On September 20, 2004 KFx Inc. (AMEX: KFX, $7.71) announced its most recent scheme in its 23-year history of using low-grade coal-upgrading claims to promote itself and its stock. Actually, K-Fuel, KFx’s so-called “product”, dates back 29 years to at least 1975. During this period KFx, and its predecessors, have announced at least 15 schemes to commercialize its coal processing idea. To date not one of these has resulted in commercial success. Meanwhile both unprocessed low-grade coals and numerous other coal upgrading processes have become huge commercial successes. There are at least 55 U.S. plants successfully upgrading coal. 

KFx’s 15th scheme took the form of a letter of intent with a newly formed entity called "Kanturk Partners LLC." According to the letter of intent itself, “Neither KFx nor Kanturk shall have any obligation to reach or execute any agreement concerning the transactions contemplated under this letter of intent.” Seven days after announcing its Kanturk “arrangement” KFx finally admitted that Kanturk was formed and controlled by a group of KFx insiders. Nine days later it was discovered that KFx had also failed to disclose a series of compromising dealings with a Alaska state official.

KFx’s Alaskan/Kanturk scheme is flaky and far-fetched at best and a possible totally made-up stock promotion at worst. The scheme’s prospects are weak and unpredictable even by KFx's own 23-year standards. In this case success is not only dependent on the commercialization of a non-existent plant using questionable and commercially unproven "technology" but also on the development of undeveloped non-commercial grade coal reserves. According to KFx, Kanturk would license KFx's coal upgrading technology to process the Beluga Coal in Cook Inlet at a K-Fuel facility in Alaska. Beluga Coal is underdeveloped, which according to KFx itself “did not meet commercial requirements.” KFx has admitted that the Beluga Coal is “too high in moisture content,” has problems “in terms of heat rate and also in transportation,” and “too hard to crush” to meet commercial requirements. Alaskan interests have been unsuccessfully attempting to commercialize Beluga coal for over 20 years.

Alaska’s current coal production comes from an entirely different part of the State. Alaskan coal companies have been trying to get purchase commitments from countries located on the Pacific Rim, including Taiwan, since the 1980's. Even the existing mines have not been operating at full capacity and have difficulty competing for Pacific Rim buyers against the large rapidly growing and well-funded Indonesian producers, Western Canadian and Eastern Australian coals.

The concept of upgrading coal, also known as "beneficiating", is not new. In fact, beneficiating coal as a pre-combustion strategy has been around for over 100 years. The concept is simple. It involves removing moisture (to improve heating content per weight) and dirt (to reduce pollutants) from lignite (lowest rank) and sub-bituminous (lower rank) coals.

Since 1986, others have constructed an estimated 55 coal upgrading facilities that process coal. In 2003, over 115
million tons of upgraded coal was shipped at a value of $2.6 billion. But despite a 29-year record of making claims, KFx still has no commercial beneficiating capacity.

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