

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended October 31, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 001-09097

REX AMERICAN RESOURCES CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

31-1095548
(I.R.S. Employer
Identification Number)

7720 Paragon Road , Dayton , Ohio
(Address of principal executive offices)

45459
(Zip Code)

(937) 276-3931
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.01 par value	REX	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

At the close of business on December 4, 2024, the registrant had 17,567,152 shares of Common Stock, par value \$.01 per share, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

REX AMERICAN RESOURCES CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
Unaudited

(In Thousands)

	October 31, 2024	January 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 298,249	\$ 223,397
Short-term investments	66,826	155,260
Accounts receivable	22,331	23,185
Inventory	29,127	26,984
Refundable income taxes	5,556	5,728
Prepaid expenses and other	14,408	17,549
Total current assets	<u>436,497</u>	<u>452,103</u>
Property and equipment, net	200,496	155,587
Operating lease right-of-use assets	22,580	13,038
Other assets	17,074	9,138
Equity method investment	39,015	34,936
Total assets	<u>\$ 715,662</u>	<u>\$ 664,802</u>
Liabilities and equity		
Current liabilities:		
Accounts payable – trade (includes \$ 1.2 million and \$ 5.8 million with related parties at October 31, 2024 and January 31, 2024, respectively)	\$ 22,220	\$ 42,073
Current operating lease liabilities	5,857	4,469
Accrued expenses and other current liabilities	15,883	19,717
Total current liabilities	<u>43,960</u>	<u>66,259</u>
Long-term liabilities:		
Deferred taxes	5,694	1,598
Long-term operating lease liabilities	16,761	8,378
Other long-term liabilities	2,647	970
Total long-term liabilities	<u>25,102</u>	<u>10,946</u>
Equity		
REX shareholders' equity:		
Common stock	299	299
Paid-in capital	6,254	3,769
Retained earnings	748,830	701,761
Treasury stock	(190,892)	(191,911)
Total REX shareholders' equity	<u>564,491</u>	<u>513,918</u>
Noncontrolling interests	82,109	73,679
Total equity	<u>646,600</u>	<u>587,597</u>
Total liabilities and equity	<u>\$ 715,662</u>	<u>\$ 664,802</u>

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

REX AMERICAN RESOURCES CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
Unaudited

(In Thousands, Except Per Share Amounts)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2024	2023	2024	2023
Net sales and revenue	\$ 174,877	\$ 221,079	\$ 484,263	\$ 645,770
Cost of sales (includes \$ 22,739 and \$ 32,723 with related parties for the three months ended October 31, 2024 and 2023, respectively, and \$ 81,726 and \$ 92,610 with related parties for the nine months ended October 31, 2024 and 2023, respectively.)	135,196	181,789	410,358	577,962
Gross profit	39,681	39,290	73,905	67,808
Selling, general and administrative expenses	(8,426)	(7,609)	(20,977)	(21,996)
Equity in income of unconsolidated affiliates	3,621	4,738	7,086	9,275
Interest and other income, net	4,629	4,863	14,950	10,935
Income before income taxes	39,505	41,282	74,964	66,022
Provision for income taxes	(9,402)	(9,640)	(17,581)	(15,396)
Net income	30,103	31,642	57,383	50,626
Net income attributable to noncontrolling interests	(5,603)	(5,566)	(10,314)	(10,259)
Net income attributable to REX common shareholders	<u>\$ 24,500</u>	<u>\$ 26,076</u>	<u>\$ 47,069</u>	<u>\$ 40,367</u>
Weighted average shares outstanding – basic	<u>17,595</u>	<u>17,531</u>	<u>17,550</u>	<u>17,461</u>
Basic net income per share attributable to REX common shareholders	<u>\$ 1.39</u>	<u>\$ 1.49</u>	<u>\$ 2.68</u>	<u>\$ 2.31</u>
Weighted average shares outstanding – diluted	<u>17,723</u>	<u>17,531</u>	<u>17,673</u>	<u>17,461</u>
Diluted net income per share attributable to REX common shareholders	<u>\$ 1.38</u>	<u>\$ 1.49</u>	<u>\$ 2.66</u>	<u>\$ 2.31</u>

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

REX AMERICAN RESOURCES CORPORATION AND SUBSIDIARIES
Consolidated Statements of Equity
For the Three and Nine Months Ended October 31, 2024 and 2023
Unaudited

(In Thousands)

	REX Shareholders							
	Common Shares Issued		Treasury		Paid-in Capital	Retained Earnings	Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount				
Balance at July 31, 2024	29,853	\$ 299	12,286	\$ (190,957)	\$ 5,961	\$ 724,330	\$ 76,553	\$ 616,186
Net income						24,500	5,603	30,103
Noncontrolling interests distribution and other							(47)	(47)
Issuance of equity awards and stock based compensation expense	-	-	-	65	293	-	-	358
Balance at October 31, 2024	<u>29,853</u>	<u>\$ 299</u>	<u>12,286</u>	<u>\$ (190,892)</u>	<u>\$ 6,254</u>	<u>\$ 748,830</u>	<u>\$ 82,109</u>	<u>\$ 646,600</u>
Balance at January 31, 2024	29,853	\$ 299	12,350	\$ (191,911)	\$ 3,769	\$ 701,761	\$ 73,679	\$ 587,597
Net income						47,069	10,314	57,383
Noncontrolling interests distribution and other							(1,884)	(1,884)
Issuance of equity awards and stock based compensation expense	-	-	(64)	1,019	2,485	-	-	3,504
Balance at October 31, 2024	<u>29,853</u>	<u>\$ 299</u>	<u>12,286</u>	<u>\$ (190,892)</u>	<u>\$ 6,254</u>	<u>\$ 748,830</u>	<u>\$ 82,109</u>	<u>\$ 646,600</u>

Continued on the following page

REX AMERICAN RESOURCES CORPORATION AND SUBSIDIARIES
Consolidated Statements of Equity
Unaudited

(In Thousands)

Continued from the previous page

	REX Shareholders							
	Common Shares Issued		Treasury		Paid-in Capital	Retained Earnings	Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount				
Balance at July 31, 2023	29,853	\$ 299	12,350	\$ (192,037)	\$ 3,181	\$ 655,117	\$ 66,989	\$ 533,549
Net income						26,076	5,566	31,642
Issuance of equity awards and stock based compensation expense	-	-	-	63	294	-	-	357
Balance at October 31, 2023	<u>29,853</u>	<u>\$ 299</u>	<u>12,350</u>	<u>\$ (191,974)</u>	<u>\$ 3,475</u>	<u>\$ 681,193</u>	<u>\$ 72,555</u>	<u>\$ 565,548</u>
Balance at January 31, 2023	29,853	\$ 299	12,463	\$ (193,721)	\$ 578	\$ 640,826	\$ 63,012	\$ 510,994
Net income						40,367	10,259	50,626
Noncontrolling interests distribution and other							(716)	(716)
Issuance of equity awards and stock based compensation expense	-	-	(113)	1,747	2,897	-	-	4,644
Balance at October 31, 2023	<u>29,853</u>	<u>\$ 299</u>	<u>12,350</u>	<u>\$ (191,974)</u>	<u>\$ 3,475</u>	<u>\$ 681,193</u>	<u>\$ 72,555</u>	<u>\$ 565,548</u>

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

REX AMERICAN RESOURCES CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Unaudited

(In Thousands)

	Nine Months Ended October 31,	
	2024	2023
Cash flows from operating activities:		
Net income including noncontrolling interests	\$ 57,383	\$ 50,626
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	12,433	13,371
Amortization of operating lease right-of-use assets	4,192	3,766
Income from equity method investments	(7,086)	(9,275)
Dividends received from equity method investments	3,007	5,513
Interest income from investments	(4,219)	(6,950)
Deferred income tax	11,934	10,048
Stock based compensation expense	2,980	5,146
Loss on disposal of property and equipment – net	45	205
Changes in assets and liabilities:		
Accounts receivable	854	(4,976)
Inventories	(2,143)	11,229
Refundable income taxes	172	(1,486)
Other assets	(12,639)	(1,312)
Accounts payable, trade	(21,629)	(5,622)
Other liabilities	(6,178)	(4,819)
Net cash provided by operating activities	39,106	65,464
Cash flows from investing activities:		
Capital expenditures	(55,428)	(22,359)
Purchase of short-term investments	(210,328)	(378,381)
Maturity of short-term investments	302,981	337,490
Proceeds from sale of real estate and property and equipment	210	10
Deposits	195	(27)
Net cash provided by (used in) investing activities	37,630	(63,267)
Cash flows from financing activities:		
Payments to noncontrolling interests holders	(1,884)	(716)
Net cash used in financing activities	(1,884)	(716)
Net increase in cash and cash equivalents	74,852	1,481
Cash and cash equivalents, beginning of period	223,397	71,347
Cash and cash equivalents, end of period	<u>\$ 298,249</u>	<u>\$ 72,828</u>
Non cash investing activities – Accrued capital expenditures	\$ 3,275	\$ 722
Non cash investing activities – Capital additions transferred from prepaid expenses	\$ 188	\$ -
Non cash financing activities – Stock awards accrued	\$ 1,648	\$ 1,467
Non cash financing activities – Stock awards issued	\$ 2,172	\$ 965
Right-of-use assets acquired and liabilities incurred upon lease execution	\$ 13,734	\$ 3,210

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

REX AMERICAN RESOURCES CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2024

Note 1. Consolidated Financial Statements

References to the Company – References to “REX” or the “Company” in the consolidated financial statements and in these notes to the consolidated financial statements refer to REX American Resources Corporation, a Delaware corporation, and its majority and wholly owned subsidiaries.

The consolidated financial statements included in this report have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission and include, in the opinion of management, all adjustments necessary to state fairly the information set forth therein. Any such adjustments were of a normal recurring nature. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. Financial information as of January 31, 2024 included in these financial statements has been derived from the audited consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended January 31, 2024 (fiscal year 2023). These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended January 31, 2024. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the year.

Basis of Consolidation – The consolidated financial statements in this report include the operating results and financial position of the Company. All intercompany balances and transactions have been eliminated. The Company consolidates the results of its wholly owned and majority owned subsidiaries. The Company includes the results of operations of One Earth Energy, LLC (“One Earth”) in its Consolidated Statements of Operations on a delayed basis of one month as One Earth has a fiscal year end of December 31.

Nature of Operations – The Company has one reportable segment, ethanol and by-products. Within the ethanol and by-products segment, the Company has equity investments in three ethanol limited liability companies, two of which are majority ownership interests.

Note 2. Accounting Policies

The interim consolidated financial statements have been prepared in accordance with the accounting policies described in the notes to the consolidated financial statements included in the Company’s fiscal year 2023 Annual Report on Form 10-K. While management believes that the procedures followed in the preparation of interim financial information are reasonable, the accuracy of some estimated amounts is dependent upon facts that will exist or calculations that will be accomplished at fiscal year-end. Examples of such estimates include accrued liabilities, such as management bonuses, and the provision for income taxes. Any adjustments pursuant to such estimates during the quarter were of a normal recurring nature. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents includes bank deposits as well as short-term, highly liquid investments with original maturities of three months or less.

Revenue Recognition

The Company recognizes sales of ethanol, distillers grains and distillers corn oil when obligations under the terms of the respective contracts with customers are satisfied; this occurs with the transfer of control of products, generally upon shipment from the ethanol plant or upon loading of the rail car used to transport the products.

Cost of Sales

Cost of sales includes depreciation, costs of raw materials, third-party freight charges, purchasing and receiving costs, inspection costs, other distribution expenses, warehousing costs, plant repair and maintenance costs, plant management, certain compensation costs and general facility overhead charges.

Selling, General and Administrative (“SG&A”) Expenses

The Company includes non-production related costs such as professional fees, selling charges, operating lease expense, and certain payroll in SG&A expenses.

Financial Instruments

Certain of the forward corn and natural gas purchase contracts and ethanol, distillers grains and distillers corn oil sale contracts are accounted for under the “normal purchases and normal sales” scope exemption of Accounting Standards Codification (“ASC”) 815, *“Derivatives and Hedging”* (“ASC 815”) because these arrangements are for purchases of corn that will be delivered in quantities expected to be used by the Company and sales of ethanol, distillers grains and distillers corn oil in quantities expected to be produced by the Company over a reasonable period of time in the normal course of business.

The Company uses derivative financial instruments (exchange-traded futures contracts and swaps) to manage a portion of the risk associated with changes in commodity prices, primarily related to corn. The Company monitors and manages this exposure as part of its overall risk management policy. As such, the Company seeks to reduce the potentially adverse effects that the volatility of these markets may have on its operating results. The Company may take hedging positions in these commodities as one way to mitigate risk. While the Company attempts to link its hedging activities to purchase and sales activities, there are situations in which these hedging activities can themselves result in losses. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. The changes in fair value of these derivative financial instruments are recognized in current period earnings as the Company does not use hedge accounting.

Income Taxes

The Company applies an effective tax rate to interim periods that is consistent with the Company's estimated annual tax rate as adjusted for discrete items impacting the interim periods. The Company provides for deferred tax liabilities and assets for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. The Company provides for a valuation allowance if, based on the weight of available positive and negative evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company paid income taxes of approximately \$ 5.5 million and \$ 8.7 million and received no refunds during the nine months ended October 31, 2024 and 2023, respectively.

As of October 31, 2024, and January 31, 2024, total unrecognized tax benefits were approximately \$18.9 million. Accrued penalties and interest were approximately \$ 91,600 and approximately \$ 70,000 at October 31, 2024 and January 31, 2024, respectively. If the Company were to prevail on all unrecognized tax benefits recorded, the provision for income taxes would be reduced by approximately \$ 18.8 million. In addition, the impact of penalties and interest would also benefit the effective tax rate. Interest and penalties associated with unrecognized tax benefits are recorded within income tax expense. On a quarterly basis, the Company accrues for the effects of open uncertain tax positions and the related potential penalties and interest.

Inventory

Inventories are carried at the lower of cost or net realizable value. Cost for all inventories is determined using the first-in, first-out method. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonable predictable costs of completion, disposal, and transportation. Inventory includes direct production costs and certain overhead costs such as depreciation, property taxes and utilities related to producing ethanol and related by-products. Inventory is permanently written down in instances when cost exceeds estimated net realizable value; such write-downs are based primarily upon commodity prices as the market value of inventory is often dependent upon changes in commodity prices. The Company did not record any inventory write-downs at October 31, 2024. The Company recorded approximately \$ 0.8 million of inventory write-downs in cost of sales at January 31, 2024. Fluctuations in the write-down of inventory generally relate to the levels and composition of such inventory and changes in commodity prices at a given point in time.

The components of inventory are as follows as of the dates presented (amounts in thousands):

	October 31, 2024	January 31, 2024
Ethanol and other finished goods	\$ 4,239	\$ 9,102
Work in process	4,352	5,299
Corn and other raw materials	20,536	12,583
Total	<u>\$ 29,127</u>	<u>\$ 26,984</u>

Property and Equipment

Property and equipment is recorded at cost or the fair value on the date of acquisition (for property and equipment acquired in a business combination). Depreciation is computed using the straight-line method. Estimated useful lives are 15 to 40 years for buildings and improvements, and 3 to 20 years for fixtures and equipment.

In accordance with ASC 360-10 *"Impairment or Disposal of Long-Lived Assets"*, the carrying value of long-lived assets is assessed for recoverability by management when changes in circumstances indicate that the carrying amount may not be recoverable. The Company did not identify any indicators of impairment or record any impairment charges during the first nine months of fiscal years 2024 or 2023.

The Company tests for recoverability of an asset group by comparing its carrying amount to its estimated undiscounted future cash flows. If the carrying amount exceeds its estimated undiscounted future cash flows, the Company recognizes an impairment charge for the amount by which the asset group's carrying amount exceeds its fair value, if any.

Investments

The method of accounting applied to long-term investments, whether consolidated, equity or cost, involves an evaluation of the significant terms of each investment that explicitly grant or suggest evidence of control or influence over the operations of the investee and also includes the identification of any variable interests in which the Company is the primary beneficiary. The Company accounts for investments in a limited liability company in which it has a less than 20 % ownership interest using the equity method of accounting when the factors discussed in ASC 323, *"Investments-Equity Method and Joint Ventures"* are met. The excess of the carrying value over the underlying equity in the net assets of equity method investees is allocated to specific assets and liabilities. Investments in businesses that the Company does not control but for which it has the ability to exercise significant influence over operating and financial matters are accounted for using the equity method. The Company accounts for its investment in Big River Resources, LLC ("Big River") using the equity method of accounting and includes the results on a delayed basis of one month as Big River has a fiscal year end of December 31.

The Company periodically evaluates its investments for impairment due to declines in market value considered to be other than temporary. Such impairment evaluations include general economic and company-specific evaluations. If the Company determines that a decline in market value is other than temporary, then a charge to earnings is recorded in the Consolidated Statements of Operations and a new cost basis in the investment is established.

Short-term investments, consisting of U.S. government obligations, are considered held to maturity, and therefore are carried at amortized historical cost.

Reclassifications

Certain immaterial amounts previously presented for prior periods have been reclassified to conform to the current presentation. The reclassification had no effect on net income, working capital, or members' equity previously reported.

Recently Issued Accounting Standards

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updated ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* which updates reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The amendments are effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. Management has evaluated the impact of this disclosure and is prepared to adopt the amendments when effective.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures", to enhance the transparency and decision usefulness of income tax disclosures. This ASU is effective for all entities that are subject to Topic 740 for fiscal years beginning after December 15, 2024. Early adoption and retrospective application are permitted, but not required. The Company is currently evaluating the impact of this ASU.

Note 3. Net Sales and Revenue

The Company recognizes sales of products when obligations under the terms of the respective contracts with customers are satisfied. This occurs with the transfer of control of products, generally upon shipment from the ethanol plant or upon loading of the rail car or truck used to transport the products. Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods. Sales, value added and other taxes the Company collects concurrent with revenue producing activities are excluded from net sales and revenue.

The majority of the Company's sales have payment terms ranging from 5 to 10 days after transfer of control. The Company has determined that sales contracts do not generally include a significant financing component. The Company has not historically entered into sales contracts in which payment is due from a customer prior to transferring product to the customer. Thus, the Company does not record unearned revenue.

The following tables shows disaggregated revenue by product (amounts in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2024	2023	2024	2023
Ethanol	\$ 138,107	\$ 170,174	\$ 373,634	\$ 495,972
Dried distillers grains	25,032	34,983	77,564	106,632
Distillers corn oil	10,249	14,756	28,633	39,257
Modified distillers grains	1,159	1,159	3,479	3,814
Derivative financial instruments gains (losses)	300	-	737	(29)
Other	30	7	216	124
Total	<u>\$ 174,877</u>	<u>\$ 221,079</u>	<u>\$ 484,263</u>	<u>\$ 645,770</u>

Note 4. Leases

At October 31, 2024, the Company had lease agreements, as lessee, for railcars. All of the leases are accounted for as operating leases. The lease agreements do not contain a specified implicit interest rate; therefore, the Company's estimated incremental borrowing rate was used to determine the present value of future minimum lease payments. The lease term for all of the Company's leases includes the noncancelable period of the lease and any periods covered by renewal options that the Company is reasonably certain to exercise. Certain leases include rent escalations pre-set in the agreements, which are factored into the lease payment stream.

The components of lease expense, classified as SG&A expenses on the Consolidated Statement of Operations are as follows (amounts in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2024	2023	2024	2023
Operating lease expense	\$ 2,014	\$ 1,499	\$ 5,384	\$ 4,691
Variable lease expense	134	(26)	129	277
Total lease expense	<u>\$ 2,148</u>	<u>\$ 1,473</u>	<u>\$ 5,513</u>	<u>\$ 4,968</u>

The following table is a summary of future minimum rentals on such leases at October 31, 2024 (amounts in thousands):

<u>Years Ended January 31,</u>	<u>Minimum Rentals</u>
Remainder of 2025	\$ 1,876
2026	6,789
2027	6,740
2028	5,497
2029	3,207
Thereafter	1,744
Total	25,853
Less: present value discount	3,235
Operating lease liabilities	<u>\$ 22,618</u>

At October 31, 2024, the weighted average remaining lease term is 3.8 years, and the weighted average discount rate is 6.57 % for the outstanding leases. At January 31, 2024, the weighted average remaining lease term was 3.4 years, and the weighted average discount rate was 5.94 % for the outstanding leases.

Note 5. Fair Value

The Company applies ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"), which provides a framework for measuring fair value under accounting principles generally accepted in the

United States of America. This accounting standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Company determines the fair market values of its financial instruments based on the fair value hierarchy established by ASC 820 which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair values which are provided below. The Company carries certain cash equivalents, investments, and derivative instruments at fair value.

The fair values of derivative assets and liabilities traded in the over-the-counter market are determined using quantitative models that require the use of multiple market inputs including interest rates, prices and indices to generate pricing and volatility factors, which are used to value the position. The predominance of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. Estimation risk is greater for derivative asset and liability positions that are either option-based or have longer maturity dates where observable market inputs are less readily available or are unobservable, in which case interest rate, price or index scenarios are extrapolated in order to determine the fair value. The fair values of derivative assets and liabilities include adjustments for market liquidity, counterparty credit quality, the Company's own credit standing and other specific factors, where appropriate.

To ensure the prudent application of estimates and management judgment in determining the fair value of derivative assets and liabilities, investments and property and equipment, various processes and controls have been adopted, which include: (i) model validation that requires a review and approval for pricing, financial statement fair value determination and risk quantification; and (ii) periodic review and substantiation of profit and loss reporting for all derivative instruments.

Financial assets and liabilities measured at fair value on a recurring basis at October 31, 2024 are summarized below (amounts in thousands):

	Level 1	Level 2	Level 3	Fair Value
Forward purchase contracts asset (1)	\$ -	\$ 597	\$ -	\$ 597
Commodity futures asset (2)	(76)	-	-	(76)
Total assets	\$ (76)	\$ 597	\$ -	\$ 521
Forward purchase contracts liability (3)	\$ -	\$ 1,061	\$ -	\$ 1,061

Financial assets and liabilities measured at fair value on a recurring basis at January 31, 2024 are summarized below (amounts in thousands):

	Level 1	Level 2	Level 3	Fair Value
Forward purchase contracts asset (1)	\$ -	\$ 579	\$ -	\$ 579
Commodity futures (2)	(297)	-	-	(297)
Total assets	<u>\$ (297)</u>	<u>\$ 579</u>	<u>\$ -</u>	<u>\$ 282</u>
Forward purchase contracts liability (3)	\$ -	\$ 802	\$ -	\$ 802

- (1) The forward purchase contracts asset is included in "Prepaid expenses and other" on the accompanying Consolidated Balance Sheets.
- (2) The commodity futures assets and liabilities are netted with cash collateral due from broker and included in "Prepaid expenses and other" on the accompanying Consolidated Balance Sheets.
- (3) The forward purchase contracts liability is included in "Accrued expenses and other current liabilities" on the accompanying Consolidated Balance Sheets.

Note 6. Property and Equipment

The components of property and equipment are as follows for the periods presented (amounts in thousands):

	October 31, 2024	January 31, 2024
Land and improvements	\$ 34,112	\$ 32,403
Buildings and improvements	24,009	23,810
Machinery, equipment, and fixtures	317,733	307,326
Construction in progress	81,279	37,334
Total property and equipment	457,133	400,873
Less: Accumulated depreciation	(256,637)	(245,286)
Total	<u>\$ 200,496</u>	<u>\$ 155,587</u>

Note 7. Other Assets

The components of other assets are as follows for the periods presented (amounts in thousands):

	October 31, 2024	January 31, 2024
Prepaid utility lease	\$ 15,600	\$ -
Deferred taxes	-	7,837
Other	1,474	1,301
Total	<u>\$ 17,074</u>	<u>\$ 9,138</u>

Note 8. Accrued Expenses and Other Current Liabilities

The components of accrued expenses and other current liabilities are as follows for the periods presented (amounts in thousands):

	October 31, 2024	January 31, 2024
Accrued payroll and related items	\$ 8,315	\$ 9,457
Accrued utility charges	2,029	3,373
Accrued transportation related items	834	2,972
Accrued real estate taxes	1,344	1,742
Forward purchase contracts	1,061	802
Other	2,300	1,371
Total	<u>\$ 15,883</u>	<u>\$ 19,717</u>

Note 9. Derivative Financial Instruments

The Company is exposed to various market risks, including changes in commodity prices (raw materials and finished goods). To manage risks associated with the volatility of these natural business exposures, the Company enters into commodity agreements (exchange-traded futures contracts and swaps) and forward purchase (corn and natural gas) and sale (ethanol, distillers grains and distillers corn oil) contracts. The Company does not purchase or sell derivative financial instruments for trading or speculative purposes. The Company does not purchase or sell derivative financial instruments for which a lack of marketplace quotations would require the use of fair value estimation techniques. The changes in fair value of these derivative financial instruments are recognized in current period earnings as the Company does not use hedge accounting.

The following table provides information about the fair values of the Company's derivative financial instruments (that are not accounted for under the "normal purchases and normal sales" scope exemption of ASC 815) and the line items on the Consolidated Balance Sheets in which the fair values are reflected (in thousands):

	Asset Derivatives Fair Value		Liability Derivatives Fair Value	
	October 31, 2024	January 31, 2024	October 31, 2024	January 31, 2024
Forward purchase contracts (1)	\$ 597	\$ 579	\$ 1,061	\$ 802
Cash collateral balance (3)	\$ 1,209	\$ 2,152	\$ -	\$ -
Commodity futures (2)	(76)	(297)	-	-
Net position with broker	\$ 1,133	\$ 1,855	\$ -	\$ -
Total	<u>\$ 1,730</u>	<u>\$ 2,434</u>	<u>\$ 1,061</u>	<u>\$ 802</u>

- (1) Forward purchase contracts assets are included in "Prepaid expenses and other" on the accompanying Consolidated Balance Sheets. These contracts are for purchases of approximately 11.8 million and 9.3 million bushels of corn at October 31, 2024 and January 31, 2024, respectively.

Forward purchase contracts liabilities are included in "Accrued expenses and other current liabilities" on the accompanying Consolidated Balance Sheets. These contracts are for purchases of approximately 4.7 million and 8.2 million bushels of corn at October 31, 2024 and January 31, 2024, respectively.

- (2) Commodity futures assets and liabilities are included in "Prepaid expenses and other" on the accompanying Consolidated Balance Sheets. These contracts included short/sell positions for approximately 7.0 million bushels of corn and 2.1 million gallons of ethanol at October 31, 2024. These contracts included short/sell positions and long/buy positions for approximately 255,000 and 6.9 million bushels of corn, respectively, at January 31, 2024. These contracts also included short/sell positions for approximately 210,000 gallons of ethanol at January 31, 2024.
- (3) As of October 31, 2024 and January 31, 2024, all of the derivative financial instruments held by the Company were subject to enforceable master netting arrangements. The Company's accounting policy is to offset position amounts owed or owing with the same counterparty. Depending on the amount of unrealized gains and losses on derivative contracts held by the Company, the counterparty may require collateral to secure the Company's derivative contract positions. As of October 31, 2024 and January 31, 2024, the Company was required to maintain collateral with the counterparty in the amount of approximately \$ 1.2 million and \$ 2.2 million, respectively, recorded within "Prepaid expenses and other" on the accompanying Consolidated Balance Sheets.

See Note 5 which contains fair value information related to derivative financial instruments.

The Company recognized gains, which are included in "Cost of sales" in the accompanying Consolidated Statement of Operations, on derivative financial instruments related to corn purchase contracts of approximately \$ 3.8 million and of \$ 10.6 million for the third quarter of fiscal years 2024 and 2023, respectively. The Company recognized (losses) and gains on derivative financial instruments related to corn purchase contracts of approximately \$(2.4) million and \$ 15.7 million for the first nine months of fiscal years 2024 and 2023, respectively.

The Company recognized gains, which are recorded in "Net sales and revenue" in the accompanying Consolidated Statement of Operations, on derivative financial instruments related to ethanol sales contracts of approximately \$ 0.3 million and \$ 0.7 million for the three- and nine-month periods ended October 31, 2024, respectively. Gains or losses on derivative financial instruments related to ethanol sales contracts were insignificant for the same periods in 2023.

Note 10. Investments**Equity Method Investment in Big River**

The following table summarizes the Company's equity method investment at October 31, 2024 and January 31, 2024 (dollars in thousands):

Entity	Ownership Percentage	Carrying Amount	
		October 31, 2024	January 31, 2024
Big River	10.3 %	\$ 39,015	\$ 34,936

Undistributed earnings of the Company's equity method investee totaled approximately \$19.0 million and approximately \$ 14.9 million at October 31, 2024 and January 31, 2024, respectively. The Company received dividends from its equity method investee of approximately \$ 3.0 million and \$ 5.5 million in the first nine months of fiscal year 2024 or 2023, respectively.

Summarized financial information for the Company's equity method investee is presented in the following table for the periods presented (amounts in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2024	2023	2024	2023
Net sales and revenue	\$ 272,481	\$ 351,390	\$ 808,844	\$ 1,128,012
Gross profit	\$ 46,996	\$ 52,869	\$ 88,110	\$ 107,395
Depreciation expense	\$ 3,433	\$ 6,470	\$ 16,639	\$ 19,629
Net income	\$ 44,900	\$ 53,112	\$ 84,127	\$ 104,930
Net income attributable to members	\$ 38,708	\$ 45,955	\$ 72,311	\$ 89,954

Short-term Investments

At October 31, 2024, the Company owned United States Treasury Bills (classified as short-term investments) that had an amortized cost, or carrying value, of approximately \$ 66.8 million. The contractual maturity of these investments was less than one year. The yield to maturity rate was approximately 5.1 %. Unrecognized holding gains at October 31, 2024 were approximately \$ 18,000 .

At January 31, 2024, the Company owned United States Treasury Bills (classified as short-term investments) that had an amortized cost, or carrying value, of approximately \$ 155.3 million. The contractual maturity of these investments was less than one year. The yield to maturity rate was approximately 5.5 %. Unrecognized holding losses at January 31, 2024 were approximately \$ 94,000 .

Note 11. Employee Benefits

The Company maintains the REX 2015 Incentive Plan, approved by its shareholders, which reserves a total of 1,650,000 shares of common stock for issuance pursuant to its terms. The plan provides for the granting of shares of stock, including options to purchase shares of common stock, stock

appreciation rights tied to the value of common stock, restricted stock, and restricted stock unit awards to eligible employees, non-employee directors and consultants. Until 2022, the Company had only granted restricted stock awards. In May 2022, the Company issued restricted stock units to certain officers of the Company which vest based on the Company's Total Shareholder Return ("TSR") compared to the TSRs of companies that comprise the Russell 2000 Index over a three-year performance period. The Company measures share-based compensation grants at fair value on the grant date, adjusted for estimated forfeitures. The Company records non-cash compensation expense related to liability and equity awards in its consolidated financial statements over the requisite service period on a straight-line basis. At October 31, 2024, 1,165,709 shares remain available for issuance under the Plan, excluding the impact of the 67,500 restricted stock units that may vest between zero and 135,000 shares of stock depending on certain performance metrics being achieved.

Restricted Stock Awards

As a component of their compensation, restricted stock has been granted to directors and certain employees at the closing market price of REX common stock on the grant date. In addition, one quarter of executives' incentive compensation is payable by an award of restricted stock based on the then closing market price of REX common stock on the grant date. The Company's board of directors has determined that the grant date will be June 15th, or the next business day if June 15th is not a business day, for all grants of restricted stock.

Based on retirement eligibility provisions, a portion of restricted stock grants are expensed at grant date, based on grant date fair value, thus considered vested for accounting purposes. At October 31, 2024, 20,046 shares were unvested for accounting purposes and unrecognized compensation cost related to these nonvested restricted stock awards was approximately \$ 643,000 , to be recognized over a weighted average vesting term of 2.1 years.

The following tables summarize legally non-vested restricted stock award activity for the periods presented:

Nine Months Ended October 31, 2024

	Non-Vested Shares	Weighted Average Grant Date Fair Value (000's)	Weighted Average Remaining Vesting Term (in years)
Non-Vested at January 31, 2024	162,855	\$ 5,369	2
Granted	63,407	2,894	
Forfeited	-	-	
Vested	<u>63,870</u>	<u>2,073</u>	
Non-Vested at October 31, 2024	<u>162,392</u>	<u>\$ 6,190</u>	2

Nine Months Ended October 31, 2023

	Non-Vested Shares	Weighted Average Grant Date Fair Value (000's)	Weighted Average Remaining Vesting Term (in years)
Non-Vested at January 31, 2023	81,264	\$ 2,320	2
Granted	113,726	3,945	
Forfeited	-	-	
Vested	<u>32,135</u>	<u>896</u>	
Non-Vested at October 31, 2023	<u>162,855</u>	<u>\$ 5,369</u>	2

Restricted Stock Units ("RSUs")

In May 2022, the Company issued a total of 67,500 RSUs to certain officers. The number of RSUs eligible to vest will be determined based on how the Company's TSR compares to the TSR of companies that comprise the Russell 2000 Index during the performance period ending December 31, 2024. The number of RSUs eligible to vest ranges from zero percent to two hundred percent, depending on actual performance during the performance period.

The Company recognized approximately \$0.3 million in each of the three-month periods ended October 31, 2024 and 2023. The Company recognized \$0.8 million in each of the nine-month periods ended October 31, 2024 and 2023. Unrecognized compensation cost related to the RSUs at October 31, 2024 was approximately \$0.2 million, to be recognized over a weighted average vesting term of 2 months.

The Company determined there to be no dilutive impact on earnings per share for the first three quarters of fiscal year 2023. For the three- and nine-months periods ended October 31, 2024, we calculated the diluted weighted average shares as follows (amounts in thousands):

	Three Months Ended October 31, 2024	Nine Months Ended October 31, 2024
Weighted average shares – basic	17,595	17,550
Dilutive effect of RSUs	128	123
Weighted average shares – diluted	<u>17,723</u>	<u>17,673</u>

Note 12. Income Taxes

The Company's income tax provision was approximately \$9.4 million and \$9.6 million for the three months ended October 31, 2024 and 2023, respectively. The Company's income tax provision was approximately \$17.6 million and \$15.4 million for the nine months ended October 31, 2024 and 2023, respectively.

The Company assessed all available positive and negative evidence to determine whether it expects sufficient future taxable income will be generated to allow for the realization of existing federal deferred tax assets. There is sufficient objectively verifiable income for management to conclude that it is more likely than not that the Company will utilize available federal deferred tax assets prior to their expiration.

The Company files a U.S. federal income tax return and various state income tax returns. In general, the Company is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years ended January 31, 2014 and prior. The Company is currently undergoing a federal income tax examination for the years ended January 31, 2015 through January 31, 2022 related to refined coal production tax credits pursuant to IRC Section 45 and research and experimentation credits pursuant to IRC Section 41 claimed during those years.

On a quarterly and annual basis, the Company accrues for the effects of open uncertain tax positions and the related potential penalties and interest. It is reasonably possible that the amount of the unrecognized tax benefit with respect to certain unrecognized tax positions will increase or decrease during the next 12 months; however, the Company does not expect the change to have a material effect on results of operations or financial position.

A reconciliation of the beginning and ending amount of unrecognized tax benefits, including interest and penalties, is as follows (amounts in thousands):

	Nine Months Ended October 31,	
	2024	2023
Unrecognized tax benefits, beginning of period	\$ 18,965	\$ 19,088
Changes for prior years' tax positions	21	9
Changes for current year tax positions	-	-
Unrecognized tax benefits, end of period	<u>\$ 18,986</u>	<u>\$ 19,097</u>

At October 31, 2024 and January 31, 2024, approximately \$16.4 million of the unrecognized tax benefits balance was recorded on the accompanying Consolidated Balance Sheets within "Deferred taxes" and "Other assets", respectively, \$ 0.6 million was recorded within "Other long-term liabilities", and \$ 2.0 million was recorded within "Refundable income taxes".

Note 13. Commitments and Contingencies

The Company may be involved in various legal actions arising in the normal course of business, from time to time. After taking into consideration legal counsel's evaluations of any such action(s), management is of the opinion that their outcome will not have a material adverse effect on the Company's Consolidated Financial Statements. There were no liabilities recorded at October 31, 2024 and January 31, 2024, as the Company did not believe that there was a probable and reasonably estimable loss associated with any legal contingencies.

At October 31, 2024, One Earth and NuGen had combined forward purchase contracts for approximately 16.5 million bushels of corn, the principal raw material for their ethanol plants, and they

have combined forward purchase contracts for approximately 1.1 million MmBtu (million British thermal unit) of natural gas.

At October 31, 2024, One Earth and NuGen had combined sales commitments for approximately 53.5 million gallons of ethanol, approximately 102,900 tons of distillers grains and approximately 8.2 million pounds of distillers corn oil.

At October 31, 2024, One Earth had signed non-cancelable contracts for capital projects with approximately \$9.8 million remaining in future payments, of which \$ 2.4 million is related to One Earth's carbon sequestration project and \$ 7.4 million relates to its ongoing plant expansion.

At October 31, 2024, One Earth had a facilities rental agreement with a utility provider that has been executed and is scheduled to commence in early 2025. The remaining future payments are estimated to be approximately \$ 4.7 million over an initial term of ten years. The facility will service both the One Earth Energy ethanol plant and the planned carbon sequestration compression facility.

Note 14. *Related-Party Transactions*

During the third quarters of fiscal years 2024 and 2023, One Earth and NuGen purchased approximately \$22.7 million and \$ 32.7 million, respectively, of corn (and other supplies) from minority equity investors and board members of those affiliates. Such purchases totaled approximately \$ 81.7 million and \$ 92.6 million for the nine months ended October 31, 2024 and 2023, respectively. The Company had amounts payable to related parties of approximately \$ 1.2 million and \$ 5.8 million at October 31, 2024 and January 31, 2024, respectively.

During the nine months ended October 31, 2024, \$1.5 million was paid to landowners who are minority equity investors of One Earth Energy, for land easements related to the carbon sequestration project. There were no amounts paid to related parties for land easements in the three-month period ended October 31, 2024.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Ethanol and By-Products

At October 31, 2024, we had investments in three ethanol limited liability companies, in two of which we have a majority ownership interest. The following table is a summary of ethanol entity ownership interests at October 31, 2024:

Entity	Location	REX's Current Ownership Interest
One Earth Energy, LLC	Gibson City, IL	75.9%
NuGen Energy, LLC	Marion, SD	99.7%
Big River Resources, LLC:		
Big River Resources W Burlington, LLC	W. Burlington, IA	10.3%
Big River Resources Galva, LLC	Galva, IL	10.3%
Big River United Energy, LLC	Dyersville, IA	5.7%
Big River Resources Boyceville, LLC	Boyceville, WI	10.3%

Our ethanol operations and the results thereof are highly dependent on commodity prices, especially prices for corn, ethanol, distillers grains, distillers corn oil and natural gas, and availability of corn. As a result of price volatility for these commodities, our operating results can fluctuate substantially. The price and availability of corn is subject to significant fluctuations depending upon several factors that affect commodity prices in general, including crop conditions, the amount of corn stored on farms, weather, federal policy, foreign trade, and international disruptions caused by wars or conflicts. Because the market prices of ethanol and distillers grains are not always directly related to corn prices (for example, demand for crude and other energy and related prices, the export market demand for ethanol and distillers grains, soybean meal prices, and the results of federal policy decisions and trade negotiations can impact ethanol and distillers grains prices), at times ethanol and distillers grains prices may not follow movements in corn prices and, in an environment of higher corn prices or lower ethanol or distillers grains prices, reduce the overall margin structure at the plants. As a result, at times, we may operate our plants at negative or minimally positive operating margins.

We expect our ethanol plants to produce approximately 2.9 gallons of denatured ethanol for each bushel of corn processed in the production cycle. We refer to the actual gallons of denatured ethanol produced per bushel of corn processed as the realized yield. We refer to the difference between the price per gallon of ethanol and the price per bushel of corn (divided by the realized yield) as the "crush spread". Should the crush spread decline, it is possible that our ethanol plants will generate operating results that do not provide adequate cash flows for sustained periods of time. In such cases, production at the ethanol plants may be reduced or stopped altogether in order to minimize variable costs at individual plants.

We attempt to manage the risk related to the volatility of commodity prices by utilizing forward corn and natural gas purchase contracts, forward ethanol, distillers grains and distillers corn oil sale contracts and commodity futures agreements, as management deems appropriate. We attempt to match quantities of these sale contracts with an appropriate quantity of corn purchase contracts over a given period of time when we can obtain an adequate gross margin resulting from the crush spread inherent in the contracts we have executed. However, the market for future ethanol sales contracts generally lags the spot

market with respect to ethanol price. Consequently, we generally execute fixed price ethanol contracts for no more than four months into the future at any given time and we may lock in our corn or ethanol price without having a corresponding locked in ethanol or corn price for short durations of time. As a result of the relatively short period of time during which our fixed price contracts are fulfilled, we generally cannot predict the future movements in our realized crush spread for more than four months; thus, we are unable to predict the likelihood or amounts of future income or loss from the operations of our ethanol facilities. We utilize derivative financial instruments, primarily exchange traded commodity future contracts and swap contracts, in conjunction with certain of our corn procurement activities and commodity marketing activities.

One Earth Energy, LLC Carbon Sequestration and Plant Expansion

Through our affiliate, One Earth Energy, LLC, we are in the developmental stage of a carbon sequestration project near the One Earth Energy ethanol plant in Gibson City, IL. A test well has been drilled to a total depth of approximately 7,100 feet, in which almost 2,000 feet of Mt. Simon Sandstone was encountered, which is the geological formation that is the region's primary carbon storage resource. Three-dimensional seismic testing has been performed, as well as geological modeling for predicting the movement of injected carbon and the plume area to determine maximum injection pressure, reservoir quality and storage capacity for the potential wells. In October 2022, we applied for a Class VI injection well permit for three wells with the U.S. Environmental Protection Agency ("EPA"), and we continue to provide information to the EPA during the technical review of our application upon request. We currently expect the EPA to prepare a draft permit by the first quarter of 2025 and make a final permit decision by the third quarter of 2025, according to the EPA's Class VI Permit Tracker Dashboard on their website. We have now secured sufficient subsurface easements for the proposed first injection well to allow for sequestration of all the carbon emissions from the One Earth Energy ethanol plant for a minimum of 15 years. We also need to obtain a county special-use zoning permit for the sequestration site. Last year, we began construction of a facility to capture, dehydrate, and compress carbon dioxide from the One Earth Energy ethanol plant to a state suitable for sequestration. We are nearing the completion of construction of the capture and compression facility.

In October 2023, we submitted an application to the Illinois Commerce Commission ("ICC") for a certificate of authority under the state's Carbon Dioxide Transportation and Sequestration Act (the "CO₂ Act") to build a short pipeline to deliver carbon dioxide from the One Earth Energy ethanol plant to the proposed sequestration site. We also have obtained easements from all of the necessary landowners for the use of their land for the pipeline for the first two wells. On May 26, 2024, however, the Illinois General Assembly passed the Safety and Aid for the Environment in Carbon Capture and Sequestration Act (Senate Bill 1289), which was signed by the governor in July 2024. The new legislation imposes additional safety, environmental and other requirements on obtaining permits and approvals for carbon capture and sequestration facilities in Illinois, including CO₂ pipelines. Further, the new legislation imposes a moratorium on the issuance of new certificates of authority for the construction of CO₂ pipelines until the earlier of the date proposed federal CO₂ pipeline safety standards are finalized by the federal Pipeline and Hazardous Materials Safety Administration (PHMSA) or, subject to certain other conditions, July 1, 2026. As a result of this legislation, the ICC dismissed our application without prejudice, and we will be required to resubmit an application after rules are finalized or subsequent to July 1, 2026.

Although we have made meaningful progress and significant investments in the carbon sequestration project at One Earth Energy, we continue to work with the various government agencies

involved to obtain all required permits and approvals, with no assurance of the ultimate success or timing of the project. Also see the discussion under “Trends and Uncertainties” on page 27 of certain recently proposed legislation that, if enacted, could impact our carbon sequestration project.

We also are concurrently expanding the One Earth ethanol plant. We received a construction permit from the EPA to increase production from 150 million gallons of ethanol per year to 175 million gallons of ethanol per year. Once we achieve that level of production, planned for the third quarter of fiscal 2025, we intend to apply for another permit to further increase production to 200 million gallon per year.

We continue to work to identify ways to reduce our carbon intensity (“CI”) score at the One Earth plant with the intention of maximizing the tax credits available under the Inflation Reduction Act, which created a new Clean Fuel Production Credit under 45Z of the Internal Revenue Code (“45Z”), available for calendar years 2025 – 2027, of approximately \$0.02 per ethanol gallon per CI point reduction below a 50 CI point threshold to incentivize further increases in plant efficiencies within the industry. The U.S. Department of the Treasury has not yet issued final rules on qualification for 45Z tax credits.

We expect the total cost of these projects to be approximately \$165-175 million, which we continue to pay from our available cash. As of October 31, 2024, we have spent \$52.9 million life-to-date and are contractually committed to spend an additional \$2.4 million toward the carbon sequestration project. If the carbon sequestration project is successful, we believe we will qualify for tax credits under section 45Q of the Internal Revenue Code (“45Q”) and section 45Z of the Internal Revenue Code, as outlined in the Inflation Reduction Act, with 45Z credits being subject to final guidance yet to be issued by the U.S. Department of the Treasury. As of October 31, 2024, we have spent \$50.2 million life-to-date and are contractually committed to spend an additional \$7.4 million at the One Earth plant toward plant capacity expansion and ongoing efforts to reduce our CI scoring.

Refined Coal

On August 10, 2017, we purchased, through a 95.35% owned subsidiary, for approximately \$12.0 million, the entire ownership interest of an entity that owned a refined coal facility. We began operating the refined coal facility immediately after the acquisition. As the plant was no longer eligible to receive federal production tax credits beginning on November 18, 2021, we ceased operations on that date. We began classifying this operation as discontinued operations in the third quarter of fiscal 2021. Over the course of operation, we recognized \$58.2 million in tax credits. The federal production tax credits received through operation of this facility remain under IRS audit.

Critical Accounting Policies and Estimates

During the three months ended October 31, 2024, we did not change any of our critical accounting policies as disclosed in our 2023 Annual Report on Form 10-K as filed with the Securities and Exchange Commission on March 29, 2024.

Fiscal Year

All references in this report to a particular fiscal year are to REX's fiscal year ended January 31. The Company refers to its fiscal year by reference to the year immediately preceding the January 31 fiscal year end date. For example, "fiscal year 2024" means the period February 1, 2024 to January 31, 2025. The Company includes the results of operations of One Earth Energy, LLC ("One Earth") in its Consolidated Statements of Operations on a delayed basis of one month as One Earth has a fiscal year end of December 31.

Results of Operations

Trends and Uncertainties

Renewable Fuel Standard II ("RFS II"), established in October 2010, has been an important factor in the growth of ethanol usage in the United States. In recent years, there has been much uncertainty in the enforcement of RFS II. When it was originally established, RFS II required the volume of "conventional" or corn derived ethanol to be blended with gasoline to increase each year until it reached 15.0 billion gallons in 2015 and required that it remain at that level through 2022. There are no established congressional target volumes beginning in 2023, with the EPA to issue volume obligations in those subsequent years. The EPA also has the authority to waive the biofuel mandate, in whole or in part, if there is inadequate domestic renewable fuel supply or the requirement severely harms the domestic economy or environment.

In addition, under RFS II, a small refiner that processes less than 75,000 barrels of oil per day can petition the EPA for a waiver of their obligation to submit renewable identification numbers ("RINs"). The EPA, through consultation with the Department of Energy and the U.S. Department of Agriculture ("USDA"), can grant the refiner a full or partial waiver, or deny the waiver petition. The EPA issued 88 small refinery exemptions ("SREs") for the 2016-2018 compliance years, undercutting the statutory renewable fuel volumes by a total of 4.3 billion gallons. The EPA did not grant any small refinery waivers for 2019-2022 and has continued that stance in the proposed volumes for 2023-2025. There remain multiple ongoing legal challenges to how the EPA has handled the small refinery waivers. In July 2024, the U.S. Court of Appeals for the District of Columbia Circuit vacated many of the EPA's 2022 SRE denials. The EPA had denied 105 SREs in 2022. As a result of this Court ruling, the EPA has voluntarily moved to rescind the agency's 2023 denial of 26 SREs. On November 21, 2024, the EPA reported that 130 SRE petitions were then pending under the RFS, up from 50 as of mid-September. The increase is attributed to submissions from small refineries seeking reconsideration of petitions that were previously denied.

The EPA has issued Renewable Fuel Standard volume obligations for calendar years 2023-2025 for conventional biofuels (which includes corn-based ethanol) of 15.0 billion gallons for each year. Additionally, for 2023, the EPA restored 250 million gallons previously waived.

The Inflation Reduction Act will likely impact our business by creating a new Clean Fuel Production Credit, section 45Z of the Internal Revenue Code ("45Z"), available for the years 2025 to 2027. The Clean Fuel Production Credit is approximately \$0.02 per ethanol gallon per CI point reduction below a 50 CI point threshold. The Act also raises the carbon capture tax credit from \$50 per metric ton to \$85 per metric ton under section 45Q. Taxpayers may elect to be treated as making a payment against tax for 100%

of the value of the 45Q credit ("direct pay") for the first five years, starting with the year a qualifying carbon sequestration facility is placed in service, but not beyond December 31, 2032. Companies may elect either the 45Q credit or the 45Z credit in periods in which both tax credits are available. Other potential impacts of the Inflation Reduction Act include (a) extension of the biodiesel tax credit, which could support the value of our renewable corn oil, as this co-product serves as a low-carbon feedstock for renewable diesel and biomass based diesel production; (b) creation of new tax credit for sustainable aviation fuel ("SAF"); (c) funding of biofuel refueling infrastructure which could increase the availability of higher level ethanol blended fuel; and (d) provision for production and purchase credits for electric vehicles, which could reduce the amount of internal combustion engines on the road over time, and ultimately reduce the demand for gasoline, diesel fuels and ethanol.

In April 2024, the U.S Department of the Treasury and the IRS released updated guidance which included an updated GREET (Greenhouse Gases, Regulated Emissions, and Energy use in Technologies) lifecycle model for the section 40B SAF tax credit. This model provides a pathway for U.S. corn-based ethanol to be considered a qualifying feedstock for SAF if certain measures are taken to lower carbon intensity of production. GREET is used as a model to calculate greenhouse gas ("GHG") reductions. The GREET model aims to provide a comprehensive assessment of the environmental impact of aviation fuels focusing on reducing GHG emissions through the entire lifecycle of the fuel, including through carbon capture and certain climate-smart agricultural ("CSA") practices. CSA practices for corn production must include no-till farming, planting cover crops and using enhanced efficiency nitrogen fertilizers. The section 40B credit expires on December 31, 2024 and is being replaced by the 45Z tax credit. A new 45Z-GREET model has not yet been developed by the U.S. Department of the Treasury, but will likely require further modeling, data assumptions, and verification.

Illinois Senate Bill 3968, which was recently introduced into the Illinois Senate and assigned to the Executive Senate Committee would, if eventually enacted, ban carbon sequestration projects if they overlie, underlie, or pass through a sole-source aquifer, including the aquifer's upstream areas that are part of the aquifer's project review area, as identified by the U.S. EPA. On November 14, 2024, the Executive Senate Committee paused the bill until they can gather additional information. The first well for our proposed carbon sequestration project is located inside, at the edge of the Mahomet Sole Source Aquifer Project Review Area, within the Sangamon River near Fisher Upstream Area. It is approximately five miles north of the Sangamon River and nearly six miles from the mapped boundary of the Mahomet Aquifer, which has been designated as a sole source or principal aquifer by the U.S. EPA. We believe our second and third sequestration well sites are outside the Mahomet Sole Source Aquifer Project Review Area. The Company is closely monitoring this bill and any impact it would have on our project.

Additionally, see "One Earth Energy, LLC Carbon Sequestration and Plant Expansion" above for a discussion of certain other uncertainties associated with our Illinois carbon sequestration and plant expansion projects.

The trends and uncertainties mentioned above could impact our future operating results in both positive and negative ways.

Comparison of Three and Nine Months Ended October 31, 2024 and 2023

The following table summarizes our results from operations (amounts in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2024	2023	2024	2023
Net sales and revenue	\$ 174,877	\$ 221,079	\$ 484,263	\$ 645,770
Cost of sales	135,196	181,789	410,358	577,962
Gross profit	<u>\$ 39,681</u>	<u>\$ 39,290</u>	<u>\$ 73,905</u>	<u>\$ 67,808</u>
Income before income taxes	<u>\$ 39,505</u>	<u>\$ 41,282</u>	<u>\$ 74,964</u>	<u>\$ 66,022</u>
Provision for income taxes	<u>\$ (9,402)</u>	<u>\$ (9,640)</u>	<u>\$ (17,581)</u>	<u>\$ (15,396)</u>
Net income attributable to REX common shareholders	<u>\$ 24,500</u>	<u>\$ 26,076</u>	<u>\$ 47,069</u>	<u>\$ 40,367</u>

The following table summarizes net sales and revenue by product group (amounts in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2024	2023	2024	2023
Ethanol	\$ 138,107	\$ 170,174	\$ 373,634	\$ 495,972
Dried distillers grains	25,032	34,983	77,564	106,632
Distillers corn oil	10,249	14,756	28,633	39,257
Modified distillers grains	1,159	1,159	3,479	3,814
Derivative financial instruments gains (losses)	300	-	737	(29)
Other	30	7	216	124
Total	<u>\$ 174,877</u>	<u>\$ 221,079</u>	<u>\$ 484,263</u>	<u>\$ 645,770</u>

The following table summarizes selected operating data:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2024	2023	2024	2023
Average selling price per gallon of ethanol (net of hedging)	\$ 1.83	\$ 2.32	\$ 1.74	\$ 2.32
Gallons of ethanol sold (in millions)	75.5	73.2	215.1	213.8
Average selling price per ton of dried distillers grains	\$ 147.14	\$ 194.94	\$ 166.27	\$ 220.92
Tons of dried distillers grains sold	170,116	179,451	466,497	482,660
Average selling price per pound of distillers corn oil	\$ 0.44	\$ 0.61	\$ 0.44	\$ 0.60
Pounds of distillers corn oil sold (in millions)	23.4	24.1	64.6	65.5
Average selling price per ton of modified distillers grains	\$ 63.00	\$ 85.86	\$ 68.81	\$ 104.94
Tons of modified distillers grains sold	18,392	13,496	50,555	36,349

Net sales and revenue in the quarter ended October 31, 2024 decreased 21% compared to the prior year's third quarter. Net sales and revenue in the first nine months ended October 31, 2024 decreased approximately 25% compared to the first nine months of 2023.

Ethanol revenue decreased 19% in the third quarter of fiscal year 2024 compared to the third quarter of fiscal year 2023 as the average selling price of ethanol at our consolidated plants decreased 21% during the third quarter of fiscal year 2024 compared to the prior year comparable period, partially offset by a 3% increase in gallons of ethanol sold. Ethanol revenue decreased 25% in the first nine months of fiscal year 2024 compared to the first nine months of fiscal year 2023, driven by a 25% decrease in selling price while gallons sold did not change significantly. The decrease in the ethanol selling price resulted primarily from a decrease in corn prices as the market price for ethanol often correlates with the market price for corn.

Dried distillers grains revenue decreased 28% in the third quarter of fiscal year 2024 compared to the third quarter of fiscal year 2023 as the average price per ton sold decreased 25%, coupled with a 5% decrease in tons sold. Dried distillers grains revenue decreased 27% in the first nine months of fiscal year 2024 compared to the first nine months of fiscal year 2023, driven by a 25% decrease in the average selling price, along with a 3% decrease in the tons sold. The decrease in the dried distillers grains selling price resulted primarily from a decrease in corn prices as dried distillers grains prices often correlate with corn pricing.

Distillers corn oil revenue decreased approximately 31% in the third quarter of fiscal year 2024 compared to the third quarter of fiscal year 2023 as the average price per pound sold decreased 28%, along with a 3% decrease in pounds sold. Distillers corn oil revenue decreased 27% in the first nine months of 2024 compared to the first nine months of 2023 as the average price per pound decreased 27%, along with

a 1% decrease in pounds sold. The decrease in the distillers corn oil selling price resulted primarily from fluctuations in demand with the renewable biodiesel market and is often tied to the price of soybean oil.

Modified distillers grains revenue did not change in the third quarter of fiscal year 2024 compared to the third quarter of fiscal year 2023 due to a 36% increase in the tons sold, offset by a decrease in the average selling price per ton sold of 27%. Modified distillers grains revenue decreased 9% in the first nine months of fiscal year 2024 compared to the first nine months of fiscal year 2023 due to a 34% decrease in the average selling price per ton sold, offset by a 39% increase in tons sold during the same period. The decrease in the modified distillers grains selling price resulted primarily from a decrease in corn prices as prices tend to move in the same direction. Our consolidated plants' decisions to sell modified or dried distillers grains fluctuate from time to time based upon market conditions.

Gains on derivative financial instruments, included in net sales and revenue, were approximately \$0.3 million in the three-month period ended October 31, 2024, compared to no gain or loss on derivative financial instruments during the three-month period ended October 31, 2023. Gains on derivative financial instruments, included in net sales and revenue, were approximately \$0.7 million in the nine-month period ended October 31, 2024, compared to losses of \$29,000 on derivative financial instruments during the nine-month period ended October 31, 2023. These gains and losses are related to our risk management activities and were impacted by the price movements of ethanol.

Cost of sales decreased approximately 26% in the quarter ended October 31, 2024, compared to the prior year third quarter. Corn accounted for approximately 76% (\$102.6 million) of our cost of sales during the third quarter of fiscal year 2024 compared to approximately 80% (\$145.2 million) during the third quarter of fiscal year 2023. Natural gas accounted for approximately 3% of our cost of sales during the third quarter of fiscal year 2024 (\$4.6 million) and the third quarter of fiscal year 2023 (\$6.2 million). Cost of sales decreased approximately 29% in the nine-months ended October 31, 2024, compared to the prior year comparable period. Corn accounted for approximately 76% (\$312.2 million) of our cost of sales during the first nine months of fiscal year 2024 compared to approximately 81% (\$467.0 million) during the first nine months of fiscal year 2023. Natural gas accounted for approximately 4% of our cost of sales during the nine months ended October 31, 2024 (\$15.6 million) and during the first nine months of fiscal year 2023 (\$23.3 million). The cost of corn and natural gas decreased primarily due to lower pricing for both during the three and nine months ended October 31, 2024.

As a result of the foregoing, gross profit for the third quarter of fiscal year 2024 increased approximately \$0.4 million compared to the prior year's third quarter. Gross profit for the first nine months of fiscal year 2024 increased approximately \$6.1 million compared to the first nine months of fiscal year 2023.

We attempt to match quantities of ethanol, distillers grains and distillers corn oil sales contracts with an appropriate quantity of corn purchase contracts over a given time period when we can obtain a satisfactory margin resulting from the crush spread inherent in the contracts we have executed. However, the market for future ethanol sales contracts generally lags the spot market with respect to ethanol price. Consequently, we generally execute fixed price sales contracts for no more than four months into the future at any given time and we may lock in our corn or ethanol price without having a corresponding locked in ethanol or corn price for short durations of time. As a result of the relatively short period of time our contracts cover, we generally cannot predict the future movements in our realized crush spread for

more than four months. We utilize derivative financial instruments, primarily exchange traded commodity future contracts and swap contracts, in conjunction with certain of our corn procurement activities and commodity marketing activities.

SG&A expenses were approximately \$8.4 million for the third quarter of fiscal year 2024, compared to approximately \$7.6 million of expenses for the third quarter of fiscal year 2023. The increase from the prior year third quarter are due primarily to an increase in railcar lease expense and an increase in donations of emergency equipment to local first responders related to carbon capture. SG&A expenses were approximately \$21.0 million for the first nine months of fiscal year 2024, compared to approximately \$22.0 million for the first nine months of fiscal year 2023. The decrease compared to the prior year nine-month period are primarily related to restricted stock awards granted to certain executive officers in the second quarter of 2023, which were expensed upon issuance, offset partially by the increase in performance bonus expense as a result of higher net income in 2024.

During the third quarter of fiscal year 2024, we recognized income from our equity investment in Big River of approximately \$3.6 million compared to income of approximately \$4.7 million for the third quarter of fiscal year 2023. During the first nine months of fiscal year 2024, we recognized income from our equity investment in Big River of approximately \$7.1 million compared to income of approximately \$9.3 million during the first nine months of fiscal year 2023. Our investment in Big River, which has interests in four ethanol production plants, represents an effective ownership of approximately 38.5 million gallons of ethanol shipped in the trailing twelve months ended October 31, 2024. Due to the inherent volatility of commodity prices within the ethanol industry, we cannot predict the likelihood of future operating results from Big River being similar to historical results.

Interest and other income was approximately \$4.6 million for the third quarter of fiscal year 2024 versus approximately \$4.9 million for the third quarter of fiscal year 2023. Interest and other income was approximately \$15.0 million for the first nine months of 2024 versus approximately \$10.9 million for the first nine months of fiscal year 2023. One of our consolidated ethanol plants recognized \$1.2 million in patronage income from an investment in a cooperative in the first quarter of 2024. During 2023, the Company's consolidated plants received COVID-19 relief grants from the USDA of approximately \$0.9 million and \$1.0 million for the three- and nine-month periods ended October 31, 2023. The remaining change between the year-to-date periods related to increased interest income in the current year based upon higher balances and yields on our excess cash and short-term investments in fiscal year 2024, compared to 2023.

As a result of the foregoing, income before income taxes was approximately \$39.5 million and \$41.3 million for the third quarters of fiscal year 2024 and 2023, respectively. Income before income taxes was approximately \$75.0 million and \$66.0 million for the first nine months of fiscal year 2024 and 2023, respectively.

The Company applies an effective tax rate to interim periods that is consistent with the Company's estimated annual tax rate as adjusted for discrete items impacting the interim periods. Our income tax provision was approximately \$9.4 million and \$9.6 million for the three months ended October 31, 2024 and 2023, respectively. Our income tax provision was approximately \$17.6 million and \$15.4 million for the first nine months of fiscal year 2024 and 2023, respectively.

As a result of the foregoing, net income was approximately \$30.1 for the third quarter of fiscal year 2024 compared to approximately \$31.6 million for the third quarter of fiscal year 2023. Net income was approximately \$57.4 million for the first nine months of fiscal year 2024 compared to approximately \$50.6 million for the first nine months of fiscal year 2023.

Net income attributable to noncontrolling interests was approximately \$5.6 million for the third quarters of fiscal year 2024 and 2023. Net income attributable to noncontrolling interests was approximately \$10.3 million for the first nine months of fiscal years 2024 and 2023. These amounts represent the other owners' share of the income of NuGen and One Earth.

As a result of the foregoing, net income attributable to REX common shareholders for the third quarter of fiscal year 2024 was approximately \$24.5 million, compared to net income attributable to REX common shareholders of approximately \$26.1 million for the third quarter of fiscal year 2023. Net income attributable to REX common shareholders from the first nine months of fiscal year 2024 was approximately \$47.1 million, compared to net income attributable to REX common shareholders of approximately \$40.4 million for the first nine months of fiscal year 2023.

Liquidity and Capital Resources

Net cash provided by operating activities was approximately \$39.1 million for the first nine months of fiscal year 2024, compared to net cash provided by operating activities of approximately \$65.5 million for the first nine months of fiscal year 2023. For the first nine months of fiscal year 2024, cash was provided by net income of approximately \$57.4 million, adjusted upward for non-cash items of approximately \$20.3 million, which consisted of depreciation, amortization of operating lease right-of-use assets, income from equity method investments, interest income from short-term investments, the deferred income tax provision, stock-based compensation expense, and loss on disposal of property and equipment. We received dividends from Big River of approximately \$3.0 million. A decrease in the balance of accounts receivable provided cash of approximately \$0.9 million, primarily a result of the timing of products shipped and the receipt of customer payments at One Earth and NuGen. Inventories increased over the first nine months of fiscal year 2024, using cash of approximately \$2.1 million. An increase in the balance of other assets of approximately \$12.6 million primarily relates to prepayments on certain executed lease agreements, offset by changes in the carrying value of forward purchase contracts and commodity futures positions recorded at fair value, decreases to spare parts inventory and decreases to prepaid insurance balances. A decrease in the balance of refundable income taxes of approximately \$0.2 million primarily relates to the accrual of the federal taxes currently payable and the timing of estimated tax payments for the first nine months of 2024. While the Company has tax credits available to offset all amounts owed, the Company is limited to using tax credits for only 75% of federal taxes owed. A decrease in the balance of accounts payable used cash of approximately \$21.6 million, which was primarily a result of the timing of inventory receipts and vendor payments. A decrease in the balance of other liabilities used cash of approximately \$6.2 million, which was primarily caused by the reduction in the lease liability of \$4.0 million from payments made during the year. Additionally, a decrease in accrued payroll and accrued utility liabilities used cash of approximately \$0.6 million and \$1.3 million, respectively. The decrease in the accrued payroll is primarily related to the payment of the 2023 incentive bonuses, offset partially by the accrual of the 2024 incentive bonuses to be paid in 2025. Other offsetting fluctuations within other liabilities were insignificant.

Net cash provided by operating activities was approximately \$65.5 million for the first nine months of fiscal year 2023. For the first nine months of fiscal year 2023, cash was provided by net income of approximately \$50.6 million, adjusted for non-cash items of approximately \$16.3 million, which consisted of depreciation, amortization of operating lease right-of-use assets, income from equity method investments, interest income from short-term investments, the deferred income tax provision, stock-based compensation expense, and loss on disposal of property and equipment. We received dividends from Big River of approximately \$5.5 million. An increase in the balance of accounts receivable used cash of approximately \$5.0 million, primarily a result of the timing of products shipped and the receipt of customer payments at One Earth and NuGen. Inventories decreased over the first nine months of fiscal year 2023, providing cash of \$11.2 million. An increase in the balance of other assets of approximately \$1.3 million primarily relates to changes in the carrying value of forward purchase contracts and commodity futures positions recorded at fair value. An increase in the balance of refundable income taxes of approximately \$1.5 million primarily relates to overpayment of taxes currently payable for the previous fiscal year and quarterly estimated tax payments. While the Company has tax credits available to offset all amounts owed, the Company is limited to using tax credits for only 75% of federal taxes owed. A decrease in the balance of accounts payable used cash of approximately \$5.6 million, which was primarily a result of the timing of inventory receipts and vendor payments. A decrease in the balance of other liabilities used cash of approximately \$4.8 million.

At October 31, 2024, working capital was approximately \$392.5 million, compared to \$385.8 million at January 31, 2024. The ratio of current assets to current liabilities was 9.9 to 1 at October 31, 2024 and 6.8 to 1 at January 31, 2024.

Cash of approximately \$37.6 million was provided by investing activities for the first nine months of fiscal year 2024, compared to cash used in investing activities of approximately \$63.3 million during the first nine months of fiscal year 2023. During the first nine months of fiscal year 2024, the Company had capital expenditures of approximately \$55.4 million, primarily for various capital projects at our consolidated ethanol plants, including \$24.5 million for expansion and CI scoring reduction projects at the One Earth facility and \$22.4 million for the carbon sequestration project. During the first nine months of fiscal year 2024, we purchased short-term U.S. Treasury Bills of approximately \$210.3 million, while U.S. Treasury Bills of approximately \$303.0 million matured. The U.S Treasury Bills had maturities of less than one year and we classified them as short-term investments. Depending on the investment options available, we may elect to retain the funds, or a portion thereof, in cash, short-term investments or long-term investments.

Cash of approximately \$63.3 million was used in investing activities for the first nine months of fiscal year 2023. During the first nine months of fiscal year 2023, we had capital expenditures of approximately \$22.4 million, primarily for various capital projects at our consolidated ethanol plants, including \$7.7 million for expansion and CI scoring reduction projects at the One Earth facility and \$8.0 million for the carbon sequestration project. During the first nine months of fiscal year 2023, we purchased U.S. Treasury Bills of approximately \$378.4 million. During the first nine months of fiscal year 2023 U.S. Treasury Bills of approximately \$337.5 million matured. The U.S Treasury Bills had maturities of less than one year and we classified them as short-term investments.

Cash of approximately \$1.9 million was used in financing activities for the first nine months of fiscal year 2024 for payments to noncontrolling interests holders, compared to approximately \$0.7 million for the first nine months of fiscal year 2023.

We are investigating various uses for our excess cash and short-term investments. We expect total capital expenditures related to the construction at the One Earth facilities to approximate \$165 million to \$175 million, inclusive of the carbon sequestration project and plant capacity expansion and ongoing efforts to reduce CI scoring, which we currently plan to pay from our available cash. As of October 31, 2024, we have spent \$52.9 million since inception and are contractually committed to spend an additional \$2.4 million toward the carbon sequestration project. As of October 31, 2024, we have spent \$50.2 million since inception and are contractually committed to spend an additional \$7.4 million toward plant capacity expansion and CI scoring reduction efforts. For all projects, we plan to spend \$25 million to \$35 million during the remainder of fiscal year 2024.

We have a stock buyback program with 876,786 shares remaining authorized at October 31, 2024. We typically repurchase our common stock when our stock price is trading at a price we deem to be a discount to the underlying value of our net assets. We continue to seek investment opportunities, including ethanol and/or energy related, carbon sequestration related, agricultural or other ventures, we believe meet our investment criteria.

Forward-Looking Statements

This Form 10-Q contains or may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Such statements can be identified by use of forward-looking terminology such as “may,” “expect,” “believe,” “estimate,” “anticipate” or “continue” or the negative thereof or other variations thereon or comparable terminology. Readers are cautioned that there are risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements. These risks and uncertainties include the risk factors set forth from time to time in the Company’s filings with the Securities and Exchange Commission and include among other things: the effect of pandemics such as COVID-19 on the Company’s business operations, including impacts on supplies, demand, personnel and other factors, the impact of legislative and regulatory changes, the price volatility and availability of corn, distillers grains, ethanol, distillers corn oil, gasoline and natural gas, commodity market risk, ethanol plants operating efficiently and according to forecasts and projections, logistical interruptions, success in permitting and developing the planned carbon sequestration facility near the One Earth Energy ethanol plant, changes in the international, national or regional economies, the impact of inflation, the ability to attract employees, weather, results of income tax audits, changes in income tax laws or regulations, the impact of U.S. foreign trade policy, changes in foreign currency exchange rates and the effects of terrorism or acts of war. The Company does not intend to update publicly any forward-looking statements except as required by law. Other factors that could cause actual results to differ materially from those in the forward-looking statements are set forth in Item 1A of the Company’s Annual Report on Form 10-K for the fiscal year ended January 31, 2024 (File No. 001-09097).

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to the impact of market fluctuations associated with commodity prices as discussed below.

We manage a portion of our risk with respect to the volatility of commodity prices inherent in the ethanol industry by using forward fixed-price purchase and fixed-price sale contracts and exchange traded commodity futures contracts. Our remaining exposure to market risk, which includes the impact of our risk management activities resulting from our fixed-price purchase and sale contracts and derivatives, is based on the estimated effect on pre-tax income for the twelve months following October 31, 2024 is as follows, assuming normal operating capacity (amounts in thousands):

<u>Commodity</u>	<u>Estimated Total Volume for 12 Months</u>	<u>Unit of Measure</u>	<u>Decrease in Pre-tax Income From a 10% Adverse Change in Price</u>
Ethanol	300,000	Gallons	\$49,091
Corn	103,800	Bushels	\$37,591
Distillers Grains	717	Tons	\$ 8,413
Distillers Corn Oil	90,000	Pounds	\$ 3,483
Natural Gas	7,400	MmBtu	\$ 1,986

Item 4. Controls and Procedures

Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures, as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are, from time to time, involved in various legal proceedings incidental to the conduct of our business. We believe that any current proceedings will not have a material adverse effect on our financial condition or results of operations.

Item 1A. Risk Factors

There have been no material changes to the risk factors discussed in our Annual Report on Form 10-K for the year ended January 31, 2024.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On August 31, 2021, our Board of Directors increased our share repurchase authorization by an additional 1,500,000 shares (split-adjusted). At October 31, 2024, a total of 876,786 shares remained available to purchase under this authorization.

There were no share repurchases by the Company in the third quarter of fiscal year 2024.

Item 3. Defaults upon Senior Securities

Not Applicable

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits

The following exhibits are filed with this report:

- 3(b) [By-Laws, as amended \(incorporated by reference to Exhibit 3\(ii\) to Form 8-K filed August 7, 2024, File No. 001-09097\)](#)
- 10 [Consulting Services Agreement, effective as of August 1, 2024, between One Earth Sequestration LLC and Highstake 35 LLC dba Mercury Public Affairs](#)
- 31 [Rule 13a-14\(a\)/15d-14\(a\) Certifications](#)
- 32 [Section 1350 Certifications](#)
- 101 The following information from REX American Resources Corporation Quarterly Report on Form 10-Q for the quarter ended October 31, 2024, formatted in iXBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Equity, (iv) Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REX American Resources Corporation
Registrant

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Zafar A. Rizvi</u> (Zafar A. Rizvi)	Chief Executive Officer and President (Chief Executive Officer)	December 5, 2024
<u>/s/ Douglas L. Bruggeman</u> (Douglas L. Bruggeman)	Vice President, Finance and Treasurer (Chief Financial Officer)	December 5, 2024



CONSULTING SERVICES AGREEMENT

One Earth Sequestration LLC ("Client") enters into this Consulting Services Agreement (the "Agreement") effective as of August 1, 2024 (the "Effective Date"), to retain **Highstake 35 LLC dba Mercury Public Affairs** ("Consultant"), to perform the services described herein. Client and Consultant may each be referred to herein as a "Party," and together as the "Parties."

1. The Services. Consultant shall render services to Client as specified on Schedule 1 attached hereto (the "Services").

2. Payment Terms. Client shall pay fees and expenses per the terms set forth on Schedule 2 attached hereto. Payment in full of fees and expenses shall be made to Consultant within thirty (30) days after an invoice is rendered. In the event Client does not pay such fees and expenses as specified, Consultant may suspend Services until payment is made. All payments made by Client shall be without deduction or offset.

3. Term. The term of this Agreement shall begin on the Effective Date and will continue in effect until December 31, 2024 (the "Term").

4. Independent Contractor Status. Consultant is an independent contractor and not an agent or employee of Client.

5. Confidential Information. During the performance of Services, Consultant may have access to, have disclosed to it, or otherwise obtain information which Client identifies as confidential or proprietary ("Confidential Information"). Consultant shall use such Confidential Information solely in performance of its obligations under this Agreement. Information shall not be deemed Confidential Information if such information is: (i) already known to Consultant free of any restriction; (ii) obtained from a third party free of any restriction; (iii) developed independently by Consultant; or (iv) available publicly.

6. Indemnification. Each Party will indemnify and hold harmless the other Party, its principals, employees, officers, and agents (collectively, the "Indemnified Party") from and against any and all liabilities, losses, claims, demands, actions, judgments, costs, and expenses, including but not limited to reasonable attorneys' fees, arising out of or resulting from any negligence, gross negligence, or willful misconduct by the indemnifying Party, its employees, officers, directors, and agents. Each Party's indemnification obligations are conditioned upon the Indemnified Party: (i) giving prompt written notice of any claim, action, suit or proceeding for which the Indemnified Party is seeking indemnity; (ii) granting control of the defense and settlement of the action to the indemnifying Party, provided that no settlement admitting liability or that requires the payment of funds or the granting of legal or equitable relief will be entered into absent mutual agreement of the Parties, which will not be unreasonably withheld; and (iii) reasonably cooperating with the

One Earth Sequestration LLC IL contract 08012024.docx

Confidential - Not for Public Consumption or Distribution

indemnifying Party with respect to the defense of the action. Notwithstanding the foregoing, the Indemnified Party may, at its option and expense, participate in the defense or settlement of any claim, action, suit, or proceeding.

7. Publicity. Neither Party will use the other Party's name, logo, trademarks, or service marks in any advertising, publicity releases, or any other materials without that Party's prior written approval.

8. Assignment. Neither Party may assign this Agreement, except to an affiliate or subsidiary, without the prior written consent of the other Party.

9. Notices. Any notice in connection herewith will be in writing, sent per the contact information on Schedule 3 attached hereto, and either delivered personally, or mailed by certified mail, postage prepaid, or sent via email. Notice will be deemed given when delivered personally, or, if mailed, 72 hours after the time of mailing, or, if by email, 24 hours after an email is sent.

10. Governing Law; Jurisdiction/Venue. This Agreement will be governed by and construed in accordance with the laws of the State of Illinois, without regard to its conflicts of laws rules, and both Parties submit to the exclusive personal jurisdiction of the state and federal courts in Illinois, and to venue in said courts, and waive any claim of *forum non conveniens*. Each party waives any right to have any dispute in connection herewith resolved by jury trial.

11. Liability of Consultant. Consultant shall bear no liability to Client for loss or damage in connection with advice or assistance given in good faith performance of the Services.

12. Dispute Resolution. The prevailing Party in any legal proceeding in connection with this Agreement shall have the right to require the non-prevailing Party in such proceeding to make payment to and reimburse the prevailing Party for reasonable attorneys' fees and related expenses which the prevailing Party incurs in connection with the commencement, prosecution, or defense of such proceeding. The prevailing Party shall be that Party which prevails on a majority, but not necessarily all, of the material issues which were adjudicated in such proceeding.

13. General.

(a) No amendments or modifications of this Agreement shall be binding upon either Party unless made in writing and signed by both Parties.

(b) This Agreement constitutes the entire agreement between the Parties and supersedes all previous agreements, promises, proposals, representations, understandings, and negotiations, whether written or oral, respecting the subject matter hereof.

(c) In the event any one or more of the provisions of this Agreement shall for any reason be held to be invalid, illegal, or unenforceable, the remaining provisions of this Agreement will be unimpaired, and the invalid, illegal, or unenforceable provision will be replaced by a provision which, being valid, legal, and enforceable, comes closest to the intention of the Parties.

(d) This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same instrument.

(e) The section headings contained in this Agreement are inserted for convenience only and do not affect the meaning or interpretation of this Agreement.

(f) Notwithstanding any provision to the contrary in this Agreement, in no event will Consultant be liable to Client (whether for damages, indemnification, or any other claim) for an amount greater than the amount of fees actually paid to Consultant by Client for the Services.

IN WITNESS WHEREOF, the Parties hereto have entered into this Agreement as of the Effective Date noted above.

CONSULTANT:
Mercury Public Affairs

CLIENT:
One Earth Sequestration LLC

By: 
Name: Thomas Doherty
Title: Partner
Date: 07/31/2024

By: 
Name: Steven Kelly
Title: President & CEO
Date: July 31, 2024

One Earth Sequestration LLC IL contract 08012024.docx

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SCHEDULE 1 - Services

1. Consultant will provide Services as follows:

- Engage with McLean and Ford County, Illinois officials to secure permits as needed.
- Work with Department of Transportation to implement PHSMA rules.
- Federal and Illinois State lobbying, if requested.

SCHEDULE 2 - Compensation and Expenses

1. For Services per Schedule 1, Client will pay Consultant the following fees:

\$ 15,000.00 per month, invoiced monthly during the Term, invoice to be sent to the address provided by Client on Schedule 3.

2. Client will pay and reimburse Consultant for out-of-state business expenses incurred in providing the Services, invoiced monthly. Out of state expenses require the prior approval of Client. All other expenses are included under Schedule 1, including transportation in the state of Illinois.

3. In its sole and exclusive discretion, Consultant may require Client to pay in advance or directly to a vendor or creditor any expense(s) in connection with this Agreement.

SCHEDULE 3 - Contact Information

Consultant:
Mercury Public Affairs
218 E Bearss Avenue, #405
Tampa, FL 33613
Email: dasaccounting@mercuryllc.com

Client:
One Earth Sequestration LLC
Attn: Steven Kelly
202 N. Jordan Dr.
Gibson City, IL 60936
Email: zrizvi@rexamerican.com
skelly@oneearthenergy.com

Billing email: Same as above

One Earth Sequestration LLC IL contract 08012024.docx

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CERTIFICATIONS

I, Zafar A. Rizvi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of REX American Resources Corporation;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
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5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 5, 2024

/s/ Zafar A. Rizvi
Zafar A. Rizvi
Chief Executive Officer and President

CERTIFICATIONS

I, Douglas L. Bruggeman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of REX American Resources Corporation;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
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5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 5, 2024

/s/ Douglas L. Bruggeman
Douglas L. Bruggeman
*Vice President, Finance, Treasurer and
Chief Financial Officer*

REX American Resources Corporation
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED BY SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

The undersigned officers of REX American Resources Corporation (the "Company") hereby certify, to their knowledge, that the Company's Quarterly Report on Form 10-Q for the period ended October 31, 2024 which this certificate accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained therein fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Zafar A. Rizvi
Zafar A. Rizvi
Chief Executive Officer and President

/s/ Douglas L. Bruggeman
Douglas L. Bruggeman
*Vice President, Finance, Treasurer and
Chief Financial Officer*

Date: December 5, 2024
