



7950 Corporate Blvd.
Plain City, OH 43064
(614) 733-3300 Phone
(614) 733-3301 Facsimile

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Contact:

Jeff McDaniel
Velocys
614-733-3319
mcdaniel@velocys.com

Velocys Demonstration Project Selected for Third Frontier Award

Alternative Fuel Technology to be Demonstrated at Air Force Base

PLAIN CITY, Ohio, April 3, 2008 – A Velocys Inc. led team was awarded a Third Frontier Advanced Energy grant to demonstrate a microchannel technology enabled synthetic fuel process. The project has a budget of \$3.8 million, with \$1 million coming from the state of Ohio. This is one of 17 projects awarded a total of \$12 million from the inaugural round of Advanced Energy grants from Ohio's \$1.6 billion Third Frontier Program.

An Assured Aerospace Fuels Research Facility (AAFRRF) is currently being developed by The University of Dayton Research Institute for installation at the Air Force Research Laboratory's Fuels Branch located at Wright-Patterson Air Force Base, near Dayton, Ohio. The Third Frontier-funded project involves the installation of a Velocys microchannel Fischer-Tropsch (FT) reactor on the AAFRRF in conjunction with a synthesis gas generator. Once completed, the process will convert natural gas into synthetic jet and diesel fuels for testing and evaluation for both military and civilian applications. These synthetic fuels are cleaner burning alternatives to petroleum based fuels. Integration of the Velocys Microchannel FT reactor into this facility will allow the demonstration and evaluation of a critically important and promising alternative fuel technology.

As oil prices rise, recently marking historic highs, interest in alternative fuels has intensified, but this has been tempered with the environmental and human concerns associated with global climate change and rising food prices. Existing alternative and biofuel options are imperfect. Traditional ethanol production requires corn. Ethanol production is on a path to consume 30% of all corn grown in the U.S. by 2012 while meeting less than 4% of our fuel needs.

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Second generation biofuels, made from non-food resources, are seen as a better option. This broadly defined classification of biofuels, includes FTsynthetic diesel and jet fuel, such as those made by the integrated microchannel reactor demonstration. Using proprietary microchannel technology, Velocys hopes to demonstrate the commercial viability of producing synthetic fuels in smaller-scale facilities, appropriate for biofuel plants.

Wayne Simmons, CEO at Velocys, sees this project as “an important step for the near term commercialization of next generation biofuels.” Adding “testing our advanced FT in collaboration with one of the nation’s largest aviation fuel consumers (U.S. Air Force) is a great opportunity for all involved.”

About Velocys

Velocys, Inc. is changing the way the world produces energy, chemicals and biofuels with revolutionary microchannel technology. Velocys, a subsidiary of Battelle Memorial Institute, was launched in 2001 and has developed a portfolio of 70 patents and received \$100 million of investment from industry leading partners, including Dow Chemical, Toyo Engineering, and MODEC. Velocys is headquartered near Plain City, Ohio. For more information, visit www.velocys.com.