



January 17, 2006

To All KFX Plant Employees and Contractors:

Congratulations to the entire KFX team on a job well done and successful start-up of our 750,000 TPY K-Fuel™ plant. It was critical to the company to meet our year-end deadline to get the plant operational, and you all did it! It is a tremendous credit to all of you that despite the extremely difficult weather situations, 40 mile per hour winds creating minus 21 degree wind chill, and other adverse conditions, you were able to produce and send product to our first customers. Our initial feedback from one of our customers is that it liked the product very much and wants to burn a lot more!

Our next challenge will be to get the plant into continuous operational mode and conduct our test burn at Black Hills Energy. Once this is successful, there can be no question about whether or not K-Fuel™ works.

In future years when K-Fuel™ is a much larger company with proven industry successes, and the next plants are coming on line, we can all reflect back on the great accomplishment of getting this initial plant started.

Each of you should be extremely proud of the contribution you made. Great businesses are made up of great people. We are excited about where this first step will take us.

Thank you for your strong efforts and for doing a fantastic job under trying conditions!

Sincerely,

Handwritten signature of Ted Venners in black ink.

Ted Venners,  
Chairman &  
Chief Technology Officer

Handwritten signature of Mark S. Sexton in black ink.

Mark S. Sexton,  
Chief Executive Officer

Handwritten signature of Bob Hanfling in black ink.

Bob Hanfling,  
President & COO