

March 18, 2008

Dear Genoil Investors:

The Genoil Leadership Team receives questions regularly about the oil industry, crude oil prices, OPEC, our patented Genoil Hydroconversion Upgrader (GHU<sup>®</sup>) and the future of the heavy oil market.

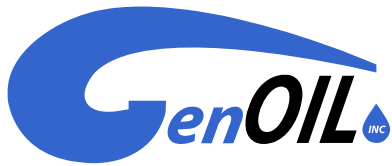
With the help of Dukas Public Relations in NYC, we have launched a new and consistent media campaign in November 2007, which has forged solid relationships with Bloomberg News, The New York Times, The Wall Street Journal, TheStreet.com, The Houston Chronicle and Hart Energy Publishing, among others.

Most significant about our message is that it is based on facts and data that we have openly shared with the media. In fact, many of the graphics, which appear in the recent Hart Publication FUEL Magazine article “Supplying Staggering Demand”, came directly from Genoil and are so credited.

Let’s address some recent Investor questions:

***What do you think of the decision by Valero Energy Corporation to begin selling five of their US refineries? Could this provide an opportunity for Genoil?***

The decision to build, upgrade, sell or decommission refineries is a normal component of every integrated oil company’s 5-year business plan and their 10-15 year corporate strategy. Nobody has a crystal ball, but we can all interpret historical data and formulate our own predictions for future trends. Valero started buying refineries in 1997 when it only owned one refinery and the price of crude oil was \$19 per barrel. Through a series of strategic and well-planned acquisitions, Valero bought 18 refineries in the USA (and Aruba) as crude oil prices marched upward to \$27 per barrel in 2000; \$38 per barrel in 2004; and, \$65 per barrel in 2007. Not only was the price of their refinery feedstock increasing faster than any normal trend would predict and the demand for transportation fuel slowing (partially due to the increased import of gasoline to the USA), but most importantly, their feedstock was changing from the light-sweet crude, which most refiners expect and desire, to blends of heavier crude oils and even heavy, sour crude oil. With heavier, high sulfur crude oil comes lower yields of transportation fuels. The 2006 report by the DOE/EIA, “Changing Trends in the Refining Industry”, states, “There have been some major changes in the U.S. refining industry recently, prompted in part by a significant decline in the quality of imported crude oil”. The same report goes on to say that, “Premium crude oils like WTI yield almost 70 percent of their volume as light, high-value products, whereas heavier crude oils like Mars (from the deepwater Gulf of Mexico) yield only about 50 percent of their volume as light products”. This is a great opportunity for Genoil and one key component of our strategy in developing the 2008-2012 Business Plan.



***Is Valero Energy Corporation selling certain refineries because they need to be modernized? If so, could these refineries use oil processed by an upgrader rather than changing the refinery?***

Continuing from the previous set of questions, the answers are “yes” and “yes”, again. Many refiners in the US and around the world are upgrading their refineries to: 1) increase capacity, and 2) process heavier, higher sulfur crude oil.

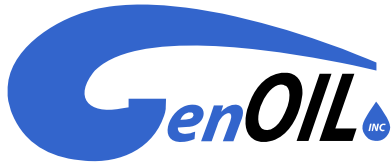
Why increase capacity? In December 2007, the Oil & Gas Journal reported that there were 657 refineries located around the world with a total capacity of 85 million bpd. It is no surprise that this matched daily production (supply) of 85 million bpd. By 2017, worldwide production (supply) is projected to increase to 102 million bpd. To meet this supply, the equivalent of 130 new refineries (assuming an average of 125,000 bpd capacity) will need to be built. This also assumes that the feedstock (quality of crude oil) remains the same, which we know is not the case.

But there is more to the story. Keep in mind that premium crude oils yield almost 70 percent of their volume as light, high-value products (gasoline, jet fuel and diesel), whereas heavier crude oils yield only about 50 percent of their volume as light products. *Ergo*, in order to produce the same amount of gasoline, jet fuel and diesel from heavy, sour feedstock, a refinery has to have 1.4 times as much capacity (70 divided by 50). They would have to build 182 refineries (52 more) in order to supply the world with the equivalent amount of gasoline, jet fuel and diesel demanded from 102 million bpd of crude oil in 2017.

Why process heavier, higher sulfur crude oil? The average sulfur content of U.S. crude oil imports increased from 0.9 percent in 1985 to 1.4 percent in 2005, and the slate of imports is expected to continue to “sour” in coming years. Crude oils are also becoming heavier and more corrosive than they were in the past, largely because fields with higher quality varieties were the first to be developed, and refiners’ preference for quality crude oil has led to the depletion of those reserves over the past 100 years and reduced the market share of the light, sweet crude that remains. This is not just in the USA; it is a global fact. And this entire discussion has only touched upon oil produced from conventional reservoirs; we still have tar sands and oil shales to refine.

***How does Genoil see the heavy/light oil price spread in the future? As more and more refineries have the ability to process heavy oil, won’t this decrease the spread?***

The spread in price between light-sweet crude oil and heavy-sour crude oil is not that critical for Genoil. Heavy oil is becoming the name of the game and, in fact, the only game in town once all the producers have depleted their easier to extract light sweet crude. We know from technical discussions with independent refinery engineers that the extremely low CAPEX of a GHU<sup>®</sup> facility makes it more attractive to build three (3), 30,000 bpd GHU<sup>®</sup> plants in front of an existing 100,000 bpd refinery rather than having to upgrade the existing refinery to process heavier crude (in order to get the same yield of premium-priced transportation fuel).



Alternatively, existing refineries can pipe their heavy bottoms into a single GHU<sup>®</sup> plant to be upgraded for further refining into higher value products. It keeps coming back to the end-consumer. These consumers don't care and they don't want to know anything about the oil business except the connection between the gas station pump and their car's fuel tank. Even though NYMEX has controlled the price of crude oil since March 30, 1983 with their speculation, the little guy (consumer) controls the demand for gasoline and in doing so, it is the consumer who will create the shortages and drive the price at the pump.

***Is Genoil promoting the environmental aspects of the GHU? Cokers vent pollutants into the atmosphere as they process heavy oil. The coke produced is either dumped in landfills or burned just as coal is which is very environmentally unfriendly. When the GHU processes heavy oil and gasifies the residue to produce Hydrogen, is this more environmentally friendly than how a coker processes heavy oil?***

Pound-for-pound, coking - the process of extracting additional liquid and gaseous products from heavy "bottom of the barrel" type oil - is the most energy intensive of any operation in a modern oil refinery. Large amounts of energy are required to heat the heavier, poor-quality crude oil and petroleum residuum in order to "crack" the heavy hydrocarbon molecules into lighter, more valuable products.

Today's refineries must contend with increasing amounts of unwanted sulfur, metals and other impurities in crude oil feedstocks. These impurities often remain trapped in the coke, degrading its value and creating disposal problems.

Let's be very clear that the Genoil process for desulfurization and upgrading of heavy, sour crude oil is not a "green" process. But what we can say is that the Genoil GHU<sup>®</sup>: 1) occupies a smaller footprint, physically and environmentally, than a conventional heavy oil refinery, 2) operates at lower pressures and temperatures using less energy, 3) removes over 90% of sulfur, 4) produces no coke, and 5) allows the conventional refinery to receive higher quality feedstock with less impurities.

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