
Sunx Energy Inc.

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## *Sunx Energy…renewable fuel for life*

***Thank you for your interest in joining the Sunx Energy Team!***

Sunx Energy is a multi-facetted alternative energy company engaged in the production and distribution of environmentally friendly and clean renewable biodiesel fuel.

A combination of soaring energy costs, global warming, cooperative political landscape and regulatory drivers, and positive daily media coverage, has created the perfect atmosphere to capitalize on the exploding demand for biodiesel. Sunx has developed an exciting and profitable business venture that will enable you to participate by becoming a Certified Sunx Biodiesel Plant Owner Operator.

The information contained within has been specifically designed to inform you about the biodiesel industry, the positive environmental impact of Sunx Energy, and how you can build a successful and profitable independent business within the Sunx group. In fact, Sunx guarantees a 100 percent first year return on investment, and profits in excess of $20,000 per month!

Sunx Biodiesel Plant Owner Operator Opportunities are extremely limited: To secure your position in the exciting and multi-billion dollar alternative energy industry, call me toll free at 1-866-516-6101. I look forward to talking with you to further discuss this incredible opportunity.

Inside you will find a non-disclosure agreement. I kindly ask that you sign and date the agreement and return to Sunx Energy by fax at 604-888-0295.

Best regards,

James Stephenson
Executive Director, Sunx Energy Inc.

# Contents

# Sunx Non-Disclosure and Non-Circumvention Agreement

This Non-Disclosure and Non-Circumvention Agreement ("Agreement") is made effective as of the signing date,

By and between:

**Sunx Energy Inc,** 19889 96th Ave. Langley BC V1M 3C7, ("Sunx").

And, _____ ("The Party.")

Sunx is engaged in the production and distribution of Biodiesel, and the manufacturing and distribution of Biodiesel processing equipment and technology.

Sunx and The Party hereby agree as follows:

**Protection of Intellectual Property**

Confidential materials delivered to the Party by Sunx in the course of this Agreement, will be maintained by The Party in strict confidence and he or she will not disclose any Sunx Confidential Information to any third party. The Party will not in any way circumvent Sunx or any of the other parties involved in any of the transaction(s) the parties are desirous of entering into; and will not disclose any names, addresses, telephone or telefax numbers, e-mails, websites, locations, leases, claims, production processes, transaction items, business plans, financial projections, nor discuss or disclose any other aspect of said transaction that would in any way compromise the confidentiality of this understanding with relation to joint-venture partners, corporate acquisition or merger candidates, investment opportunities or sources of capital identified by Sunx. The Party recognizes that the contracts, contacts, and company information being disclosed by Sunx are to be considered confidential and exclusively the property of Sunx . And, that they will not enter into or disclose any information with any third party, nor enter into any type of direct negotiation(s) or transaction(s) with such contacts or any of its employees, officers, directors, or agents, without the specific written approval from Sunx.

**Restrictive Covenant**

The Party agrees with Sunx that he or she will not at any time conduct any Enterprise that will compete directly with Sunx for a period of five years (5) from the date of this agreement. The parties to the Agreement recognize that breach by The Party would result in damages to Sunx and that Sunx could not adequately be compensated for such damages by monetary award. Accordingly, The Party agrees that in the event of any such breach, in addition to all other remedies available to Sunx at law or in equity, Sunx shall be entitled as a matter of right to apply to a court of competent equitable jurisdiction for such relief by way of retraining order or injunction.

**General Provisions**

Entire Agreement: Amendments, Modifications and Waiver. This Agreement, together with all Exhibits hereto, constitutes the entire understanding and agreement of the parties with respect to its subject matter, and supercedes all prior understandings and agreements, whether written or oral, with respect to such subject matter. No waiver, modification or amendment of any provision of this Agreement will be effective unless it is in writing and signed by the parties without limiting the foregoing, no waiver shall be implied by or deemed to have occurred on account of any course of conduct or dealing. This agreement shall be for five years (5) from the date signed and shall apply to any and all Agreements and transactions entertained or entered into by the parties hereto. This document shall in no way be construed as being an Agreement of partnership in such a way that any of the individual parties to this Agreement shall have any claim against any separate dealings, ventures, or assets of any other party, nor shall any party be liable for any other party's commitments or liabilities in business or personal dealings or situations.

Severability. If any provision of this Agreement or the application thereof, shall for any reason and to any extent be determined by any tribunal of competent jurisdiction to be invalid or unenforceable, the remaining provisions of this Agreement shall be interpreted so as best to reasonably effect the intent of the parties. The parties further agree that any such invalid or unenforceable provisions shall be deemed replaced with valid and enforceable provisions that achieve, to the extent possible, the business purposes and intent of such invalid and unenforceable provisions. This Agreement will be governed by the laws of British Columbia.

Counterparts. This Agreement may be signed in counterparts.

IN WITNESS WHEREOF, This Agreement shall be effective on the date signed and constitutes upon execution by the parties a legally binding NON-DISCLOSURE AND NON-CIRCUMVENTION RELATIONSHIP AGREEMENT.

The parties hereto have executed this Agreement on the dates specified below.

_____ _____

Mr. James Stephenson Date
Executive Director, Sunx Energy Inc.

_____ _____

Date

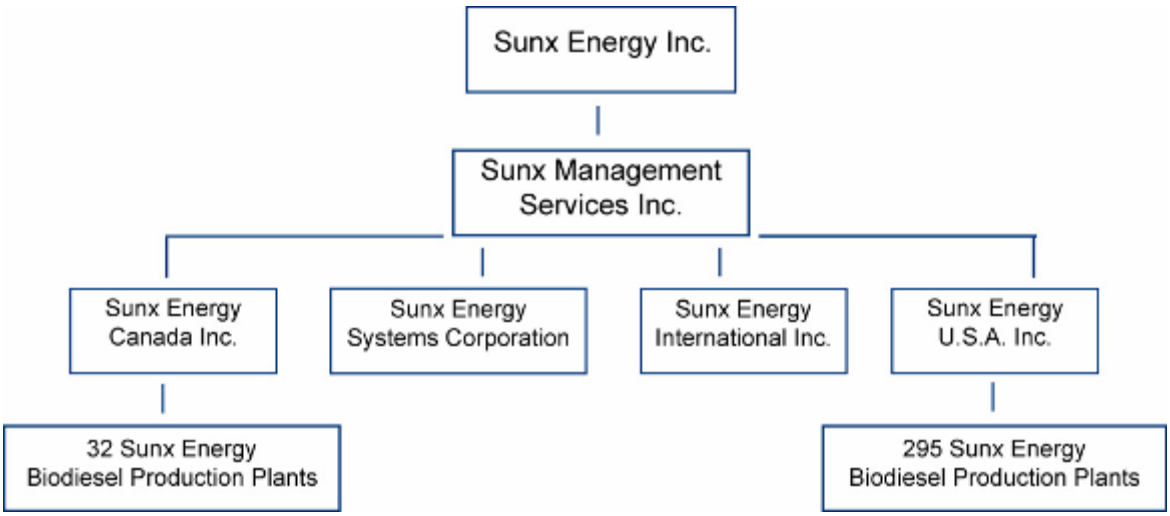
## About Sunx Energy

Sunx is a multi-facetted alternative energy company engaged in the business of Biodiesel production and distribution, as well as the manufacturing of Biodiesel production equipment and technology. Biodiesel is a leading alternative fuel source for diesel engines, which is produced by chemically reacting vegetable oil with an alcohol to produce a fatty acid alkyl ester. Biodiesel can be easily integrated into existing petroleum distribution systems from handling, chemical, physical and performance perspectives. Sunx Biodiesel is easy to use, handle, store and blend, and is biodegradable and non-toxic.

Recent surges in world petroleum oil prices has translated into exploding demand for renewable alternative energy sources as a means for decreasing reliance on petroleum energy products and creating a cleaner environment. Sunx is perfectly positioned to capitalize on the increasing global demand for green renewable Biodiesel fuel. The company intends to build 330 Biodiesel production and distribution facilities in North America, as well as international expansion.

U.S. and Canadian governments have set a B20 biodiesel blend target by 2020, and Sunx and our producer / distributors are perfectly positioned to capitalize on these regulatory divers and become biodiesel industry leaders. The objective is long-term sustainability and profitability for the company and our distributors, coupled with environmental advocacy. Sunx forecasts annualized company-wide revenues in excess of **$1.5 Billion** by 2017, making Sunx the largest producer and distributor of Biodiesel in North America.

### The Sunx Energy Group



## Sunx Mission Statement

Sunx is committed to supporting renewable vegetable-based alternative biodiesel fuels. Our goal is to produce, provide, and promote the highest quality biodiesel fuel available. Sunx is uniquely positioned to provide an immensely beneficial alternative fuel, alongside raising awareness of increasingly important global environmental issues. Sunx will become an industry leader facilitating the building of a sustainable, credible and economically viable biodiesel industry in North America, in synchronization with quality, community and positive environmental standards

## Sunx Management Team

***James Stephenson, Co-Founder, Executive Director***

A bona fide entrepreneur, Mr. Stephenson brings 20-years business start-up, management, and consulting experience to the Sunx team. He is a widely recognized business, sales and marketing expert and author of nine bestselling business books with more than a million copies in print.

***Wayne Stripp, Co-Founder, Executive Director***

Mr. Stripp has flourished in sports and business, as a professional hockey player drafted by the Washington Capitals, and owner of numerous successful business enterprises since retiring from hockey. Mr. Stripp has extensive experience in Internet technologies, software development, and implementing logistics systems.

***Daniel LaPointe, CFO***

Mr. LaPointe provides Sunx with more than 30- years expertise in corporate start-up, operations, management, finance and securities trading. He has provided consulting services to both publicly traded and private international corporations, assisting in the emerging markets for their finances.

***Denny Mee, CAO***

Mr. Mee received his Bachelor of Commerce from Carleton University and his C.A. from K.P.M.G. He is a member of the BC and Ontario Institute of Chartered Accountants and FEI Canada. Denny has 30-years experience as a senior financial and operational executive with private and public firms.

***Adam Fishman, VP of Operations***

Mr. Fishman’s background is comprised of a formal business education and management of manufacturing technology. He has designed equipment and processes for Ballard Fuels, U.S. Department of Defense, Nuytco Research, Boeing, Daimler Chrysler, General Motors, and the Ford Motor Company.

## Sunx Marketplace

*President Bush Delivers State of the Union Address, January 23, 2007*

*"It's in our vital interest to diversify America's energy supply…we need to expand the use of clean diesel vehicles and biodiesel fuel…we must increase the supply of alternative fuels, by setting a mandatory fuels standard to require 35 billion gallons of renewable and alternative fuels in 2017…achieving these ambitious goals will dramatically reduce our dependence on foreign oil…and help us be better stewards of the environment and help us to confront the serious challenge of global climate change."*

There are several factors driving demand for biodiesel, notably the Kyoto protocols, the U.S. ban on MTBEs and requirement for ultra-low sulfur diesel in North America, and increasing international government interventions in the areas of mandatory biodiesel content, tax credits, and differential taxes. Many municipalities in Canada and the Untied States have mandated the use of biodiesel blends into policy, and U.S. and Canadian governments have set a B20 biodiesel blend target by 2020, which means that all diesel fuel sold in North America will be blended with Biodiesel.

Additionally, continued instability in oil-producing regions and the resulting higher oil prices have prompted policymakers and industry to pursue alternative fuels which are cleaner and often produced from locally-grown and renewable commodities such as vegetable oils, which appeals to Western consumers. Furthermore, global warming is front-page news and green house gases caused by automobile emissions will continue to gain attention. Biodiesel provides benefits in all these areas, which will further increase the fuel's economic competitiveness. Moreover, biodiesel offers fleet managers an immediate and "seamless" ability to transform their entire diesel fleet into a cleaner burning alternative fuel fleet, without any capital investment.

## Sunx Customers

Sunx customers include large-volume biodiesel users, such as overland trucking companies, fleet operators and bulk fuel distributors. However, the present market for Sunx biodiesel extends far beyond fleet and transport applications. Biodiesel is easy to use, handle, store and blend. It is biodegradable and non-toxic. It is an ideal fuel for environmentally sensitive areas and for diesel applications that have emissions considerations, such as school buses, marine industries, forestry and mining applications, and the film production industry.

By emphasizing the intrinsic qualities of our biodiesel and focusing on our main target markets, Sunx will differentiate our biodiesel from other petroleum and alternative fuels, and position our company as offering the highest quality biodiesel available and a viable alternative fuel. Success will be achieved by offering competitive prices at or below the level of the conventional diesel fuel, creating strong distribution channels to ensure stability of production, emphasizing key advantages of our product, distribution system, and by building long-term business relationships with our customers, not single-transaction deals with customers.

***Overland Trucking and Commercial fleets***

Sunx will target overland freight companies and fleet operators, as these comprise our biggest and most lucrative market segment. Sunx will acquire membership inTrucking Associations and Advocacy Groups to help promote the benefits of biodiesel fuel to the trucking industry and build the Sunx brand. Private, public, and military fleet operators in Canada and the United States are also Sunx customers. A recent sample of 75 large fleet operators conducted for the National Biodiesel Board indicated that about 45 percent of the operations surveyed currently used biodiesel blends or B100, while most were using blends of B20 or more. Approximately 46 percent of the respondents were not currently using biodiesel, but were favorable toward the concept of a bio-based fuel. Only 9 percent of survey respondents registered unfavorable responses toward the use of biodiesel. The U.S. government currently has more than 600 fleets and thousands of trucks operating on biodiesel blends. Toronto Hydro was one of the first operations in Canada to pump biodiesel into their trucks. The utility switched its 400-vehicle fleet to B20, and cut greenhouse gas emissions by 30 percent.

***Public Transit***

Metropolitan Public Transit buses and School Buses are both significant users of diesel fuel and represent a growing market segment for Sunx biodiesel blends. The desire to meet clean air standards and reduce carbon monoxide, hydrocarbon and particulate emissions from buses had led metro areas in many parts of North America to experiment with and change to biodiesel blends. Vancouver-based Translink is testing a fleet of public transit busses powered by a mixture consisting of 80 percent regular low-sulfar diesel and 20 percent biodiesel. There are school districts, which are also experimenting with blends as a strategy to provide healthier air and environment for students. U.S. and Canadian school buses currently log approximately 4.5 billion miles per year and represent an important target market for Sunx biodiesel.

***Marine***

Sunx biodiesel is marine friendly: it is non-toxic, completely biodegradable and essentially free of sulphur and aromatics. Biodiesel is perfect for marine diesel engines to enhance performance, improve engine lubrication, and reduce air and water pollution caused by the exhaust. Sunx biodiesel is a viable alternative for several categories of mariner industry, including recreational boating, inland commercial and ocean-going ships, research vessels, passenger ferries and Coast Guard boats. Carnival Cruise Ships have been successfully using biodiesel for years with no problems. Sunx believes that there should be particular emphasis on using biodiesel in boats operating on lakes, rivers and confined bays that are more sensitive to air and water pollution. Sunrider, a biodiesel-fueled 24-foot Zodiac Hurricane Boat successfully completed an around the world voyage covering 40,000 miles with no engine modifications. Sunrider visited 40 countries to publicize biodiesel and renewable energy.

***Construction and Industry***

Bulldozers, cranes, forklifts, road graders, dump trucks, diesel generators and other heavy construction equipment are large users of diesel fuel. Many construction companies now use biodiesel blends and the trend is on the rise. Because Sunx biodiesel is biodegradable, adopting biodiesel blends is a logical application in the forestry and mining sector since there will be less carbon (soot) accumulation and particulate (smoke) emissions, and accidental discharges of biodiesel would have no impact on the environment compared to petroleum diesel discharges. Lollapalooza uses biodiesel to power festival generators. Entertainers such as Jane's Addiction, Neil Young, Sara Harmer, Bonnie Rait, and Willie Nelson also use biodiesel to power their tour busses and generators.

***Agriculture***

Canadian and American farmers have been among the first to embrace biodiesel movement in North America. Farming organizations and cooperatives have promoted the use of biodiesel blends in farm trucks and power equipment with blends of 20 percent or more for years. Many farmers have taken a grassroots approach to renewable fuel to power their equipment by building homemade crude biodiesel processors. Sunx will tap this large market by establishing a biodiesel delivery infrastructure and provide farmers on both sides of the boarder with efficient Sunx biodiesel delivery options to meet their individual renewable fuel needs.

***Home Heating***

The home heating oil industry is evaluating biodiesel as a potential blend stock for home heating oil. Testing has been done on blends of up to 80 percent with positive environmental and operational results. The greatest benefit of using Sunx biodiesel with home heating oil is the reduction of NOx. This reduction is due to the different combustion processes that occur in a furnace heater and a diesel engine. The studies also showed a corresponding reduction in Sulphur Oxides. Approximately 16,000,000 homes in North America are heated with furnace oil, which represent an enormous potential future market for *Sunx Bio Degradable Home Heating Fuel.*

***Passenger Vehicles***

Automobile manufacturers closely watch consumer-buying habits, especially when it means increased market segment. Manufactures like Ford and Volkswagen have announced their diesel-powered vehicles are leaving the factory filled with biodiesel-blended fuel. In fact, most diesel engine manufacturers have affirmed that use of B20 will not void warranties and are actively working with industry on research and development activities. In the United States and Canada there are testing programs in place, which offer biodiesel blends at more than 500 filling stations. In European countries, biodiesel blends have been available at the pumps for more than ten years, and it is widely expect that the trend will continue to expand in North America, creating yet another enormous potential market for Sunx biodiesel. In Los Angeles a company called Bio-Beetle Eco Rental Cars is exclusively offering rental cars powered entirely by biodiesel.

# Sunx Biodiesel Producer / Distributor Opportunity

## Getting Started

Sunx is proud to provide qualified entrepreneurs with a real and exciting business opportunity to become a Sunx Biodiesel Producer / Distributor Plant Owner. Sunx intends to open in excess of 300 production plants, making us and you the largest producer and distributor of biodiesel in North America.

To meet our objectives we need business-minded people that want to own and operate their own successful and profitable independent business, and people that share our same passion for environmentally friendly business practices.

*What do you need to succeed as an operator?*

You need strong management and organizational skills, coupled with an entrepreneurial spirit and drive. Sunx provides the rest.

Traditionally 90 percent of a business owner's time is consumed by sales and marketing, leaving little, if any, time to concentrate on quality products or services. The Sunx opportunity is based on a simple philosophy: We want all plant owners to concentrate only on producing quality Sunx biodiesel while providing a high level of customer service, and Sunx does the rest.

The logistics chain is very straightforward. Once your plant is built and operational, Sunx ships raw materials to your production facility, which you process into quality Sunx biodiesel. Processed biodiesel is shipped from your facility to our customers. Sunx does all sales and marketing, and pays plant owners eleven cents ($0.11) per liter produced. Monthly production targets are 300,000 liters and can be doubled simply by adding a second production shift.

Sunx biodiesel plants operate Monday to Friday from 7:00 AM to 5:00 PM, which leaves time to spend with family and friends, pursue hobbies and recreation, or even operate other businesses. Plants require a production staff of 2, and absentee ownership is possible as Sunx provides all training, certification, and ongoing support for plant owners and production staff.

Sunx wants to be close to our customers and that is why we have chosen a multi-plant business model, which enables us to build and operate plants throughout North America in close proximity to our customers thereby reducing infrastructure and delivery costs, while improving customer service and delivery times.

## Sunx 'Turn-key' Package

The Sunx Business Opportunity is truly a 'Turn Key' business. We provide everything that is required to start and operate your business, including:

- Sunx biodiesel production equipment
- Sunx biodiesel production software and technology
- Sunx biodiesel production guarantee contract
- Owner / staff training and certification
- Complete tenant improvements
- Location branding package
- Computers and office equipment
- 5-year comprehensive equipment warranty
- Ongoing and unlimited support
- Low investment and operating costs
- High ROI and profits
- Expansion opportunities

## Investment and Financing

The total investment to start, own, and operate a 'Turn-Key' Sunx Biodiesel Production Plant is $500,000. Sunx is proud to offer entrepreneurs creative and flexible financing options. Financing part of the total investment is wise, as it enables you to pay for the plant, and your business, from the profits you earn, while building equity. You own it and can sell it, expand it, or pass it on to future generations.

***Sunx Financing Example***

| | |
|---|---|
| Investment | $500,000 |
| Down payment | $250,000 |
| Amount financed | $250,000 |
| Term | 60 months |
| Rate | 7.5% |
| Payment | $4,995.89 per month |
| Profit | $243,000 per year |
| ROI | 97.2% + wages year one |

# Producer / Distributor Profit Projections

**Revenue**

| | Per Month | Per Annum | Notes |
|---|---|---|---|
| Biodiesel production | $33,000 | $396,000 | 1 |

**Operational Expenses**

| | Per Month | Per Annum | |
|---|---|---|---|
| Building lease | $3,000 | $36,000 | |
| Building utilities | $750 | $9,000 | |
| Wages (2 staff) | $7,000 | $84,000 | |
| Communications | $250 | $3,000 | |
| Insurance | $300 | $3,600 | |
| Banking / accounting | $200 | $2,400 | |
| Equipment maintenance | $750 | $9,000 | 2 |
| Miscellaneous | $500 | $6,000 | |
| | $12,750 | $153,000 | |

**Profit**

| | Per Month | Per Annum | |
|---|---|---|---|
| Pretax profit | $20,250.00 | $243,000.00 | |
| Financing costs | $4,995.89 | $59,950.68 | 3 |

Notes:

1. Each Sunx plant produces 300,000 liters of biodiesel monthly. Sunx Energy pays plants owners $0.11 cents per liter produced.
2. Sunx biodiesel production equipment is covered by a five-year comprehensive warranty. However, scheduled monthly maintenance ensures peak equipment performance.
3. Sunx is proud to provide financing solutions. Payments based on $250,000 financed @ 7.5% annually for 60 months.

# Sunx Biodiesel

## About Biodiesel

Biodiesel is the name for a variety of ester-based oxygenated fuels made from vegetable oils. The concept of using vegetable oil as a fuel dates back to 1895 when *Dr. Rudolf Diesel* developed the first diesel engine to run on vegetable oil. Diesel demonstrated this engine at the World Exhibition in Paris in 1900, fueled with peanut oil. *Biodiesel* refers to the pure, or 100 percent biodiesel fuel, referred to as B100. A biodiesel blend is pure biodiesel blended with petrodiesel. Biodiesel blends are referred to as Bxx. The xx indicates the amount of biodiesel in the blend. Biodiesel can be used alone or mixed in any ratio with petroleum diesel. The most common blend is a mix of 20 percent biodiesel with 80 percent petroleum diesel, or "B20."

Today's diesel engines require a clean-burning, stable fuel that performs well under a variety of operating conditions. Biodiesel is the only alternative fuel that can be used directly in any existing, unmodified diesel engine. Because it has similar properties to petroleum diesel fuel, biodiesel can be blended in any ratio with petroleum diesel fuel. More than 600 federal and state fleet vehicles in USA are already using biodiesel blends. The use of Sunx biodiesel in environmentally sensitive areas such as Provincial Parks and Ski resorts contributes to the preservation of lands for future generations.

***Key Advantages of Sunx Biodiesel***

- Biodiesel is the only alternative fuel to complete EPA Tier I Health Effects Testing under section 211(b) of the Clean Air Act, and based on Ames Mutagenicity tests, biodiesel provides a 90 percent reduction in cancer risks.
- Biodiesel is the only alternative fuel that runs in any conventional, unmodified diesel engine. It can be stored anywhere that petroleum diesel fuel is stored.
- Biodiesel produces up to 80 percent less carbon dioxide emissions, and almost 100 percent less sulphur dioxide. Combustion of biodiesel alone provides over a 90 percent reduction in total unburned hydrocarbons, and a 75-90 percent reduction in aromatic hydrocarbons.
- Biodiesel is 11 percent oxygen by weight and contains no sulphur. The use of biodiesel can extend the life of diesel engines because it is more lubricating than petroleum diesel fuel, while fuel consumption, power output, and engine torque are relatively unaffected by biodiesel.
- Biodiesel is safe to handle and transport because it's as biodegradable as sugar, 10 times less toxic than table salt, and has a high flashpoint of about 125°C compared to petroleum diesel, which has a flash point of 55°C.
- Biodiesel is a proven fuel with over 30 million successful US road miles, and over 20 years of use in Europe. In Europe, biodiesel has been available at the pump in various blends, for over 15 years and consumption reached more than 2 billion liters in 2004, and is expect to rise to more than 10 billion liters of consumption by 2010.
- The Congressional Budget Office, and Department of Defense, US Department of Agriculture, and others have determined that biodiesel is the low cost alternative fuel option for fleets to meet requirements of the Energy Policy Act (EPA).

## Standards

Biodiesel must meet "pure specifications" before blending with petrodiesel, which is designed to ensure that consumers will not experience operational problems. Quality fuel will provide users with improved air quality and enhanced operability. Poor quality fuel will create operability problems and increased maintenance requirements, which is why Sunx biodiesel meets the current standards of ASTM D6751-02, DIN V 51606 and EN 14214:2005. In fact, Sunx will set the standards in terms of quality and performance.

Furthermore, *The National Biodiesel Accreditation Program* is a cooperative and voluntary program for the accreditation of producers and marketers of biodiesel fuel called BQ-9000. The program is a unique combination of the ASTM standard for biodiesel, ASTM D 6751, and a quality systems program that includes storage, sampling, testing, blending, shipping, distribution, and fuel management practices. BQ-9000 is open to any biodiesel manufacturer, marketer or distributor of biodiesel and biodiesel blends in the United States and Canada. The program is similar to the ISO 9000 accreditation program.

## Performance

Successful alternative fuels fulfill environmental and energy security needs without sacrificing operating performance. Operationally, Sunx biodiesel performs very similar to low sulphur diesel in terms of power, torque, and fuel without major modification of engines or infrastructure.

Biodiesel offers similar power to diesel fuel. One of the major advantages of biodiesel is the fact that it can be used in existing engines and fuel injection equipment with little impact to operating performance. Biodiesel has a higher cetane number than North American diesel fuel. In over 30 million miles of in-field demonstrations, biodiesel showed similar fuel consumption, horsepower, torque, and haulage rates as conventional diesel fuel, with the added benefit of less harmful emission.

Biodiesel provides significant lubricity improvement over petroleum diesel fuel. Lubricity results of biodiesel and petroleum diesel using industry test methods indicate that there is a marked improvement in lubricity when biodiesel is added to conventional diesel fuel. Even biodiesel levels below 1 percent can provide up to a 30 percent increase in lubricity, which substantially decreases engine wear, thereby providing lower maintenance and repair costs.

Cold weather can cloud and even gel any diesel fuel, including biodiesel. Users of a 20 percent biodiesel blend will experience a decrease of the cold flow properties (cold filter plugging point, cloud point, pour point) of approximately 3 to 5° Fahrenheit. Precautions beyond those already employed for petroleum diesel are not needed for fueling with 20 percent blends. Sunx biodiesel will have an additive to reduce the usable temperature of the biodiesel to as low as –40 deg (F,C). Neat (100 percent) biodiesel will gel faster than petrodiesel in cold weather operations. Solutions for winter operability with biodiesel are much the same as that for low-sulphur #2 diesel (i.e., blending with #1 diesel, utilization of fuel heaters, and storage of the vehicle in or near a building).

# Sunx Biodiesel Production Plants

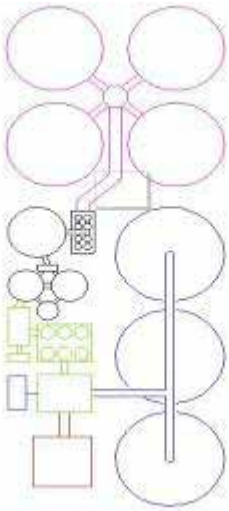
## Sunx Biodiesel Production Plants

Traditionally, biodiesel processing plants have followed the petrodiesel refinery model, large facilities with large capital and infrastructure costs.
The concept of production volume reducing per unit costs does not necessarily apply to biodiesel. Petrodiesel plants have pipelines, tanker truck fleets, supertankers, etc to move the raw materials and finished goods. If the same model is applied to biodiesel, the costs become prohibitive since there are no pipelines and very few petroleum company stations equipped to sell biodiesel at this time. Furthermore, traditional design for biodiesel processing pants incorporate large storage tanks for washing and settling of the biodiesel.

Sunx will use a proprietary "Waterless Continuous Biodiesel Processing Plant", which produces 300,000 liters per month of biodiesel per month (3,600,000 liters annually). This allows Sunx to be close to our customers, thereby greatly reducing the costs associated with infrastructure, transportation, sales, and customer relationship management.

The Sunx production system is controlled by a programmable logic controller; similar to modern manufacturing and machining equipment. In addition to the high level of quality control afforded by the computer-controlled design, the processor also has a closed loop catalyst system to recover unused catalyst, thereby reducing waste, and lowering manufacturing cost. This computer-controlled processor is designed to minimize operator interface, and obtain greater consistency in quality and production.

## Sunx Waterless Continuous Biodiesel Processing Plant



The Sunx Waterless Continuous Biodiesel Processing Plant, have several important operating cost advantages over batch plants. It is possible to reuse excess methanol that has not become part of the biodiesel and it is possible to reuse the catalysts. Both are typically lost in the batch plants. Also continuous flow plants are able to deliver larger quantities of higher quality and more consistent methyl ester product. Feedstock is derived from a number of quality virgin vegetable oil products, including processed palm kernel oil, canola oil, and soy oil.

Sunx plants include a testing apparatus to ensure that the finished biodiesel meets the current standards; ASTM D6751-02, DIN V 51606 and EN 14214:2005. In addition to these standards, each facility will be certified by The *National Biodiesel Accreditation Program* and adhere to the production criteria set out in the BQ-9000 program. A copy of the certificate of compliance, and standards met, will be found on the back of each sales invoice.

## Technology

Sunx is currently developing a completely automated, remotely operated Logic controlled processor. It will be utilizing NIR Spectroscopy for continuous measurement and monitoring of the process. The application of this technology will set our biodiesel production methods apart from competitors. Spectroscopy is fast and extremely accurate, and with our proprietary "Spectrographic Quality Assurance Unit" (patent pending) our processor will be placed as the pre-eminent biodiesel production system in the biodiesel production market.

With the application of our patented "Spectrographic Quality Assurance Unit" and our continuous quality monitoring system, Sunx biodiesel is guaranteed to meet and exceed not only the ASTM standard, but also the European DIN EN standard, regardless of feedstock, or influence from other manufacturing factors such as temperature or humidity.

The Sunx production system incorporates the most up to date processes for biodiesel production including a completely waterless system. Every biodiesel shipment will be tracked with our QA system ensuring compliance and full traceability from delivery of raw feedstock to delivery of Sunx biodiesel to our customers.

## Sunx Certification

All Sunx Biodiesel Production / Distribution Plant Owners and employees will be required to attend and pass Sunx Plant Operations Certification. Training will consist of one-week in our training facility. Time will be spent in the classroom learning about biodiesel production, as well as on the floor leaning hands on how to operate Sunx biodiesel processing equipment, first-aid and work safe practices, as well as the day-to-day operations of the plant. Sunx will provide further support to all plant managers and production staff, via, online training workshops, telephone conferences, on-site training and operations visits, and our annual Sunx Plant Owners conference.

# Sunx Helping the Environment

## Health and Safety

In June 2000, representatives of the U.S. Congress announced that biodiesel had become the first and only alternative fuel to have successfully completed the Tier I and Tier II Health Effects testing requirements of the Clean Air Act Amendments of 1990. Subsequently, the soybean industry invested millions and four years into the health effects testing program with the goal of setting biodiesel apart from other alternative fuels and increasing consumer confidence in biodiesel.

The Tier I testing conclusively demonstrated biodiesel's significant reductions in most currently regulated emissions as well as most unregulated emissions—especially those associated with cancer and lung disease. Tier II testing demonstrated biodiesel's non-toxic effect on health. Biodiesel reduces the health risks associated with petroleum diesel. Biodiesel emissions showed decreased levels of PAH and nitrited PAH compounds, which have been identified as potential cancer causing compounds. In the recent testing, PAH compounds were reduced by 75 to 85 percent, with the exception of benzo(a)anthracene, which was reduced by roughly 50 percent. Targeted nPAH compounds were also reduced dramatically with biodiesel fuel, with 2-nitrofluorene and 1-nitropyrene reduced by 90 percent, and the rest of the nPAH compounds reduced to only trace levels.

***Sunx Biodiesel Health and Safety Testing***

● *Acute Oral Toxicity Rates:* Biodiesel is nontoxic. The acute oral LD50 (lethal dose) is greater than 17.4g/Kg body weight. By comparison, table salt (NaCL) is nearly 10 times more toxic than Sunx biodiesel.

● *Skin Irritation in Humans:* A 24-hour human patch test indicated that undiluted biodiesel produced very mild irritation. The irritation was less than the result produced by a 4 percent soap and water solution.

● *Aquatic Toxicity*: A 96-hour lethal concentration for bluegill of biodiesel grade methyl esters was greater than 1000 mg/L. Lethal concentrations at these levels are generally deemed "insignificant" according to NIOSH (National Institute for Occupational Safety and Health) guidelines in its *Registry of the Toxic Effects of Chemical Substances.*

● *Biodegradability:* Biodiesel degrades about four times faster than petroleum diesel. Within 28 days, pure biodiesel degrades 85 to 88 percent in water. Dextrose (a test sugar used as the positive control when testing biodegradability) degraded at the same rate. Blending biodiesel with diesel fuel accelerates its biodegradability. For example, blends of 20 percent biodiesel and 80 percent diesel fuel degrade twice as fast as #2 diesel alone.

● *Flash Point:* The flash point of a fuel is defined as the temperature at which it will ignite when exposed to a spark or flame. Biodiesel's flash point is over 125° Celsius, well above petroleum

based diesel fuel's flash point of around 58° Celsius. Testing has shown the flash point of biodiesel blends increases as the percentage of biodiesel increases. Therefore, biodiesel and blends of biodiesel with petroleum diesel are safer to store, handle, and use than conventional diesel fuel.

## Environmental Emissions

Biodiesel is the first and only alternative fuel to have a complete evaluation of emission results and potential health effects submitted to the U.S. Environmental Protection Agency (EPA) under the Clean Air Act Section 211(b). These programs include the most stringent emissions testing protocols ever required by EPA for certification of fuels or fuel additives in the US. The data gathered through these tests complete the most thorough inventory of the environmental and human health effects attributes that current technology will allow.

- *Ozone:* The overall ozone (smog) forming potential of biodiesel is less than diesel fuel. The ozone forming potential of the speciated hydrocarbon emissions was nearly 50 percent less than that measured for diesel fuel.

- *Sulphur:* Sulphur emissions are essentially eliminated with pure biodiesel. The exhaust emissions of sulphur oxides and sulfates (major components of acid rain) from biodiesel were essentially eliminated compared to sulphur oxides and sulphates from diesel.

- *Criteria Pollutants*: Criteria pollutants are reduced with biodiesel use. The use of biodiesel in an unmodified Cummins N14 diesel engine resulted in substantial reductions of unburned hydrocarbons, carbon monoxide, and particulate matter. Emissions of nitrogen oxides were slightly increased.

- *Carbon Monoxide*: The exhaust emissions of carbon monoxide (a poisonous gas) from biodiesel were 50 percent lower than carbon monoxide emissions from diesel.

- *Particulate Matter*: Breathing particulate has been shown to be a human health hazard. The exhaust emissions of particulate matter from biodiesel were 30 percent lower than overall particulate matter emissions from diesel.

- *Hydrocarbons*: The exhaust emissions of total hydrocarbons (a contributing factor in the localized formation of smog and ozone) were 93 percent lower for biodiesel than diesel fuel.

# Sunx Biodiesel Plant Deposit Agreement

This Agreement dated _____, _____, 2007 sets forth the basic terms and conditions of an agreement made,

By and Between:

**Sunx Energy Inc.,** 19889 – 96th Ave, Langley BC. V1M 3C7 ("Sunx").

And, _____ ("The Buyer(s)")

**Intent.** Sunx is in the business of biodiesel production, sales and distribution, and the manufacturing of biodiesel production equipment and technology, and intends to open 320 biodiesel refining facilities in North America, as well as license Sunx technology internationally. The Buyer(s) wishes to purchase and operate a Sunx Biodiesel Plant, and produce and distribute biodiesel under the Sunx brand. Therefore, Sunx and The Buyer(s) hereby agree as follows:

**Deposit.** The Buyer(s) agrees to pay Sunx Energy a deposit of twenty-five thousand dollars ($25,000) towards the total sum of five hundred thousand dollars ($500,000) for the purchase of a Sunx Energy Biodiesel Production Plant, which will be located within the geographic region of, or in close proximity to _____.

**Formalization.** The Buyer(s) and Sunx will formalize and ratify a Sunx Energy Biodiesel Plant Owner / Operators Agreement within twelve months (12) from the date of this Agreement, failing which The Buyer(s) deposit will be returned in full, and this Agreement will be terminated.

**General Provisions**

Confidential materials delivered to The Buyer(s) by Sunx in the course of this Agreement will be maintained by The Buyer(s) in strict confidence and will not disclose Sunx Confidential Information. The Buyer(s) agrees with Sunx that he or she will not at any time conduct any commercial endeavor including, the production and distribution of biodiesel, or the manufacturing and sales of biodiesel production equipment and technologies, or the sales and distribution of biodiesel feedstock or ingredients, that will compete directly with Sunx for a period of sixty months (60) from the date of this agreement, without permission from Sunx in writing.

This Agreement, together with all Exhibits hereto, constitutes the entire understanding and agreement of the parties with respect to its subject matter, and supercedes all prior understandings and agreements, whether written or oral, with respect to such subject matter. No waiver, modification or amendment of any provision of this Agreement will be effective unless it is in writing and signed by the parties without limiting the foregoing, no waiver shall be implied by or deemed to have occurred on account of any course of conduct or dealing.

The occurrence of any of the following events shall, upon election of the other party and written notice thereof, result in immediate termination of this Agreement: (i) if the other party becomes insolvent or, (ii) whether voluntary or involuntary, if any process or proceeding of any court is instituted against the other party by attachment or levy or execution, in insolvency or bankruptcy, or in receivership, or (iii) if any general assignment is made or attempted to be made for the benefit of creditors by the other party or (iv) the misuse of Sunx intellectual property.

If any provision of this Agreement or the application thereof, shall for any reason and to any extent be determined by any tribunal of competent jurisdiction to be invalid or unenforceable, the remaining provisions of this Agreement shall be interpreted so as best to reasonably effect the intent of the parties. The parties further agree that any such invalid or unenforceable provisions shall be deemed replaced with valid and enforceable provisions that achieve, to the extent possible, the business purposes and intent of such invalid and unenforceable provisions.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the dates specified below.

**The Buyer(s)**

_____ _____
Date

_____ _____
Date

**Sunx Energy Inc. (Sunx)**

_____ _____
Mr. James Stephenson, Date
Executive Director

**Additional information contact:**

James Stephenson
Executive Director
Sunx Energy Inc.
1-866-516-8101
james@sunxenergy.com