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KFx's Plant Cost Reaches \$95 Million

KFx, Inc. (AMEX: KFx, \$13.92) Form 10-Q filed today shows that as of June 30, 2006 KFx's admitted plant cost, which does not include so-called "plant start-up costs" of \$6.0 million incurred this year, has reached \$88.4 million.

KFx also claims to have incurred \$752,000 in start-up cost during the first-half of 2005. Interesting, since KFx claims the start-up occurred in December 2005.

Adding these cost, which are clearly NOT all-inclusive, KFx's plant cost has now risen to over \$95 million.

Last year, or this last half, KFx has yet to deliver a mere 7 days of production to First Energy Corporation (NYSE: FE, \$56.14), despite its lets-keep-the-show-going at all cost policy.

Let's forget about the value of KFx's product, which in and of itself is an enormous leap of faith. The plant was not only expensive to build and start-up but is also expensive to run and maintain. It uses large boilers to pressure-cook PRB coal in two closed-metal pots that open and close at both ends. There are many less expensive PRB-coal drying schemes, all of which failed to make any money.

The question is not why did KFx do this? Simply put, it is all they have ever done in their decades-long money-losing history. The interesting question is also not why did some large hedge funds agree to pay for this thing? These hedge funds got in cheap when the plan was hatched, and many already got out. The more interesting question is, who's buying this "the train is leaving" story and who do they think they'll sell to?

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