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15045 Hwy. 23 SE
Granite Falls, MN 56241



Michael Nealon
Controller GFE/GLE

Greetings:

We have filed the Form 10-QSB for the three months ended March 31, 2005 with the SEC on May 16, 2005. You can review a copy of the Form 10-QSB on the SEC's website by following the link at www.granitefallsenergy.com. This quarterly report contains the unaudited financial statements for GFE for the first three months of the year and updates other information from the annual Form 10-KSB filed at the end of March 2005.

Based on current information, we expect the total cost of the plant (including funds for start-up) will be around \$63,046,000 and we have total sources of funds (debt and equity) at \$64,338,000.

Thank you to those who attended the Annual Meeting on April 28, 2005. For those who were unable to attend, the two main questions were:

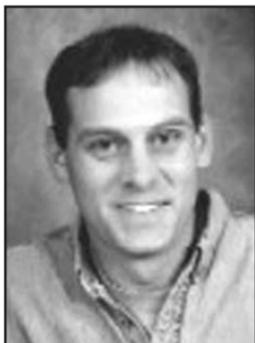
- When will the plant start up?
- When will GFE pay a dividend and how much?

The answer to the first question is that we expect to have the plant producing ethanol by the end of October 2005 (based on information from Fagen).

The answer to the second question will require a little explanation. We will not be able to pay a dividend until we complete a full year of production and the independent auditors have completed their work (based on our loan agreement). The payment of any dividend is up to the Board of Governors, taking into account the net income earned, amounts needed for scheduled debt payments and amounts that have to be retained to operate the business.

Another month has passed and the plant site, with all of the construction, is unrecognizable from even three weeks ago. We are now starting to interview for some of the key positions in the plant. This seems to be going well but there is

always a high level of concern in hiring for these positions, as it is critical the right people are found. At some point in late summer 2005, Granite Falls Energy, LLC will be having a job fair giving us the opportunity to meet potential employees and see the skills and talents available in the area. It will also give potential employees the chance to see what opportunities might be available.



Doug Reisdorfer
GFE Plant
Manager

I have also been very active in making contact with numerous vendors and giving them our requirements on what they will have to do to serve our facility effectively. This task has been somewhat trouble-free thus far. This is in large part because I have made contact with many of the same people through my previous experience in the industry.

I hope everyone has a great upcoming month,
Doug Reisdorfer, Plant Manager



From the desk of the General Manager Tom Branhan CEO/General Manager

Hello again. Construction continues at an ever increasing pace which puts us on track to start this plant up in October 2005 as expected. There is a complete construction update from Robin Spaude later in this newsletter so I won't elaborate. We held our first annual meeting at the end of April and the members adopted the official change of our name from Granite Falls Community Ethanol Plant to Granite Falls Energy, and approved the change of our fiscal year from December 31st to October 31st. Shannon Johnson was also re-elected to the Board of Governors at this meeting. The meeting went well and was fairly well attended, but if we succeed in the fiscal year change, we will have the next annual meeting in January 2006 where hopefully more of you can attend.

I have started the process of identifying and hiring key personnel for GFE and am close to hiring a controller and an operations manager. On May 1st. The majority of plant personnel will not be hired until August/September 2005. This allows for adequate training of new hires while minimizing the financial burden. Doug Reisdorfer, plant manager of GFE transferred from GLE the first of May to assume full time duties at the GFE jobsite. Doug will gain invaluable information by being at the site during construction of the plant.

Our new Administration building is now complete so we have moved in and are operating from the new offices. Currently Doug, Rachel and Robin are on the site full time. If you get the time, log on to our website and take a look at real time construction of your plant through our new web camera. You can log on any time of the day and move the camera with your mouse to view any area on the site. Our website is www.granitefallsenergy.com.

We just purchased a new Chevrolet half ton pickup truck for the plants use and yes, it is an E-85 vehicle. In fact this truck will be in the Granite Falls Western Days parade this June along with the Glacial Lakes Energy antique tractor and the GLE moonshine float. We will include pictures of the float in the next newsletter for all to see.

In the mean time, use ethanol E-10 or E-85 if you have a flex fuel vehicle every time you buy gasoline and try out the web camera.

Tom Branhan

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



Paul Enstad
Chairman GFE

I would like to thank those who were able to attend our annual meeting and those of you who sent in your proxies by mail. Other articles in this newsletter will provide you with the construction updates. A lot has happened since our last newsletter and even since the annual meeting. I would like to mention that I am pleased to see that the concrete corn storage silos have been erected. This has really changed the skyline East of Granite Falls. To me this is significant as this is where the corn will first enter the plant and it seems that this means the plant is becoming a reality.

One year from now we will be able to see what we can do with this plant. It is going to be an exciting time for us to see what kind of production numbers we can produce with this plant. We will have several months of history behind us from a process standpoint. The plant will be State of the Art and the people we have managing, operating and working at this plant will make it run efficiently and smoothly. With the technology now available, we can have a snapshot at any given time to review the gallons of ethanol produced, feed produced and bushels of corn being ground. Over the last several months, I have had the opportunity to review some of the operations from Glacial Lakes Energy, LLC. This ethanol plant located in Watertown, SD has quickly become known as a very efficient plant and has been very successful. With two plus years of full production they have a great history and downtime is

extremely minimal with few problems to report.

The reason I am sharing this with you is as most of you probably know, Glacial Lakes Energy, LLC is a large owner/investor of GFE. We will be using the same CEO/General Manager (see Tom Branhan's article) and other key people for Granite Falls Energy, LLC. We feel this will be efficient in itself. GFE will use the same professional marketers for the products which are Aventine Renewable Energy for the ethanol and Commodity Specialist Company for the distillers grains. GFE will use the same risk management with FC Stone and of course GFE is also using the same design/build contractor with Fagen Inc. These and many more reasons should help us all to have a high level confidence in the success of GFE, LLC.

It is important to note that GFE will be a separate entity from GLE. We will have our own Board of Governors with a different business structure and business plan. GFE will use a professional grain company to procure all corn using Farmers Cooperative Elevator Company. GLE and GFE will look very similar but we will be brand new and with the enhancements we added, we will be ready to turn the key when construction is complete. We will have our own identity.

On another subject – I have a Ford Taurus that can burn E-85 which is a blend of 85% ethanol. At the local Coop here in Granite Falls, they handle E-85 and the price is currently 40 cents below the price of unleaded which in Minnesota also has a 10% ethanol requirement. A 40 cents per gallon savings is a real eye-opener and sales at this location have tripled recently. My point is that consumers are becoming aware of some of this. Congressman Mark Dayton from Minnesota is a strong supporter of ethanol and he has a bill that would require all gasoline-consuming vehicles produced after 2007 to be equipped with flex-fuel engines. He plans to meet with automakers to discuss the possibilities soon. Senator Dayton calls ethanol an "economic and environmental grand slam for America."

Paul Enstad, Chairman GFE, LLC



Winter Construction Update From under the hard hat



Robin Spaude
Project Coordinator
GFE

We have several new structures on our site! The most prominent is our concrete silos for corn storage along with four completed fermentation tanks, two 100,000 gallon storage tanks in the tank farm, and the sump for our cooling tower. A tremendous amount of "interior" or not readily visible work has been accomplished in all areas, as well. Our new web camera will also give you a "live" peek at what is going on anytime you go into our website.

Here is a brief rundown of the construction that has occurred in the last month.

- We have been operating out of our beautiful administration building for about 1 month now. This building was completed on schedule.

- Concrete floor slab was completed in the DDG building floor; 22,000 sq ft (450 cu yds) was poured and finished in 10 hours.

Slip forming of the concrete silos occurred within 72 hours, on schedule. These 125' silos went up with minimal construction issues including weathering through two thunderstorms (one severe) during the slip process; a tribute to McCormick Construction's engineering, planning, safety consciousness, and construction efficiency. The roof will get poured shortly and grain handling equipment is arriving and being installed to these structures.

Construction of the grain receiving building (east of the silos) is well underway and will be one of the last major buildings left to erect on site.

- All fermentation tanks have been completed and materials are arriving on site to construct the beer well. In addition to these tanks numerous, smaller stainless steel and carbon steel tanks have been fabricated and positioned within the building structures.

Tank farm fabrication is underway with two of the smaller tanks (100M gallon capacity) completed. Materials for our 750M gallon ethanol storage tanks are arriving on site and will be the next to fabricate.

- Approx. 75% of the structural steel is standing tall in the process building and energy center areas. As major pieces of equipment get installed, more building is built around the equipment.

- Process equipment has been arriving daily for the past month. DDG dryer, boiler, thermal oxidizer, and distillation, piping, and valve components have been put in place so that the balance of the structural steel can be assembled and then the buildings get their roof and siding.

- Minnesota Valley Cooperative Light and Power Assn (REC) is finishing installation of equipment in our on-site sub-station. Permanent underground electrical wiring and transformer cabinets have been set in place.

- Within a month we will have water main and rail siding construction activities underway connecting wells to our site and rail siding adjacent to the TC & W mainline.

- Our natural gas supplier has completed and received all necessary permits and easements to begin digging in the gas distribution line to our site in late June.

In summary, it has taken approx. 185 people, currently on-site, to make the enormous accomplishments in construction that has occurred over the last 4-5 weeks. With 95% of all concrete work done, approx. 75% of structural steel in place, internal piping and wiring on-going and major infrastructure disciplines well underway, we are still on track for a late October 2005 start up.

