

September 29, 2004

The Globe and Mail and the Journal question KFx.

Below please find a link to an article published today authored by Michael Flaherty based on a series of interviews with asensio.com's founder and former operator Manuel P. Asensio. The article mentions that KFx Inc. (AMEX: KFX, \$7.85), a company listed on the American Stock Exchange, is among Mr. Asensio's "current short-selling picks."

In today's edition of the Wall Street Journal's "Tracking the Numbers" column Jonathan Weil wrote a story dealing with KFx's failure to disclose and then after-the-fact disclose that Kanturk Partners LLC, KFx's much-hyped want-a-be licensee, is actually controlled by a group of KFx shareholders. Kanturk is also shown to be a recently organized company.

The Journal article ponders KFx's motives and notes that the deal with Kanturk "might be perceived as an independent validation of KFx's technology, which the company concedes still isn't operational after 20 years of development." The Journal article goes on to also note that "three Kanturk partners stood to benefit if investors perceive a licensing agreement as good news for KFx." Now there's a motive.

The Journal article is focused on this one recent event. Investors should not make the mistake of believing that KFx, its K-Fuel and its Alaskan scheme are not riddled with other serious and highly material, questionable disclosures.

KFx's K-Fuel dates back to at least 1975, or 29 years ago, when Edward Koppelman began working with SRI International on the new coal processing scheme. As KFx concedes "still isn't operational." It is not as if processing or "beneficiating" coal was so revolutionary or difficult. Most coals (65% to 70%) must be processed at the mine before shipping and milled at the plant. Furthermore, there are over 55 plants in the U.S. already upgrading over 115 million tons of coal per year.

KFx's Alaskan scheme is laughable. Even Alaska's good coals from developed reserves have a difficult time competing in export markets. And KFx ain't even pretending to be dealing with Alaska's good coals. KFx's inventors might be interested in the U.S. Government's Energy Information Administration's ("EIA") data on the quality and quantity of Indonesia's coal reserves and the recent investment activity in Indonesia's coal industry. According to the EIA, Indonesia has 5.9 billion tons of recoverable coal reserves, of which 58.6% is high-quality lignite. The EIA goes on to note that Indonesia is already producing 114 million tons of coal annually and plans to double its coal production over the next 5 years mostly to export to Asia.

Clearly the fact that KFx's Kanturk promotion was fact-deficient in failing to disclose its "self-dealing" aspects is but a grain of sand on the beach that is KFx's 29 years history of stock promotion.

<http://asensio.com/Report-images/Globeandmail.pdf>>Famous Wall Street short seller softens his demolition man image

The Globe and Mail

By Michael Flaherty

Reuters News Agency

September 29, 2004

[Tracking the Numbers: In Deals, There's Often More Than Meets Eye](http://asensio.com/Report-images/KFX/Journal.pdf)

The Wall Street Journal

By Jonathan Weil

September 29, 2004

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**href="http://asensio.com/Reports/ReportView.aspx?ReportId=419&CompanyId=115&CompanyName=Hemispherx+Biopl here to learn more about the Amex. **

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