

**REDFIELD ENERGY, LLC**



CPAs & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

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The Board of Managers  
**Redfield Energy, LLC**  
Redfield, South Dakota

We have audited the accompanying balance sheets of **Redfield Energy, LLC** (a South Dakota Limited Liability Company) as of August 31, 2008 and October 31, 2007, and the related statements of operations, changes in members' equity and cash flows for the ten months ended August 31, 2008 and for the period from inception (July 14, 2005) through October 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Redfield Energy, LLC** as of August 31, 2008 and October 31, 2007, and the results of its operations and its cash flows for the ten months ended August 31, 2008 and for the period from inception (July 14, 2005) through October 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

*Eide Bailly LLP*

Sioux Falls, South Dakota  
December 24, 2008

**REDFIELD ENERGY, LLC**  
**Financial Statements**  
**August 31, 2008**

	<u>Page No.</u>
Balance Sheets	2 - 3
Statements of Operations	4
Statements of Changes in Members' Equity	5
Statements of Cash Flows	6 - 7
Notes to Financial Statements	8 - 28

**REDFIELD ENERGY LLC**  
**Balance Sheets**

	<u>August 31,</u> <u>2008</u>	<u>October 31,</u> <u>2007</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,810,421	\$ 3,294,031
Receivables		
Fuel ethanol	4,397,960	4,268,725
Distiller's grains	1,069,672	770,941
Incentives and tax refunds	166,667	1,666,667
Interest income and other	450,000	10,800
Inventory	5,316,702	4,513,529
Margin deposit and derivative financial instruments	8,170,307	3,899,241
Prepaid expenses and other current assets	140,645	502,582
	<u>22,522,374</u>	<u>18,926,516</u>
<b>Property and Equipment</b>		
Land and land improvements	7,909,135	7,909,135
Railroad improvements	2,140,587	2,140,587
Process buildings	2,226,504	2,226,504
Process and grain storage tanks	14,943,197	14,943,197
Process equipment	45,482,735	45,251,116
Administration building	274,175	274,175
Office equipment	481,008	209,043
Rolling stock	670,424	670,424
Construction in progress	16,952	91,479
	<u>74,144,717</u>	<u>73,715,660</u>
Less accumulated depreciation	<u>(9,515,244)</u>	<u>(3,638,600)</u>
	<u>64,629,473</u>	<u>70,077,060</u>
<b>Other Assets</b>		
Financing costs, net of amortization of \$42,707 & \$15,858	276,705	300,299
Other investments	15,000	15,000
	<u>291,705</u>	<u>315,299</u>
<b>Total Assets</b>	<u><u>\$ 87,443,552</u></u>	<u><u>\$ 89,318,875</u></u>

See Notes to Financial Statements.

**REDFIELD ENERGY, LLC**  
**Balance Sheets**

	<u>August 31,</u> <u>2008</u>	<u>October 31,</u> <u>2007</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 2,824,843	\$ 2,890,879
Revolving line of credit	-	-
Accounts payable	405,827	912,667
Corn payable	1,711,571	2,225,338
Accrued losses on inventory purchases commitments	4,420,000	-
Accrued interest payable	208,581	793,900
Other accrued liabilities	825,420	820,155
	<u>10,396,242</u>	<u>7,642,939</u>
<b>Long-term Debt</b>		
Term loan	33,381,813	35,300,000
Long-term revolver	-	5,000,000
Notes payable – equipment	127,578	251,902
Total	<u>33,509,391</u>	<u>40,551,902</u>
Current portion	<u>(2,824,843)</u>	<u>(2,890,879)</u>
	<u>30,684,548</u>	<u>37,661,023</u>
<b>Commitments and Contingencies (Note H)</b>		
<b>Members' Equity</b>		
Member contributions, net of \$158,190 costs related to capital contributions, 20,435,526 units issued and outstanding	40,037,862	40,037,862
Retained earnings	6,324,900	3,977,051
	<u>46,362,762</u>	<u>44,014,913</u>
<b>Total Liabilities and Members' Equity</b>	<u><u>\$ 87,443,552</u></u>	<u><u>\$ 89,318,875</u></u>

See Notes to Financial Statements.

**REDFIELD ENERGY, LLC**  
**Statements of Operations**

	<b>Ten Months Ended August 31, 2008</b>	<b>From Inception (July 14, 2005) Through October 31, 2007</b>
<b>Revenues</b>		
Fuel ethanol sales	\$ 98,360,477	\$ 46,722,817
Distiller's grains sales	14,096,545	7,320,209
State ethanol producer incentive	465,085	416,676
	<b>112,922,107</b>	<b>54,459,702</b>
<b>Cost of Revenues</b>		
Corn ground	63,704,836	26,495,485
Freight costs and commissions	13,045,794	7,549,469
Natural gas	10,856,970	5,255,779
Depreciation	5,809,942	3,604,653
Denaturant, chemicals, and ingredients	4,748,424	2,930,598
Losses on inventory purchases commitments	4,420,000	-
Other production costs	2,065,402	1,686,231
	<b>104,651,368</b>	<b>47,522,215</b>
	<b>8,270,739</b>	<b>6,937,487</b>
<b>General and Administrative Expenses</b>		
Related party management fees	497,717	557,023
Other costs	283,740	396,481
Administrative labor costs	183,680	297,645
Professional fees	74,241	273,098
Insurance	296,941	265,756
Property taxes	141,451	89,472
Depreciation	66,702	33,947
Amortization of financing costs	26,849	15,858
	<b>1,571,321</b>	<b>1,929,280</b>
	<b>6,699,418</b>	<b>5,008,207</b>
<b>Other Income (Expense)</b>		
Interest income	102,254	684,739
Other income	26,726	5,855
Interest expense	(2,436,996)	(1,721,750)
	<b>(2,308,016)</b>	<b>(1,031,156)</b>
	<b>\$ 4,391,402</b>	<b>\$ 3,977,051</b>
<b>Weighted Average Units Outstanding</b>		
	<b>20,435,526</b>	<b>15,410,615</b>
<b>Net Income per Unit</b>		
	<b>\$ 0.215</b>	<b>\$ 0.258</b>

See Notes to Financial Statements.