

NEWS



Primary Energy Recycling Corporation

For Immediate Release

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PRIMARY ENERGY RECYCLING CORPORATION ANNOUNCES SECOND QUARTER 2006 RESULTS

Oak Brook, Illinois – August 14, 2006 – Primary Energy Recycling Corporation (TSX: PRI.UN) (the “Company”) today released its financial results for the three and six months ended June 30, 2006. All amounts are in US dollars unless otherwise indicated.

Highlights:

- Results were on budget for the quarter and for the year
- The distribution increase announced May 11 raised annualized distribution to Cdn\$1.15, all of which is hedged for currency exchange
- Declared total distributions of Cdn\$0.28 per Common and equivalent Common Share in the quarter with an effective payout ratio of 100.9% for the quarter and 88.0% since inception.
- Unplanned boiler outage at Portside and controls problems at North Lake reduced operating income in the quarter
- Commodity spreads narrowed at Harbor Coal reducing energy service revenue
- Two property tax settlements generated refunds of \$0.3 million, reversed previous property tax accruals by \$1.3 million and lowered estimated future property taxes by \$3.8 million over the next ten years

“Several operating issues during the quarter negatively impacted operating results but were partially offset by two property tax settlements with the State of Indiana,” said Thomas R. Casten, CEO of the Company’s Manager. “Our long term prospects remain sound and our payout ratio since inception remains below 90%.”

“An unplanned boiler outage at the Portside facility required unexpected maintenance expenditures and controls problems reduced energy service revenue in the quarter at North Lake. Harbor Coal enjoyed the benefit of continued high levels of hot metal production from Blast Furnace #7 but earned reduced energy service revenue relative to the prior quarter due to a narrowing of the spread between the cost of coal used and the cost of natural gas and coke that was displaced by that coal,” continued Mr. Casten. “The

tax settlements however both reverse previous accruals and establish a lower effective property tax rate for the Cokenergy, Portside and North Lake projects going forward.”

For the second quarter of 2006, the Company earned revenue of \$21.9 million with operating expenses of \$19.7 million. Energy Service revenue, while up in comparison to pro forma second quarter 2005, was down from the trailing two quarters due to a decline in electricity production at North Lake and a shift in commodity prices of natural gas and coke compared to coal affecting Harbor Coal. Operating and maintenance expenses were negatively impacted by an unplanned boiler outage at Portside that required approximately \$0.2 million of repairs and the planned replacement of filter bags at Cokenergy’s bag house required approximately \$0.3 million and was expensed in the quarter.

The Company’s Projects generated earnings before interest, taxes, depreciation and amortization (“EBITDA” -- see non-GAAP Measures below) of \$12.1 million in the second quarter.

Distributable Cash for the second quarter of 2006 was \$9.0 million or \$0.24 (Cdn\$0.28) per Common and equivalent Common Share. The Company declared total distributions of \$9.0 million or \$0.24 (Cdn\$0.28) per Common and Equivalent Common Share, for a payout ratio of 100.9% for the quarter. Distributable Cash since inception totaled \$34.3 million or \$0.92 (Cdn\$1.08) per Common and Equivalent Common Share. Since inception, the Company has declared total distributions of \$30.2 million or \$0.81 (Cdn\$0.95) per Common and equivalent Common Share, for a payout ratio of 88.0%.

Summary of Distributable Cash

<i>(US\$ thousands except per share data)</i>	2nd QTR 2006 (Three Months ended June 30, 2006)	1st QTR 2006 (Three Months ended March 31, 2006)	Inception to June 30, 2006
Distributable Cash	8,960	10,335	34,333
Hedge Rate (Cdn\$/US\$)	1.1684	1.1712	1.1705
Distributable Cash (Cdn\$)	10,469	12,104	40,187
Distributable Cash (Cdn\$) per Common and Equivalent Common Share	0.28	0.33	1.08
Distributable Cash Declared (Cdn\$) per Common and Equivalent Common Share	0.28	0.28	0.95
Excess Distributable Cash Earned (Cdn\$) per Common and Equivalent Common Share	(0.00)	0.05	0.13
Payout Ratio	100.9%	84.7%	88.0%

As of June 30, 2006, the Company had total liquidity of \$36.2 million of which \$21.2 million was cash and cash equivalents and \$15.0 million was an unused credit facility. The balance sheet also reflects an obligation to pay a prior owner and an affiliate \$3.3 million of property tax refunds related to their period of ownership.

For the six months ended June 30, 2006, the Company earned revenue of \$47.6 million, with operating expenses of \$42.3 million. EBITDA for the six month period was \$25.3 million.

The Company entered into a currency hedge on June 22, 2006 for the annual Cdn\$0.05 cash distribution increase at a fixed exchange rate of 1.0840 Cdn\$/US\$. The term is from June 29, 2006 through September 29, 2010 which makes it co-terminus with the existing currency hedges of Cdn\$1.1712 in place for the Cdn\$1.10.

The full interim financial statements and Management's Discussion and Analysis, are available at www.sedar.com or the Company's website www.primaryenergyrecycling.com.

Conference Call and Webcast

Management will also host a conference call to further discuss the second quarter results at **11 a.m. ET, Tuesday, August 15, 2006**.

The call can be accessed by dialing **(416) 644-3419** or **1-866-250-4877**. A conference call replay will be available until 12 a.m. on August 23, 2006. The replay can be accessed by dialing **(416) 640-1917** or **1-877-289-8525** and entering pass code **21196517#**. A web cast replay will also be available for 90 days by accessing a link through the Investor Information section at www.primaryenergyrecycling.com.

Non-GAAP Measures

Distributable Cash and EBITDA are not recognized measures under U.S. GAAP or Canadian GAAP and do not have standardized meanings prescribed by U.S. GAAP or Canadian GAAP. Therefore, Distributable Cash and EBITDA may not be comparable to

similar measures presented by other companies. See the definitions of Distributable Cash and EBITDA in the Company's MD&A.

Forward-Looking Statements

When used in this news release, the words "anticipate", "expect", "project", "believe", "estimate", "forecast" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions pertaining, but not limited, to operating performance, regulatory parameters, weather and economic conditions and the factors discussed in the Company's public filings available on SEDAR at www.sedar.com. These forward-looking statements are made as of the date of this press release and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

About Primary Energy Recycling Corporation

Primary Energy Recycling Corporation owns a majority interest in Primary Energy Recycling Holdings LLC ("PERH"). PERH, headquartered in Oak Brook, Illinois, indirectly owns and operates four recycled energy projects and a 50 per cent interest in a pulverized coal facility (collectively, the "Projects"). The Projects have a combined electrical generating capacity of 283 megawatts (MW) and a combined steam generating capacity of 1,851Mlbs/hour. PERH creates value for its customers by capturing and recycling waste energy from industrial and electric generation processes and converting it into reliable and economical electricity and thermal energy for its customers' use. For more information, please see www.primaryenergyrecycling.com.

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