

September 22, 2006

KFx's Surfactant Claim Questioned

On a September 14, 2006 conference call KFx, Inc. (AMEX: KFX, \$10.51) claimed that its product has been proven "to be less dusty than normal PRB coal in general, and when you put a surfactant on it, it is much, much, much less dusty."

After belatedly acknowledging the dust problem at the First Energy facility, KFx then claimed that surfactants were the solution.

Dust control agents are normally grouped into four categories. These are foams, which are layered on top of the coal as it moves on conveyer belts; wetters, which are applied to temporarily minimize dusting; binding agents; and residual agents.

During the construction of the plant it was discovered that KFx had purchased coating equipment. KFx then acknowledged that it was planning to apply a molasses coat to its dried Powder River Basin ("PRB") coal.

Molasses is a residual agent. Of the four broad categories of dust suppressant agents, residuals have the longest duration. Surfactants fall into the wetter category and have far less residual life than residuals.

The dust we see in the accompanying report's images comes from the surface of KFx's delivery and is not contained even by the application of surfactants at delivery. KFx claims adding surfactants at the plant will solve its problem.

During transportation and handling even raw PRB coal falls apart. This creates more surface areas so the application of surfactants before shipping would have no impact on the new surfaces created during transportation and handling.

This problem is in addition to the fact that surfactants have low residual life. PRB coal is normally treated at multiple locations within a mine or utility when surfactants are used as a temporary solution. This was the case at First Energy.