

**GLACIAL LAKES CORN PROCESSORS
CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2005
(unaudited)**

Excerpts from audited financial statements for August 31, 2005

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**GLACIAL LAKES CORN PROCESSORS
CONSOLIDATED BALANCE SHEETS**

	<u>Nov. 30,</u> <u>2005</u>	<u>August 31,</u> <u>2005</u>
	(unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 8,010,400	\$ 2,505,348
Receivables:		
Trade	4,203,227	4,816,593
Government programs	240,140	181,017
Other	211,814	257,996
Inventories	3,961,969	5,062,342
Hedge accounts	897,369	-
Prepaid expenses	<u>129,373</u>	<u>94,641</u>
TOTAL CURRENT ASSETS	17,654,292	12,917,937
PROPERTY AND EQUIPMENT:		
Land and land improvements	1,708,350	1,708,350
Railroad equipment	848,874	848,874
Buildings	2,339,723	2,335,487
Process and grain storage tanks	12,166,678	12,166,678
Process equipment	36,041,589	35,240,486
Office equipment	<u>319,712</u>	<u>301,619</u>
Total cost	53,424,926	52,601,494
Accumulated depreciation	<u>(16,119,947)</u>	<u>(14,786,447)</u>
PROPERTY AND EQUIPMENT, net	37,304,979	37,815,047
OTHER ASSETS:		
Goodwill invested in Glacial Lakes Energy, LLC	3,827,204	3,827,204
Other investments	6,457,618	6,634,578
Other assets	79,200	-
Financing costs, net of amortization of \$276,779 and \$253,981, respectively	<u>207,730</u>	<u>230,528</u>
TOTAL OTHER ASSETS	<u>10,571,752</u>	<u>10,692,310</u>
TOTAL ASSETS	<u>\$65,531,023</u>	<u>\$61,425,294</u>

See Notes to Financial Statements

**GLACIAL LAKES CORN PROCESSORS
CONSOLIDATED BALANCE SHEETS**

	Nov. 30, 2005	August 31, 2005
	<u>(unaudited)</u>	<u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 348,885	\$ 693,168
Corn payable	1,538,356	2,330,073
Accrued expenses	962,087	846,064
Hedge accounts	-	154,157
Revolving line of credit	-	-
Current maturities of long-term debt	<u>3,689,088</u>	<u>3,689,088</u>
TOTAL CURRENT LIABILITIES	8,538,416	7,712,550
LONG-TERM DEBT, net of current maturities:		
Notes payable to Bank	23,654,805	24,555,179
Other notes payable and capital lease	<u>7,598</u>	<u>8,802</u>
Total	23,662,403	24,563,981
Current maturities	<u>(3,689,088)</u>	<u>(3,689,088)</u>
TOTAL LONG-TERM DEBT, net of current maturities	19,973,315	20,874,893
STOCKHOLDERS' EQUITY:		
Common stock, \$0.005 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	(942,003)	(2,731,540)
Capital reserve	<u>24,289,793</u>	<u>19,897,889</u>
TOTAL STOCKHOLDERS' EQUITY	<u>39,019,292</u>	<u>32,837,851</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$65,531,023</u>	<u>\$61,425,294</u>

See Notes to Financial Statements.

GLACIAL LAKES CORN PROCESSORS
CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED NOVEMBER 30, 2005 AND 2004
(unaudited)

	<u>2005</u>	<u>2004</u>
SALES	\$21,253,978	\$20,367,700
COST OF SALES	<u>16,202,058</u>	<u>17,152,649</u>
GROSS PROFIT	5,051,920	3,215,051
GENERAL AND ADMINISTRATIVE EXPENSES	595,760	442,842
INTEREST EXPENSE	<u>414,129</u>	<u>535,366</u>
INCOME FROM OPERATIONS	4,042,031	2,236,843
OTHER INCOME (EXPENSE):		
CCC bio-energy program	(14,766)	147,974
State ethanol producer program	<u>250,000</u>	<u>250,000</u>
Total government programs	235,234	397,974
Interest income	52,716	1,618
Investment earnings (loss)	(154,927)	(21,000)
Management fee income	210,000	30,000
Other income	<u>6,850</u>	<u>3,594</u>
TOTAL OTHER INCOME (EXPENSE)	<u>349,873</u>	<u>412,186</u>
NET INCOME	<u>\$ 4,391,904</u>	<u>\$ 2,649,029</u>
WEIGHTED AVERAGE SHARES OUTSTANDING	<u>15,476,628</u>	<u>15,476,628</u>
NET INCOME PER SHARE	<u>\$ 0.28</u>	<u>\$ 0.17</u>

See Notes to Financial Statements.

GLACIAL LAKES CORN PROCESSORS
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED NOVEMBER 30, 2005 AND 2004
(unaudited)

	<u>2005</u>	<u>2004</u>
OPERATING ACTIVITIES:		
Net income	\$ 4,391,904	\$ 2,649,029
Charges to net income not affecting cash:		
Depreciation and amortization	1,356,298	1,308,040
Net (income) expense recognized from hedging activities	1,716,067	2,782,935
Investment (earnings) loss	154,927	21,000
(Increase) decrease in current assets:		
Accounts receivable	611,032	(1,020,107)
Inventories	1,020,373	(1,828,420)
Hedge accounts	(978,058)	(5,056,075)
Prepaid expenses	(24,755)	65,161
Increase (decrease) in current liabilities:		
Accounts and corn payable	(1,090,930)	1,272,694
Accrued expenses	<u>130,364</u>	<u>98,793</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>7,287,230</u>	<u>293,050</u>
INVESTING ACTIVITIES:		
Purchase of property and equipment	(823,432)	(123,920)
Payment of other assets	(79,200)	(40,085)
Other investments	<u>22,032</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(880,600)</u>	<u>(164,005)</u>
FINANCING ACTIVITIES:		
Net (payments) borrowings on revolving line of credit	-	250,000
Net (payments) borrowings on long-term revolving note	-	-
Regular principal payments on term loans	(900,374)	(771,947)
Additional principal payments on term loans	-	-
Principal payments on other long-term debt	(1,204)	(1,137)
Patronage earnings allocated and paid	-	-
Payment of financing costs	-	(2,244)
Membership fees received	<u>-</u>	<u>-</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(901,578)</u>	<u>(525,328)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,505,052	(396,283)
CASH AND CASH EQUIVALENTS – beginning of period	<u>2,505,348</u>	<u>641,681</u>
CASH AND CASH EQUIVALENTS – end of period	<u>\$ 8,010,400</u>	<u>\$ 245,398</u>

See Notes to Financial Statements.

GLACIAL LAKES CORN PROCESSORS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 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, 2005 and 2004. 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 operate 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 from its formation 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: INVENTORIES

	Nov. 30, 2005	August 31, 2005
	(unaudited)	
Corn	\$2,498,082	\$3,530,083
Ethanol and distiller’s grains:		
Finished goods	396,280	383,702
In process	337,933	394,815
Chemicals and ingredients	238,735	299,535
Spare parts	490,939	454,207
	<u>\$3,961,969</u>	<u>\$5,062,342</u>

GLACIAL LAKES CORN PROCESSORS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2005

NOTE C: 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 2.75%. The rate at November 30, 2005 was 6.90938% and the rate at August 31, 2005 was 6.35938%. There was no balance outstanding on this revolving line of credit as of November 30, 2005 and August 31, 2005. Effective on September 20, 2004, the Cooperative pays 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 26, 2006. 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.

NOTE D: LONG-TERM DEBT

	Nov. 30, 2005	August 31, 2005
	(unaudited)	
Notes payable to Bank (see details below):		
Term Loan #2	\$ 8,900,523	\$ 9,264,454
Term Loan #4	-	-
Term Loan #5	7,358,221	7,520,762
Term Loan #7	7,396,061	7,769,963
Total	23,654,805	24,555,179
Capital lease	7,598	8,802
	23,662,403	24,563,981
Current maturities	(3,689,088)	(3,689,088)
	\$19,973,315	\$20,874,893
Interest rates were as follows:		
Term Loan #2 – Fixed (using interest rate swap)	6.30000%	6.30000%
Term Loan #4 – Variable (1-month LIBOR + 2.75%)	6.90938%	6.35938%
Term Loan #5 – Fixed (using interest rate swap)	7.46000%	7.46000%
Term Loan #7 – Variable (3-month LIBOR + 3.25%)	6.64000%	6.18000%

GLACIAL LAKES CORN PROCESSORS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2005

NOTE D: LONG-TERM DEBT (continued)

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.

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 annual capital expenditure limit of \$500,000 for the year ended August 31, 2005. 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, 2005, the required “excess cash flow” payment of \$1,424,252 will be made on December 20, 2005.

**GLACIAL LAKES CORN PROCESSORS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2005**

NOTE E: GOODWILL INVESTED IN GLE

On July 27, 2004, GLE entered into an agreement with Glacial Lakes Capital, LLC (the minority interest in GLE) 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 did 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.

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. For the Cooperative's financial reporting purposes, 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 F: OTHER INVESTMENTS

The Cooperative had the following investments in other renewable fuel businesses at November 30, 2005 and August 31, 2005, respectively:

	Nov. 30, 2005	August 31, 2005
	(unaudited)	
Granite Falls Energy, LLC	\$6,232,618	\$6,387,546
Redfield Energy, LLC	225,000	225,000
Other	-	22,032
	<u>\$6,657,618</u>	<u>\$6,634,578</u>

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. The 6,500 units owned by the Cooperative represent 20.86% of the outstanding units as of November 30, 2005 and August 31, 2005.

GLACIAL LAKES CORN PROCESSORS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2005

NOTE F: OTHER INVESTMENTS (continued)

Investment in Granite Falls Energy, LLC (continued)

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 ended November 30, 2005, the Cooperative recognized \$105,000 of income under the Operating and Management Agreement. For the three months ended November 30, 2004, the Cooperative recognized \$30,000 of income under the Consulting Agreement.

As of November 30, 2005 and 2004, the Cooperative accounts for its investment in Granite Falls using the equity method of accounting which reflects the Cooperative's share of the invested company's earnings and distributions. For the three months ended November 30, 2005 and 2004, the Cooperative recognized a loss of \$154,927 and \$21,000, respectively, as its share of the operating loss incurred by Granite Falls during the development stage. Granite Falls commenced the start-up of operations in mid-November 2005.

Investment in Redfield Energy, LLC

In August 2005, the Cooperative signed a subscription agreement to purchase 225,000 Class B units for \$225,000 in Redfield Energy, LLC ("Redfield"). Redfield raised equity funds in September 2005 for the construction of a 50,000,000 gallon fuel ethanol plant near Redfield, South Dakota. The units were purchased in August 2005 and represent 50% of the outstanding units of Redfield as of November 30, 2005 and August 31, 2005.

Related to its investment in Redfield, the Cooperative entered into a Consulting and Management agreement with Redfield related to the construction and operations of the plant. Under the agreement (effective July 1, 2005), the Cooperative will manage the construction of the plant, will manage the day-to-day operations of the plant for Redfield and will be paid (1) a monthly fee of \$35,000 and (2) an annual fee of 3% of net income of Redfield. For the three months ended November 30, 2005, the Cooperative recognized \$105,000 under the Consulting and Management Agreement. At November 30, 2005 and August 31, 2005, amounts due to the Cooperative under the agreement were \$175,000 and \$70,000, respectively, and will not be paid until Redfield is able to break the escrow account from the offering of additional units.

GLACIAL LAKES CORN PROCESSORS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2005

NOTE F: OTHER INVESTMENTS (continued)

Investment in Redfield Energy, LLC (continued)

The Cooperative will account for its investment in Redfield using the equity method of accounting once material operations begin and has currently recorded its investment at cost.

NOTE G: STOCKHOLDERS' EQUITY

The Cooperative is an agricultural association whereby members must meet established membership criteria including being an agricultural producer, hold a minimum of 2,500 shares of common stock, pay the required membership fee and enter into a uniform delivery and marketing agreement.

The common stock of the Cooperative is the membership stock of the Cooperative and entitles each member to one vote in the affairs of the Cooperative regardless of the number of common stock shares owned. No ordinary dividends can be paid on the common stock. The preferred stock of the Cooperative is non-voting with allowable dividends paid on preferred stock not to exceed 8% annually of the par value of the preferred stock. Dividends on the preferred stock are not cumulative.

Net income of the Cooperative shall be distributed annually to the members on the basis of patronage in such acceptable forms as approved by the Board of Directors. Payments of allocated capital reserves 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.

NOTE H: SUBSEQUENT EVENTS (unaudited)

On December 20, 2005, the Cooperative reduced the outstanding balance on Term Loan #7 with a payment of \$1,500,000, which was the "excess cash flow" requirement for 2005.

During January 2006, the Board of Directors authorized patronage allocations of earnings in the amount of \$4,609,577 (\$0.2978 per share) to its members with \$3,869,157 (\$0.2500 per share) paid in cash and the remaining \$740,420 (\$0.0478 per share) included in the allocated capital reserve.