

## ***News For Immediate Release***

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### **Panda Ethanol**

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## **Panda Ethanol to Break Ground on 100 Million Gallon Ethanol Plant in Hereford, Texas**

### **Cattle Manure Used To Fuel Plant**

DALLAS — September 14, 2006 — Panda Ethanol Inc. was joined today by officials from across the state to break ground on the company's 100 million gallon-per-year ethanol plant in Hereford, Texas. When finished, the first-of-its-kind facility will be one of the most energy efficient ethanol refineries in the nation and the largest bio-mass fueled ethanol plant in the United States.

Unlike other plants which burn natural gas or coal to generate the steam used in the ethanol manufacturing process, the Hereford facility will gasify up to 1 billion pounds of cattle manure per year. By using biogas to fuel the plant, Panda is both conserving the energy equivalent of 1,000 barrels of oil a day and helping to address a significant environmental problem for the Panhandle region.

Hereford, which bills itself as the "Beef Capital of the World," boasts 3.5 million head of cattle within a 100 mile radius. Panda officials have dubbed it the "Saudi Arabia of cattle manure" as each steer produces approximately two thousand pounds of organic waste a year. As the waste material decomposes, it emits methane; a potent greenhouse gas that many believe contributes to global warming. Panda's Hereford facility will dispose of the waste product by utilizing a bubbling fluidized-bed gasifier. The gasifier will thermally decompose the organic material in a multi-phase process. The result is a clean, odor-free conversion of the material into the steam necessary to process corn into ethanol.

"We are truly breaking new ground today," said Todd Carter, chief executive officer of Panda Ethanol.

"We will use a renewable fuel to create a renewable fuel. This facility will clearly demonstrate the sophistication that Panda Ethanol can bring to the renewable fuels sector based on our 20 years of development, construction and operational experience in the merchant power industry.

Once complete, this facility will also enhance the nation's energy independence," noted Carter. "During the oil embargo of 1973, the United States imported approximately 28 percent of its oil. This year, that figure stands upward of 60 percent. With the nation's steadily improving outlook on ethanol, however, American dollars can now be sent to farmers in the Midwest instead of to oil cartels in the Middle East."

Bob Josserand, mayor of Hereford, Texas and one of the area's largest cattle feeders, said the ethanol refinery would be an economic windfall for the region. "This plant means the creation of jobs and an added boost to the economy of West Texas. Panda's Hereford refinery will create an estimated 350 jobs to construct the plant, 61 direct jobs to operate the plant and 166 indirect jobs to support it. Altogether, the Hereford facility is expected to infuse more than \$200 million into the area's economy over the next 10 years."

"Without a doubt, ethanol has environmental benefits as well as economic benefits," said Texas Commission on Environmental Quality Chairman Kathleen Hartnett White. "Ethanol is non-toxic, biodegradable and water soluble. That means we could see a reduction of some air toxics emissions and less impact to the environment if gasoline is spilled."

The Hereford facility will annually refine 40 million bushels of feedstock-grade corn into 100 million gallons of ethanol. The plant will be one of the first ethanol refineries to utilize a "double-loop" rail track enabling the simultaneous loading of ethanol and unloading of corn. In addition, the Hereford plant will annually produce approximately 900,000 tons of wet distillers grains, a high quality, protein rich cattle feed.

The turnkey contractor for the ethanol process and all construction of the Hereford facility is Lurgi PSI Inc. of Memphis, Tennessee. Energy Products of Idaho is providing the manure handling and gasification systems. The total construction cost of the Hereford plant is approximately \$186 million. Panda expects ethanol production to commence in the second half of 2007.

Panda Ethanol previously announced that it intends to build a 100 million gallon-per-year ethanol plant in Sherman County, Texas. The Sherman facility is the fourth 100 million gallon ethanol project announced by Panda, and the third to be fueled by cattle manure. The company also announced that it has entered into a merger agreement with Cirracor, a publicly-held corporation which trades over the counter. The merger is currently expected to become effective in the fourth quarter of 2006, subject to the satisfaction of certain requirements, and the combined entity will operate under the name of Panda Ethanol Inc.

**About Ethanol**

Ethanol, also known as ethyl alcohol, is a high-proof form of grain alcohol. It is produced by refining a carbohydrate, such as corn, into starch, converting the starch into sugar and fermenting it with yeast. A blend of ethanol and turpentine fueled the first American internal combustion engine in 1826. In addition, Henry Ford designed the Model T automobile to run on ethanol calling it “the fuel of the future.” It can be used as an effective octane-boosting fuel additive or as a stand-alone fuel.

In 2003, a report conducted by Smog Reyes, a California-based firm which provides air-quality research, found that a 10 percent blend of ethanol to gasoline reduces tailpipe carbon monoxide emissions by up to 30 percent and organic fine particulate matter emissions by up to 50 percent; the latter a potential health hazard for children, the elderly and those with respiratory conditions.

According to the Renewable Fuels Association, the ethanol industry has experienced tremendous growth since 2000, increasing production capacity from 1.7 billion to 4.8 billion gallons per year. At present, there are 102 ethanol refineries operating in the United States with an additional 43 refineries and seven expansions under construction that will further increase capacity by nearly 3 billion gallons per year. Ethanol is currently blended in approximately 40 percent of the nation’s fuel.

**About Panda Ethanol Inc.**

Panda Ethanol is headquartered in Dallas, Texas. Panda Ethanol’s largest single shareholder is Panda Energy International Inc., a privately-held company which has built over 9,000 MW of electric generation capacity at a cost of \$5 billion. In 2005, Newsweek magazine named Panda one of the most eco-friendly companies in America. Additional information on Panda Energy and Panda Ethanol can be found at [www.pandaenergy.com](http://www.pandaenergy.com).

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Safe-Harbor Statement -- Except for the historical information contained herein, the matters set forth in this news release are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Panda Ethanol intends that all such statements be subject to the "safe-harbor" provisions of those Acts. Many important risks, factors and conditions may cause Panda Ethanol's actual results to differ materially from those discussed in any such forward-looking statement. These risks include, but are not limited to, the ability to complete construction of its ethanol plants, future prices for ethanol relative to the prices of

gasoline, interest rates, product demand, transportation requirements and costs and the ability of Panda Ethanol to obtain additional capital to finance its initiatives. The historical results achieved by Panda Ethanol are not necessarily indicative of its future prospects. In addition, new factors, risks and uncertainties may emerge from time to time. Panda Ethanol undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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