

Moses Lake Ethanol Plant Seeks New Funding

REDMOND, Washington, Aug. 22 /Press Release – Liquafaction Corporation, website www.liquacorp.com, announced today that they are seeking new funding to complete the 36 million gallon per year ethanol plant under construction in Moses Lake, Washington. The contractual relationship between Earth Biofuels, its subsidiaries, and Liquafaction Corporation related to this project has been terminated and a mutual release agreement between the companies has been signed, which affirms that Earth Biofuels and its affiliates have no claims on the project.

At this time the company is in talks with several investment groups ranging from those considering a full project buyout, a sale lease-back, and a merger. Liquafaction's President, Mark Mollo remarks: "This project is on track to be the first Ethanol plant in operation in Washington State since the only two operating plants in Washington were dismantled. We purchased and relocated the ethanol plant at the Olympic Brewery site in Tumwater, WA. Liquafaction was involved in the sale of the Georgia Pacific ethanol plant in Bellingham, WA."

The Moses Lake plant will be built in two phases. The first phase will have a 12 million gallons/year (MGY) production capacity. The second phase will expand the plant's capacity to 36 MGY. When complete, each year the plant will process 13 million bushels of corn or barley, 100 million gallons of water, and produce more than 100,000 tons of distillers grains. The distillers grains will be sold wet as animal feed in central Washington, undercutting distillers grains from the Midwest which have to be dried and shipped.

Barley can be grown without irrigation over much of the state of Washington. Mark Mollo: "The plant financials are based on 100% of the feedstock being corn brought in by shuttle trains from the Midwest. The added financial benefits from locally grown barley and corn will enhance the profitability of the facility. As a 'destination' plant, we will ship ethanol to the West Coast more cheaply than can be done from the Midwest. There is a strong local market for distillers grains. The combination of high West Coast rack prices for ethanol, low electric rates, very pure water, a strong local market for distillers grains, and very low cost shuttle train pricing for delivery of corn, will make this one of the most profitable ethanol plants in the country".

The existing plant (constructed in 1991) with minor modifications is capable of producing at a 6 MGY production rate. Liquafaction is installing current-technology equipment to expand the facility to operate at a 12 MGY production rate. Liquafaction also owns an adjacent warehouse with dual rail access (to be used for loading and shipping distillers grains or ethanol), 900 acre feet of water rights, and a grain elevator on a shuttle train certified track of the Burlington Northern railroad. The grain elevator will be upgraded and will enable unloading the grain from rail trains. Shuttle trains carry 440,000 bushels of grain in 110 railroad cars. The rail is situated such that shuttle trains will not block roads or highways while unloading.

Liquafaction already owns more than 80% of the major equipment needed for the 36 MGY plant upgrade. The real estate and ethanol plant assets currently owned by Liquafaction were recently independently appraised at \$15,975,000 with a value of \$75 million placed on the completed 36 MGY plant.

The plant is incorporating the proprietary fermentation technology know as "Directed Evolution" from Bio-Process Innovation (Dr. M. Clark Dale). Dr. Dale has considerable world-wide experience in ethanol production and is assisting in the plant design.

Liquafaction believes this is a rare investment opportunity within the ethanol industry with low cost per gallon buy in price and a very short time from investment to production. The plant is scheduled to be fully operational at the 36 MGY level within 12 months of the completion of project funding.

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