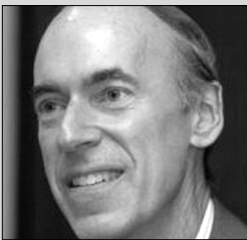


# THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

## Genoil Inc. (GNOLF:OTC.BB)



**DAVID K. LIFSCHULTZ**, Chairman and Chief Executive Officer of Genoil Inc., has a long and successful career in directing companies in the fields of technology, transportation and energy. He is the President and Chief Executive Officer of Lifschultz Investments, a family office, as well as Lifschultz Terminal Leasing Inc., a holding and investment company that allocates capital for alternative energy technologies and energy technologies that create greater efficiencies. He has been an investor in the oil and energy industry for the past 20 years with consistent annual returns on capital. He has a vast portfolio of oil and energy-related companies including a large stake in NYSE Callon Petroleum. From 1980 to 1991,

Mr. Lifschultz was President and Chief Executive Officer of Lifschultz Fast Freight, a surface transportation company with 2,000 employees and revenues of approximately \$100 million per annum, and he also supervised Trans Air Freight Systems, which he sold to Air Express International. In addition, he supervised ocean freight forwarder Wolf and Gerber and brokerage clearing house Loretz & Co. Mr. Lifschultz created the first integrated surface air transportation system. For 10 years, Mr. Lifschultz was President and CEO of Lifschultz Industries Inc., a high tech precision heat measuring company that measured heat to the nano degree, which was sold to Danaher in 2001. Mr. Lifschultz built the company up from \$1.50 stock value and \$2 million in sales with no profits and sold it eight years later for \$33 million (\$22.80 per share) to Danaher. Family transportation interests date back to 1899. He owns approximately 20% of Genoil's common shares, and has invested millions of dollars of his family money with Genoil.

### TWST: What is Genoil?

**Mr. Lifschultz:** Genoil Inc. is an engineering and project development company with a number of technologies that it has brought to the market. It has been in business in this technology development area for five to six years. Our major technology is the Genoil Hydroconversion Upgrader (GHU™) that converts sour heavy oil into sweet light oil. Around 70% of the world's oil supplies in reserves are heavy, and heavy oil does not refine easily, especially the sour oil that has high sulfur content. Our technology removes the sulfur and lightens that oil so it is easier to refine and becomes more conducive to producing gasoline, jet fuel and diesel, and at the same time it removes substances that are not environmentally friendly such as heavy metals or materials that could create greenhouse gases, such as 90% plus of the sulfur and a majority of the nitrogen.

We are bringing this technology to a total upgrading market of about 22 million barrels a day of sour heavy oil, including sour heavy oil upstream production and residual oil or heavy oil bottoms produced in the refining process. It has been forecast that in 10 to 15 years this market should grow to 50 million barrels a day of sour heavy oil and residual oil bottoms. Today's worldwide daily oil production is about 86 million barrels. Of that, 22 million barrels are heavy; the balance is light. Our technology is becoming more and more important to a market where sour heavy crude production is increasing while demand of light oil is also growing.

Some of the largest heavy oil reserves include Venezuela's Orinoco heavy oil belt, and Canada's Athabasca oil sands. These two countries' reserves together, account for approximately 3.6 trillion barrels of heavy oil and bitumen in place. Heavy oil production has been

steadily increasing in Canada over the last 15 years, driven by the development of the oil sands, with a current production of 1 million bpd and projected to be more than 3 million bpd in 2020. The Canadian Association of Petroleum Producers says that the share of oil sands production is expected to grow from a current 45% to 80% by 2020. Other notable heavy oil reserves are in Saudi Arabia, Russia, Brazil. The development of these heavy oil fields is having significant implications in the global oil markets. For instance, US imports are becoming heavier: from the total imported crude, about 13% is heavy (less than 20° API) while six years ago it represented 6%. Therefore, the sulfur content of crude imports to refineries has increased, while the U.S. has only a few refineries with the capacity to process this heavy sour crude.

Another technology that Genoil has is a bilge water cleaner, which separates the bilge water of oil and other sediments so that water can be discharged into the ocean or inland waterways. This would appeal to the worldwide 50,000-ship market. We have successfully tested this bilge water cleaner or pit separator according to IMO MEPC 107(49) and US Coast Guard regulations. We have 16 of

GHU, we have a letter of intent with the Hebei Zhongjie Petrochemical Group Company Ltd., a refining company in China, for a 20,000 barrel per day refinery retrofit that will upgrade their bottoms from the refinery process of about 10,000 barrels a day, and another 10,000 barrels a day of M180 imported Russian crude blend. This is very important to us because it's a large unit and a very important breakthrough.

At the same time, we have a memorandum of understanding with a refinery, Steaua Romana in Romania, and we hope to convert that to an Letter Of Intent in the near future and upgrade their oil. This project is a 1,500 barrel a day refinery retrofit, and a smaller unit. We are also marketing in over 36 countries through agents on commission, and we are concentrating on four major markets — China, Russia, the six Gulf states in the Middle East and Venezuela, and we also are marketing in other major markets in North America and around the world. We are very optimistic, although there are no guarantees, that we will break through in these new markets in the near future.

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these units presently working at scale in land-based applications around the world very successfully.

We also have a technology called Maxis used for oil/water separation and bulk water removal from high water content oil production. We can separate up to 150,000 barrels a day of water from the oil in the oilfield, and we are presently marketing this technology around the world. Five or six units have been successfully in use at scale in the field at the production sites. We also have a production sand-cleaning unit used to remove residual oil from the sand, yielding a clean sand for disposal. One example of the uses of this type of processing equipment is if there is contamination on the beach sand from an oil spill or oil slick; we can manufacture portable units that would clean the sand and return it to the beach.

**TWST: What’s the agenda for the next 12 months? What would make that time frame a success?**

**Mr. Lifschultz:** We intend to aggressively market the bilge water cleaner in the near future. On the major technology, the

**TWST: What has been the funding and financing history to date? Are any of those items on the agenda?**

**Mr. Lifschultz:** We are looking for strategic partnerships, which would include funding from major oil companies in the world. One of the ways that we would like to accomplish that strategic partnership is a parallel to my previous technology experience with Hart Scientific where we co-developed technologies with DOW Chemical Corporation. We were funded without dilution, and we produced measuring instruments to their specifications; then we sold these units to DOW Chemical in favorable terms, and even to other companies.

So it’s one of the goals of Genoil to create strategic relationships to generate funding in the development of the applications for our GHU technology. The GHU Upgrader can be applied to varying qualities of sour heavy crude oils in different refinery configurations. At the same time, we are not averse to considering strategic partnerships that would give a minor shareholding interest to that partner.

**TWST: Introduce us to two or three of the key individuals in your top-level management team.**

**Mr. Lifschultz:** Our top-level management consists of James Runyan, Chief Operating Officer, who is building a really great engineering team. We have Peter Chung underneath him as Vice President of Engineering, who is one of the most capable and technically accomplished engineers in Alberta. In that department, we have also Jun Yang, with many hydrocracking patents to her name; Hannu Salokangas, for electrical and instrumentation of our projects; Paul Costinel, who developed the water separation equipment for bilge water cleaning that we call Crystal Sea. Other engineers who formerly worked for the company in the development of products work now as consultants for Genoil. So we have a very good engineering team.

James Runyan, the COO, has built refinery systems and hydrocrackers. He is very versatile in his knowledge and applications, and can adapt our products to different situations. We present ourselves as an engineering company with our own technology that can solve technical problems not only in the upgrading level, but also in the general refinery problems connected to upgrading. That way, we can create a successful adaptation of our technology into an integrated configuration for the purpose of converting sour heavy to light oil.

The profitability on the 22 million barrels a day of heavy oil that could be converted each day into the lighter, higher value crude or oil products is anywhere from \$10 to \$25 a barrel. It is expected that that market will grow to about 50 million barrels a day in about 10 to 15 years, as more and more of this sour heavy oil is consumed. We are also considering the Chinese and Indian transportation fuel demand, which is going to grow dramatically as more and more of their cars are placed on the roads. If there are 600 million cars on the world's roads today, according to Goldman Sachs there are going to be 600 million cars alone in China and another 600 million cars in India. The use of motor fuels for 200 million vehicles in the United States consumes about 15 million barrels of oil a day out of the daily 20 million barrels being consumed in that country. Gasoline, jet fuel and diesel for transportation that are consumed now are mainly made from the lighter fractions of crude oil. If India and China together will have 1.2 billion cars in 2050, and the US consumes 15 million barrels a day for their 200 million cars on the road, then we will need an estimated additional 90 million barrels only for these two countries. At present, the global oil production is about 86 million barrels per day. This means we will need to double that production to cover demand in China and India alone. This cannot be done without massively converting sour heavy oil into sweet light, as 70% of the oil reserves are heavy.

Our technology can help solve the imbalance of growing sour heavy oil production and increasing sweet light oil demand. The profit margins for the industry can be from about \$10 to \$25 a barrel savings after subtracting amortization and all variable costs, and sav-

ing should amount to about \$50 a barrel based on the spreads between the heavy oil and the light oil in about 10 to 15 years from now. The only way that the world's economy can grow in the future would be by converting this sour heavy oil into sweet light oil. This is how important hydroconversion is.

**TWST: What historically has been the shareholder base with Genoil? Has that base undergone any changes?**

**Mr. Lifschultz:** Genoil was originally part of an oil company called Beau Canada. Many of the investors originally were oriented only toward oil and gas exploration. Beau Canada was purchased by Murphy Oil, whereas Genoil spun out, becoming a technology development company, and the investor base immediately changed from institutional ownership for exploration and development to investors that focused on energy investments.

So the majority of investors that are presently in Genoil today are not E&P-style investors, but are technology investors looking for solutions to the squeeze in oil production in relation to demand that's causing oil and gasoline prices to rise. If you can't bring down the gasoline price, at least you can restrain its upward crest by producing more light oil or providing upgraded sour heavy oil as sweet light feed for the world refiners.

**TWST: What are the key metrics or events that investors should focus on as they track your performance?**

**Mr. Lifschultz:** The company is focusing on growing through its agents, which are on commission and challenged all the time to produce business — if we have an agent in a particular country that does not produce, they are exchanged for agents that we think can produce. We have been improving our agent base and this is one of the reasons we are so optimistic as far as results coming in the future. Also, the high price of oil and the increasing margin spreads together with the longer duration of this trend is intensifying the interest in Genoil's upgrading process. Investors should look for announcements on agreements and strategic partnerships, new memorandums of understanding, letters of intent and contracts in refineries that will utilize the Genoil GHU in the future. So they should look for announcements to the effect that the company has an MOU or an LOI — memorandum of understanding or letter of intent — for a contract with a refinery to upgrade their oil.

Those are the main events that will drive the prosperity of the company. Large oil companies are searching for solutions to their heavy oil conversion and refining problems. So not only do we offer the customer a less expensive infrastructure for converting the oil, but in that less expensive and simplified infrastructure based on our technologies, we give them a conversion rate that's higher than the more expensive technologies in the marketplace, together with high desulfurization. It's going to be a giant market. We are talking about 50 million barrels a day in 10 to 15 years at a \$50 spread. It's going to be one of the major industries in the world.

**TWST:** In your discussions with the investment community, are there any misperceptions or recurring questions that you encounter? Do you feel that the investment community understands the Genoil story?

**Mr. Lifschultz:** Strategic partnerships as the one Microsoft created with IBM, or Daimler-Benz and Ford with Ballard, gave them great market recognition. Genoil can replicate the success of those companies by achieving a major strategic partnership, thus market recognition in the oil industry and Wall Street, and this is therefore our most important goal at this time. Genoil remains very much under the radar screen of most of Wall Street as the solution to the energy crisis. Converting sour heavy oil to sweet light oil is one of the most important energy issues facing the world's economy today. We think as oil companies consider investing more and more in technologies to make that conversion, Genoil's recognition and utilization in the market place will correspondingly increase, as its conversion rates are nearly 30% higher than their closest competition.

**TWST:** Thank you.

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