

Western Plains Energy, LLC

Oakley, Kansas

**CONSOLIDATED FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

September 30, 2023 and 2022



**K C O E
I S O M**

Western Plains Energy, LLC

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INDEPENDENT AUDITORS' REPORT

To the Members and Board of Managers
Western Plains Energy, LLC
Oakley, Kansas

Opinion

We have audited the accompanying consolidated financial statements of Western Plains Energy, LLC and its subsidiary (collectively, the Company), which comprise the consolidated balance sheets as of September 30, 2023 and 2022; the related consolidated statements of operations, changes in members' equity, and cash flows for the years then ended; and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT

(Continued)

Auditors' Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

KCoe Team, LLP

November 8, 2023
Lenexa, Kansas

Western Plains Energy, LLC
CONSOLIDATED BALANCE SHEETS

September 30	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,181,339	\$ 5,278,791
Accounts receivable	3,970,132	6,724,151
Note receivable - Western Plains Wind, LLC	79,130	74,555
Inventories	5,878,987	6,564,740
Prepaid expenses	303,888	225,332
Commodities trading accounts - futures and options contracts	5,369	7,409
Total Current Assets	12,418,845	18,874,978
Property, Plant, and Equipment - Net	32,542,550	12,370,539
Other Assets		
Water rights	400,408	400,408
Investment property - Oakley - net	389,633	410,205
Investment in Western Plains Wind, LLC	58,345	50,000
Idled property and equipment	2,075,438	2,075,438
Note receivable - Western Plains Wind, LLC - net of current portion	770,669	849,799
Deposits	117,834	117,834
Operating lease right-of-use assets - net of accumulated amortization	124,326	-
Total Other Assets	3,936,653	3,903,684
TOTAL ASSETS	\$ 48,898,048	\$ 35,149,201

The accompanying notes are an integral part of these consolidated financial statements.

Western Plains Energy, LLC
CONSOLIDATED BALANCE SHEETS (CONTINUED)

September 30	2023	2022
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$ 5,612,694	\$ 7,915,676
Current portion of operating leases	69,684	-
Accrued interest	121,348	-
Total Current Liabilities	5,803,726	7,915,676
Noncurrent Liabilities		
Long-term debt	18,000,000	-
Operating leases - net of current portion	29,990	-
Total Noncurrent Liabilities	18,029,990	-
Total Liabilities	23,833,716	7,915,676
Members' Equity		
Class A capital units - 9,111 and 9,153 issued	6,167,862	6,167,862
Class B capital units - 11,770 and 11,780 issued	7,981,860	7,981,860
Class C capital units - 1,331 and 1,265 issued	651,937	651,937
Class E capital units - 6,187 and 6,201 issued	4,285,153	4,285,153
Member distributions - cumulative	(166,983,888)	(166,983,888)
Retained earnings	172,961,408	175,130,601
Total Members' Equity	25,064,332	27,233,525
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 48,898,048	\$ 35,149,201

The accompanying notes are an integral part of these consolidated financial statements.

Western Plains Energy, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended September 30	2023	2022
Revenue	\$ 110,545,099	\$ 170,706,376
Cost of sales	106,309,124	145,929,144
Gross Profit	4,235,975	24,777,232
Depreciation and amortization	(1,676,735)	(1,927,629)
General and administrative expenses	(4,946,778)	(4,854,806)
Operating Income (Loss)	(2,387,538)	17,994,797
Other Income (Expense)		
Interest expense	(584,122)	-
Bioenergy incentive program income	78,325	28,598
Interest income	174,964	59,466
Dividend income	33,144	8,151
Gain on sale of assets	119,913	145,896
Other income	396,121	2,608,648
Total Other Income (Expense)	218,345	2,850,759
Net Income (Loss)	\$ (2,169,193)	\$ 20,845,556

The accompanying notes are an integral part of these consolidated financial statements.

Western Plains Energy, LLC

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Members'		Retained		Total
	Contributions		Earnings		Equity
Balances - September 30, 2021	\$ 19,086,812	\$	12,860,257	\$	31,947,069
Net income	-		20,845,556		20,845,556
Distributions paid	-		(25,559,100)		(25,559,100)
Balances - September 30, 2022	19,086,812		8,146,713		27,233,525
Net loss	-		(2,169,193)		(2,169,193)
Balances - September 30, 2023	\$ 19,086,812	\$	5,977,520	\$	25,064,332

The accompanying notes are an integral part of these consolidated financial statements.

Western Plains Energy, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended September 30	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (2,169,193)	\$ 20,845,556
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,676,735	1,927,629
Amortization of right-of-use assets	80,885	-
Gain on sale of assets	(119,913)	(145,896)
Income from Western Plains Wind, LLC	(8,345)	-
Changes in assets and liabilities:		
Accounts receivable	2,754,019	798,264
Inventories	685,753	353,391
Prepaid expenses	(78,556)	(14,455)
Commodity trading accounts - futures and options contracts	2,040	2,040
Accounts payable and accrued expenses	(3,124,954)	768,329
Accrued interest	121,348	(86)
Operating lease	(105,537)	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(285,718)	24,534,772
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from note receivable - Western Plains Wind, LLC	74,555	45,646
Proceeds from sale of property, plant, and equipment	138,259	145,896
Purchases of property, plant, and equipment	(21,024,548)	(2,097,554)
NET CASH USED IN INVESTING ACTIVITIES	(20,811,734)	(1,906,012)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions paid	-	(25,559,100)
Advances from line of credit	18,000,000	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	18,000,000	(25,559,100)
Net Change in Cash and Cash Equivalents	(3,097,452)	(2,930,340)
Cash and Cash Equivalents - Beginning of Year	5,278,791	8,209,131
Cash and Cash Equivalents - End of Year	\$ 2,181,339	\$ 5,278,791
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 462,774	\$ 86
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Purchases of property, plant, and equipment included in accounts payable and accrued expenses	\$ 821,972	\$ 1,508,105

The accompanying notes are an integral part of these consolidated financial statements.

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations Western Plains Energy, LLC (WPE) is a Kansas limited liability company with its principal place of business in Gove County, Kansas. WPE owns and operates a 40-million gallon nameplate capacity ethanol plant, and was organized on July 10, 2001. WPE began principal operations in January 2004.

Western Plains Trucking, LLC (WPT) is a Colorado limited liability company wholly owned by WPE. WPT was formed in December 2010 and provides freight for the distillers grain sales segment.

Principles of Consolidation The accompanying consolidated financial statements include accounts of WPE and its wholly-owned subsidiary, WPT, for the years ended September 30, 2023 and 2022. All significant intercompany balances and transactions have been eliminated. The consolidation is hereafter referred to as the Company.

Basis of Accounting The Company uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). This method recognizes revenues as earned and expenses as incurred.

Estimates The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Due to the nature of the Company's cash flow, amounts on deposit in individual banks may temporarily exceed the insured amount throughout the year.

Accounts Receivable The Company's accounts receivable are due from distributors and customers in the ethanol and livestock feed industries. Credit is extended based on evaluation of a customer's financial condition and collateral is not required. Accounts receivable are due within 30 days and are stated at amounts due from customers, net of an allowance for doubtful accounts. Accounts outstanding longer than the payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's perceived ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. There was no allowance for doubtful accounts at September 30, 2023 and 2022.

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Inventories Inventories are stated at the lower of cost or net realizable value on a first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

Securities and Risk Management The Company evaluates its contracts to determine whether the contracts are derivatives. Certain contracts that literally meet the definition of a derivative may be exempted as normal purchases or normal sales. Normal purchases and normal sales are contracts that provide for the purchase or sale of something other than a financial instrument or derivative instrument that will be delivered in quantities expected to be used or sold over a reasonable period in the normal course of business. Contracts that meet the requirements of normal purchases and sales are documented as normal and exempted from derivative reporting requirements.

The Company attempts to minimize the effects of fluctuations in the price of certain anticipated commodity purchases (grain and natural gas) and sales (ethanol) utilizing derivative instruments, including future contracts and options to fix prices for a portion of future raw materials required in the production process. Contracts are not designated or accounted for as hedging instruments, although the contracts are effective economic hedges of specified risks.

By using forward, futures, and options contracts to manage exposures to commodity prices, the Company exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the contract. When the fair value of a contract is positive, the counterparty owes the Company, which creates credit risk for the Company. When the fair value of a contract is negative, the Company owes the counterparty, and therefore does not possess credit risk. The Company minimized the credit risk by entering into transactions with high-quality counterparties. Market risk is the adverse effect of a financial instrument that results from a change in commodity prices. The market risk associated with commodity price contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

These instruments qualify for, and management has elected, the no hedging designation treatment. As such, gains and losses on commodities are reflected in cost of sales, and gain or losses on fuel-grade ethanol are reflected in revenue in the consolidated statements of operations.

Fair Value Measurement The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted, quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for assets and liabilities measured at fair value. There have been no changes in the methodology used at September 30, 2023 and 2022.

Commodities Trading Accounts – Futures and Options Contracts: These instruments include exchange-traded commodity futures and option contracts related primarily to agricultural commodities. Exchange-traded futures and options contracts are valued based on unadjusted quoted prices in active markets and are classified in level 1.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Property, Plant, and Equipment Property, plant, and equipment are carried at cost and depreciated over the estimated useful life of each asset using the straight-line method. The cost of internally-constructed assets includes direct and allocated indirect costs. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Deductions are then made for retirements resulting from the renewals or betterments. The Company maintains spare parts to properly maintain equipment which are not depreciated.

Periodically, the plant or a portion of plant equipment will be shut down to perform certain maintenance projects that are expected to improve the operating efficiency of the plant over the subsequent year. These costs are expensed or capitalized, based upon the nature of the costs.

Provisions for depreciation of property, plant, and equipment are computed over the following estimated useful lives:

Land improvements	15 years
Manufacturing equipment	7 years
Buildings and improvements	27.5 years
Vehicles and rolling stock	5 years
Office equipment	5 to 7 years

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Impairment of Long-Lived Assets The Company reviews the carrying value of its property, plant, and equipment for impairment whenever events and circumstances indicate that the carrying amount of the asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair market value of assets. The factors considered by management in performing this assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors. Examples of such triggering events include a significant disposal of a portion of such assets, an adverse change in the market involving the business employing the related asset, a significant decrease in the benefits realized from an acquired business, difficulties or delays in integrating the business, and a significant change in the operations of an acquired business.

As of September 30, 2023 and 2022, the cost, net of any impairment loss, of the anaerobic digester in idled property and equipment was \$2,075,438. No depreciation was recorded against the anaerobic digester for the years ended September 30, 2023 and 2022.

Water Rights The Company has water rights that include the cost to acquire ownership and rights to various water wells. These rights are being carried at cost.

Operating Lease Right-of-Use Assets and Liabilities The Company obtains the right to control the use of various assets under long-term agreements. The Company evaluates contracts to determine whether they include a lease, and uses the lessee non-lease component accounting policy election, for all asset classes, to account for the lease and non-lease components separately. Variable lease payments, which are primarily comprised of maintenance, are recognized in operating expenses in the period in which the obligation for those payments were incurred. Leases are recognized on the balance sheets as right-of-use assets with a corresponding lease liability.

Investment Property During fiscal year 2012, the Company participated in the construction of residential units in Logan County, Kansas, with one affiliated and one unaffiliated entity. The development consisted of nine housing units that were completed in August 2013. Upon completion, the Company received title to three units that are carried on the consolidated balance sheets as investment property - Oakley. This investment property is being depreciated over the life of the property, with \$20,572 of depreciation expense per year.

Investment The Company holds an investment in a privately-held company. This investment is accounted for using the equity method of accounting. The equity method is shown in the Company's consolidated balance sheets as investment, and the Company's share of earnings or losses from this investment is shown in the accompanying consolidated statements of operations in other income.

The equity-method investment is initially recognized at cost, which is the price paid to acquire the holding in the investee. Under the equity method, the carrying amount of the equity affiliate is adjusted annually by the percentage of any change in equity corresponding to the Company's percentage interest in the equity affiliates. The carrying costs of this investment are also increased or decreased to reflect additional contributions or withdrawals of capital. Any difference in the book equity and the Company's pro rata share of the net assets of the investment will be reported as gain or loss at the time of liquidation of the investment.

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Shipping and Handling Shipping and handling costs are expensed as incurred and are included as an offset to revenue. Shipping and handling costs for the years ended September 30, 2023 and 2022, were \$2,015,032 and \$2,534,882, respectively.

Income Taxes The Company is organized as a limited liability company under state law and is treated as a partnership for income tax purposes. Under this type of organization, the Company's earnings pass through to the members and are taxed at the member level. Accordingly, no income tax provision has been calculated in the accompanying consolidated financial statements.

Revenue Recognition The Company recognizes revenue from sales of ethanol and ethanol co-products at the point in time when the customer obtains controls of such products, which typically occurs upon delivery, depending on the terms of the underlying contracts. Ethanol co-products include dry distillers grain, wet distillers grain, and corn oil. In some instances, the Company enters into contracts with customers that contain multiple performance obligations to deliver volumes of ethanol or co-products over a contractual period of less than 12 months. The Company allocates the transaction price to each performance obligation identified in the contract based on relative standalone selling prices, and recognizes the related revenue as control of each individual product is transferred to the customer in satisfaction of the corresponding performance obligations. Revenue from transportation services is recognized when earned.

Environmental Liabilities The Company's operations are subject to federal, state, and local environmental laws and regulations. These laws require the Company to investigate and remediate the effects of the release or disposal of hazardous materials at its location. Accordingly, the Company has adopted policies, practices, and procedures in the areas of pollution control, occupational health, and the production, handling, storage, and use of hazardous materials to prevent material environmental or other damage; and to limit the financial liability which could result from such events. Environmental liabilities are recorded when the liability is probable and the costs can be reasonably estimated.

Bioenergy Incentive Program Income During fiscal year 2009, the Company enrolled in an incentive program with the United States Department of Agriculture for an incentive on gallons of ethanol produced up to a defined amount. The Company files for this incentive payment quarterly and records the revenue when the incentive is received. Under this program, the Company has recorded \$78,325 and \$28,598 of such incentive income in other income for the years ended September 30, 2023 and 2022, respectively.

Implementation of New Accounting Standards During the fiscal year-ended September 30, 2023, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This ASU required the Company to recognize on the balance sheet the asset and liability for the rights and obligations created by leases with a term of more than 12 months. The Company elected several available practical expedients, including to not reassess the classification of existing leases, any initial direct costs associated with the leases, or whether any existing contracts are or contain leases. The Company adopted the provisions of the update using a modified retrospective approach for all lease contracts. This ASU had the effect of increasing right-of-use assets and operating lease liabilities by \$205,211, effective October 1, 2022.

Reclassifications Certain reclassifications have been made to the prior-year consolidated financial statements to conform to the current-year consolidated financial statements.

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Evaluation of Subsequent Events The Company has evaluated all events subsequent to November 8, 2023, the date the consolidated financial statements were available to be issued.

2. INVENTORIES

Inventories consisted of the following:

September 30	2023	2022
Raw materials	\$ 2,953,962	\$ 4,027,112
Work in process	1,975,495	2,055,295
Finished goods	949,530	482,333
Total Inventories	\$ 5,878,987	\$ 6,564,740

3. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consisted of the following:

September 30	2023	2022
Land and land improvements	\$ 2,387,438	\$ 2,344,329
Manufacturing equipment	55,934,330	55,364,870
Buildings and improvements	6,264,309	6,264,309
Vehicles and rolling stock	3,064,050	2,644,357
Office equipment	394,230	394,230
Spare parts	1,459,317	1,344,856
Construction in progress	23,240,113	2,876,675
Subtotals	92,743,787	71,233,626
Less: Accumulated depreciation	60,201,237	58,863,087
Total Property, Plant, and Equipment - Net	\$ 32,542,550	\$ 12,370,539

4. INVESTMENT IN WPW

WPW was formed in September 2020 to own a wind turbine for electricity generation. WPE has a 1.68% equity ownership through a \$50,000 cash contribution. WPE also loaned WPW \$960,000, which will be repaid in quarterly installments over ten years, with interest at 6.00% per annum.

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM DEBT

The Company has a revolving loan agreement (the Loan Agreement) with AgCountry. The Loan Agreement provides for borrowings not to exceed \$23,000,000 through October 1, 2027. Borrowings bear interest based on the one-month Secured Overnight Financing Rate reported on the tenth day of the month preceding the interest period then in effect, reported by Federal Farm Credit Banks Funding Corporation plus 2.90%, effectively 8.3052% and 5.2247% at September 30, 2023 and 2022, respectively. This note is collateralized by 75% of the Company's inventories and accounts receivable of less than 90 days. Interest payments are made quarterly, with the principal amount outstanding due October 1, 2027. The Company had an outstanding balance of \$18,000,000 and \$-0- at September 30, 2023 and 2022, respectively.

The Loan Agreement is subject to certain restrictive covenants, including certain financial covenants, as well as capital expenditure limitations. The Company complied with, or obtained waivers for, all restrictive and financial covenants for the years ended September 30, 2023 and 2022.

6. MEMBERS' EQUITY

Distribution of income and losses of the Company shall be allocated among the members in accordance with their respective percentage interests.

The Company's Board of Managers may distribute cash to members in accordance with provisions in the Operating Agreement and Master Credit Agreement. No member has the right to demand and receive any distribution from the Company other than in cash. Transfer, disposition, or encumbrance of capital units are subject to certain restrictions, including approval by the Board of Managers.

During a special meeting held August 23, 2011, the Members voted to amend the Company's Operating Agreement and reclassify member units pursuant to provisions in the Fourth Amended Operating Agreement. As a consequence of several capital unit transactions between members since the recapitalization during the year ended September 30, 2011, the resulting outstanding units per class are as follows:

Years Ended September 30	2023	2022
Class A units	9,111	9,153
Class B units	11,770	11,780
Class C units	1,331	1,265
Class E units	6,187	6,201
Total Units	28,399	28,399

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

In general, voting rights are one vote per member for Class A and Class E capital units, and one vote per unit for Class B and Class C units. Both Class A members and Class B members must own a minimum of 30 capital units, and Class E members must own a minimum of 14 capital units, to remain in their respective unit class. No member may own more than 49% of the outstanding Class B capital units at any time.

Class A unit members elect three managers, Class B unit members elect three managers, and Class E unit members elect one manager. All member classes must approve any merger or consolidation with another business entity, sale of substantially all of the Company's assets or voluntary dissolution, and amendments to the Operating Agreement. The Board of Managers decides all other matters regarding operation and management of the Company.

Upon dissolution of the Company, and after the payment of all debts and liabilities of the Company, up to \$1,000,000 shall be applied and distributed to the Class C and Class E members together as a single class, distributed ratably in proportion to their ownership percentage of the Class C units and Class E units. The balance of assets shall be distributed to the unit holders ratably in proportion to the credit balances in their respective capital accounts for all classes of units.

7. LEASE OBLIGATIONS

The Company leases vehicles and rolling stock for use in operations under operating lease agreements. The operating leases may include renewal options. These renewals are not considered reasonably certain to be exercised. Generally, the Company has elected to exclude any variable payments for non-lease components, such as maintenance form lease expense.

The Company's operating leases generally do not specify an implicit interest rate. Therefore, the risk-free rate was used, based on information available at the commencement date, to determine the present value of future payments when capitalizing the operating lease right-of-use assets and operating lease liabilities.

The Company leases equipment under lease agreements with durations less than 12 months, and has elected to use the short-term lease exemption, which allows for the expense to be recognized on a straight-line basis over the lease term.

The Company's lease expenses were as follows:

September 30, 2023	
Operating leases	\$ 93,089
Short-term leases	86,016
Total Lease Expense	\$ 179,105

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

The aggregate minimum annual lease payments under operating lease arrangements and discount factors used in calculating minimum lease payments on right-of-use assets are as follows:

Years Ending September 30		Operating Leases
2024	\$	70,097
2025		16,872
2026		13,342
Subtotal		100,311
Less: Amount representing interest		637
Present Value of Minimum Lease Payments		99,674
Less: Current maturities of leases		69,684
Leases - Net of Current Maturities	\$	29,990
Weighted-average remaining lease term:		1.59 yrs
Weighted-average discount rate:		0.73%

Future minimum lease payments due under operating leases are as follows:

Years Ending September 30		
2023	\$	125,660
2024		83,866
2025		29,154
2026		28,214
2027		13,947
Total Minimum Lease Payments	\$	280,841

Lease expense totaled \$162,081 for the year ended September 30, 2022.

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

8. COMMITMENTS, CONTINGENCIES, AND AGREEMENTS

The Company has entered into various agreements regarding its formation, operation, and management. Significant agreements are as follows:

Employee 401(k) Plan

The Company established a 401(k) retirement plan on November 1, 2004, for its employees. The Company matches employee contributions to the plan, up to 5% of each eligible employee's gross compensation. The amount contributed by the Company is vested at 25% per year on behalf of the employee. The Company contributed \$115,807 and \$165,496 for the years ended September 30, 2023 and 2022, respectively.

Energy Management Services

The Company has an agreement with Fidelis Energy Group, LLC for energy management services. This agreement is set to cover the period from November 1, 2021, through October 31, 2023. On October 25, 2023, the agreement was renewed to cover the period from November 1, 2023, through October 31, 2025.

Marketing Agreement

The Company executed an exclusive ethanol marketing and services agreement (the Agreement) with POET Biofuels (POET) of Wichita, Kansas, to market the ethanol produced at its plant. Under this Agreement, POET agrees to purchase all of the ethanol produced at the plant, and POET is responsible for determining the price and terms at which the ethanol acquired from the plant is sold, and to whom it is sold, for which POET receives a marketing fee. The Agreement renews automatically for an additional five-year period and may be terminated by either party after providing written notice of at least 90 days prior to the end of the current five-year term.

Power Purchase Agreement

The Company entered into an agreement with Western Plains Wind, LLC to purchase wind energy and renewable energy credits (RECs) on April 20, 2021. The agreement is set to cover the period from April 20, 2021, through April 20, 2031. Thereafter, the Company may elect to extend the term for two additional five-year periods by providing written notice of such extension at least 90 days prior to the end of the original term.

Wind Lease and Easement Agreement

The Company entered into an agreement with Western Plains Wind, LLC (WPW) to lease land to WPW for the purpose of WPW's wind production facility. The agreement is set to cover the period from April 20, 2021, through the date WPW begins selling electrical energy generated. Upon that date, the term will automatically extend for an additional 20-year term. WPW may elect to extend the term for an additional five-year period on or before the expiration of the 20-year term.

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Administrative Services Agreement

The Company entered into an agreement with Western Plains Wind, LLC to administer day-to-day operations of the wind turbine production facility.

Construction Services Agreement

The Company contracted with various companies to design and build grain receiving, grain handling, grain storage and grain transport systems associated with the construction of three concrete grain storage tanks.

On October 25, 2022, the Company entered into an agreement with McPherson Concrete Storage Systems, Inc. to design and construct three 80-foot diameter by 124-foot-tall concrete grain storage tanks. The company has committed to \$5,963,148 in total project costs, of which \$5,614,486 has been incurred and paid as of September 30, 2023.

On October 31, 2022, the Company entered in an agreement with HABCO, Inc to procure and install the associated grain receiving and handling machinery for the three concrete storage tanks, including a new grain receiving system, grain handling system, and grain transport system to connect to the existing grain grinding system. The Company has committed to \$5,229,235 in total project costs, of which \$4,507,308 has been incurred and paid as of September 30, 2023.

On September 23, 2022, the Company entered into an agreement with Decker Electric to procure and install all electrical systems required for the grain receiving, grain handling, grain storage and grain transport systems. The Company has committed to \$2,300,000 in total project costs, of which \$1,869,568 has been incurred and paid as of September 20, 2023.

Whitefox Agreement

On September 23, 2022, the Company entered into an agreement with Whitefox to design a system at the Company's plant to fully replace the molecular sieves with Whitefox's membrane technology and to reconfigure the distillation, dehydration, and evaporation process units to achieve maximum energy efficiency. The project will reduce the Company's carbon intensity (CI) score. The Company has committed to \$5,416,570 in total project costs, of which \$4,338,823 has been incurred and paid as of September 30, 2023.

Carbon Sequestration Project

On January 20, 2023, the Company entered into an agreement with TBirdie Consulting to assist in obtaining a carbon-dioxide (CO₂) permit from the U.S. Environmental Protection Agency, certifications from the California Air & Resource Board, and implement a CO₂ injection system. The Company has committed to \$4,000,000 in total project costs, of which \$419,956 has been incurred and paid as of September 30, 2023.

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Purchase and Sales Commitments

On September 30, 2023, the Company had the following purchase and sales commitments:

Purchase – 7,036,993 bushels of grain, 1,640,358 of which are priced at a weighted-average price of \$6.11 per bushel; the remaining bushels were not priced. Management will secure pricing on the remaining bushels on a per-contract basis over the next year. If no price is secured prior to the contract fulfillment date, the contracted bushels will be purchased at the prevailing market rate.

Sell:

- 32,093 tons of wet distillers grain, which are priced at a weighted average of \$71,54 per ton.
- 640,000 pounds of oil, extracted during production, which are priced at a weighted average of \$0.65 per pound.
- 436 pounds of syrup, extracted during production, which are priced at \$45.36 per pound.

9. RELATED-PARTY TRANSACTIONS

Sales of distillers grain to various members of the Company, or to companies in which members have ownership, during fiscal years 2023 and 2022 were \$5,913,893 and \$11,503,398, respectively. The amount in accounts receivable from members of the Company or their affiliates at September 30, 2023 and 2022, was \$25,466 and \$469,862, respectively. Purchases of grains from various members of the Company during fiscal years 2023 and 2022 were \$637,813 and \$475,327, respectively.

The Company has reimbursed members of the Board of Managers for certain expenses incurred on behalf of the Company and paid by the members of the Board of Managers, including attending board meetings. Expense reimbursements for the years ended September 30, 2023 and 2022, totaled \$120,718 and \$108,792, respectively.

POET, the exclusive marketer of the Company's ethanol, owns 350 Class C capital units.

Transactions and account balances with POET were as follows:

September 30	2023	2022
Transactions		
Ethanol sales	\$ 80,301,821	\$ 131,890,147
Marketing fees paid	\$ 576,147	\$ 852,242
Denaturant purchases	\$ 1,333,323	\$ 2,368,239
Balances		
Accounts receivable	\$ 3,929,175	\$ 5,130,973

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

10. CONCENTRATIONS OF CREDIT RISK

The Company does not require collateral or other security to support accounts receivable. The Company maintains allowances for potential credit losses. In addition to the ethanol sales and accounts receivable balances noted in note 9 with POET, concentrations were as follows:

	Cost of Sales	
	Number of Vendors	Percentage
September 30, 2023	3	34%
September 30, 2022	1	11%

11. UNITED STATES DEPARTMENT OF AGRICULTURE (USDA) PAYMENTS

The Company earned an award from the USDA Biofuel Producer Program available through the CARES Act related to COVID-19 in the amounts of \$310,160 and \$2,498,866, for the years ended September 30, 2023 and 2022, respectively. The amounts are included in other income in the accompanying consolidated statement of operations.

12. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*, which will require the earlier recognition of credit losses on receivables based on an expected-loss model, replacing the incurred-loss model that is currently in use. Under the new guidance, the Company will measure expected credit losses for receivables held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The new guidance is effective for fiscal years beginning after December 15, 2022. Generally, the amendments will be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company's management has not yet determined the impact that implementation of this ASU will have on the Company's consolidated financial statements.

13. SUBSEQUENT EVENTS

On November 3, 2023, the Company entered into an agreement with SBI General & Mechanical (SBI), a Nebraska corporation, to perform construction services alongside Whitefox as part of the membrane dehydration project. The estimated costs per the agreement with SBI total approximately \$12,000,000.