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Congress Approves Funding for Synthetic Fuels Project

Velocys Developing Synthetic Fuel Process

PLAIN CITY, Ohio, Oct. 6, 2006 – A Congressional appropriation for Velocys' synthetic fuels project was approved for fiscal year 2007. This project, which is being conducted in conjunction with the U.S. Army National Automotive Center (NAC), has the goal of developing a process to transform natural gas, coal and other non-petroleum resources into liquid fuels. Synthetic fuels hold the potential to greatly extend the world supply of liquid fuels and lessen U.S. dependency on foreign energy supplies. The program is valued at \$1.3 million and will be conducted during the 2007 fiscal year.

Congresswoman Deborah Pryce (R-OH 15th district) was instrumental in securing funding for this important project. "Synthetic fuels will be an important component in America's energy future," stated U.S. Congresswoman Pryce. She then added "the Velocys project will not only help end our dependence on foreign oil, but will also benefit the military who will one day be able to produce fuel for their operation locally, dramatically reducing the danger of re-supplying fuel to the combat zone."

For the key components of the synthetic fuels process, Velocys is applying its patent protected microchannel process technology. According to Dr. Wayne Simmons, CEO of Velocys, "microchannel technology can reduce both capital and operating costs; thereby, enabling the production of lower cost synthetic fuels." He added that Velocys technology also "allows the bigger is better paradigm of chemical processing to be broken in favor of smaller, more nimble facilities."

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Approval of another year of funding for the Velocys synthetic fuels program was based on the technical progress made to date. Pat Muzzell, the program's manager at the NAC which is part of the Tank Automotive Research, Development and Engineering Center under the Army's Research, Development and Engineering Command, said that she was "very pleased with Velocys' progress on the Fischer-Tropsch reactor and other components of the synthetic fuels process." The Fischer-Tropsch reactor is a key component of the synthetic fuels process that transforms synthesis gas, a mixture of hydrogen and carbon monoxide, into heavier hydrocarbons, which are the basis of high energy density liquid fuels.

Synthetic fuels can be made from a number of feedstock materials, including coal, biomass and natural gas. These base materials are first converted into synthesis gas. This mixture of hydrogen and carbon monoxide is then made into long chain hydrocarbons in a Fischer-Tropsch process. The final stage of the synthetic fuels process is hydrocracking to produce high quality, sulfur free, liquid fuels. Velocys microchannel technology is being used to improve each of these processes. A successful program will open the door to many commercial opportunities.

About Velocys

Velocys, Inc. is coupling advances in microchannel reactors with novel catalysts to create products that far surpass the performance of currently available systems. Velocys, a subsidiary of Battelle Memorial Institute, was launched in 2001 and has already developed a portfolio of 60 patents and received \$80 million of investment from industry leading partners, including Dow Chemical. Velocys is headquartered near Plain City, Ohio. For more information, visit www.velocys.com.