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August 29, 2005

EXCELSIOR ENERGY ANNOUNCES SITE SELECTIONS FOR MESABA ENERGY PROJECT UNIT I

FOR IMMEDIATE RELEASE

Minnetonka, MN, August 29, 2005---Excelsior Energy Inc., announced it has selected the preferred and alternative sites for its Mesaba Energy Project Unit I. The preferred site, located just north of the city of Taconite in Itasca County, is subject to approval by the Minnesota Public Utilities Commission (PUC).

"Site selection is an important milestone in the ongoing development of our project. We are grateful for the efforts of the Iron Range delegation and others from both parties in the State Legislature, Governor Pawlenty, the Iron Range Resources agency, and communities across the Range. This support, together with the most recent heroic efforts in Washington of Senator Coleman, with help from Congressman Oberstar and Senator Dayton, to secure loan guarantees for the project in the federal energy bill, will allow Minnesota to lead the way in using our abundant, domestic coal resources to meet the nation's growing energy needs, and doing it with dramatically improved environmental performance," said Tom Micheletti, Excelsior Co-CEO.

Excelsior Energy has secured a site option for the preferred "West Range" site from RGGS, a land and mineral management company. The site encompasses more than 1,000 acres and provides a buffer zone between the plant facilities and nearby communities. Water supply is expected to come from abandoned mining pits in the area. The plant development also has the potential to assist local communities to better manage rising water levels in area mining pits.

The company has also identified an "East Range" site, located just north of Hoyt Lakes in St. Louis County, as an alternative site. The West Range and East Range sites are both capable of accommodating multiple generating units, each unit nominally sized to produce 600 megawatts of electricity--enough to serve 600,000 residences. When placed in service, Unit I will be the cleanest utility-scale, coal-fueled power plant in the world.

Excelsior Energy Inc. is a Minnesota company developing the Mesaba Energy Project, an Integrated Gasification Combined Cycle ("IGCC") base load electric power generating facility which will be located on Minnesota's Iron Range. In contrast to traditional coal power plants, an IGCC unit produces synthetic gas ("syngas") from coal, and the syngas is cleaned and then used to generate electricity. This process enables dramatically reduced environmental emissions, and provides a technology path to future carbon dioxide capture and management.

Each Mesaba unit will cost more than $1.5 billion to build and provide up to 1,000 construction jobs during the four-year construction period. Ongoing operation of each unit will provide approximately 100 jobs for the highly-skilled workforce of the Iron Range region.

See Attachments for further information. Additional information concerning Excelsior Energy and the Mesaba Energy Project is available at excelsiorenergy.com.

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Background Information
Site Selection for Mesaba Energy Project Unit I
August 29, 2005

I. Overview

A. Advantages of the preferred site

B. Regional map showing locations of preferred and alternative sites

C. Next steps in site permitting process

D. Integrated gasification combined cycle (IGCC) Technology Overview

II. Advantages of the Preferred Site

The preferred site for Mesaba Unit I is located north of the city of Taconite, Minnesota, in Itasca County.

- The site is sufficiently large and is located in close proximity to existing infrastructure, including adequately-sized natural gas pipelines, existing high voltage transmission line corridors, the capability of being serviced by two rail providers, and a major U.S. Highway.

- The plant's requirement for water can be met through use of water from nearby overflowing mine pits (the Canisteo and Hill Annex mine pits). Overflow from these abandoned pits is a significant problem for local communities and the Minnesota Department of Natural Resources. Use of water from such pits provides a potential solution to such problems.

- Alternative sources of water are available to supply any shortfall that could be encountered in supplying developments at the site from mine pit waters alone.

- It is relatively distant from National Parks and Wilderness Areas.

- The site is relatively remote from large population centers, and in close proximity to former mining properties.

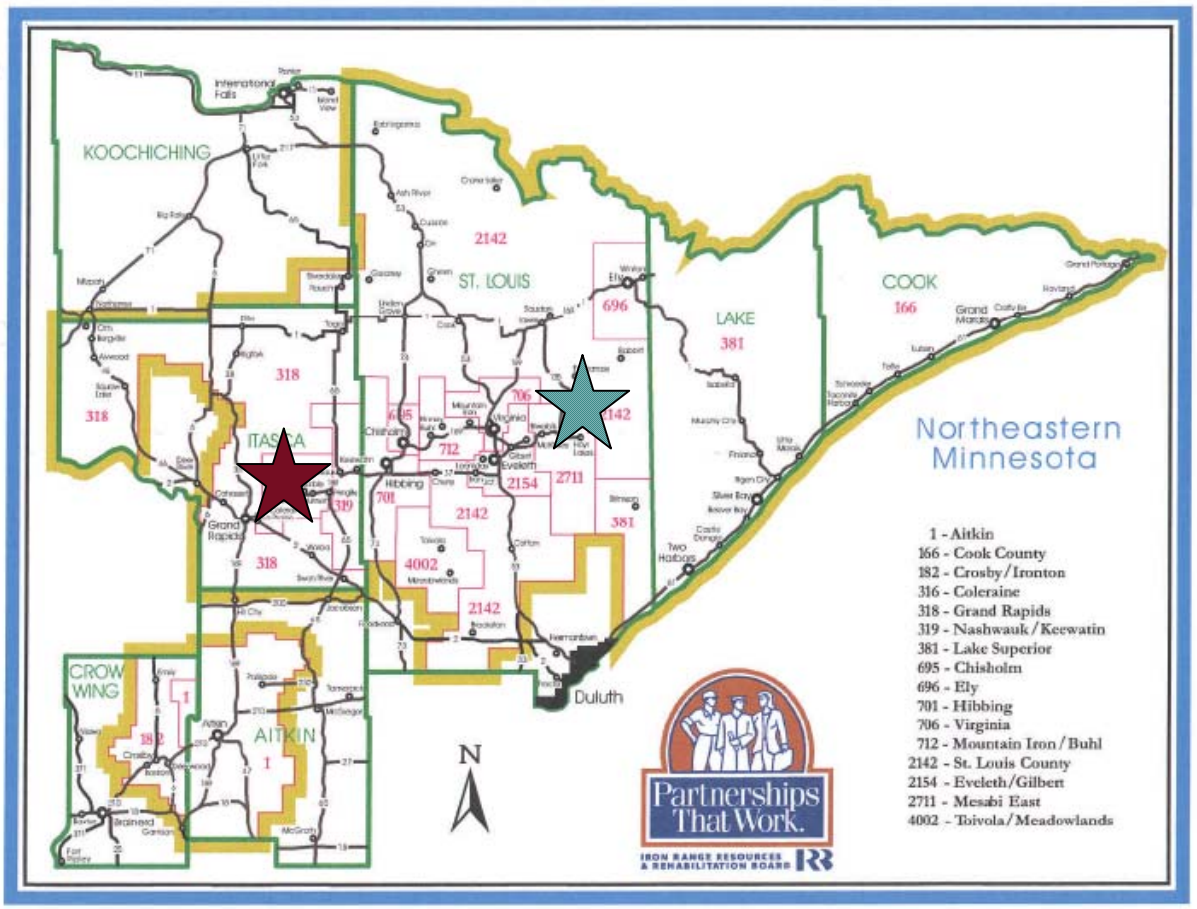
- Excelsior has an option to purchase major portions of the properties required for the site, thereby providing immediate site control.

- Preliminary contacts with Itasca County, city officials from nearby communities, and the Itasca Development Council indicate broad public support for the project.

III. Regional map showing locations of preferred and alternative sites.

Preferred Site

Alternative Site



IV. Next steps in the site permitting process

- The U.S. Department of Energy (DOE) and the Minnesota Department of Commerce will prepare a joint Environmental Impact Statement (EIS).
- DOE will soon publish (in the Federal Register) a Notice of Intent (NOI) to prepare the EIS for the Project.
- EIS scoping meetings will be held at the two candidate sites in October 2005.
- An air emissions facility permit application is scheduled to be filed in October 2005.
- A joint permit application for site, high voltage transmission line (HVTL) route and natural gas pipeline route is scheduled to be filed with the Minnesota Public Utilities Commission (MPUC) in November 2005. The site and associated transmission routes are subject to approval by the MPUC.
- Remaining pre-construction permits are scheduled to be filed between November 2005 and January 2006.

V. IGCC Technology Overview

See attached information about integrated gasification combined cycle (IGCC) technology from ConocoPhillips, the gasification technology provider for the Mesaba Energy Project.

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For more information about Excelsior Energy and the Mesaba Energy Project, see our website at www.excelsiorenergy.com.

ConocoPhillips
Technology Solutions

E-Gas Technology

It's All In the Process

In an uncertain environmental future, E-Gas Technology is the most secure and effective long-term use of capital for a new coal-fired power plant.

At ConocoPhillips, we recognize there are many options for meeting your energy needs of today. But what about tomorrow? Planning for future needs is becoming increasingly important as environmental standards intensify. The wrong choice can cost millions in upgrades and compromise a company's success.

ConocoPhillips E-Gas Gasification Technology is unique in that it not only surpasses current energy standards, it also can power your company well into the 21st century. Our award-winning technology creates value by converting low-cost feedstocks into high-value, clean synthesis gas that can then be used for a slate of products, including power, hydrogen and chemicals.

What sets us apart is our process. The coal- or petroleum-coke-based gasification process removes impurities in the feedstock that contribute to air pollution. Our two-stage gasifier increases efficiencies, capturing approximately 80 percent of the chemical energy in the feedstock. Our heat recovery system recovers an additional 15 percent of the feedstock energy (for a total feedstock conversion to useful energy of about 95 percent) in the form of steam that can then be used for plant needs or integrated with a gas turbine in an Integrated Gasification Combined Cycle (IGCC) for optimal power generation. Further, our dry particulate recovery process maximizes carbon conversion with 99.9 percent reliability, offering significant advantages over wet-particulate scrubbing alternatives.

E-Gas vs. Coal Combustion

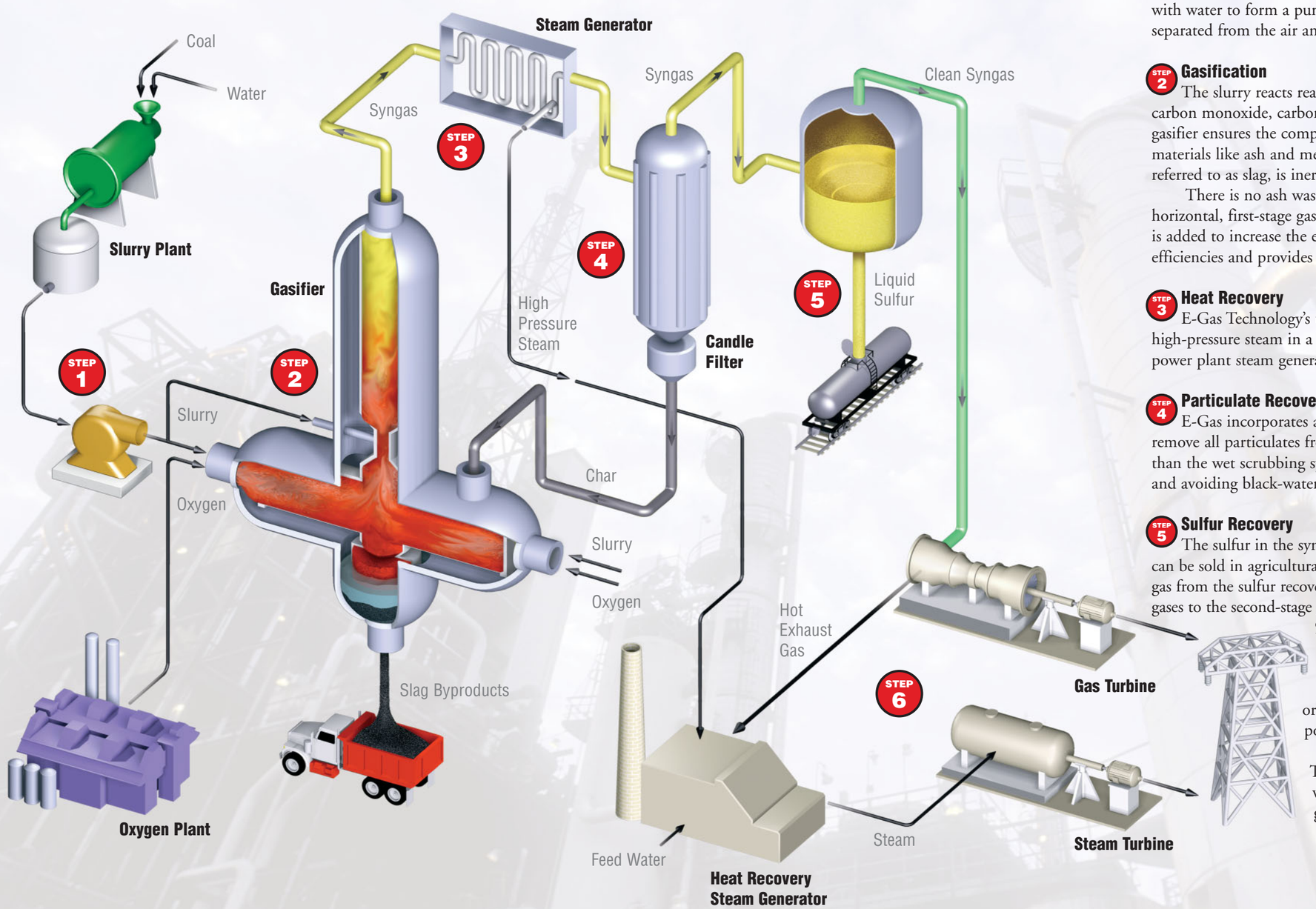
With even the most advanced scrubber technologies, coal combustion simply doesn't measure up to E-Gas Technology. While the E-Gas process removes harmful pollutants before combustion, resulting in strikingly low air emissions, conventional coal combustion technologies treat emissions post-combustion, increasing clean-up costs. E-Gas eliminates all solid wastes and produces marketable byproducts. Solid waste disposal from a coal combustion power plant, however, can result in over $1 million in costs per year for a 250-megawatt plant. Comparatively, an E-Gas coal gasification power plant typically realizes a $300,000 to $600,000 annual savings through the sale of elemental sulfur and other solid byproducts.

A Technology for Today and Into the Future: An Environmental Snapshot

- The process can cost-effectively remove 90 to 95 percent of the mercury in coal.
- Up to 99 percent of the sulfur can be recovered and marketed for use in the agricultural/fertilizer industry.
- CO_2 emissions are 20 percent lower than typical pulverized coal plants currently in operation.
- The process produces no ash wastes.
- Ash emerges as an inert slag that can be marketed for use in the construction industry.
- Wastewater streams can meet stringent environmental requirements.
- The process can be cost-effectively upgraded in the future for the removal of greenhouse gases like CO_2.
- The process is fuel flexible with proven operating experience using bituminous coal, sub-bituminous coal and petroleum coke.

E-Gas Technology

A Look Inside the Process



STEP 1 Feed Preparation
Low-cost feedstocks, such as coal, petroleum coke or waste fuels, are crushed and mixed with water to form a pumpable slurry. The slurry is combined with oxygen that has been separated from the air and is injected into the gasifier.

STEP 2 Gasification
The slurry reacts readily with the oxygen in the first-stage gasifier to form hydrogen, carbon monoxide, carbon dioxide and methane. The high temperature in the first-stage gasifier ensures the complete conversion of all feedstock materials and also traps inorganic materials like ash and metals in a glassy matrix resembling coarse sand. The sand-like material, referred to as slag, is inert and has a variety of uses in the construction industry.

There is no ash waste from the gasification process. The hot synthesis gas from the horizontal, first-stage gasifier enters the vertical, second-stage gasifier where additional slurry is added to increase the energy content of the gas. The unique, two-stage gasifier increases efficiencies and provides feedstock mixing not available with other technologies.

STEP 3 Heat Recovery
E-Gas Technology's unique heat recovery system cools the hot synthesis gas to produce high-pressure steam in a fire-tube boiler that is much smaller and less costly than traditional power plant steam generators.

STEP 4 Particulate Recovery
E-Gas incorporates a dry particulate removal process that uses candle filter elements to remove all particulates from the gas. The simple, dry system is significantly more efficient than the wet scrubbing systems employed by other technologies, removing more particulates and avoiding black-water problems, which lead to equipment wear.

STEP 5 Sulfur Recovery
The sulfur in the synthesis gas is recovered and converted to elemental sulfur, which can be sold in agricultural and other markets. Unlike most technologies that vent their tail gas from the sulfur recovery unit to an incinerator, the E-Gas process recycles all unconverted gases to the second-stage gasifier to maximize sulfur recovery. Consequently, the process recovers 99 percent of the sulfur from the feedstock.

STEP 6 Product
The clean synthesis gas is now available for power generation or for further processing to produce pure hydrogen, chemicals or transportation fuels such as low-sulfur diesel.

The superior environmental advantages of E-Gas Technology, coupled with its high efficiency and relatively low cost, position it as the leading gasification technology of choice for solid fuel applications.

To explore the value-creating opportunities of E-Gas Technology, contact ConocoPhillips Technology Solutions at:

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