

**GLACIAL LAKES CORN PROCESSORS  
CONSOLIDATED FINANCIAL STATEMENTS  
FEBRUARY 28, 2005  
(unaudited)**

**Excerpts from audited financial statements for August 31, 2004**

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**GLACIAL LAKES CORN PROCESSORS  
CONSOLIDATED BALANCE SHEETS**

	<b>Feb. 28, 2005</b>	<b>August 31, 2004</b>
	<u>(unaudited)</u>	<u></u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,137,152	\$ 641,681
Receivables:		
Trade	4,264,426	3,535,448
Government programs	126,353	266,647
Other	519,613	594,421
Inventories	4,825,498	3,689,087
Hedge accounts	2,699,152	899,726
Prepaid expenses	<u>100,753</u>	<u>137,016</u>
<b>TOTAL CURRENT ASSETS</b>	13,672,947	9,764,026
<b>PROPERTY AND EQUIPMENT:</b>		
Land and land improvements	1,691,201	1,681,303
Railroad equipment	848,874	848,874
Buildings	2,300,056	2,299,655
Process and grain storage tanks	12,142,457	12,096,512
Process equipment	34,509,075	34,433,534
Office equipment	<u>289,405</u>	<u>264,550</u>
Total cost	51,781,068	51,624,428
Accumulated depreciation	<u>(12,231,172)</u>	<u>(9,656,172)</u>
<b>PROPERTY AND EQUIPMENT, net</b>	39,549,896	41,968,256
<b>OTHER ASSETS:</b>		
Goodwill invested in Glacial Lakes Energy, LLC	3,827,204	3,827,204
Investment in Granite Falls Energy, LLC	6,458,000	6,500,000
Deferred expansion costs	40,085	-
Financing costs, net of amortization of \$208,486 and \$162,906, respectively	<u>276,022</u>	<u>319,359</u>
<b>TOTAL OTHER ASSETS</b>	<u>10,601,311</u>	<u>10,646,563</u>
<b>TOTAL ASSETS</b>	<u>\$63,824,154</u>	<u>\$62,378,845</u>

**GLACIAL LAKES CORN PROCESSORS  
CONSOLIDATED BALANCE SHEETS**

	<u>Feb. 28,</u> <u>2005</u>	<u>August 31,</u> <u>2004</u>
	(unaudited)	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 501,790	\$ 1,039,483
Corn payable	2,736,888	1,483,968
Accrued expenses	755,511	796,726
Revolving line of credit	-	-
Current maturities of long-term debt	<u>3,284,903</u>	<u>3,228,683</u>
<b>TOTAL CURRENT LIABILITIES</b>	7,279,092	6,548,860
<b>LONG-TERM DEBT, net of current maturities:</b>		
Notes payable to Bank	30,582,941	34,500,000
Other notes payable and capital lease	<u>11,159</u>	<u>13,449</u>
Total	30,594,100	34,513,449
Current maturities	<u>(3,284,903)</u>	<u>(3,228,683)</u>
<b>TOTAL LONG-TERM DEBT, net of current maturities</b>	27,309,197	31,284,786
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock, \$0.01 par value, 25,000,000 shares authorized, 15,476,628 shares issued and outstanding	77,383	77,383
Preferred stock, \$1.00 par value, 1,000,000 shares authorized with none issued	-	-
Additional paid-in capital	15,594,119	15,594,119
Accumulated other comprehensive loss	(3,998,507)	(4,075,627)
Capital reserve	<u>17,562,870</u>	<u>12,949,344</u>
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<u>29,235,865</u>	<u>24,545,219</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$63,824,154</u>	<u>\$62,378,845</u>

**GLACIAL LAKES CORN PROCESSORS**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**SIX MONTHS ENDED FEBRUARY 28, 2005 AND FEBRUARY 29, 2004**  
**(unaudited)**

	<u>2005</u>	<u>2004</u>
<b>SALES</b>	\$40,500,540	\$35,157,077
<b>COST OF SALES</b>	<u>33,846,109</u>	<u>29,600,186</u>
<b>GROSS PROFIT</b>	6,654,431	5,556,891
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	869,243	714,776
<b>INTEREST EXPENSE</b>	<u>1,047,286</u>	<u>585,951</u>
<b>INCOME FROM OPERATIONS</b>	4,737,902	4,256,164
<b>OTHER INCOME (EXPENSE):</b>		
CCC bio-energy program	178,935	695,745
State ethanol producer program	<u>446,667</u>	<u>416,667</u>
Total government programs	625,602	1,112,412
Interest income	4,494	13,440
Equity in earnings (loss) of Granite Falls Energy, LLC	(42,000)	-
Management fee income from Granite Falls Energy, LLC	60,000	-
Other income	<u>1,360</u>	<u>15,515</u>
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<u>649,456</u>	<u>1,141,367</u>
<b>NET INCOME BEFORE MINORITY INTEREST</b>	5,387,358	5,397,531
<b>MINORITY INTEREST IN SUBSIDIARY EARNINGS</b>	<u>-</u>	<u>(1,512,197)</u>
<b>NET INCOME</b>	<u>\$ 5,387,358</u>	<u>\$ 3,885,334</u>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>	<u>15,476,628</u>	<u>15,476,628</u>
<b>NET INCOME PER SHARE</b>	<u>\$ 0.3481</u>	<u>\$ 0.2510</u>

**GLACIAL LAKES CORN PROCESSORS**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**THREE MONTHS ENDED FEBRUARY 28, 2005 AND FEBRUARY 29, 2004**  
**(unaudited)**

	<u>2005</u>	<u>2004</u>
<b>SALES</b>	\$20,132,840	\$18,234,073
<b>COST OF SALES</b>	<u>16,693,461</u>	<u>15,186,568</u>
<b>GROSS PROFIT</b>	3,439,379	3,047,505
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	426,400	337,222
<b>INTEREST EXPENSE</b>	<u>511,920</u>	<u>283,334</u>
<b>INCOME FROM OPERATIONS</b>	2,501,059	2,426,949
<b>OTHER INCOME (EXPENSE):</b>		
CCC bio-energy program	30,961	373,745
State ethanol producer program	<u>196,667</u>	<u>166,667</u>
Total government programs	227,628	540,412
Interest income	2,876	4,452
Equity in earnings (loss) of Granite Falls Energy, LLC	(21,000)	-
Management fee income from Granite Falls Energy, LLC	30,000	-
Other income (expense)	<u>(2,234)</u>	<u>11,331</u>
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<u>237,270</u>	<u>556,195</u>
<b>NET INCOME BEFORE MINORITY INTEREST</b>	2,738,329	2,983,144
<b>MINORITY INTEREST IN SUBSIDIARY EARNINGS</b>	<u>-</u>	<u>(835,534)</u>
<b>NET INCOME</b>	<u>\$ 2,738,329</u>	<u>\$ 2,147,610</u>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>	<u>15,476,628</u>	<u>15,476,628</u>
<b>NET INCOME PER SHARE</b>	<u>\$ 0.1769</u>	<u>\$ 0.1388</u>

**GLACIAL LAKES CORN PROCESSORS**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**SIX MONTHS ENDED FEBRUARY 28, 2005 AND FEBRUARY 29, 2004**  
**(unaudited)**

	<u>2005</u>	<u>2004</u>
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 5,387,658	\$ 3,885,333
Charges to net income not affecting cash:		
Depreciation and amortization	2,620,581	2,455,894
Interest	-	3,035
Net (income) expense recognized from hedging activities	5,471,664	266,121
Equity in (earnings) loss of Granite Falls Energy, LLC	42,000	-
Minority interest in subsidiary earnings	-	1,512,197
(Increase) decrease in current assets:		
Accounts receivable	(514,176)	(1,178,512)
Inventories	(1,136,412)	(374,277)
Hedge accounts	(7,193,971)	(526,108)
Prepaid expenses	36,264	(62,921)
Increase (decrease) in current liabilities:		
Accounts and corn payable	715,229	434,855
Accrued expenses	<u>(41,214)</u>	<u>254,006</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>5,387,623</u>	<u>6,669,623</u>
<b>INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(156,642)	(556,480)
Payment of deferred expansion costs	(40,085)	(6,915)
Payments of financing costs	<u>(2,244)</u>	<u>-</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(198,971)</u>	<u>(563,395)</u>
<b>FINANCING ACTIVITIES:</b>		
Net (payments) borrowings on revolving line of credit	-	-
Net (payments) borrowings on long-term revolving note	(1,500,000)	-
Regular principal payments on term loans	(1,581,060)	(1,503,989)
Additional principal payments on term loans	(836,000)	(4,150,000)
Principal payments on other long-term debt	(2,290)	(40,814)
Distributions to minority interest	-	(2,164,804)
Patronage earnings allocated and paid	(773,831)	(5,494,204)
Membership fees received	<u>-</u>	<u>-</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(4,693,181)</u>	<u>(13,353,811)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	495,471	(7,247,583)
<b>CASH AND CASH EQUIVALENTS – beginning of period</b>	<u>641,681</u>	<u>9,050,042</u>
<b>CASH AND CASH EQUIVALENTS – end of period</b>	<u>\$ 1,137,152</u>	<u>\$ 1,802,459</u>

**GLACIAL LAKES CORN PROCESSORS  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2005**

**NOTE A: BASIS OF PRESENTATION**

**EXERPTED FROM AUDITED FINANCIAL STATEMENTS** – These financial statements and notes include information from the audited consolidated financials statements for Glacial Lakes Corn Processors (the “Cooperative”) as of and for the years ended August 31, 2004 and 2003. The audited financial statements are available for review at the Cooperative’s office.

**NATURE OF BUSINESS** – Glacial Lakes Corn Processors (a South Dakota cooperative located in Watertown, South Dakota) was organized to pool investors and provide a corn supply for a 40,000,000 gallon ethanol plant for commercial sales throughout the United States. The Cooperative was formed on September 15, 2000 and was in the development stage until operations began on September 1, 2002.

**PRINCIPLES OF CONSOLIDATION** – The consolidated financial statements include the accounts of the Cooperative and its wholly-owned subsidiary, Glacial Lakes Energy, LLC (“GLE”). The Cooperative owned 72.07% of GLE until May 31, 2004, at which time GLE repurchased the minority interest share of 27.93%, effectively making the Cooperative a 100% member of GLE.

**NOTE B: REVOLVING LINE OF CREDIT**

The Cooperative has a revolving line of credit with a national bank (the “Bank”) available at a maximum of \$3,500,000 and is secured by substantially all Cooperative assets. Interest is charged at one-month London Inter-Bank Offering Rate (“LIBOR”) plus a spread. The rate at February 28, 2005 was 5.84813% (spread of 3.25%) and the rate at August 31, 2004 was 4.35% (spread of 2.75%). The balance outstanding as of February 28, 2005 and August 31, 2004 was \$0 and \$0, respectively. Effective on September 20, 2004, the Cooperative is paying an unused commitment fee of 3/8 of 1% per annum on the unused portion of the revolving line of credit. The revolving line of credit expires on July 27, 2005. The amount available under the revolving line of credit is determined by a borrowing base calculation and is reduced by any outstanding standby letters of credit.

**GLACIAL LAKES CORN PROCESSORS  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2005**

**NOTE C: LONG-TERM DEBT**

	<u>Feb. 28, 2005</u> (unaudited)	<u>Aug. 31, 2004</u>
Notes payable to Bank (see details below):		
Term Loan #2	\$ 9,983,730	\$10,685,928
Term Loan #3	-	6,327,622
Term Loan #4	3,500,000	5,000,000
Term Loan #5	7,842,133	8,000,000
Term Loan #6	-	4,486,450
Term Loan #7	<u>9,257,078</u>	<u>-</u>
Total	30,582,941	34,500,000
Capital lease with monthly payments of \$442 with 5.79% inherent interest maturing July 25, 2007 secured by equipment.	<u>11,159</u>	<u>13,449</u>
	30,594,100	34,513,449
Current maturities	<u>(3,284,903)</u>	<u>(3,228,682)</u>
	<u>\$27,309,197</u>	<u>\$31,284,767</u>
Interest rates were as follows:		
Term Loan #2 – Fixed (using interest rate swap)	6.30%	6.30%
Term Loan #3 – Variable (3-month LIBOR + 2.75%)	-	4.28375%
Term Loan #4 – Variable (1-month LIBOR + 3.25%)	5.84813%	-
Term Loan #4 – Variable (1-month LIBOR + 2.75%)	-	4.35%
Term Loan #5 – Fixed (using interest rate swap)	7.46%	7.46%
Term Loan #6 – Variable (1-month LIBOR + 2.75%)	-	4.20%
Term Loan #7 – Variable (3-month LIBOR + 3.25%)	5.76%	-

**Notes Payable to Bank** – In July 2001, the Cooperative entered into a loan agreement (“Original Loan Agreement”) with the Bank for the construction and permanent financing of the plant. Under the Original Loan Agreement, the maximum amount available was \$32,600,000. On September 20, 2004, the Cooperative entered a loan agreement (“New Loan Agreement”) based on the new borrowings put in place in July 2004.



**GLACIAL LAKES CORN PROCESSORS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE C: LONG-TERM DEBT (continued)**

Substantially all assets and contract rights of the Cooperative are pledged as security under both Loan Agreements. Both Loan Agreements and the related mortgage documents contain reporting requirements and restrictive loan covenants, which require maintenance of various financial ratios, minimum working capital (increased to \$3,500,000 under the New Loan Agreement) and allow distributions to members of up to 70% of annual net income without Bank approval. The Cooperative was not in compliance with the new working capital requirement from August 31, 2004 through November 30, 2004. The Cooperative has obtained a waiver from the Bank on this matter.

In addition to regular principal and interest payments (as described below), the Cooperative is required to make an additional principal payment to the Bank of 15% of its "excess cash flow" on an annual basis. For the year ended August 31, 2003, the Cooperative made additional principal payments of \$4,150,000 in September and December 2003, which exceeded the required "excess cash flow" payment of \$2,457,000. For the year ended August 31, 2004, the required "excess cash flow" payment of \$1,672,000 was due on December 20, 2004.

On December 20, 2004, the Cooperative reduced the outstanding balance on Term Loan #7 with a payment of \$836,000, which was half of the "excess cash flow" requirement of \$1,672,000. In connection with the waiver obtained from the Bank, the remaining \$836,000 will be paid on March 20, 2005.

**GLACIAL LAKES CORN PROCESSORS  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2005**

**NOTE D: GOODWILL INVESTED IN GLE**

On July 27, 2004, GLE entered into an agreement with the minority interest to repurchase all of its 3,000,000 shares of GLE. Under the agreement, which was effective as of May 31, 2004, GLE repurchased the shares for \$13,513,500. The minority interest will not receive a distribution for the period from September 1, 2003 to May 31, 2004. This transaction was financed through additional borrowings from the Bank (see Note C).

For GLE financial reporting purposes, this transaction is being treated as a retirement of shares as there is no provision for treasury stock under South Dakota law for limited liability companies. The amount of the repurchase in excess of the initial purchase price received from the minority interest is treated as a reduction of retained earnings on GLE's financial statements. On the Cooperative's financial statements, this excess is reflected through the consolidation process as goodwill invested in GLE. This consolidation goodwill is not subject to amortization and will only be adjusted if a permanent impairment of the investment in GLE occurs.

**NOTE E: INVESTMENT IN GRANITE FALLS ENERGY, LLC**

In July 2004, the Cooperative signed a subscription agreement to purchase 6,500 units for \$6,500,000 in Granite Falls Community Ethanol Plant, LLC, which is doing business as Granite Falls Energy, LLC ("Granite Falls"). Granite Falls is raising equity funds for the construction of a 40 mgy fuel ethanol plant near Granite Falls, Minnesota. The units were purchased on August 31, 2004.

Related to its investment in Granite Falls, the Cooperative entered into two agreements with Granite Falls related to the construction and operations of the plant. Under the Consulting Agreement, the Cooperative will manage the construction of the plant for Granite Falls and will be paid \$10,000 per month for this service. Under the Operating and Management Agreement, the Cooperative will manage the day-to-day operations of the plant for Granite Falls and will be paid (1) a monthly fee of \$35,000 and (2) an annual fee of 3% of net income of Granite Falls, with income from government programs excluded. For the three months and six months ended February 28, 2005, the Cooperative recognized \$30,000 and \$60,000, respectively, of income under the Consulting Agreement, of which \$20,000 was in receivables at February 28, 2005.

The Operating and Management Agreement will start several months prior to the start of actual production. The Operating and Management Agreement will continue for a primary term of five years and thereafter automatically renew on a yearly basis, unless terminated by either party with at least 180 days prior written notice.

**GLACIAL LAKES CORN PROCESSORS  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2005**

**NOTE E: INVESTMENT IN GRANITE FALLS ENERGY, LLC (continued)**

Also in connection with the investment in Granite Falls, the Operating and Member Control Agreement for Granite Falls was amended to allow the Cooperative to designate 2 of the 7 on the Board of Governors for Granite Falls. The new Governors were installed in October 2004, upon the closing of the equity offering by Granite Falls. As of February 28, 2005, the Cooperative will account for its investment in Granite Falls using the equity method of accounting.

**NOTE F: STOCKHOLDERS' EQUITY**

During fiscal year 2004, the Board of Directors authorized patronage allocations of earnings in the amount of \$7,107,644 (\$0.45925 per share) related to fiscal year 2003. In fiscal year 2004, the Cooperative paid \$5,494,203 (\$0.355 per share) of the allocations in cash with the remaining portion included in the allocated capital reserve. Payments of the allocated capital reserve are at the discretion of the Board of Directors and will remain in the reserve until payment is made.

In October 2004, the shareholders of the Cooperative approved a 2-for-1 stock split for shareholders of record as of August 31, 2004. All share and per share amounts are stated based on the effect of the stock split.

On December 13, 2004, a cash dividend of \$0.05 per share or \$773,831 was declared by the Board of Directors of the Cooperative that was paid on January 20, 2005.