

[Beginning PSON I]

Tobin Smith: We sort of always hear about how we have an oil shortage and, well, you know, I'm not going to argue that right now. But here's what we don't have a shortage of; we don't have a shortage of heavy oil, in other words that oil that has a lot of particulate in it, has sulfur, etc. It's hard to move, it's hard to refine, it's expensive to do all of that. And Art Agolli, I'm sorry, from Petrosonic has a technology that essentially allows heavy oil to be economically transported and refined, which is a complete game-changer when you look at it.

So, Art, your company, I know you've been in the industry a long time, but can you tell people in a simple way what your Petrosonic machine does when we take heavy oil that is taken out of the ground with steam and everything. Let's just talk about Canada for a second, and we've heard about the pipelines in moving this. What do you guys do – what's the economics of what you do that makes us so excited about your company?

Art Agolli: What we do is basically utilize sonic energy, which is a-

Tobin Smith: You talk to those guys right there.

Art Agolli: -clean tech, high amplitude, low frequency sound wave basically. We put that in resonance and we combine that with a solvent recovery process to deasphalt heavy oil right at the well head.

Tobin Smith: And so deasphalt means what?

Art Agolli: Deasphalt means that we take their, resid the bottoms, the asphaltene is 40-percent of the sulfur and more than 70-percent of the heavy metals, like vanadium, nickel-

Tobin Smith: The bad stuff. This is the – this is the-

Art Agolli: The bad stuff and the expensive stuff for refineries to treat and to take out of crude oil to produce lighter products like diesel, gasoline, and what-have-you.

So we basically produce two products. We take the heavy crude, 10, 11 API, very viscous curd.

Tobin Smith: Thick. It's like molasses times two.

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- Art Agolli:* Which requires diluting it to move across the pipeline, but I'll touch on that a little later.
- Tobin Smith:* All right.
- Art Agolli:* And we produce two products; we produce a deasphalted oil, which in the industry it's called DAO, at 5 to 10 API lighter than the original heavy crude.
- Tobin Smith:* So API is the measurement of how dense it is.
- Art Agolli:* Density.
- Tobin Smith:* And then the less-dense it is the better it is to-
- Art Agolli:* Less-viscous it is.
- Tobin Smith:* Less-viscous, exactly. Okay.
- Art Agolli:* And the other product is asphaltenes or asphalt, which basically remains at the source and doesn't go all the way via pipelines into the refineries, and then we sell it in the market as asphaltene or asphalt.
- Tobin Smith:* Okay. So, you know, the scale of this is what blows me away. So let's just talk about Calgary, and you know, you know about Fort McMurray and you know about the oil sands. We used to call them tar sands, by the way, you know, for the old school here. But these oil sands for Canada is something like 3 million barrels a day is being produced, right?
- Art Agolli:* Today Canada produces about 3.5 million barrels a day and a lot of it is oil sands, extra heavy and heavy crude oil.
- Tobin Smith:* Okay. And what do you guys do? You're sending it to us mostly, right, to be produced?
- Art Agolli:* Most of – most of the Canadian – basic all of Canadian, other than some Canadian refineries, but most of it comes basically down south, to the United States, to the U.S. refineries; Texas, East Coast, California, all over basically. So you're the primary market for that crude.
- Tobin Smith:* All right. So it's very expensive to do, you need to have \$65.00 to \$70.00 oil to do it. When we get back to the next segment we're going to talk about sort of the technology. Because think about

this, I'll tell you my way, this is a big old machine that will do 1,000, you know, they put these together, 5,000 – 10,000 barrels a day of converting this heavy oil to transportable oil, which makes it sell for \$10.00, \$20.00, \$30.00 more per gallon. These guys get a piece of that cost-savings and there's, you know, hundreds of sites around the world. We'll talk about the first site they're working, in Albania.

This country is Petrosonic. It is the next big thing in heavy oil. And by the way, of all the oil in the world, about 70-percent of the oil is, guess what, is heavy oil. It's very expensive. It's also energy dependent, very, you know, a lot of natural gas, etc. So these guys really have sort of the next big thing in this business, and we think that these guys are going to be a huge company. We're coming right back.

[Begin PSON 2]

Tobin Smith: Hey, we're back with Art Agolli. He's the CEO of Petrosonic, an MBT Client company, by the way. So you're this big old machine. Now you have patents, right? This is a patented – you own the intellectual property behind this machine?

Art Agolli: Yes, we have fanning IP and we're developing further IP to enhance the IP portfolio that we have and also to increase some of the patents in some of the areas, such as waste oil sands and drilling fluids as well and a few other crude slates.

Tobin Smith: All right, you have relationships in Albania. Your family is originally from Albania, you're originally from there?

Art Agolli: Yes, I was a cofounder of Banker's Petroleum, which controls about 95-percent of the oil reserves in the country, and Bankers TSX Company produces about 15,000 barrels per day, and very – it's the largest heavy oilfield in onshore Europe, with 8.7 billion barrels of oil in place.

Tobin Smith: And, you know, this was obviously, for Bankers, a very important technology to allow you to be able to enhance value. Because the economics in Albania, which is your first plant, Brent Crude today sells for \$20.00 more than, you know, WTI Light oil here in the United States.

But talk about the economics of what's happening in Albania, because you have a plant that you're working on, it's about six months to getting going, and when that plant goes you guys make

immediate cash flow every barrel that goes through your system, right?

Art Agolli: Yeah, we're unlike other technologies that are out there that take years to commercialize, we're very, very close to commercializing it and commercializing meaning to getting to cash flow for the company and the shareholders. Obviously we chose that as a first entry because of the high differentials. I think it's very important for-

Tobin Smith: Differential between?

Art Agolli: Between Brent and the heavy oil, 10, 11 API.

Tobin Smith: Okay. All right.

Art Agolli: And also because of the infrastructure and the dealing it would require. But I think the most important market for Petrosonic is going to be basically all the jurisdictions that, like you mentioned, 70-percent of the world's barrel produced today is heavy, and it is – the barrel is getting heavier, it's not getting lighter. We are discovering a lot less lighter fields and most of the reservoirs _____ are very heavy.

Tobin Smith: We found all the easy light oil there is, right?

Art Agolli: Absolutely. So that was produced a long time ago, and all the reservoirs are heavy. And just in Alberta, for example, we're producing 3.5 million, but what a lot of people don't know is that for every barrel of heavy oil going in the pipelines down south through the U.S., you need a half a barrel of diluents, which is a refined product.

Tobin Smith: Dilutant would be another way to say it. You know, it's – diluents is actually the way to say it in the industry.

Art Agolli: Yeah. And it's a refined product that basically gets blended with heavy crude and then as it goes it gets recycled in the refinery and comes back on a separate pipeline. The cost of all this operation to the heavy oil producers and to the system is about \$10.00 to \$12.00 per barrel according to the Heavy Oil Association of Canada.

Tobin Smith: So you add \$10.00 to \$12.00 of cost to delivering that oil and then bringing it back.

Art Agolli: Just to move the product down the pipeline.

Tobin Smith: Wow.

Art Agolli: So that's where our technology comes in, because we believe that we can reduce that diluent congesting all the pipelines today, either to eliminate it completely or reduce it significantly, and taking that \$10.00 - \$12.00, reducing that from the cost of the operators. And this is not – does not include basically the price that you get for an upgraded heavy crude and the asphaltenes that _____.

Tobin Smith: Sure. All right, well when we come back we're going to sort of finish up and talk about sort of the, you know, this is a big opportunity. It's worldwide; it's not just Canada; it's Albania, it's Venezuela, there's actually heavy oil in China.

Art Agolli: Middle East.

Tobin Smith: Middle East, exactly.

Art Agolli: Latin America.

Tobin Smith: Absolutely, and Colombia. So these machines, and we'll talk about the economics and how big we think it can get. This is Next Big Thing Investing, and I'll tell you, the next big thing in heavy oil is right here.

[Begin PSON 3]

Tobin Smith: All right, we're back with Art Agolli, Petrosonic. These people have built and patented a machine, or have patents pending on a machine, I should say, that allows heavy oil, this expensive-to-process, expensive-to-transport, but 70-percent of the world's oil, to be able to get out of the ground, get to a refiner and do it in a way that I believe, the way you talked to me was that you could net \$5.00 a barrel. So talk about how you net \$5.00 a barrel of processed heavy oil.

Art Agolli: And that's a conservative number, but I'm comfortable with that number for now.

Tobin Smith: Sure.

Art Agolli: Basically where we're making our money and where our technology is very disrupting is, first of all, the low capex and low operating costs compared to the other alternatives that are in the market today.

- Tobin Smith:* And what are the other alternatives?
- Art Agolli:* The alternatives are multi-billion dollar refineries, upgraders, or other technologies that basically are in the hundreds of millions of dollars.
- Tobin Smith:* That require a lot of energy-
- Art Agolli:* Require a lot of energy, require a lot of investment, a lot of emissions to the environment. We are not even close to that, basically our complete processing plant, deasphalting plant is in a couple of millions of dollars, rather than tens and hundreds and billions of dollars.
- Tobin Smith:* All right.
- Art Agolli:* And also the low entry for the small and intermediate and medium producers, our minimum capacity is 1,000 barrels a day, so someone, a small, heavy oil company that can produce – produces a few hundred barrels, you know, can afford-
- Tobin Smith:* Yeah, a billion dollar-
- Art Agolli:* -our technology and basically is in the metrics and can return that capex fairly in a short amount of time.
- Tobin Smith:* When you work with a small company is the plan going to be that they buy the machine from you, or do you bring the machine in and you share revenues?
- Art Agolli:* We have several business models, basically all of the above. We're open right now; we want to be flexible, we don't want to have all the options open and joint ventures, licensing, standalone facilities. The one we're doing in Europe is a standalone facility.
- Tobin Smith:* Okay.
- Art Agolli:* But I think working with also larger heavy oil producers around the world in joint ventures or licensing or processing for them on a **tall** basis is all of those three options that we'll pursue them _____.
- Tobin Smith:* All right, so here's the simple math, if there's sort of \$5.00 net per barrel and you can do 1,000 for a machine, so that's \$5,000.00 a day for a machine, 10 machines is \$50,000.00, 100 machines is

\$100,000.00. I mean it's a pretty linear deal. When do you expect to see the cash machine start to run?

Art Agolli: In the next six months basically we are getting into cash flow. We'll be cash flowing before that with our emulsification business that we have signed a strategic alliance with to emulsify crude. But the deasphalting, in the next six months.

Tobin Smith: Okay. So sky's the limit here. The question is how quick you get the machines out. You've raised the money. Do you need to raise more money here or are you guys-?

Art Agolli: For the moment I think we're fine to complete our first commercial. I think down the road we want to go in a higher exchange, NASDAQ or MXN. And then move aggressively to increasing the processing barrels and processing capacity.

Tobin Smith: Throughput capacity machines, **joint** factors.

Art Agolli: Absolutely.

Tobin Smith: All right. Petrosonic, ladies and gentlemen. This is a disruptive technology; instead of spending a billion dollars on an upgrading system, \$2 million, \$3 million can get you in the ballpark. Environmentally it is just incredibly better for the environment, which is a big issue of getting-

Art Agolli: We're not using any water, we're not releasing any emissions.

Tobin Smith: Exactly.

Art Agolli: So clean tech on the front end. Sole recovery piece is shell technology that has been used for many, many years, so we're not _____ anything.

Tobin Smith: All right. Ticker symbol is PSON. The next big thing in oil is right here. Thanks for being with us.

Art Agolli: Thank you.

Tobin Smith: Mm-hmm.

[End of Audio]