



GULF ETHANOL CORP.

Dear Shareholder:

As the new Interim CEO of Gulf Ethanol, I want to take a few moments to talk to you as one of the owners and shareholders of the Corporation. In every change of leadership, a company adjusts its course to work toward improving its performance in order to maximize the benefits to its shareholders. During my term in leadership, I expect to keep in touch with you as shareholders as often as possible and keep you up to date on developments within the company.

Management. We are currently in the process of recruiting additional talent to our management team and Board of Directors. We announced last week the addition of Robert Wilson to our Board of Directors. Robert is the CFO of Clean Power Corp. based in The Woodlands Texas and is a Texas CPA. He adds a strong knowledge of alternative energy and finance to our Board of Directors. Upon the retirement of our former Chairman and CEO, JT Cloud, I decided that we needed to broaden our management team and expand our Board of Directors. We expect to continue with this process throughout 2008.

Technology. As I look at the future of Gulf Ethanol, I am most excited by the development of our new cellulosic ethanol feedstock preprocessing technology. I know that is a mouthful, so let me explain. As ethanol plants proliferated across America's Midwest, corn prices began to rise which cut deeply into the profits of U.S. ethanol producers. In addition, higher corn prices affected cattle and food industries as well creating a negative backlash against the ethanol industry and most of its publicly traded companies. As a result, the industry lost significant value over the course of the last year.

Experts agree that the answer lies in new technologies that can convert cellulose (rather than sugars and starches) into ethanol. The reason is that cellulose is produced by all plants and is the most abundant biological material on earth. It is widely available in most of the world in the form of grasses, agricultural waste, sawdust, etc. The problem today is that current technologies are not efficient in converting biomass to ethanol. In addition, because of the bulkiness of most biomass, transportation costs are high. This is where we believe our new technology will fit within the nascent cellulosic ethanol industry.

Our first machine is currently being constructed for delivery some time in June, 2008. We expect this machine to transform many types of cheap biomass into a very fine, dry powder for processing into ethanol. This preprocessing of cellulosic biomass into a fine powder is significant for several reasons:

- First, the fine, dry powder that we expect to produce will be more efficient to transport because the moisture will have been removed reducing weight and volume;
- Second, the consistency of the feedstock will be dramatically altered by turning it into a uniform powder which can be conveyed and processed much more efficiently;
- Third, the surface area of the feedstock is increased as the particle size is reduced which further increases the efficiency of processing, thereby increasing the amount of ethanol extracted from the feedstock;



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- Fourth, the speed of processing into ethanol is increased because the size of the particles of each feedstock have been reduced.

As a result, we believe that our technology, after we have finished testing and development, will play an important role in the advancement of efficient cellulosic ethanol plants in the U.S. and around the world.

Technology Development. Every new technology must be tested before it is ready for final deployment. We will begin the testing of our technology this summer after delivery of our initial processing unit. This will include the testing of different potential feed stocks such as switchgrass, sorghum, sawdust, grass clippings, etc. The product we produce from these tests will then be sent to nationally recognized laboratories to be tested. The purpose of these tests is to both verify the quality of the feedstock pre-processing achieved by our technology and to determine the efficiencies produced by our preprocessing of the various feedstocks. This information will allow end users to evaluate the value of what we have to deliver as part of the biofuels industry.

Based upon the results of our initial testing, we expect to make adjustments and improvements to our technology platform to prepare it for final commercial delivery. Please watch for our press releases and disclosure filings where we will update you regarding our progress in the coming months.

Our History. Under prior management, Gulf Ethanol has attempted to advance a variety of alternative energy strategies which were not successful. The Company attempted to engage in the international trading of ethanol, it attempted to acquire a couple of different facilities which it was unable to close and it even attempted to build an ethanol plant in China, Texas but abandoned that effort after meeting with resistance from the community. In December, we entered into an agreement to jointly develop a technology that had been proposed by Meridian Biorefining but found they could not deliver to our specifications.

The inability of the Company to complete these projects slowed our development and diminished our performance as a Company during this period. The new management team cannot change history but we believe we can write a new future for the Company by advancing and expanding on the technology we are about to complete. We expect to try to maintain a focused approach to what is working and to advance this technology to full implementation.

With traditional energy costs shooting through the roof, people are more aware of the importance of developing alternative and renewable sources of energy as quickly as possible. The initial ethanol plants built in the U.S. use corn for their primary feedstock. This business strategy has not worked well since food prices and corn prices have risen with the increased demand for corn. Cellulosic biomass should not have this same problem because the materials are non-food plant crops and because they are far more widely available. We don't expect cellulosic ethanol to replace oil & gas but, rather, to supplement traditional fuels. In addition, because these fuels can be produced locally, they help develop energy independence based upon locally produced renewable energy sources.



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Our Stock. As a Pink Sheet stock, we don't recommend that any investor over concentrate their investment in any one company. We have and will continue to strive to meet all of the disclosure requirements of the Pink Sheets to maintain their full, current reporting status – called PS Current. We do this in order to try to keep you, as our shareholders, informed of our current financial and operating status. Pink Sheet companies, however, do not share the same rigorous disclosure requirements of SEC reporting companies so investors may have less information on which to make their investment decisions.

Pink Sheet stocks are often subject to traders who try to make money by shorting these stocks. Their method generally includes posting negative comments and, often, misinformation on blogs and message boards in order to create a negative view of a particular company while they are selling short into the stock. These bloggers seldom have any unique or inside information about the companies they are shorting and are, generally, not a reliable source of information about a company.

In conclusion. We believe that the implementation of our new technology will be beneficial to our shareholders by validating the Company's business plan and by moving us toward profitability based upon a technology for preprocessing biomass into an efficient feedstock for ethanol producers. Realizing that many of you have been shareholders of Gulf Ethanol for a long time, I want to thank you for your confidence in the Company. I will be working hard to earn your continued confidence and to advance the Company as an important participant in the emerging cellulosic ethanol industry in coming months. Thank you for your support of the Company. Keep an eye on our progress in coming months and I believe you will be pleased with what we are able to achieve.

Sincerely,

William Carmichael
Interim CEO