



U.S. Internal Revenue Service Selects Mesaba Energy Project for Federal Investment Tax Credits Totaling \$133.5 Million

May 7, 2008

Minnetonka, MN – Excelsior Energy announced today that the U.S. Treasury Department, through the U.S. Internal Revenue Service, has allocated \$133.5 million in federal investment tax credits to the Mesaba Project under the Energy Policy Act of 2005. The Mesaba Project will utilize state-of-the-art E-Gas™ coal gasification technology supplied by ConocoPhillips.

Excelsior Co-CEO Tom Micheletti commented that “We are honored to be the recipient of this important federal assistance award, and we are grateful to all who have worked so hard to implement this critically important energy program.” Micheletti added that, “We appreciate the important efforts of Senator Coleman and Chairman Jim Oberstar, with the assistance of Senator Dayton and Congressman Ramstad, for taking the lead several years ago to both include the tax credit provisions in the original bill, as well as the enactment of subsequent legislation to fix an inconsistency that disadvantaged projects like Mesaba that use Western coal. We also thank Governor Pawlenty and his staff who provided support for these actions from the home front here in Minnesota, and Senator Klobuchar for her consistent strong support.”

The tax credit program was included in the 2005 energy legislation to help stimulate the commercialization of advanced coal-based electric generation technologies. Together with other new and innovative programs, private sector partnerships, and loan guarantees, the U.S. Congress has empowered research in and further development and deployment of advanced coal technologies to meet growing energy demand in a carbon constrained world. Mesaba’s IGCC technology is positioned to pioneer the commercial capture and sequestration of carbon dioxide from coal with technologies that are essential to any plan to address climate change.

Co-CEO Julie Jorgensen of Excelsior stated, “The federal tax credits along with the Mesaba Project’s federally authorized loan guarantee provide Minnesota consumers with unmatched incentives to lead the Nation in commercializing the integrated gasification combined-cycle (IGCC) technology. The Project will play a key role in helping to meet Minnesota’s growing need for baseload generation and job creation, and will do so by using a technology that is mission-critical to addressing climate change, national energy security, and providing a means to use our country’s vast domestic coal resources in an environmentally responsible way. All of us at Excelsior are deeply thankful to the Iron Range legislative delegation and the Iron Range Resources agency for the faith and trust they have placed in us. This award is a



reflection of the foresight of Minnesota policy makers in positioning the Mesaba Project to lead the way in achieving these critical goals.”

About Excelsior Energy and the Mesaba Energy Project

Excelsior Energy Inc. is an independent energy development company focused on the rapid commercialization of coal gasification technology to meet the nation’s increasing demand for energy with significantly reduced environmental impacts and a technological means to address climate change impacts. The Mesaba Energy Project is a 603 MW integrated gasification combined cycle (IGCC) plant under development on Minnesota’s Iron Range. In conjunction with the Project, Excelsior has developed a groundbreaking carbon capture and sequestration plan, the first of its kind in the country, offering a means to substantially reduce carbon dioxide emissions that contribute to greenhouse gases in the atmosphere.

The Project was selected in a competitive funding solicitation by the U.S. Department of Energy under Round 2 of the Clean Coal Power Initiative, an industry/government cost-sharing partnership designed to spur investment in clean coal technologies, including IGCC, as part of the National Energy Policy. The Project is also supported in Minnesota by enabling legislation providing it with significant regulatory benefits and by Iron Range Resources, a state development agency. The Excelsior management team includes industry veterans in the electric utility, independent power, environmental and project development areas. The company website is www.excelsiorenergy.com.

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