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### **GTL Agreement with Petrobras and Partners**

Velocys is pleased to announce that it has signed a Joint Demonstration and Testing Agreement with Petróleo Brasileiro S.A. ("Petrobras"), alongside its existing partners Toyo Engineering Corporation ("Toyo Engineering") and MODEC ("MODEC"), which provides for the construction and operation of an integrated Gas-to-Liquid ("GTL") demonstration plant based on the company's technology.

Petrobras is the Brazilian national oil company and the largest company in Latin America, Toyo Engineering is a global Engineering, Procurement and Construction company, and MODEC is the world's second largest owner/supplier of Floating Production Storage and Offloading vessels ("FPSOs") to the oil industry.

The GTL demonstration plant, which will be located at the Petrobras facility in Fortaleza, Brazil, will incorporate Velocys' microchannel reactor and catalyst technologies for the key Steam Methane Reforming ("SMR") and Fischer-Tropsch ("FT") sections of the plant. It will be operated for nine months, after its construction and delivery in early 2011 and the subsequent commissioning and testing periods. The total cost of the plant, estimated at tens of millions of dollars, will be covered by Toyo Engineering and MODEC, while Petrobras will be responsible for the installation and operating costs of the demonstration plant.

Following successful demonstration, it is expected that the first commercial deployment of the GTL technology will be on an FPSO, for example, to mitigate flaring of associated gas resulting from the development of offshore oil fields.

The partners will be working to manufacture the reactors with Kobe Steel, Ltd., one of Japan's leading steel makers, with whom they have been collaborating for over a year.

#### **Tom Hickey, President of Velocys said:**

"Microchannel technology provides a number of advantages for offshore GTL. Not only does it accelerate SMR by 200-fold and FT reactions by 10-15 fold. It also greatly reduces the size of the key pieces of equipment and makes it possible for a GTL facility to be located on a floating vessel."

#### **Yutaka Yamada, President and CEO of Toyo Engineering said:**

"The size and cost advantages of microchannel technology offer the best opportunity to develop offshore GTL as a practical way of producing commercially significant quantities of synthetic fuels on FPSO vessels."

#### **Kenji Yamada, Chairman and CEO of MODEC said:**

“This cooperative development project will not only greatly enhance the environmental performance of classic oil FPSOs, it will also promote the monetization of waste gas, and create an opportunity for the introduction of a new generation of FPSOs in marginal gas field developments.”

**About Velocys, Inc.**

Velocys, Inc. is based in Columbus, Ohio, US and specializes in the design and development of microchannel process technology for the production of synthetic fuels. The company was spun out of Battelle Memorial Institute, Inc., a major not-for-profit science and technology organisation, in 2001. It owns, or has licenses to, the largest microchannel patent portfolio in the world, with over 550 patent filings, and supports a large microchannel development team. Velocys, Inc. was acquired by Oxford Catalysts in 2008. See [www.velocys.com](http://www.velocys.com)

**About Toyo Engineering**

The Toyo Engineering Corporation, headquartered in Chiba, Japan, is a global Engineering, Procurement and Construction (“EPC”) firm that specialises in the petrochemicals, chemicals, energy and environmental industries. It has Mitsui as a minority shareholder. See [www.toyo-eng.co.jp](http://www.toyo-eng.co.jp)

**About MODEC**

MODEC, INC., headquartered in Tokyo, Japan, is the world’s second largest owner/provider of Floating Production Storage and Offloading vessels (“FPSOs”) to the oil industry. It is owned by Mitsui. See [www.modec.com](http://www.modec.com)

**About Petrobras**

Petróleo Brasileiro S.A. (“Petrobras”) is a state-controlled semi-public Brazilian multinational energy company, headquartered in Rio de Janeiro. With approximately \$200 billion of market value (Oct-09) and more than 74,000 employees, Petrobras is the largest company in Latin America. It controls significant oil and energy assets in 27 countries. Since 2007, it has announced the discovery of several vast deepwater offshore oil fields in the pre-salt area. See [www.petrobras.com.br](http://www.petrobras.com.br)

**About Kobe Steel**

Kobe Steel, Ltd. (“KSL”), headquartered in Kobe, is one of Japan’s leading steel makers, operating worldwide under the brand of KOBELCO. Included amongst the numerous activities of the Kobe Steel Group, is the supply of machinery and precision equipment. The group had over 2,177billion Japanese yen of revenue in 2008 and more than 31,000 employees. See <http://www.kobelco.co.jp/english>