers may be distinguished from common linear polymers by the following analogy: linear polymers may be thought of as strings of polymers that are not tied together:



By contrast, a cross-linked system is equivalent to tying the same pieces of string together in a fashion that creates some closed loops. In the diagram below, the pink dotted line indicates one of the two closed loops in the system.





When polymers become crosslinked, this becomes this

Diagrams courtesy of University of Missouri-Rolla (UMR (page 8) and University of Southern Mississippi (page 9)

When placed in soil, the Company's cross-linked polymers absorb as much as 400 times their weight in water, effectively creating a reservoir of water and nutrients at the root level from which crops, turf, and other plants can draw sustenance as needed. The efficacy of these products in a wide variety of soil conditions has been established through extensive testing. As previously mentioned, the intellectual property behind these polymers is protected by patents and has been successfully defended.

The rationale behind American Soil's entire output has been to create a portfolio of products that promotes stable and sustainable growing environments. We anticipate that in the near future, the Company will add organic products to its list, which will combine natural sea and earth elements in special ways that will further enhance Soyl's proprietary market position, as well as promote better soil management techniques. "Greener" solutions are increasingly being sought all over the world, and management's philosophy is thoroughly in harmony with this paradigm.





The current product array is summarized in the table on page 4 of this report. The bottom line is that these soil amendments vastly improve growth, conserve precious water resources, and add substantially to the bottom line of the user, while preserving the integrity of the environment. Even though many of the world's largest chemical enterprises manufacture cross-linked polymers—some of which are even distributed by the Company—the fact that SOYL provides a broad slate of use-specific products available under one roof, so to speak, greatly enhances its competitive position within the soil additive industry.

Special mention should be made of Nutrimoist® Crystals. The Company launched this **consumer** product for use in homes and gardens. It is sold in 1.5- and 3-pound plastic bottles, and is being retailed in numerous outlets throughout the United States; also, it is offered for sale on SOYL's Website, as well as on other Websites specializing in this type of product. This item has been endorsed and is being promoted by The Weather Channel's exclusive horticulturist, P. Allen Smith, who hosts an award-winning, nationally syndicated 30-minute TV show on gardening.

The Grass Really Is Greener

Farmland in the U.S. totals about 400 million acres, equating to a half-million growers. Domestic turf land comprises 27 million acres, mainly golf courses, nurseries, sport fields and lawns. There are over 16,000 golf courses alone in the U.S., more than 70% of theses open to the public). The area involved is roughly 2.4 million acres. The industry spends more than \$8 billion annually on chemicals and equipment. The five leading states are: Florida (1,073), California (925), Texas (857) Michigan (852), and New York (822). The market opportunities for the Company are very large—the green industry is a \$150 billion megalith.





Water conservation is perhaps the biggest issue at the present time. In some areas of the United States, factors such as rapid population growth and long-term drought are putting severe pressure on already depleted water supplies. Especially in the golf course space, where their highly visible irrigation practices are an easy target for conservationists, the industry has looked for methods of reducing water consumption. Some polymers can be injecting into the soil that can significantly curtail irrigation needs. But this process is arduous and expensive. SOYL's M-216, described on pages 5 & 6 of this report, makes this procedure more economically feasible, as well as effective, when used with its proprietary soil amendments, regardless of the hardness of the soil or unevenness of the terrain.



Treated with
Soil Therapy™ and
Nutrimoist® L

Untreated



In the Ag sector, a big problem is soil depletion. Farmers have tended to add more and more *chemicals* to their soil in order to compensate for the dissipation of natural nutrients. The movement to add organic substances to soil instead of chemical additives, some of which can become toxic over time, is well underway. Organic farmers are by definition not allowed to use synthetic pesticides or fertilizers. The Company's contemplated move to complement its present base of cross-linked polymer additives with soil-enriching organics, either through in-house development or acquisition, appears timely. Only some 2% of acreage in the U.S. is currently farmed organically. This is a big potential market that is gathering momentum as result of increasing environmental awareness.

Leaving No Stone Unturned

Management has been diligently concentrating on evolving into a soil-additive boutique, where potential customers with special soil needs, as well as those that require a broad product base to choose from, may be served effectively. Although still an early-revenue stage enterprise, SOYL intends to provide one-stop shopping for its turf and agricultural customers for products that promote healthy growing environments, conserve precious water resources, and as well, exceed EPA standards. The mindset of the Company is to keep developing along lines that mirror the inexorably advancing "green" awareness of global consciousness in general.

In combination with its goal of evolving a winning product strategy, management will husband future financial resources to beef up its marketing and advertising presence, add qualified technical sales personnel, and ink new joint marketing agreements that will increase the awareness of its products, particularly in the retail and agricultural spaces. In regard to the latter, an exclusive Agency Agreement was recently signed with Environmental Development Co., a Kuwaiti company, which will introduce and promote SOYL's products and services in Kuwait and the U.A.E.



Management

Carl Ranno, CEO, President, and acting CFO, is the dynamic force leading SOYL's very focused management team. Before becoming CEO of the Company in 2002, he acted as an advisor in strategic planning, mergers and acquisitions, and as a securities attorney for a number of public companies. Mr. Ranno has a background in economics and chemistry, and has been the principal architect involved in the design of the Company's product strategy.

Neil Kitchen, Vice President, is SOYL's Chief Technical Officer, with over 20 years experience in business management in the environmental sector, including engineering, toxicology, and environmental cleanup. Mr. Kitchen is an expert in the use of linear and cross-linked polymers.

Johnny Dickinson, Vice President, Marketing, served for more than 30 years at John Deere, the last ten of which were as Division Manager of Worldwide Marketing. Mr. Dickinson also has a background in finance.

Donette Lamson, Vice President, Turf, Horticulture and Landscape, has over 20 years regional, national and international experience in turf, horticulture and landscape product manufacturing, distribution, and sales. Ms. Lamson has extensive knowledge of and experience with pesticide, fertilizer and treatment products for the turf, horticulture and landscape markets, as well as extensive contacts with major horticultural and agricultural universities, manufacturers and distributors in the U.S. and overseas.

Forrest Thorpe II, Director of New Business Development, served as regional technical representative for sales and marketing of several major agricultural chemical companies. Mr. Thorpe founded and developed a highly effective program for maintenance of golf courses that is noted for its cost efficiency; his is a highly recognizable name in the turf and agricultural industries.

Diana Visco, Corporate Secretary, Administration, spent over 20 years in college administration. Her background includes the handling of all aspects of finance, administration, marketing, and promotion.





Valuation

Valuing microcap stocks involves a great deal of art as well as science. In early development companies like **American Soil Technologies**, a number of assumptions have to be made in the growth model. Basically, SOYL is transforming itself into a completely new enterprise, with the injection of additional capital. Accordingly, there is no clear template that we can be derived from the past for the pathway of future sales and earnings. We have to make new assumptions on revenue growth rates, profit margins, cost of capital, ramped-up sales and marketing costs, R&D, and the like. The more assumptions that are made, the higher the error quotient—which moves up exponentially with an increasing number of unknowns: it is always better to work with a few basic variables that may be derived empirically, than a clutch of many.

Without an operating history for its new transformation to fall back upon, we have used the most simple sales & earnings model possible, as shown on page 7, incorporating management's input filtered through our own research lens. This prototype is based on roughly a 35% annual growth rate in revenues. Expenses are largely derived from Company expectations as modified by our assumption of additional unforeseen cost elements. Under this model, breakeven would be achieved by the third quarter of 2007, with full profitability being attained in 2008. We tentatively project earnings of \$.07 a share in 2010, assuming full dilution and a normal tax rate, although SOYL has deferred income tax credits of \$5,024,000 and federal net operating loss carryforwards of \$13,702,000 expiring from 2008 through 2025; and state net operating carryforwards of \$3,370,000 expiring from 2006 through 2009. Since discounted cash flow and multiple-of-sales valuation models are not appropriate here, given the nascent nature of the Company's metamorphosis, we have chosen to use a multiple of projected earnings. One times the growth rate is the rule-of-thumb that would best fit here, which would imply a discounted price of \$2.45 a share by mid-2008.





Courtesy: www.stockcharts.com

Daily View -



Technical Opinion: SOYL built a formidable base in the \$.25—\$.35 area, from which it catapulted at the end of April 2006 to near the \$1.00 level. This base would support a move to a significantly higher level over time. *This is a technical opinion only.*

LEGEND:

MA(50)—50-day moving average

MA(200)—200-day moving average

EMA—Exponential moving average giving greater weight to more recent data

