

Bi-ENERGY ALERT

Volume 4, Issue 2
October 29th, 2007

From the President's Desk

By Robert Ferguson, President



The Time Has Arrived! The Official Grind Date For HLBE Was September 21st, 2007.

September 21st was the date we all have worked towards and waited to happen for three plus years. I want to thank the shareholders, staff, management, and construction teams for the completion of the project and the perseverance of time and effort to make this happen. The plant start-up went relatively well, with the usual issues involved with new equipment and the intricacies associated with operational procedures. We experienced several power failures due to severe thunderstorms in the area, and we also dealt with wet coal being delivered from our suppliers. Mother Nature provided us with early insight on conditions that we will need to address in similar situations, and we have made provisions to do such.

I assumed the position of General Manager of HLBE on September 1st, 2007, and on that note, I would like to thank Wayne Gordon for his time and effort as Interim General Manager for the year he spent with us on a contractual basis.

On October 7th, Tyronne Bialas accepted employment with Heron Lake Bio-Energy as our Grain Procurement / Risk Management Coordinator. Tyronne brings with him considerable knowledge in those areas; from his association with the grain industry and his employment with two other ethanol facilities. I feel Tyronne will be a great asset to our plant. His duties will include the oversight of our grain elevator division, keeping corn feedstock aligned to our production needs, and the risk management plans for our inbound and outbound products. You can read about Tyronne in his column of the newsletter. He can be reached at the HLBE office.

On the production side, efficiencies and production maximization will be key in this period of narrow margins and high feedstock prices. The plant production data and operational guidelines will be monitored closely to maximize available options to capture margin. The HLBE Board made the decision to close the Lakefield Feed Mill on October 31st, our fiscal year end. The decision was predicated by the consolidations taking place in the feed industry both on the producer side and on the milling side. The inability of the mill to produce positive operating margins prompted this decision.

Jim Gerber and staff are working on the quarterly reports and cash-flows for our lenders, auditors, and legal counsel in preparation for the filing of our Form 10 to the Securities and Exchange Commission. On that same note, the company is in the process of developing the protocol for future stock sales and transfers of company stock. I anticipate this process will be completed by the end of November for Board approval and then will be implemented.

In closing, I hope everyone that farms has had a safe harvest. The yields in the area are better than anyone had anticipated with the prolonged drought we experienced this summer. To all our shareholders, thank you again for your perseverance and understanding in the time frame involved to bring HLBE to reality.

Board of Governors

- **Robert Ferguson**
President
- **Doug Schmitz**
Vice President
- **David Woestehoff**
Secretary
- **Michael Kunerth**
Treasurer
- **David Bach**
Governor
- **Timothy Helgemoe**
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Governor
- **Robert Wolf**
Governor
- **Dave Reinhart**
Ron Fagen Appointed
- **Brian Thome**
Ron Fagen Appointed

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CFO's Corner



By James A. Gerber, Chief Financial Officer

First of all, we need to update you in regard to items discussed in last quarter's newsletter - the Securities and Exchange Commission (SEC) Filing, Financing Package, Scale Interfacing, and Financing and Space for Corn Inventory - then we will briefly discuss current issues. Securities and Exchange Commission (SEC) Filing - HLBE is expecting to file the nine month and quarterly results through July 31st with the SEC in early November. As this newsletter goes to print, the Company's independent auditors have substantially completed their review of the numbers. Now the reporting format of those results is in process.

Financing Package - Effective October 1st, the Company's loan financing package for construction monies was converted from a construction loan to a term loan status. Interest will be paid for the first six months of the agreement and then principal payments will commence. In regard to short term monies, refinancing of this package is in process. The closing of this will take place in November.

Scale Interfacing - This process has been completed. HLBE had significant start-up issues with the system. Recently, however, the process is progressing smoothly.

Financing and Space for Corn Inventory - We have reached the end of October and have managed to carry approximately two months grind (3,000,000 bushels) of inventory as well as crushing the October contracted grain. As corn stock levels in the area become known, the need to carry two months of grind may be re-evaluated. With any re-determination downward, the related financing costs and space requirements would be diminished.

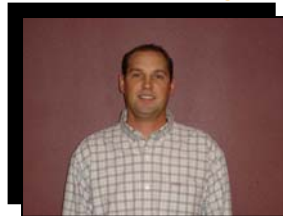
Current issues - We have received several inquiries as to an annual meeting date and reporting of current year financial results. Current year financial results will be available in the SEC filing mentioned above. In regard to the annual meeting, it was decided to have an annual meeting in March 2008. This decision was based on the following; the Company would like to have the initial SEC filing, the October 31st, 2007 audit, the December 31st, 2007 tax return, and the fiscal 2008 first quarter (January 31st, 2008) results all completed prior to a meeting. Since the fiscal 2008 first quarter results will be the first full quarter of plant production, the Company felt these results would be beneficial.

Thanks for your time. Call me at 507.793.0077 or email me at jimg@heronlakebioenergy.com with your comments or concerns.

****PLEASE NOTE: WE NO LONGER HAVE A POST OFFICE BOX NUMBER. OUR PERMANENT ADDRESS IS: 91246 390TH AVE.**

Corn Receiving Hours Monday - Thursday 7:30 a.m. - 4:30 p.m.
By-Product Loading 7:30 a.m. - 4:30 p.m. (Tentative Schedule)

Commodity Central



By Tyronne Bialas, Risk Manager / Grain Procurement Manager

I grew up on a grain and live-stock farm in rural Parkston, SD. We farmed about 900 acres, calved and fed about 100 head of cattle, and farrowed about 60 sows and finished the hogs. I attended South Dakota State University and graduated with a degree in Ag Business in 1996. I started with ADM in May, 1996 and moved around to a few places in the Midwest, receiving a broad range of training and experience. Most recently with ADM, I managed a grain elevator in NW Indiana from 2002 - 2004.

In April of 2004, I made the jump to the ethanol industry. I was the Corn Procurement Manager for Platte Valley Fuel Ethanol in Central City, Nebraska. In December, 2006, I accepted the Risk Manager position in Marion, SD with Millennium Ethanol.

I have a wife, who also grew up in Parkston, SD. We have 2 children, Camden, who is 7, and Katie, who is 2 1/2. We currently reside in Parker, SD, which is about 25 miles west of Sioux Falls. If I have any spare time, I enjoy golf as well as some other sports, and definitely spending time with my kids.

My position at Heron Lake BioEnergy will challenge myself as well as other risk committee members as the markets over the past 12 months have completely changed. We are now in a market environment for corn that is demand driven, and haven't seen that since 1996. Ethanol is extremely volatile, given its infancy status and strong need to continue to find markets in places of the U.S. which are not using ethanol, and to increase demand in places that are.

Specifically, I am responsible for managing our risk program, which includes making recommendations to our committee regularly, and executing the strategies that we decide to carry out. Our goal will be to continue to look to lock in acceptable margins, and protecting our exposure while the markets are not allowing for those margins. I will also work closely with our Grain Merchandiser in Lakefield to manage the corn logistics and inventory at the plant.

Bio Bits
*On October 14, 1947, Chuck Yeager broke the speed of sound in the X-1 using an ethanol/water mix and liquid oxygen.
*In 1989, Professor Max Shauck set a world record and was awarded the Harmon Trophy for flying a single engine across the Atlantic Ocean using pure ethanol.

Please make sure HLBE has your current and correct mailing address and email address!

Corey's Vista



By Corey Aanenson, Plant Manager

Hurray!!! Operation is under way. We had our challenges to get to this point which has caused delays, but we are finally operating. We started grinding corn on

September 21st and reached our performance run on October 5th. We had our ups and downs during start-up, but worked through most of them quickly to reach our designed rate. As of today, we still have some bugs to work out, which are being worked on. Some of the remaining issues are on the boiler system, and the DDGS conveyor systems. One of the five rail load-outs needs to be worked on, and there are a few other areas that need our attention around the facility. We are planning to correct the remaining issues, and as we are, we are going to be really focusing on improving the efficiency of this facility. We feel we can get HLBE to be one of the most efficient plants running, but it takes time, research, and data collection.

Two strong programs that are in relation to improving efficiency are safety and environmental. These two areas are important to this facility and are constantly being worked on.

Every day, our employees are learning and becoming more comfortable with the operations and maintenance of the plant. They had good training before we started operating, and are now receiving high-quality on-the-job training with the day to day activities. But the education never ends. There is a great deal for everyone to learn and understand about the process and characteristics of our ethanol facility.

In closing, I want to give credit to the employees of Heron Lake BioEnergy, as they are the ones who keep the plant running strong. They meet the challenges of a 24-hour a day, 7 days a week operation. We appreciate all their hard work and efforts.

Who's Who at HLBE



By Jason Christians, Production Supervisor

Hi! My name is Jason and I am the production supervisor here at Heron Lake BioEnergy. I want to tell you a little about myself and what I do here at HLBE, and also

give you an update about our start-up.

First of all, I am married and have 4 children, all between the ages of 12 and 19. We live in George, IA, which is a small town located about 56 miles southwest of the plant.

At work, I oversee the operations department which has about 12 employees. There are 3 operators on shift at all times, along with 2 boiler operators. Together, they keep the equipment running. There will only be 2 planned plant shutdowns a year. There will be one for boiler inspections and one for maintenance items, which makes us a 24/7 operation.

We have completed our first month of production as of 10/19/07. So far, things have gone pretty well with a few minor glitches and some shutdowns. The employees are busy learning the different aspects of the plant, as well as starting up and shutting down of the plant process. We have completed all of our production tests and are up to full capacity. In the coming months, we will be making some minor changes to our fermentation process to maximize yield. We also have some work to do on our DDG and ethanol rail load-out systems, but they should be working better by next week, then all the areas of the production process should be running. I can speak for everyone here that we want to be one of the top ethanol plants around.

Everyone has been working hard and doing a good job, and everyone here is just relieved to be running and making ethanol after a long summer. We have been busy keeping the plant looking clean and invite you to stop by to see us sometime. The plant will have scheduled tours and also look for our "Open House" in the spring of 2008.



Ethanol Edge

"Many oil companies today are purchasing ethanol at bargain prices, but in an apparent attempt to discourage the use of ethanol, they are offering ethanol blends at excessive prices to their dealer stations. In other instances, refiners are purchasing low-priced ethanol, adding unfair profit by marking up the price of ethanol-blended fuel, and making motorists pay more at the pump. In these cases, sales of ethanol are artificially depressed at a time when more ethanol would lower prices for consumers. Oil companies are proving that they will not do what is best for consumers unless Congress takes steps to prevent this anticompetitive, anti-consumer activity."

Source: www.ethanol.org



View our newsletter on the internet!

If you would like to receive our newsletter by e-mail, please send us your e-mail address. You will receive a full color newsletter and we will save money on postage!

October 8th, 2007 - View of the HLBE ethanol plant while in operation. The picture was taken from the top of the Grains Silo, looking to the west between the Process Center and the Energy Center.



“Integrating Energy & Technology”

The latest technology will be used to keep emissions at the same level as natural gas.

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We're on the web: www.heronlakebioenergy.com

****NOTICE****

The HLBE ANNUAL MEETING is tentatively scheduled to be held in the spring of 2008. A notice will be sent out to the investors when a definite date has been set.

DISTILLER GRAIN RECIPES

PUMPKIN BARS

- 2 cups sugar
- 1 1/2 cups white flour
- 1 cup vegetable oil
- 1/2 cup DDG
- 4 eggs
- 2 teaspoons baking powder
- 1 cup walnuts (optional)
- 2 teaspoons baking soda
- 2 cups pumpkin
- 1/2 teaspoon cinnamon

Blend together sugar and oil. Add eggs. Blend in dry ingredients. Fold in pumpkin and nuts. Pour into jelly roll pan or cookie sheet. Bake in oven for 25 minutes at 350°. Frost with cream cheese frosting.

CREAM CHEESE FROSTING

Cream together:

- 1 (3 oz.) package cream cheese
- 1 teaspoon vanilla
- 3/4 stick butter
- 1 3/4 cups powdered sugar
- 1 teaspoon cream

Spread on bars. Sprinkle DDG on top as you would with walnuts.

(*DDGS can be purchased at ethanol facilities)

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