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GRANITE FALLS, MN
Permit No. 58

15045 Hwy. 23 SE
Granite Falls, MN 56241



August 2005



Michael Nealon
Controller GLE

At the Annual Meeting in April, we requested and received approval to change the fiscal year end for Granite Falls Energy from December 31 to October 31. We now have received permission from the Internal Revenue Service to make the same change in year end for income tax purposes. We will now be planning to the "year end" audit as of October 31, 2005 and changing the filings with the SEC to reflect the new fiscal year.

Here is an update on costs for the project. Based on current information, we expect the total cost of the plant (including funds for start-up) will be around \$63,493,000 and we have total sources of funds (debt and equity) at \$64,338,000.

During the last three months, we have used the remaining equity drive funds and are now borrowing amounts from First National Bank of Omaha (the "Bank"). After the construction draws for June were paid, we have \$7,961,267 borrowed on the \$34,000,000 loan we have with the Bank.

We will be filing the Form 10-QSB for the three months ended June 30, 2005 with the SEC by August 15, 2005. You can review a copy of all of our filings on the SEC's website by following the link at www.granitefallsenergy.com.

My main task now is to help Stacie Schuler in her new role as CFO for Granite Falls. This transition will take some time, but we have every confidence in Stacie's ability to do the job. As Glacial Lakes Energy has a significant investment in Granite Falls Energy, I will still be involved in reviewing GFE's financials and being a resource to Stacie.



Effective July 18, I became the Chief Financial Officer for Granite Falls Energy, LLC. I am very pleased and excited about joining this team and the ethanol industry. I look forward to meeting and working with many of you in the future.

My husband, Tony, and I live just a few miles from the GFE plant with our two daughters, Kyla (8-1/2), and Alayna (3-1/2); our third child is due early September. My husband farms north of Granite Falls and also raises purebred Red Angus and commercial cattle.

In the next couple of months, as we quickly approach actual plant production, we will be setting up the accounting team here at GFE. Please be sure to check the website at www.granitefallsenergy.com for all of our current employment needs.

Stacie Schuler
Chief Financial Officer

Enjoy what is left of the summer – it will soon be gone!



From the desk of Tom Branhan Chief Executive Officer

The construction of Granite Falls Energy, LLC is going very well and we expect to start production sometime this October. By mid-August, Fagen will give us a date when we should expect to start grinding corn. Based on that date, we will then be able to make the final preparations for a successful start-up of the plant.

On July 27, we held a job fair in Granite Falls to interview potential candidates from the local area for various positions in the plant. We had a very good turnout and were able to identify a number of people that we will have more detailed interviews for these positions. All of the GFE employees will be hired by mid-August to allow for orientation and extensive training in anticipation of an October start-up. This training will be done both in Granite Falls and at the GLE plant in Watertown, where they can work at a plant that will be almost identical to the plant in Granite Falls.

We have recently filled several other key positions at GFE. Corey Reiffenberger was hired in June 2005 as Production Manager. He comes to GFE with experience at the CVEC plant in Benson, MN and will work with Doug Reisdorfer on all aspects of production at our facility. Stacie Schuler was hired in July 2005 as Chief Financial Officer. She previously was a Finance Manager for Cargill AgHorizons based in Maynard, MN. As the CFO, she will be responsible for all of the accounting for the Company.

GFE was part of the Western Fest activities in Granite Falls. Paul Enstad, our Chairman, was Grand Marshal of the parade and several of the Governors accompanied the GFE float in the parade.

The ethanol industry continues to be strong and viable. As I write this article, the U.S House and Senate have passed the revised Energy Bill that awaits the signature of the President. The Energy Bill contains the Renewable Fuels Standard ("RFS") that calls for the use of up to 7.5 billion gallons of renewable fuels by 2012. This is a tremendous victory for the ethanol industry and we applaud all of those who helped with the passage of the Energy Bill.

**Check us out on the web and webcam at
WWW.granitefallsenergy.com**



Paul Enstad
Chairman of the Board

Rachel tells me it is time to get our next newsletter out and I feel this is important as you are the owners/investors and you need to be kept informed. I appreciate all of the positive comments from folks concerning GFE and we have received great feedback from City Officials as well. The community support has been terrific. I would personally like to thank the Granite Falls City Chamber of Commerce for asking us to be a part of the celebration in Granite Falls this summer.

What a huge sign of progress to see the plant construction proceed so rapidly. Our start-up date will be here soon and we are preparing for the big occasion. Farmers are excited, Main Street is excited, and the entire community is excited to see this plant come on line. The job fair that was held in July was a major success. I wish we could find work for all who applied for the job openings, but unfortunately, we only need a certain number of employees. The people that we hire will be the backbone of the company and from what I have seen from the people who work for GFE already, I am confident that the plant will run very smoothly.

As I travel throughout the area, sometimes quite a distance away, and someone asks where we are from, and I say Granite Falls, they almost always ask about "that ethanol plant they are building near town." If I am on a family trip, my wife and son sort of roll their eyes and my answer will be simply, it is coming along just fine. They have heard the story more than once. If it is a business trip or if I have some time to spare I will give the person the long version. I enjoy visiting with people about GFE and I know a few things about GFE since I have been here from the beginning. It will be just over five years ago when we had our first meeting to develop a state of the art ethanol plant in Granite Falls.

A question that I am asked a lot is "I heard that it takes more energy to produce ethanol that we get out of it. Is this true?" The answer is simply no. Most of these questions come from a study put out by David Pimentel, Cornell University entomologist, and Tad Patzek, University of California- Berkeley engineering professor. This study claims that ethanol production does not benefit the nation environmentally or economically. This study is very outdated and used pre-1989 data for corn yields of 110 bushels per acre. In 2004 the national average yield was 160 bushels per

acre. The departments of Energy and Agriculture completed a study in 2004 to dispute all of the findings in the Pimentel and Patzek study. According to the 2004 study we get 1.67 BTUs of energy for each BTU used to produce renewable corn-based ethanol. This study used 2001 production data and since that time the ethanol industry has become even more efficient, just as the brand new GFE plant will be. This is probably a conservative number. I could go on and on about the Pimentel Study but I would like to talk about things more positive.

Congress has gotten an Energy Bill to the President's desk. Both the House and Senate have passed the Energy Security Act of 2005. President Bush is expected to sign the Bill into law soon. This is a great step in the right direction for all renewable fuels. It requires the use of a minimum of 7.5 billion gallons ethanol and bio-diesel across the nation by 2012. By the end of this year the nation will produce approximately 4 billion gallons of ethanol. The Energy bill essentially will call for double this production.

New Jersey is the latest state to ban the use of MTBE. This is the petroleum product used as an oxygenate substitute in gasoline. It has been described by many as a poison. 25 states now have the ban in place with another 5 pending. The Energy Bill did not include a waiver from liability for the makers of this product so they may have to quit using it anyway. If it gets in the water it ruins the water for drinking for hundreds of years. This fact alone will cause a huge demand for environmentally friendly, home grown ethanol. You as investors should be excited to be a part of this growth.



Doug Reisdorfer
Plant Manager

The month of July has been a month of great advancement. The progress on the site is coming along very well as you have probably noticed in Robin's column and/or if you've had the opportunity to get past the site in the last month or so.

I would like to take this opportunity to fill you in on who we've hired in the month of July as far as staffing at GFE is concerned. As of July 01, 2005, Robin Spaude started as the Maintenance Manager; July 08, 2005, Mike Bauman started as a Plant Operator; July 11, 2005, Corey Reiffenberger started as the Production Manager; and July 18, 2005, Stacie Schuler started as the CFO.

On July 27, GFE, along with the help of GLE, hosted a job fair at the Prairie's Edge Casino. This was done to encourage a broad range of applicants to apply for open positions at GFE verses relying solely on newspaper advertising. As a

result of this, we have already begun to hire many of our production and maintenance staff.

The process of receiving quotes and purchasing equipment and supplies is and has been in full swing for quite some time. As you might imagine, there are several pieces of large equipment and numerous expendable supplies needed to start a business of this caliber.

I hope everyone has a great August,

P.S. If you happen to see the above mentioned individuals out and about, please say Hi and welcome them to Granite Falls Energy.



Pete Bullene
EHS Manager

Greetings! As Granite Falls Energy (GFE) continues to move forward with the construction phase of the project, numerous safety and compliance issues have been taken care of in a timely manner. Safety and compliance has been a priority of the GFE Board of Directors as well as GLE Management. We need to give a special "thank you" to the Board of Directors for taking a very proactive approach in regards to safety and well being of the GFE employees. The same proactive approach has also been applied to protecting the environment and our natural resources.

On average, statistics show that a high percentage of incidents occur during an employee's first six months on the job. In order to change this trend, we have developed an extensive New Employee Safety Orientation Training Program. Each employee will complete

the New Employee Safety Training which will focus on monthly training sessions enabling GFE to comply with the OSHA standards. Over twenty Minnesota OSHA required safety training sessions have been established since our last newsletter. These training sessions will further the employees' knowledge in personal safety and reduces the potential exposure for accidents and injuries while on the job.

I am pleased to say that GFE is on track with the permit submittals and revisions. We are reviewing our Air Quality, Storm Water and Wastewater permits to ensure that they are current and up to date. A sampling and documentation schedule has been established for all permits to ensure continued compliance.

In closing, it is great to see a state of the art facility come together and I'm proud to be part of the team. Safety is always a huge matter in any environment and I'm pleased to see it's a top priority at GFE!



Summer Construction Update From Under the Hard Hat

Since our last newsletter of June 2005 we have seen a tremendous amount of physical changes on our ethanol plant site. Our construction worker headcount has peaked at 220 and certainly shows with overflowing parking areas on the site. The following has all happened within the last 45 days:

ON-SITE FACILITY ACTIVITIES

All of the large stainless steel tanks have been completed and agitators and drive boxes assembled to them. All carbon steel storage tanks in the tank farm are done and ready for painting. Pipe racks and load-out piping are currently being set in place to these tanks.

Construction of our cooling tower is done and water lines are being hooked to it. The grain receiving building pit, truck and rail dump hoppers, and rail scale are set in place with the floor ready to pour, and perimeter footings also poured for this building.

165 feet of elevator leg components are being assembled and attached to the concrete silo web. Truck scale installation next to our administration building is near completion.

99% of all concrete work and 90% of the structural steel work for the entire site is now complete.

Process equipment that arrived a month ago has since been installed. Process piping, electrical, HVAC, and application of roofing and siding materials have been moving at a frenzied pace.

Plans are being finalized for final site grading, black topping, and installation of perimeter road lighting.

INFRASTRUCTURE

We are expecting to switch over from the temporary to the permanent electrical distribution system in early August. REC has completed most of their on-site construction activities and remains on schedule for going "hot" with the permanent system.

Installation of the well water main and discharge line off-site has commenced and we anticipate having water flowing from our two production wells by September 1st. The second production well was installed a month ago and tunnel boring in heavy traffic areas has been completed.

Our natural gas supplier has buried approximately 4 miles of the approximate 7 mile transmission line to date and is on schedule for natural gas flow by October 1st.

Rail siding and rail spur activities have also started and by mid-August you'll see rail and rail ties being installed to the siding and spur areas.

My role as GFE's Project Coordinator is rapidly coming to a close; however, my new duties as GFE Maintenance Manager will prove to be just as challenging and rewarding. Having seen, first hand, the construction planning, engineering, and workmanship that has gone into this facility by all contractors will only ensure that the duties of facility maintenance personnel are routine, predictable, and efficient.



Site Photos



Robin Spaude
Maintenance Manager



Corey Reiffenberger
Production Manager