

**GLACIAL LAKES CORN PROCESSORS
CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2006
(unaudited)**

Excerpts from audited financial statements for August 31, 2005

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**GLACIAL LAKES CORN PROCESSORS
CONSOLIDATED BALANCE SHEETS**

	<u>Feb. 28,</u> <u>2006</u> (unaudited)	<u>August 31,</u> <u>2005</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,436,443	\$ 2,505,348
Receivables:		
Trade	4,768,805	4,816,593
Government programs	166,176	181,017
Other	197,453	257,996
Inventories	4,714,147	5,062,342
Hedge accounts	753,486	-
Prepaid expenses	<u>244,734</u>	<u>94,641</u>
TOTAL CURRENT ASSETS	15,301,243	12,917,937
PROPERTY AND EQUIPMENT:		
Land and land improvements	1,708,350	1,708,350
Railroad equipment	848,874	848,874
Buildings	2,411,016	2,335,487
Process and grain storage tanks	12,166,678	12,166,678
Process equipment	36,798,672	35,240,486
Office equipment	<u>328,515</u>	<u>301,619</u>
Total cost	54,262,105	52,601,494
Accumulated depreciation	<u>(17,414,446)</u>	<u>(14,786,447)</u>
PROPERTY AND EQUIPMENT, net	36,847,659	37,815,047
OTHER ASSETS:		
Goodwill invested in Glacial Lakes Energy, LLC	3,827,204	3,827,204
Other investments	8,671,769	6,634,578
Other assets	79,200	-
Financing costs, net of amortization of \$299,576 and \$253,981, respectively	<u>184,932</u>	<u>230,528</u>
TOTAL OTHER ASSETS	<u>12,763,105</u>	<u>10,692,310</u>
TOTAL ASSETS	<u>\$64,912,007</u>	<u>\$61,425,294</u>

See Notes to Financial Statements

**GLACIAL LAKES CORN PROCESSORS
CONSOLIDATED BALANCE SHEETS**

	Feb. 28, 2006	August 31, 2005
	<u>(unaudited)</u>	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 532,008	\$ 693,168
Corn payable	664,559	2,330,073
Accrued expenses	921,918	846,064
Hedge accounts	-	154,157
Revolving line of credit	-	-
Current maturities of long-term debt	<u>3,807,323</u>	<u>3,689,088</u>
TOTAL CURRENT LIABILITIES	5,925,808	7,712,550
LONG-TERM DEBT, net of current maturities:		
Notes payable to Bank	21,247,491	24,555,179
Other notes payable and capital lease	<u>6,377</u>	<u>8,802</u>
Total	21,253,868	24,563,981
Current maturities	<u>(3,807,323)</u>	<u>(3,689,088)</u>
TOTAL LONG-TERM DEBT, net of current maturities	17,446,545	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	(501,470)	(2,731,540)
Capital reserve	<u>26,369,622</u>	<u>19,897,889</u>
TOTAL STOCKHOLDERS' EQUITY	<u>41,539,654</u>	<u>32,837,851</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$64,912,007</u>	<u>\$61,425,294</u>

See Notes to Financial Statements.

GLACIAL LAKES CORN PROCESSORS
CONSOLIDATED STATEMENTS OF OPERATIONS
SIX MONTHS ENDED FEBRUARY 28, 2006 AND 2005
(unaudited)

	<u>2006</u>	<u>2005</u>
SALES	\$42,116,139	\$40,500,540
COST OF SALES	<u>31,431,246</u>	<u>33,846,109</u>
GROSS PROFIT	10,684,893	6,654,431
GENERAL AND ADMINISTRATIVE EXPENSES	1,255,783	869,243
INTEREST EXPENSE	<u>797,807</u>	<u>1,047,286</u>
INCOME FROM OPERATIONS	8,631,303	4,737,902
OTHER INCOME (EXPENSE):		
CCC bio-energy program	(2,111)	178,935
State ethanol producer program	<u>500,000</u>	<u>446,667</u>
Total government programs	497,889	625,602
Interest income	122,724	4,494
Investment earnings (loss)	571,873	(42,000)
Management fee income	507,640	60,000
Other income	<u>9,463</u>	<u>1,360</u>
TOTAL OTHER INCOME (EXPENSE)	<u>1,709,589</u>	<u>649,456</u>
NET INCOME	<u>\$10,340,892</u>	<u>\$ 5,387,358</u>
WEIGHTED AVERAGE SHARES OUTSTANDING	<u>15,476,628</u>	<u>15,476,628</u>
NET INCOME PER SHARE	<u>\$ 0.67</u>	<u>\$ 0.35</u>

See Notes to Financial Statements.

GLACIAL LAKES CORN PROCESSORS
CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED FEBRUARY 28, 2006 AND 2005
(unaudited)

	<u>2006</u>	<u>2005</u>
SALES	\$20,862,161	\$20,132,840
COST OF SALES	<u>15,229,189</u>	<u>16,693,461</u>
GROSS PROFIT	5,632,972	3,439,379
GENERAL AND ADMINISTRATIVE EXPENSES	660,022	426,400
INTEREST EXPENSE	<u>383,678</u>	<u>511,920</u>
INCOME FROM OPERATIONS	4,589,272	2,501,059
OTHER INCOME (EXPENSE):		
CCC bio-energy program	12,655	30,961
State ethanol producer program	<u>250,000</u>	<u>196,667</u>
Total government programs	262,655	227,628
Interest income	70,007	2,876
Investment earnings (loss)	726,801	(21,000)
Management fee income	297,640	30,000
Other income (expense)	<u>2,611</u>	<u>(2,234)</u>
TOTAL OTHER INCOME (EXPENSE)	<u>1,359,714</u>	<u>237,270</u>
NET INCOME	<u>\$ 5,948,986</u>	<u>\$ 2,738,329</u>
WEIGHTED AVERAGE SHARES OUTSTANDING	<u>15,476,628</u>	<u>15,476,628</u>
NET INCOME PER SHARE	<u>\$ 0.39</u>	<u>\$ 0.18</u>

See Notes to Financial Statements.

GLACIAL LAKES CORN PROCESSORS
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED FEBRUARY 28, 2006 AND 2005
(unaudited)

	<u>2006</u>	<u>2005</u>
OPERATING ACTIVITIES:		
Net income	\$10,340,892	\$ 5,387,658
Charges to net income not affecting cash:		
Depreciation and amortization	2,673,596	2,620,581
Net (income) expense recognized from hedging activities	2,500,483	5,471,664
Investment (earnings) loss	(571,873)	42,000
(Increase) decrease in current assets:		
Accounts receivable	102,060	(514,176)
Inventories	348,194	(1,136,412)
Hedge accounts	(1,178,057)	(7,193,971)
Prepaid expenses	(150,093)	36,264
Increase (decrease) in current liabilities:		
Accounts and corn payable	(1,825,562)	715,229
Accrued expenses	<u>75,854</u>	<u>(41,214)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>12,315,494</u>	<u>5,387,623</u>
INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,660,611)	(156,642)
Payment of other assets	(79,200)	(40,085)
Other investments	<u>(1,465,318)</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(3,205,129)</u>	<u>(196,727)</u>
FINANCING ACTIVITIES:		
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	(1,807,688)	(1,581,060)
Additional principal payments on term loans	(1,500,000)	(836,000)
Principal payments on other long-term debt	(2,425)	(2,290)
Patronage earnings allocated and paid	(3,869,157)	(773,831)
Payment of financing costs	-	(2,244)
Membership fees received	<u>-</u>	<u>-</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(7,179,270)</u>	<u>(4,695,425)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,931,095	495,471
CASH AND CASH EQUIVALENTS – beginning of period	<u>2,505,348</u>	<u>641,681</u>
CASH AND CASH EQUIVALENTS – end of period	<u>\$ 4,436,443</u>	<u>\$ 1,137,152</u>

See Notes to Financial Statements.

GLACIAL LAKES CORN PROCESSORS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2006

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

	Feb. 28, 2006	August 31, 2005
	(unaudited)	
Corn	\$2,389,758	\$3,530,083
Ethanol and distiller’s grains:		
Finished goods	866,817	383,702
In process	437,324	394,815
Chemicals and ingredients	325,513	299,535
Spare parts	694,736	454,207
	<u>\$4,714,148</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 February 28, 2006 was 7.32000% and the rate at August 31, 2005 was 6.35938%. There was no balance outstanding on this revolving line of credit as of February 28, 2006 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

	<u>Feb. 28,</u> <u>2006</u>	<u>August 31,</u> <u>2005</u>
	(unaudited)	
Notes payable to Bank (see details below):		
Term Loan #2	\$ 8,531,116	\$ 9,264,454
Term Loan #4	-	-
Term Loan #5	7,192,791	7,520,762
Term Loan #7	5,523,584	7,769,963
Total	<u>21,247,491</u>	<u>24,555,179</u>
Capital lease	6,377	8,802
	<u>21,253,868</u>	<u>24,563,981</u>
Current maturities	<u>(3,817,323)</u>	<u>(3,689,088)</u>
	<u>\$17,446,545</u>	<u>\$20,874,893</u>
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%)	7.32000%	6.35938%
Term Loan #5 – Fixed (using interest rate swap)	7.46000%	7.46000%
Term Loan #7 – Variable (3-month LIBOR + 3.25%)	7.25000%	6.18000%

GLACIAL LAKES CORN PROCESSORS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2006

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.

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.

GLACIAL LAKES CORN PROCESSORS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE F: OTHER INVESTMENTS

The Cooperative had the following investments in other renewable fuel businesses at February 28, 2006 and August 31, 2005, respectively:

	Feb. 28, 2006	August 31, 2005
	(unaudited)	
Granite Falls Energy, LLC	\$6,959,419	\$6,387,546
Redfield Energy, LLC	1,709,850	225,000
Other	2,500	22,032
	<u>\$8,671,769</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 represents 20.84% of the outstanding units as of February 28, 2006 and August 31, 2005.

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 base fee of \$35,000 and (2) an annual incentive 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, 2006, the Cooperative recognized \$192,640 and \$297,640, respectively of base and incentive income under the Operating and Management Agreement. 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.

GLACIAL LAKES CORN PROCESSORS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE F: OTHER INVESTMENTS (continued)

Investment in Granite Falls Energy, LLC (continued)

As of February 28, 2006 and 2005, 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 six months ended February 28, 2006, the Cooperative recognized income of \$571,873 compared to a loss of \$42,000 for the six months ended February 28, 2005. For the three months ended February 28, 2006, the Cooperative recognized income of \$726,801 compared to a loss of \$21,000 for the three months ended February 28, 2005. 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 February 28, 2006 and August 31, 2005.

Also as part of the Consulting and Management agreement, the Cooperative will receive units in Redfield representing 5% of the outstanding equity after the close of the offering. Redfield completed its offering in September 2005, raising \$37,500,000 in addition to the \$450,000 of seed stock money originally raised. The Cooperative has signed a Subscription Agreement to purchase 400,000 Class A units for \$800,000 in the offering. Upon completion of the terms to break the escrow account, Redfield will issue new units to the Cooperative. The amount of units under this agreement is expected to be approximately 1,010,500 units.

The Cooperative agreed to advance funds to Redfield in order that construction work could continue before Redfield was able to break the escrow account. The balance owed by Redfield to the Cooperative at February 28, 2006 was \$684,850.

GLACIAL LAKES CORN PROCESSORS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE F: OTHER INVESTMENTS (continued)

Investment in Redfield Energy, LLC (continued)

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 and six months ended February 28, 2006, the Cooperative recognized \$105,000 and \$210,000, respectively, under the Consulting and Management Agreement. At February 28, 2006 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.

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. 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. Payments of allocated capital reserves are at the discretion of the Board of Directors and will remain in the reserve until payment is made (see Note H).

GLACIAL LAKES CORN PROCESSORS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE G: STOCKHOLDERS' EQUITY (continued)

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 March 21, 2006, the Board of Directors of the Cooperative approved the payment of \$4,050,909 (\$0.2617 per share) of allocated capital reserves from the fiscal years ended August 31, 2003, 2004 and 2005. The payment was made on March 31, 2006 to shareholders of record on March 21, 2006.