



Restructuring & Financial Advisors
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August 25, 2009

**To: Creditors and Shareholders of Natural Valley Farms Inc.
And Other Interested Parties**

Dear Sirs/Madams:

**Re: Natural Valley Farms Inc. – In Receivership
Status of Receivership Proceedings**

Natural Valley Farms Inc. (“NVF” or the “Company”) was placed into receivership on September 23, 2008 by Order of the Court of Queen’s Bench of Saskatchewan, and our firm, Sullivan and Associates Inc., was appointed as the Court Appointed Interim Receiver and Receiver Manager (the “Receiver”).

The initial objective of the receivership was to pursue a parallel path of considering possible restructuring arrangements or a sale of the assets of the Company, and the Order of the Court gave the Receiver the power to pursue those options. Therefore, shortly after the commencement of the receivership we advertised for and issued invitations to a number of potential investors/purchasers to submit proposals to either (1) refinance and restructure the existing corporate entity of NVF, or (2) to purchase the assets and operations, preferably as a going concern.

The deadline for submission of proposals was December 12, 2008. During this process the Receiver continued to lease the Company’s assets to a third party on a short term arrangement which had been entered into prior to the commencement of the receivership. Effective February 10, 2009, that short term lease expired and was not renewed or extended (and the Company’s slaughter and meat processing plants are not currently operating).

While we did receive a number of expressions of interest/proposals, we were disappointed with the results of that process. For example, there was no interest expressed from any parties to participate in a refinancing and restructuring of NVF as a corporate entity. In addition, the amounts proposed as purchase prices for the assets and operations were, in our view, extremely low and more in the range of break-up liquidation estimates rather than reflecting an amount that was closer to a going concern value.

Over the past several months we have continued to work with one of the parties who submitted a proposal last fall. Unfortunately, this party recently withdrew its offer. Although we have received some ongoing interest from other parties in purchasing the assets and operations to re-commence slaughter and meat processing activities, this interest has been limited and did not progress to a stage where any detailed

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inspections or due diligence on the assets was conducted, nor were any formal proposals received.

Based upon the interest (and the comments) that we have received to date we have concluded that it is unlikely that a sale can be achieved at a price which reflects any significant going concern value for the assets. As a consequence, the Receiver has therefore requested proposals from a number of auctioneers to conduct a breakup auction of the assets later this fall (in early November). We are currently in the process of applying to the Court to seek an amendment to the existing Receivership Order to enable the Receiver to proceed with a liquidation sale by way of an auction process.

In the meantime, we continue to be open to consideration of proposals from interested parties that will see the assets sold on a basis which gives greater recognition to the going concern value of NVF as a functioning and licensed slaughter and meat processing facility. However, if no suitable proposal has been received by 12:00 noon on September 10, 2009, the Receiver intends to proceed with finalizing an auction agreement at that time. If you are interested, or are aware of others who may be interested, in submitting a proposal to purchase NVF's assets and operations on a going concern basis, please contact the writer at (306) 525-9206 or by email at clark@sullivanfinancial.ca for additional information and details on proposal requirements. Please note that once the auction process begins, there will be no opportunity to deal with the assets other than through the auction.

NVF's records indicate that its total secured indebtedness to its primary lenders (Farm Credit Canada and Conexus Credit Union 2006) exceeds \$9 million. In addition to that indebtedness, NVF owes subordinate secured creditors approximately \$8 million for unpaid construction liens and the Company has in excess of \$7 million in unsecured debt that is owed to trade creditors and others. Based on the results of proposals and offers received to date it is clear that an eventual sale of the assets will result in a significant shortfall to the primary secured creditors and there will therefore be no recoveries available to subordinate secured creditors, unsecured creditors or shareholders.

Yours truly,

Sullivan & Associates Inc.

In its capacity as Interim Receiver and Receiver & Manager of

Natural Valley Farms Inc.

and not in its personal capacity.

Per:



Clark Sullivan, CA•CIRP

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