January 30, 2006

Why hasn't KFx posted K-Fuel images on its web site?

On January 12, 2006 KFx, Inc. (AMEX: KFX, $19.49) held a conference call to discuss the results of the first production run of KFx's Powder River Basin coal ("PRB") processing plant. The call was held 2 weeks after the plant was reported to have produced a batch of its K-Fuel. On the call Mark Sexton, KFx's CEO, said the run was conducted to determine "how the product handled and transported" and that the results were "in line with, or slightly better than, our expectations." Later he said "obviously, we are very pleased with the results." Click here to read a transcript of KFx's call.

During the call KFx's Chairman and Chief Technology Officer, Ted Venners, stated that K-Fuel "is very stable" and "less dusty than PRB coal." Mr. Venners went on to state "we had no dust" and "we had very minimal particle breakup," and invited listeners to come up and "kick it, you can see it."

In fact, the KFx plant did operate for a few hours in December and did process a small quantity of PRB coal. This was trucked to two different locations including Black Hills Corporation's (NYSE: BKH, $36.04) Wyodak Energy Center ("WEC"). Attached are links to two versions of a video clip (wide and close angles) of KFx's suggested "kick it, you can see" test conducted on processed PRB coal at WEC. A laboratory test of the material showed it to be 10,558 Btu coal. KFx claims their product "got up to approximately 11,000 Btu." Click here to see the wide angle and the close angle video clips.

According to KFx, PRB fines were removed from its feedstock and the PRB coal particles fed into KFx's plant were no smaller than 0.25 inches and up to two inches. The video shows an extremely dusty almost sand-like substance with substantial particle degradation.

The video reveals that the de-watered PRB coal at WEC was not stored in a pile. It was instead spread out like a thin pancake next to a grizzly. Apparently, the product's dusting and combustion characteristics made this handling procedure necessary.

PRB dust is a very serious matter. PRB dust creates environmental problems and shortens the life of equipment, requiring large investment in special handling equipment and compliance with safety and maintenance procedures. Click here to see slides from a presentation on dangers and costs of PRB dust emission.

PRB dust levels are regulated by the Occupational Safety Hazard Administration and the Environmental Protection Agency. Insurance companies monitor dust problems for compliance with their "Minimum Explosive Concentration" requirements. Utilities that burn PRB constantly spend money on controlling and cleaning-up PRB dust. PRB dust is extremely explosive. (Click here

to see a video of PRB coal dust explosions)

For over a year KFx has been routinely posting images on its web site showing its plant being constructed. To date, KFx has not posted or distributed any images of the K-Fuel produced at its plant or K-Fuel being loaded, transported, unloaded, stockpiled or kicked.