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Velocys Selected for Third Frontier Research Commercialization Grant

Earlier this week, Velocys was informed that it had been selected for a \$5 million Third Frontier Research Commercialization Program (RCP) grant for its novel microchannel hydroprocessing technology. This grant is part of the \$1.6 billion, 10-year Third Frontier initiative designed to support the development of a world-class research capacity in Ohio. Velocys' proposal was ranked highest by the independent review committee from the National Academy of Sciences.

In the selected project, Velocys will apply its revolutionary microchannel technology to hydroprocessing, specifically hydrocracking to upgrade Fischer-Tropsch fuels and heavy petroleum feedstock. Successful extension of the microchannel technology platform will result in modular, less capital-intensive hydrocracking units that achieve favorable economics at the scale of individual biomass-to-liquid facilities; thereby, maximizing the production of valuable transportation fuels and improving plant economics. A second important market for this technology is incremental capacity increases in petroleum refineries to treat increasingly heavier crude oil feedstock, such as tar sands.

Initiated in February 2002 and administered by the Ohio Department of Development, The Third Frontier Project is the state's largest-ever commitment to expanding Ohio's high-tech research capabilities and promoting innovation and company formation that will create high-paying jobs for generations to come. The 10-year, \$1.6 billion initiative is designed to: 1) Build world-class research capacity, 2) Support early stage capital formation and the development of new products, and 3) Finance advanced manufacturing technologies to help existing industries become more productive.

Tom Hickey, Velocys President and Managing Director said: "Economic hydrocracking of FT

(Fischer-Tropsch) waxes is an essential element of an integrated biomass-to-liquids facility. Velocys microchannel technology greatly improves this process step and will speed the development of second generation biofuels industry.”

Roy Lipski, CEO of Oxford Catalysts Group said: "The world is depending more heavily on lower quality petroleum and alternative fuels, both of which must be substantially upgraded before use as transportation fuel. Velocys hydroprocessing technology will allow this to be done economically and in a distributed manner.”

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