



October 24, 2008

Natural Valley Farms Inc. – In Receivership
Invitation for Proposals
To Refinance/Restructure the Corporation or
To Purchase the Assets of the Corporation as a Going Concern

Sullivan & Associates Inc. was appointed as the Interim Receiver and Receiver and Manager (the "Receiver") of Natural Valley Farms Inc. ("NVF" or the "Corporation") by Order of the Saskatchewan Court of Queen's Bench on September 23, 2008.

In our capacity as Receiver, we are seeking written proposals, either:

1. To participate in a refinancing and/or restructuring/reorganization of the Corporation's existing financial structure, or
2. To purchase the Corporation's assets and operations on a going concern basis.

Procedure for Submitting Proposals – Deadline December 12, 2008

If you wish to submit a proposal for consideration, it must be received by our office prior to noon on Friday, December 12, 2008, at the following address:

Sullivan & Associates Inc.
101 – 2445 – 13th Avenue
Regina, SK S4P 0W1

A certified cheque or draft from a chartered bank or credit union in the amount of \$50,000 (the "Deposit") must accompany the proposal as a deposit, payable to "Sullivan & Associates Inc. – In Trust for Natural Valley Farms Inc.". Proposals should clearly specify any specific due diligence requirements or financing conditions, including the specific timeline for removal of any such conditions. The deposit will be refunded if the proposal is not acceptable to the Receiver or not approved or accepted by the Court, as referred to below.

If a suitable proposal is received, the Receiver will arrange for a formal Agreement or Memorandum of Understanding (the "Agreement") to be drafted and provided to the purchaser or investor(s) for signature and the Deposit will be retained and applied in accordance with the terms of an Agreement.

It must be noted that these are proposals only and no obligations are undertaken by the Receiver with respect to the proposals submitted. There is no certainty that any proposal will be accepted, nor any guarantee that a proposal will be implemented if it does not receive the necessary approval or support or confirmation. Further, in the event that the Receiver enters into an Agreement, any such agreement by the Receiver will be subject to approval of the Court as a condition of implementation and finalization.

We have provided below a summary of the Corporation's assets and operations, as well as its current financial obligations. We have also provided a high level description of the restructuring process that could be implemented as a possible restructuring of the Corporation's existing financial structure - please note that the overview of the restructuring process is provided as an example only, and proponents may prefer to advance alternate solutions or plans.

Background

NVF owns and operates a large animal slaughter facility located near Neudorf Saskatchewan, as well as a meat fabrication facility located in the town of Wolseley, Saskatchewan.

Originally designed for cattle, the Neudorf slaughter plant is capable of processing approximately 1,000 to 1,200 head of cattle on a single shift basis (i.e. a normal 8 hour, 5 day per week basis), and was designed to be capable of handling a second shift. Construction of the plant was started in 2004, and it began slaughter operations in 2006. The plant is located in a rural area approximately 10 kilometers south of Neudorf, and approximately 20 kilometers north of the Trans Canada highway. The operations include an adjacent feedlot facility capable of handling approximately 1,850 animal units, a waste water lagoon and composting site, together with approximately 400 acres of arable farm land. The facility has its own well for water supply.

Once animals are slaughtered, carcasses are chilled and then transported to the Company's fabrication plant in Wolseley (approximately 40 kilometers away), where the carcasses are cut and packaged for shipment. The Wolseley building contains approximately 20,000 square feet of processing space, with cutting, packaging and refrigeration equipment sufficient to handle the Neudorf slaughter capacity. As well, this building contains the Company's general administration offices.

Both locations are certified as federally inspected meat plants by the Canadian Food Inspection Agency ("CFIA") - their Registered Establishment numbers are:

Neudorf - #659 Wolseley - #519.

Both facilities became licensed to export horse meat products to certain European Union ("EU") countries in the summer of 2007, and at that time the Company converted its

operations from cattle to horse processing and began processing horses exclusively for a customer who exports to Europe. In August 2008, this customer entered into a short-term "triple net" lease of all of the Company's assets and the customer currently continues to operate the plants for its own use for exporting horse meat products to Europe. It is anticipated that this short-term lease will be terminated at the time of a sale of the Company's assets or once a restructuring proposal has been implemented.

Assets Available for Purchase Proposals

Proposals for the purchase of the Company's assets should be made to include:

1. All buildings and equipment located at the Neudorf and Wolseley facilities (including the land on which they are situated);
2. Approximately 450 acres of farm land adjacent to the Neudorf plant, including feedlot, lagoon and compost sites; and
3. Compost inventory.

Assets which will be excluded from a sale include any rent or accounts receivable, deposits, prepaid expenses, any monies which may be received from grant applications that have been made by the Company as well as a small number of leased assets (i.e. telephone system, forklift, coal bin). While proposals to purchase a portion of the assets can be submitted, preference may be given to a proposal or combination of proposals that deals with all of the assets.

Refinancing and Restructuring Proposals

It is anticipated that any proposals to refinance and restructure NVF would involve the infusion of a significant amount of new capital into NVF. Such an investment would likely require the issuance of common shares to the new investor(s) and would require concessions or write offs from various creditor groups. To implement such a proposal it will therefore likely be necessary to formally restructure NVF's existing liabilities and shareholder positions through:

1. A formal restructuring of existing liabilities such as through the filing of a formal proposal under the Bankruptcy and Insolvency Act ("BIA"), and
2. An application to the Court under *The Business Corporations Act* (Saskatchewan) to consolidate and modify rights of the existing common shares and to authorize the issuance of new shares to the new investor(s).

The underlying benefits to such a proposal may include, for example, preservation of tax related assets of the Company, ease of continuity of regulatory licensing, and the prospect for improving future supply relationships with producers who have existing shareholder or creditor positions with NVF.

In general, for such a proposal to be viable, it will need to ensure that all creditor groups, including the primary secured creditors, view the proposal as offering them more than they would likely receive from an outright sale of the Company's assets. Approval of any restructuring plan of this nature will require approval of the various creditor groups and the Court. Consequently, the Receiver is not in a position to "guarantee" approval of any restructuring proposal, as the creditors and the Court will make their own decisions on the fairness and reasonableness of any proposal that is presented. A summary of NVF's current financial obligations (estimated) is attached as Schedule "A".

Additional Information and Confidentiality Agreement

We are also in the process of preparing a basic information package on the Company's assets. If you would like to receive a copy of this information or arrange for a tour of the operations, please contact the undersigned at (306) 525-9206 or by email at clark@sullivanfinancial.ca (note – we will provide you with a confidentiality and non-disclosure agreement for signature before releasing any further information).

Yours truly,

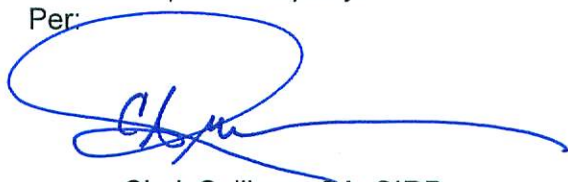
Sullivan & Associates Inc.

In its capacity as Interim Receiver and Receiver and Manager for

Natural Valley Farms Inc.

and not in its personal capacity.

Per:



Clark Sullivan, CA•CIRP
Email: clark@sullivanfinancial.ca
Direct: (306) 525-9206

Natural Valley Farms Inc.
 Summary of Estimated Liabilities
 (unaudited)

Schedule "A"

<u>Creditors</u>	<u>Nature of debt</u>	<u>Security</u>	<u>Amount</u>
<u>Major Secured Creditors - First Priority:</u>			
Conexus Credit Union	Term loan	GSA & Mortgage - equipment and real property	\$ 2,214,000
Farm Credit Canada	Term loan	GSA & Mortgage - equipment and real property	5,923,000
Subtotal			<u>8,137,000</u>
Conexus Credit Union		GSA & Mortgage - first charge on accounts receivable and inventory	450,000
Total claims of secured creditors with 1st position priority			<u>8,587,000</u>
<u>Other Secured Creditors:</u>			
Domco Construction	Unpaid construction costs	Builder's lien, mortgage & GSA	6,978,000
Sperling Industries	Unpaid construction costs	Builder's lien	306,000
Nelson Environmental	Unpaid construction costs	Builder's lien	294,000
Saskatchewan WCB	WCB premium arrears	Tax lien - Wolseley plant	290,000
Various investors	Shareholder loans	GSA and/or mortgages	226,000
Clifton Associates	Unpaid construction costs	Builder's lien	216,000
NVF employees	Accrued vacation pay	Statutory priority	100,000
Town of Wolseley	Property tax arrears	Tax lien - Wolseley plant	31,000
Total other secured creditors (excluding misc. leased equipment)			<u>8,441,000</u>
<u>Unsecured creditors</u>			
Producers	Unpaid cattle/grain deliveries	n/a	4,583,000
Trade vendors & misc.	Unpaid suppliers	n/a	<u>2,027,000</u>
			<u>6,610,000</u>
Total Estimated Liabilities			<u>\$ 23,638,000</u>

Notes:

1. In addition, the Company had entered into "hook" programs with certain producers, whereby producers are entitled to deliver specified numbers of cattle to the plant each year for "toll" processing – a portion of the "hook fee" was refundable as deliveries and processing take place (approximately \$616,000 in "deferred revenue" at December 31, 2007).

2. Leased equipment:

<u>Lessor</u>	<u>Equipment</u>
a) Citicapital	Hyster Forklift
b) Citicapital	Volvo Skidsteer
c) Citicorp.	SaskTel telephone equip.
d) National Leasing	Coal Storage Bin Westfield Auger & Reverser