

Arkalon Ethanol, LLC

For the Three Months Ending Mar 31, 2011

	Current	Prior Month	Prior Year
<b>ASSETS</b>			
Current Assets			
Cash & Equivalents	\$23,508,960.98	\$30,797,239.93	\$18,622,844.01
Accounts Receivable - Trade	4,170,753.73	6,963,021.64	6,064,982.45
Accounts Receivable - Other	5,982,657.79	1,407,442.92	2,294,322.33
Accounts Receivable - Allowance for Bad Debt	(139,520.19)	(139,541.53)	(194,680.56)
Total Accounts Receivable	10,013,891.33	8,230,923.03	8,164,624.22
Inventory - Corn	3,651,913.02	2,142,549.69	788,527.41
Inventory - Sorghum	2,386,890.43	2,172,087.92	1,203,056.61
Inventory - Chem, Enzymes & Yeast	514,413.34	515,454.54	496,414.15
Inventory - Denaturant	317,230.90	170,541.34	323,050.78
Inventory - Work In Process	2,751,589.17	2,719,750.91	1,873,832.85
Inventory - Spare Parts	966,319.68	919,331.38	920,250.44
Inventory - Ethanol	2,599,229.45	5,111,405.27	1,091,181.32
Inventory - DDG	73,767.00	80,600.00	5,050.00
Inventory - DWG	20,415.00	76,780.00	44,187.50
Total Inventory	13,281,767.99	13,908,501.05	6,745,551.06
Prepays	645,606.41	658,264.89	604,020.93
Hedging Accounts at Market	3,888,579.91	1,208,556.51	7,093,129.34
Total Other Current Assets	4,534,186.32	1,866,821.40	7,697,150.27
Total Current Assets	51,338,806.62	54,803,485.41	41,230,169.56
PPE-Land and Buildings - Net	25,413,795.51	25,552,799.20	27,035,289.76
PPE-Machinery and Equipment - Net	105,127,897.78	105,872,965.96	113,970,257.86
PPE-Office, Computers and Software - Net	77,648.74	79,178.57	100,075.94
PPE-Vehicles - Net	18,113.01	18,743.04	25,673.36
Total Property, Plant and Equip - Net	130,637,455.04	131,523,686.77	141,131,296.92
Other Assets	6,085,747.08	5,893,600.55	5,961,981.04
Total Other Assets	6,085,747.08	5,893,600.55	5,961,981.04
<b>TOTAL ASSETS</b>	<b>188,062,008.74</b>	<b>192,220,772.73</b>	<b>188,323,447.52</b>
<b>LIABILITIES &amp; EQUITY</b>			
Current Liabilities			
Accounts Payable	13,416,951.70	10,420,269.33	7,683,215.42
Accruals	249,417.09	1,641,074.61	2,684,093.82
Current Maturities of Working Capital	6,500,000.00	8,500,000.00	7,500,000.00
Current Maturities of Senior Debt (Incl Sweeps)	969,070.00	969,070.00	969,070.00
Total Current Liabilities	21,135,438.79	21,530,413.94	18,836,379.24
Notes Payable	37,252.22	38,454.99	0.00
Long Term Senior Debt	85,515,255.00	93,515,255.00	94,242,057.50
Total Liabilities	106,687,946.01	115,084,123.93	113,078,436.74
Equity	98,360,102.57	98,360,102.57	98,360,102.57
Retained Earnings	(18,328,994.48)	(18,328,994.48)	(25,955,867.43)
Current Year Income	1,342,954.64	(2,894,459.29)	2,840,775.64
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>188,062,008.74</b>	<b>192,220,772.73</b>	<b>188,323,447.52</b>

Arkalon - Income Statement

Variance greater than 10% explained below

\$000s

	Q1					
	Budget		Actual		Change (Better / Worse)	
	\$	Per Gallon	\$	Per Gallon	\$	Per Gallon
<b>Revenues</b>						
Ethanol	52,475	\$ 1.92	61,839	\$ 2.39	9,364	0.36
DDG's	298	\$ 0.01	34	\$ 0.00	( 264 )	( 0.01 )
WDG's	9,283	\$ 0.34	13,716	\$ 0.53	4,433	0.17
CO2/Other Income	168	\$ 0.01	257	\$ 0.01	89	0.00
<b>Total Revenues</b>	<b>62,224</b>	<b>\$ 2.27</b>	<b>75,846</b>	<b>\$ 2.93</b>	<b>13,621</b>	<b>0.53</b>
<b>COGS</b>						
<b>Feedstock</b>						
Total Feedstock	48,588	\$ 1.78	59,796	\$ 2.31	( 11,208 )	( 0.43 )
Natural Gas	2,140	\$ 0.08	2,112	\$ 0.08	28	0.00
Denaturant	1,078	\$ 0.04	1,293	\$ 0.05	( 215 )	( 0.01 )
<b>Chemicals</b>						
Fuel (Non-Denaturant)	-	\$ -	12	\$ 0.00	( 12 )	( 0.00 )
ABS	-	\$ -	12	\$ 0.00	( 12 )	( 0.00 )
Chemicals	22	\$ 0.00	28	\$ 0.00	( 6 )	( 0.00 )
Urea	282	\$ 0.01	233	\$ 0.01	48	0.00
Antibiotics	102	\$ 0.00	117	\$ 0.00	( 15 )	( 0.00 )
Yeast	63	\$ 0.00	64	\$ 0.00	( 1 )	( 0.00 )
Ammonia	36	\$ 0.00	59	\$ 0.00	( 23 )	( 0.00 )
Sulfuric Acid	31	\$ 0.00	43	\$ 0.00	( 12 )	( 0.00 )
Caustic	126	\$ 0.00	168	\$ 0.01	( 42 )	( 0.00 )
Enzymes	1,318	\$ 0.05	1,063	\$ 0.04	254	0.01
Total Chemicals	1,979	\$ 0.07	1,800	\$ 0.07	179	0.01
Water	111	\$ 0.00	79	\$ 0.00	32	0.00
Electricity	825	\$ 0.03	716	\$ 0.03	109	0.00
<b>Total COGS</b>	<b>54,721</b>	<b>\$ 2.00</b>	<b>65,795</b>	<b>\$ 2.54</b>	<b>( 11,075 )</b>	<b>( 0.43 )</b>
<b>Gross Profit</b>	<b>7,503</b>	<b>\$ 0.27</b>	<b>10,050</b>	<b>\$ 0.39</b>	<b>2,547</b>	<b>0.10</b>
<b>Total Fixed Costs - Operation</b>	<b>5,535</b>	<b>\$ 0.20</b>	<b>6,319</b>	<b>\$ 0.24</b>	<b>( 785 )</b>	<b>( 0.03 )</b>
<b>EBIT</b>	<b>1,969</b>	<b>\$ 0.07</b>	<b>3,731</b>	<b>\$ 0.14</b>	<b>1,762</b>	<b>0.07</b>
<b>Interest Costs</b>	<b>2,742</b>	<b>\$ 0.10</b>	<b>2,388</b>	<b>\$ 0.09</b>	<b>354</b>	<b>0.01</b>
<b>Net Income</b>	<b>( 773 )</b>	<b>\$ ( 0.03 )</b>	<b>1,343</b>	<b>\$ 0.05</b>	<b>2,116</b>	<b>0.08</b>
<b>EBITDA</b>	<b>4,701</b>	<b>\$ 0.17</b>	<b>6,728</b>	<b>\$ 0.26</b>	<b>2,027</b>	<b>0.08</b>
<b>EBITDA - Debt Service</b>	<b>1,717</b>	<b>\$ 0.06</b>	<b>4,081</b>	<b>\$ 0.16</b>	<b>2,364</b>	<b>0.09</b>

Est Gallons	Act Gallons
27,368	25,905

	YE 2009	YE 2010	Q1 2010	Q1 2011
Revenue	204,319.13	235,194.67	56,462.24	75,845.68
Gross Profit	28,729.83	39,712.03	10,697.21	10,050.21
Net Profit	( 4,726.33 )	7,626.87	2,840.78	1,342.95
EBITDA	18,576.00	29,434.15	8,314.27	6,727.72
EBITDA - Debt Service	6,523.19	18,580.87	5,564.77	4,081.01
Senior Debt / Gallon	\$ 0.86	\$ 0.85	\$ 0.86	\$ 0.78



	YE 2009	YE 2010	Q1 2010	Q1 2011
Senior Debt	94,484.33	93,515.26	94,242.06	85,515.26
Current Maturities of Senior Debt	969.07	969.07	969.07	969.07

<b>Beg Cash 1/1/2011</b>	34,724.16
<b>End Cash 3/31/2011</b>	23,508.96

Net Income	1,343
Depreciation	2,665
Amortization	316
<i>Changes in Working Capital</i>	
DSR	0
Margin Account	0
Accounts Receivable	4,931
Inventory	(3,352)
Prepaid & Commodity	(2,758)
Other Assets	(444)
Accounts Payable	(3,912)
Notes Payable	(4)
Revolver	(2,000)
CMLTD - Sr. Debt	(0)
<u>Total</u>	<u>(7,539)</u>
Operating Activities	(3,215)
<i>Investing Activities</i>	
Acquisition of Assets	0
Sale of Assets	0
<u>Investing Activities</u>	<u>0</u>
<i>Financing Activities</i>	
Proceeds from Long Term Debt	0
Debt Repayment	(8,000)
Dividend	0
<u>Financing Activities</u>	<u>(8,000)</u>
Net Change in Cash	(11,215)

**Debt Disclosure**  
**('000's)**

**For the Three Months Ended**  
**3/31/2011**

	<u>2011</u>	<u>2010</u>
Notes Payable	37.25	-
Revolver	6,500	7,500
Senior Debt	<u>85,515.26</u>	<u>94,242.06</u>
Total Long-Term Debt	<u>92,052.51</u>	<u>101,742.06</u>

**Debt Terms**

- Revolver: \$6,500,000 at LIBOR + 7.5%
- Senior Debt: \$85,515 outstanding at LIBOR + 7.5% : 7 year term;  
4% Required AM + up to 100% of cashflow after waterfall calculation

**Amounts of LT debt due in each of the next 5 years (in thousands):**

<b>Years Ended</b>	
<b><u>December 31,</u></b>	<b><u>Amount</u></b>
2012	3,876
2013	3,876
2014	3,876
2015	3,876
2016	3,876
Thereafter	<u>51,573</u>
Total	<u><u>70,953</u></u>



**3 Months Ended  
3/31/2011**

**Per Unit Information**

Total Shares Outstanding:  
EBITDA  
Debt  
Cash

	<b>2011</b>	<b>2010</b>	<b>Change</b>
Total Shares Outstanding:	35,390	35,390	-
EBITDA	\$ 190.10	\$ 234.93	( 45 )
Debt	\$ 2,416.37	\$ 2,662.96	( 247 )
Cash	\$ 664.28	\$ 526.22	138

**Per Gallon Information**

Total Gallons Sold (000's):  
EBITDA  
Debt  
Cash

	<b>2011</b>	<b>2010</b>	<b>Change</b>
Total Gallons Sold (000's):	25,905	28,188	( 2,283 )
EBITDA	\$ 0.26	\$ 0.29	( 0 )
Debt	\$ 3,301.07	\$ 3,343.32	( 42 )
Cash	\$ 907.50	\$ 660.66	247

## Key Production Indicators

	<u>For the Three Months Ended March 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Gallons sold (in thousands)	25,905.32	28,188.13	( 2,282.81 )
Average sales price per gallon (net)	\$ 2.38	\$ 1.60	\$ 0.78
Corn cost per bushel	\$ 6.23	\$ 3.74	\$ 2.49
Crush margin	\$ 0.15	\$ 0.20	\$ ( 0.05 )
Denatured yield (2.25% denaturant added)	2.80	2.69	0.11
Distiller's grain as a % of the delivered cost of corn	24%	20%	4%