Q.B.G. No. _______ of 2009

CANADA)
PROVINCE OF SASKATCHEWAN)

IN THE QUEEN'S BENCH
JUDICIAL CENTRE OF SASKATOON

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36

AND IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT FOR THE CREDITORS OF BIG SKY FARMS INC., DRYCAST SYSTEMS INC. and BIG SKY MANAGEMENT CONSULTING CORP.

AFFIDAVIT OF NEIL STRIDE
(sworn November 9, 2009)

I, NEIL STRIDE, of the City of Toronto, in the Province of ONTARIO, **MAKE OATH AND SAY THAT:**

1. I am an Assistant General Manager, Special Accounts Management group at The Bank of Nova Scotia ("**BNS**") and as such I have personal knowledge of the matters deposed herein, save and except where based on information and belief, in which case I do verily believe same to be true. Certain of the basic information contained in my affidavit has been provided by other representatives of BNS, Bank of Montreal, National Bank of Canada and Farm Credit Canada (collectively, the "**Senior Secured Lenders**") or the financial advisors to the Senior Secured Lenders. I have not stated the source in those cases.

2. As a member of the Special Accounts Management group at BNS, I represent BNS as a participant in the syndicated credit facilities provided to Big Sky Farms Inc. ("**Big Sky**"), Drycast Systems Inc. ("**Drycast**") and Big Sky Management Consulting Corp. ("**BSMCC**", and together with Big Sky and Drycast, the "**Company**"). Others at BNS have represented BNS in its capacity as administrative agent (the "**Administrative Agent**") under the syndicated credit facilities.

THE REASONS FOR THIS AFFIDAVIT

Company's CCAA Application

3. This affidavit is made in connection with the Company's application for relief under the *Companies Creditors Arrangement Act* currently returnable on Tuesday November 10, 2009 (the "**CCAA Application**").

Senior Secured Lenders

4. The Senior Secured Lenders have been the senior operating lenders to Big Sky since September 2000.

Indebtedness of the Company

5. The Senior Secured Lenders are owed approximately $71 million by the Company (the "**Senior Secured Debt**"), and hold security upon all of Company's undertakings and property.

6. According to paragraph 61 of the Affidavit of Canute Tagseth dated October 29, 2009 and filed in connection with the CCAA Application (the "**Tagseth Affidavit**"), Big Sky is indebted to subordinated secured lenders in the aggregate amount of approximately $9,678,783.67 (the "**Subordinated Secured Debt**"). The security held by the subordinated secured lenders (the "**Subordinated Secured Lenders**") is subordinate in all respects to the security held by the Senior Secured Lenders. In light of the many existing events of default of the obligations of Big Sky to the Senior Secured Lenders, no payments can be made to the Subordinate Secured Lenders.

7. According to paragraph 106 of the Tagseth Affidavit, Big Sky owes unsecured accounts payable to its trade creditors of all descriptions in the approximate amount of $16,000,000 (the "**Unsecured Debt**").

8. Accordingly, the total debt of Big Sky, including the Senior Secured Debt, the Subordinated Secured Debt and the Unsecured Debt, is approximately $96.7 million dollars.

Company's Financial Difficulties

9. The Senior Secured Lenders recognize the serious financial difficulties that the Company has faced, and will likely continue to face in the near future. Current hog prices are significantly below breakeven levels. Market conditions continue to have a negative impact on producer and packer margins. Futures prices for hogs are currently projecting losses to continue until at least the spring or summer of 2010.

10. Over the past thirty (30) months, a number of events of default have occurred under the terms of the syndicated credit facilities. The existence of such defaults is evidenced by numerous amending agreements and letter agreements accepted and agreed to by the Company. Copies of certain of these agreements are attached as Exhibit "7" to the Tagseth Affidavit.

11. Notwithstanding the defaults, the Senior Secured Lenders have worked closely with the Company in an effort to address the Company's deteriorating financial situation. The Senior Secured Lenders have repeatedly agreed to suspend payments of principal required under the credit facilities, defer payments of interest and fees and forbear from exercising their rights under their security.

12. Since July 2009, Big Sky has had no availability to obtain further credit under the syndicated credit facilities provided by the Senior Secured Lenders. Additionally, in August 2009, the Senior Secured Lenders were informed that new events of default had occurred under the syndicated credit facilities.

13. As a result, on August 21, 2009, the Administrative Agent declared all of Big Sky's obligations to be due and payable and demanded payment of all such obligations forthwith. With respect thereto, the Agent delivered to Big Sky a Notice of Intention to Enforce Security pursuant to the *Bankruptcy and Insolvency Act* (Canada), a Notice in accordance with section 21 of the *Farm Debt Mediation Act* (Canada), and Notices in accordance with sections 12 and 48 of the *Saskatchewan Farm Security Act* (collectively, the "**Notices**"). Now shown to me and marked as **Exhibit "A"** is a copy of the Agent's demand letter dated August 21, 2009 and copies of the Notices (without certain schedules to the Notices attached).

Senior Secured Lenders Have Provided Additional Financing to Big Sky

14. As is evident from the Tagseth Affidavit, no person has been prepared to provide any funding to the Company, whether by way of equity or debt, subordinate in priority to the obligations owed to the Senior Secured Lenders.

15. In August 2009, the Company informed the Senior Secured Lenders that Big Sky was in urgent need of cash to continue operations of any kind, and was unable to obtain additional funding or equity injections from its other stakeholders.

16. As a result, and notwithstanding that Big Sky had no availability under the syndicated credit facilities and that the Agent had demanded payment and delivered the Notices, the Senior Secured Lenders made available a temporary operating credit of up to $2 million to Big Sky in late August 2009 to fund the continued operations of Big Sky.

17. By mid-September 2009, the entire $2 million temporary credit had been fully drawn by Big Sky. As a result of Big Sky's continuing urgent need for liquidity, the Senior Secured Lenders extended additional temporary advances in the aggregate amount of $1.2 million to Big Sky in October 2009.

18. By early November 2009, the entire $3.2 million temporary credit had been fully drawn by Big Sky. As a result of Big Sky's continuing urgent need for liquidity, the Senior Secured Lenders extended additional temporary advances in the aggregate amount of $700,000 to Big Sky in November 2009.

19. Accordingly, since August 2009, the Senior Secured Lenders have been, in effect, providing debtor-in-possession ("**DIP**") financing in the aggregate amount of $3.9 million to the Company to permit the Company to continue to operate as a going concern.

Senior Secured Lenders Primary Economic Stakeholders of the Company

20. The Senior Secured Lenders hold approximately **74%** of the total debt of Big Sky (based on the amount of Senior Secured Debt, Subordinated Secured Debt and Unsecured Debt set out in the Tagseth Affidavit). As I have said, the Senior Secured Debt ranks in priority to the other obligations of Big Sky, including the Subordinate Secured Debt and the Unsecured Debt. As a

result, the Senior Secured Lenders have a considerable economic interest in, and are the primary economic stakeholders of, the Company.

Company in Need of Financial and Operational Restructuring

21. The Senior Secured Lenders are of the view that a financial and operational restructuring of the Company is necessary to permit the company to continue in business. As a result, the Senior Secured Lenders do not oppose the CCAA Application. However, the Senior Secured Lenders believe that the greatest benefit for all of the Company's stakeholders will be achieved through an expeditious financial and operational restructuring that contains an established timeline to finalize and implement a plan of compromise or arrangement.

HILLRP

22. The difficulties facing the Canadian hog industry are well known. To attempt to address some of those difficulties, the Federal Government has announced a Hog Industry Loan Loss Reserve Program (the "**HILLRP**"). In essence, the HILLRP provides protection to lenders to members of the Canadian hog industry in respect of losses the lenders may suffer on their eligible loans, provided that the lenders are satisfied and confirm to the Federal Government that the borrower has a viable business plan and that there is a reasonable prospect that the eligible loans will be repaid. Now shown to me and marked as **Exhibit "B"** are copies of documents relating to the HILLRP obtained from the website for Agriculture and Agri-Food Canada.

23. It is urgent that the Company develop a viable business and restructuring plan acceptable to the Senior Secured Lenders by the end of November, 2009. The Senior Secured Lenders have said repeatedly and consistently to the Company and to the Subordinate Secured Lenders that agreement on a restructuring plan must be achieved and achieved now.

Senior Secured Lenders Prepared to Provide DIP Financing

24. The Senior Secured Lenders are prepared to provide DIP financing to the Company on commercial terms, so that the Company has access to the funding it requires to operate during any CCAA proceeding. As the parties with the primary economic interests in the Company, and with significant historical experience with the Company's business and affairs following the nine

(9) year lending relationship with the Company, the Senior Secured Lenders are the parties best placed to serve as DIP lenders to the Company in any CCAA proceeding.

25. A DIP financing term sheet is attached hereto and marked as **Exhibit "C"** (the "**DIP Term Sheet**"). The DIP Term Sheet is the product of discussions between the Senior Secured Lenders, the Company, and their respective advisors.

26. The DIP Term Sheet provides for a credit facility in the maximum amount of $6,300,000 (the "**DIP Facility**"). The DIP Term Sheet includes a number of continuing conditions to availability under the DIP Facility, including the finalization of a plan of compromise or arrangement acceptable to the Senior Secured Lenders by November 30, 2009.

27. As noted above, the Senior Secured Lenders, in exchange for their continued support of the Company, require that a restructuring plan move forward by the end of November 2009.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario, this 9th of November, 2009	)))))))	
A Notary Public for the Province of Ontario Sam Rappos		~~NEIL STRIDE~~

::ODMA\PCDOCS\TOR01\4211163\6

THIS IS EXHIBIT "A" TO THE
AFFIDAVIT OF NEIL STRIDE
SWORN BEFORE ME THIS 9TH
DAY OF NOVEMBER, 2009

____

A NOTARY PUBLIC
FOR THE PROVINCE OF ONTARIO

The Bank of Nova Scotia
Scotia Plaza
40 King Street West
Box 4085, Station "A"
Toronto, Ontario
Canada M5W 2X6

Scotia Capital

This is Exhibit A referred to in the affidavit of M-Kim Anderson sworn before me this 25 day of August A.D. 2009
A Commissioner for Oaths in and for Saskatchewan
My Commission Expires July 31, 2011

August 21, 2009

Big Sky Farms Inc.
Box 610
Humboldt, Saskatchewan
S0K 2A0

Attention: Chief Financial Officer, Fax No. 306-682-5042

Dear Sirs and Mesdames:

We are writing to you in our capacity as Agent under the Third Amended and Restated Credit Agreement dated as of July 14, 2006, as amended, to which you and we and the Lenders are parties. The Credit Agreement has been amended by five amending agreements (collectively, the "Credit Agreement"). Capitalized terms used but not defined in this letter have the meanings ascribed to them in the Credit Agreement.

In the Fifth Amending Agreement we agreed on certain terms to forbear acting on our rights under the Credit Agreement including exercising our Security for a Forbearance Period which ended on June 30, 2009 or until the Required Lenders chose, upon the occurrence of a further Event of Default or default under the Fifth Amending Agreement to terminate such Forbearance Period. In our letter to you of June 26, 2009, we agreed to extend the Forbearance Period until July 29, 2009 on the terms set out in that letter.

In our letter to you of July 29, 2009, we agreed to extend the Forbearance Period from July 29, 2009 to August 28, 2009 or until the required Lenders chose upon the occurrence of a further Event of Default or default under the Fifth Amending Agreement to terminate such Forbearance Period.

In our letter of July 29, 2009, you agreed to the Agent, on behalf of the Lenders, engaging a person acceptable to the Lenders to act as consultants to the Agent and the Lenders to conduct a review and analysis of the financial condition, operations, business and affairs of the Obligors and to report to the Agent on behalf of the Lenders. Subsequently in your letter to the Agent dated August 6, 2009, you consented to the Agent on behalf of the Lenders engaging Ernst & Young Inc. to conduct a general review of your business affairs including the operations and financial position of the Obligors.

The most recent financial information you have provided coupled with the report of Ernst & Young Inc. discloses that current hog prices are significantly below break even levels, and market conditions continue to have a negative impact on your business and your margins. The most recent financial projections disclose an opening cash shortfall as of August 23, 2009 of $4.326 million. For the period ending November 15, 2009, the projections disclose a cash shortfall of $15.316 million when combined with the opening cash shortfall. The consultant's report indicates that, in their view, adjustments are required to be made to eligible accounts receivable, specific payables and values of livestock inventory based on current market values thereby creating a borrowing base shortfall.

You have informed us that the Borrower is in urgent need of cash to continue operations of any kind.

With the occurrence of Events of Default and further Events of Default (as contemplated in Section 2 of the Fifth Amending Agreement) the Required Lenders have instructed the Agent to give notice to you and we hereby give notice to you pursuant to Section 8.2 of the Credit Agreement and

(i) declare the Lenders' obligations to make Advances to be terminated and they are hereby terminated; and

(ii) declare the Obligations and all of them to be forthwith due and payable.

According to records of the Agent as of the close of business on August 19, 2009, the Obligations outstanding under the Credit Agreement and the Other Secured Obligations outstanding under the Credit Agreement are as follows:

Credits:	**Credit A1**	**Credit A2**	**Credit B**	**Credit C**	**Total**
Principal Amount	$4,157,378.51	$22,000,000.00	$31,103,073.95	$7,350,000.00	$64,610,452.46
Outstanding Interest	$9,178.42	$80,164.38	$113,367.67	$26,782.19	$229,492.66
Outstanding Deferred Interest	$48,609.25	$303,711.66	$439,685.35	$103,159.82	$895,166.08

Interest Rate Swaps:	**Swap 1**	**Swap 2**
Reference Number	S54266	S63565
Notional Amount	$2,700,000.00	$3,350,000.00
End Date	October 3, 2010	October 30, 2011
Mark to Market owing by the Borrower (as of August 19, 2009)	$92,792.20	$199,186.30

Scotiabank Visa Business Card Agreement:	$27,571.00
Unpaid Forbearance Fee:	$250,000.00

Annual Agency Fee: $16,666.66

Interest and costs continue to accrue. On behalf of the Lenders we herby demand payment of all Obligations and Other Secured Obligations and require that payment be made forthwith. Payment is to include interest and costs to the date of payment. If payment is not made forthwith the Agent will, on behalf of the Lenders, be obliged to take such steps to recover payment of all of your Obligations and Other Secured Obligations in full. All rights under the Credit Agreement, the Credit Documents and the Security are reserved until all Obligations and Other Secured Obligations are paid in full.

We are enclosing herewith the following notices:

(a) Notice of Intention to Enforce Security pursuant to the *Bankruptcy and Insolvency Act*;

(b) Notice in accordance with Section 21 of the *Farm Debt Mediation Act*; and

(c) Notice in accordance with Section 12 of the *Saskatchewan Farms Security Act.*

The delivery of all notices does not constitute an acknowledgment by the Agent on behalf of the Lenders that any of these Acts apply in the current circumstances.

Notwithstanding the foregoing, subject to acceptance by you, the Lenders are prepared, as an accommodation, to make available to the Borrower a temporary operating credit of up to $2 million (the **"Temporary Credit"**) and to forbear acting on their rights under the Credit Agreement on the following basis.

1. The Forbearance Period described in Section 2 of the Fifth Amending Agreement is terminated. A new forbearance period during which the Lenders agree to forbear taking further steps under the Security is on a day-by-day basis only and may be terminated forthwith at any time on notice by the Agent on behalf of the Lenders to the Borrower (the period of forbearance, the **"Forbearance Period"**).

2. The Temporary Credit is hereby established and is payable on demand. The purpose of the Temporary Credit is limited to operating expenses which are essential to the continuation of the business of the Borrower. The Temporary Credit may be terminated forthwith at any time on notice by the Agent to the Borrower.

3. Drawings under the Temporary Credit are limited to Prime Rate Advances.

4. The Temporary Credit shall bear interest at the same rate as outstandings bear interest under Credit A2 of the Credit Agreement. The Security shall secure all outstandings under or in connection with the Temporary Credit.

5. The Borrower's obligations which would be paid in an insolvency proceeding in priority to the Security are not to be increased and the Borrower's obligations to other creditors are not to be reduced out of the ordinary course of business.

6. The Credits under the Credit Agreement are terminated. The Scotiabank Visa Business Card Agreement aggregate credit limit is reduced to $50,000.00 subject to termination forthwith at any time on notice by the Agent to the Borrower.

7. With the creation of the new Forbearance Period the requirements set out in the first sentence of each of Sections 2.4.2 and 2.4.3 of the Credit Agreement to make principal payments with respect to Credit B and Tranch 1 of Credit C are continued to be suspended in accordance with Section 7 of the Fifth Amending Agreement.

8. With the creation of the new Forbearance Period, the deferment of the payment of the forbearance fee in the amount of $250,000 referred to in Section 26 of the Fifth Amending Agreement is continued until the end of the new Forbearance Period.

9. With the creation of the new Forbearance Period, the deferment of the payment of the additional amounts of interest and fees owing by you since the Credit Approval Date of December 11, 2008 is continued until the end of the new Forbearance Period.

10. Principal and interest payments due under the Credit Agreement will accrue with payment deferred until the end of the new Forbearance Period whereupon all such payments shall be due and payable in full.

11. Subject to termination of the Temporary Credit at any time by the Agent, Advances under the Temporary Credit are not to exceed $1 million until:

    (a) The Borrower has delivered to the Agent on behalf of the Lenders a commitment by an outside investor acceptable to the Agent on behalf of the Lenders to recapitalize the Borrower in an amount and within a time frame acceptable to the Agent on behalf of the Lenders; and

    (b) The Government of Canada or a government agency delivers to the Borrower or to the Agent on behalf of the Lenders a commitment under the anticipated new program being developed by the Government of Canada to support the Borrower by providing guarantees or other similar support in an amount acceptable to the Agent on behalf of the Lenders.

12. You acknowledge and agree that you have received proper and appropriate demands and declarations of payment of your Obligations and of the Other Secured Obligations and acknowledge and agree that you have received all required notices under all applicable legislation. You waive all notice, time and grace periods under all applicable legislation and consent to the immediate enforcement of the Security.

13. You agree that notwithstanding that further Advances or other accommodation may be made available to you after the date hereof, no further or other declarations, demands, notices or action on the part of the Agent or the Lenders shall be required by you before the Agent and the Lenders shall be entitled to act on the Security.

14. The Borrower agrees to deliver to the Agent on behalf of the Lenders for their review a weekly detailed cash flow forecast for the ensuing rolling two-week period. The first forecast should be delivered by August 24, 2009 and thereafter on Monday of each succeeding week. Expenditures by the Borrower shall be consistent with the forecasts. The Borrower agrees to Ernst & Young Inc.'s continuing to review of the Borrower's business, operations and financial position under your letter to the Agent dated August 6, 2009. Each forecast should be delivered to Ernst & Young Inc. coincident with delivery to the Agent.

15. You agree to continue the reporting requirements required under the Credit Agreement as amended and supplemented to date. In addition, you will keep the Agent on behalf of the Lenders informed on a daily basis as to the progress being made by you with respect to an outside investor and the new Government of Canada program.

16. You agree to the Agent, the Lenders and their advisors having discussions and exchanging information with the relevant provincial and federal governments, crown corporations and agencies about the Borrower and its business with or without the Borrower or its advisors being present.

17. You agree to work cooperatively with the Agent and the Lenders and their advisors to be prepared to initiate action and to respond cooperatively to action initiated by the Lenders including formal insolvency proceedings. This will include preparing all documentation in connection with possible insolvency proceedings including production plans, cash flows, legal documentation and assisting in any divestiture process that will result in a going concern sale or liquidation.

18. You agree that if you proceed with any insolvency proceeding of any kind, part of that proceeding will include any outstanding advances under the Temporary Credit being provided with priority over all other of the Borrower's present or future creditors including over any debtor-in-possession financing.

19. You agree that you will not seek or receive any financing, loans or credit accommodation or similar accommodation with any party other than the Agent or the Lenders.

20. Except as expressly provided in this letter, the terms of the Credit Agreement and the other Credit Documents remain in full force and effect without amendment and the Lenders continue to reserve all of their rights thereunder.

Please acknowledge acceptance of this letter by signing and returning a copy of this letter to us on or before 7:00 p.m. Eastern Standard Time, August 21, 2009, failing which this letter will become null and void. This letter may be signed in counterparts and be delivered by facsimile or e-mail, each of which counterpart taken together shall form one and the same agreement.

Yours very truly,

THE BANK OF NOVA SCOTIA, as Agent

By: ______________________________
Name: Robert Boomhour
Title: Director

Encl.

cc: Bank of Montreal
Farm Credit Canada
National Bank of Canada
Borden Ladner Gervais LLP

Accepted and agreed on the day of August, 2009.

BIG SKY FARMS INC.
for itself and the other Obligors

By: ______________________________
Name:
Title:

By: ______________________________
Name:
Title:

::ODMA\PCDOCS\TOR01\4156879\3

NOTICE OF INTENTION TO ENFORCE SECURITY
(Rule 124 and Section 244(1) of the BIA)

TO: Big Sky Farms Inc., an insolvent person [1]
Box 610
Humbolt, Saskatchewan
S0K 2A0

TAKE NOTICE THAT:

1. The Bank of Nova Scotia, as agent for and on behalf of certain lenders (the "**Creditor**"), a secured creditor, intends to enforce its security on the insolvent person's property described below:

   All of the present and after-acquired real and personal property of the insolvent person, including but not limited to the property listed on Schedule A hereto.

2. The security ("**Security**") that is to be enforced is in the form of the security listed on Schedule B hereto.

3. The total amount of indebtedness secured by the Security as of close of business on 19 August 2009 is Cdn. $66,321,327.36 plus costs and interest to the date of payment.

4. The Creditor will not have the right to enforce the Security until after the expiry of the 10-day period after this notice is sent unless the insolvent person consents to an earlier enforcement.

DATED at Toronto, Ontario this 21st day of August, 2009.

THE BANK OF NOVA SCOTIA, as agent on behalf of certain lenders

By: [signature]
Name:
Title: Robert Boomhour
Director

::ODMA\PCDOCS\TOR01\4155216\4

This is Exhibit 8 referred to in the affidavit of M. KIM ANDERSON sworn before me this 25 day of AUGUST, A.D. 20 09

[signature]
A Commissioner for Oaths in and for Saskatchewan
My Commission Expires July 31, 2011

[1] The term "an insolvent person" is inserted in this form to comply with Form 86 and Rule 124 of the *Bankruptcy and Insolvency Act*.

SCHEDULE A
PROPERTY

1. All freehold real and immovable property now or hereafter owned or acquired by Big Sky Farms Inc. (the "**Debtor**") or in which it, at any time, has an interest together with all buildings, erections and fixtures now or hereafter constructed or placed thereon

2. All leasehold property now or hereafter leased by the Debtor together with all buildings, erections and fixtures now or hereafter constructed or placed thereon

3. All inventory, equipment, machinery, vehicles and other tangible personal property now or hereafter owned by or acquired by the Debtor or in which it, at any time, has an interest and all replacements, attachments and accessories thereto from time to time

4. All intangible property now or hereafter owned or acquired by the Debtor or in which it, at any time, has an interest, including, but not limited to, all contract rights, chattel paper, warehouse receipts, bills of lading, documents of title, insurance policies, instruments, securities, accounts, book debts, receivables which are not book debts, choses in action, licenses, permits, franchises, leases, client lists, goodwill, patents, trademarks, trade names, copyrights, other industrial and intellectual property and the undertaking of the Debtor

5. All undertaking, property and assets of the Debtor, both real and personal, moveable and immovable of whatsoever nature and kind now owned or hereafter acquired or in which it may, at any time, have an interest

6. (a) All shares in the capital stock of Drycast Systems Inc. and Big Sky Management Consulting Corp. (the "**Shares**") and all subscription rights, warrants, options and other rights to acquire Shares in which the Debtor now or hereafter has any right, title, interest or benefit;

   (b) with respect to the personal property described in subparagraph (a), all records in any form evidencing or relating thereto and all agreements, securities and other rights, privileges and benefits in respect thereof including, without limitation, all voting rights; and

   (c) with respect to the personal property described in subparagraphs (a) and (b), all renewals, substitutions and replacements therefor (including securities issued in exchange or substitution therefor under any reorganization of capital, amalgamation, arrangement or other transaction) and proceeds thereof and all interest, dividends, distributions, income and revenue thereon and therefrom, whether in cash, property, securities or any other form.

SCHEDULE B
SECURITY

1. (a) $100,000,000 Demand Debenture dated 1 September 2000 made by Big Sky Farms Inc. (the "**Debtor**") in favour of The Bank of Nova Scotia, in its capacity as agent on behalf of certain lenders (the "**Creditor**"), together with mortgages in respect thereof

   (b) Supplement to Demand Debenture dated 25 June 2002 made by the Debtor in favour of the Creditor, together with mortgage(s) in respect thereof

   (c) Second Supplement to Demand Debenture dated 16 September 2002 made by the Debtor in favour of the Creditor, together with mortgage(s) in respect thereof

   (d) Third Supplement to Demand Debenture dated 22 May 2003 made by the Debtor in favour of the Creditor, together with mortgage(s) in respect thereof dated 26 May 2003

   (e) Fourth Supplement to Demand Debenture dated 31 January 2004 made by the Debtor in favour of the Creditor, together with mortgage(s) in respect thereof

   (f) Fifth Supplement to Demand Debenture dated 22 August 2005 made by the Debtor in favour of the Creditor, together with mortgage(s) dated 24 August 2005 and 31 October 2005 in respect thereof

   (g) Sixth Supplement to Demand Debenture dated 31 October 2005 made by the Debtor in favour of the Creditor, together with mortgage(s) in respect thereof

   (h) Sixth Supplement [*sic.*] to Demand Debenture dated 14 July 2006 made by the Debtor in favour of the Creditor, together with mortgage(s) in respect thereof

2. Share Pledge Agreement dated 1 September 2000 in favour of the Creditor regarding shares of Dry Cast Systems Inc.

3. Assignment and Agreement dated 1 September 2000 re life insurance (over the life of Florian Possberg) made by the Debtor and Florian Possberg in favour of the Creditor acknowledged on 18 October 2000 by the Canada Life Assurance Company

4. Assignment and Agreement dated 1 September 2000 re life insurance (over the life of Michael Deutscher) made by the Debtor and Michael Deutscher in favour of the Creditor acknowledged on 7 November 2000 by TransAmerica Life Insurance Company of Canada

5. Cash Collateral Security Agreement dated 16 September 2002 made by the Debtor in favour of the Creditor

6. Cash Collateral Security Agreement dated 16 May 2003 made by the Debtor in favour of the Creditor

7. (a) Assignment Agreement dated 16 May 2003 made by the Debtor in favour of the Creditor relating to certain material contracts

   (b) Supplement to Assignment Agreement dated 22 August 2005 made by the Debtor in favour of the Creditor acknowledged and consented to by the Creditor

8. Security Agreement dated 22 August 2005 made by the Debtor in favour of the Creditor.

9. Pledge Agreement dated 14 July 2006 made by the Debtor in favour of the Creditor relating to Big Sky Management Consulting Corp. shares

10. Assignment Agreement dated 6 March 2008 made by the Debtor in favour of the Creditor

11. All other security held by the Creditor

PROTECTED B / PROTÉGÉ B

Agriculture and Agri-Food Canada / Agriculture et Agroalimentaire Canada
Farm Debt Mediation Service / Service de médiation en matière d'endettement agricole

NOTICE OF INTENT TO REALIZE ON SECURITY
PRÉAVIS DE RÉALISATION DE SÛRETÉ

As required under Section 21 of the *Farm Debt Mediation Act*, you are hereby notified that it is the intent of:
Conformément à l'article 21 de la *Loi sur la médiation en matière d'endettement agricole*, vous êtes, par la présente, avisé qu'il est dans l'intention de : The Bank of Nova Scotia, as agent on behalf of certain lenders
(name of creditor / nom du créancier)

To realize on security given against the assets of:
De réaliser sur la sûreté contre les biens de : Big Sky Farms Inc.
(name of farmer / nom de l'agriculteur(trice))

of
domicilié au : ____
(address / adresse)

The security being: The Security listed on Schedule A hereto
Sûreté visée :
(type(s) of security / genre(s) de sûreté)

on / sur all of the present and after-acquired real and personal property of Big Sky Farms Inc., including without limitation the assets set forth on Schedule B hereto.
(asset(s) / bien(s))

This is Exhibit C referred to in the affidavit of [illegible] sworn before me this 25 day of AUGUST A.D. 20 09
[illegible signature]
A Commissioner for Oaths in and for Saskatchewan
My Commission Expires July 31, 2011

Dated / Daté ce ____ day of / jour de August 2009 at / à Toronto, Ontario

The Bank of Nova Scotia, as agent	Robert Boomhour, Director	416-866-3548
Printed Creditor Name / Imprimez le nom du créancier	Signature of Secured Creditor or authorized representative / Signature du créancier garanti ou du représentant autorisé	Creditor Phone Number / Numéro de téléphone du créancier

You are hereby notified of your right to make application under Section 5 of the *Farm Debt Mediation Act* for a review of your financial affairs, mediation with your creditors, and to obtain a stay of proceedings against this action. Provided you are:

a) currently engaged in farming for commercial purposes; and

b) insolvent, meaning that you are:
- unable to meet your obligations as they generally become due; or
- have ceased paying your current obligations in the ordinary course of business as they generally become due; or
- the aggregate of your property is not, at fair valuation, sufficient, or if disposed of at a fairly conducted sale under legal process would not be sufficient, to enable payment of all your obligations, due and accruing due.

A secured creditor must wait 15 business days after this notice has been deemed served before beginning action to realize on their security. You may apply for mediation and a stay of proceedings at any time, before, during, or after the 15 business day period, by making an application to the Farm Debt Mediation Service.

The Farm Debt Mediation Service provides qualified farm financial counsellors to conduct a financial review and to prepare a recovery plan for your mediation meeting. Qualified mediators are provided to help you and your creditors reach a mutually satisfactory arrangement.

Application forms and more information about the service can be obtained from:

Vous êtes, par la présente, avisé de votre droit de présenter une demande en vertu de l'article 5 de la *Loi sur la médiation en matière d'endettement agricole* en vue d'un examen de vos affaires financières, de la médiation avec vos créanciers et de l'obtention d'une suspension des procédures contre cette action. Sous réserve que vous êtes :

a) actuellement engagé en agriculture à des fins commerciales;

b) insolvable, ce qui signifie :
- que vous ne pouvez vous acquitter de vos obligations au fur et à mesure de leurs échéances; ou
- que vous ayez cessé de vous acquittez de vos obligations courantes dans le cours ordinaire de vos affaires au fur et à mesure de leurs échéances; ou
- que la totalité de vos biens n'est pas suffisante, d'après une juste estimation, ou ne suffirait pas, s'il en était disposé lors d'une vente régulièrement effectuée par autorité de justice, pour permettre l'acquittement de toutes vos obligations échues ou à échoir.

Le créancier garanti doit attendre 15 jours ouvrables après que cet avis ait été réputé avoir été signifié pour prendre des mesures en vue de réaliser la garantie. Vous pouvez demander une médiation et une suspension des procédures en tout temps, c'est-à-dire avant, pendant ou après les 15 jours ouvrables, en présentant une demande en ce sens au Service de médiation en matière d'endettement agricole.

Le Service de médiation en matière d'endettement agricole offre les services de conseillers financiers compétents en agriculture qui peuvent mener un examen financier et préparer un plan de recouvrement en prévision de votre réunion de médiation. Les services de médiateurs compétents sont offerts pour vous aider ainsi que vos créanciers à conclure un accord satisfaisant pour toutes les parties

Vous pouvez obtenir les formulaires de demande et un complément d'information sur le service auprès de :

Farm Debt Mediation Service / Service de médiation en matière d'endettement agricole
1-866-452-5556

The information you provide on this document is collected by Agriculture and Agri-Food Canada under the authority of the *Farm Debt Mediation Act* for the purpose of facilitating financial arrangements between farmers and their creditors. Personal information will be protected under the provisions of the *Privacy Act* and will be stored in Personal Information Bank AAFC-PPU-227. Information may be accessible or protected as required under the provisions of the *Access to Information Act*.

Les renseignements que vous fournissez dans le présent document sont recueillis par Agriculture et Agroalimentaire Canada en vertu de la *Loi sur la médiation en matière d'endettement agricole* afin de faciliter la conclusion d'arrangements financiers entre les agriculteurs(trices) et leurs créanciers. Les renseignements personnels seront protégés en vertu de la *Loi sur la protection des renseignements personnels* et seront versés au Fichier de renseignements personnels AAFC-PPU-227. Les renseignements peuvent être accessibles ou protégés selon ce que prescrit la *Loi sur l'accès à l'information*.

AAFC / AAC4805a (2005/01)

Copy: / Copie : 1 Farmer / Agriculteur(trice) 2 Administrator / Administrateur 3 Creditor / Créancier

Canada

SCHEDULE A

SECURITY

1. (a) $100,000,000 Demand Debenture dated 1 September 2000 made by Big Sky Farms Inc. (the "**Debtor**") in favour of The Bank of Nova Scotia, in its capacity as agent on behalf of certain lenders (the "**Creditor**"), together with mortgages in respect thereof

   (b) Supplement to Demand Debenture dated 25 June 2002 made by the Debtor in favour of the Creditor, together with mortgage(s) in respect thereof

   (c) Second Supplement to Demand Debenture dated 16 September 2002 made by the Debtor in favour of the Creditor, together with mortgage(s) in respect thereof

   (d) Third Supplement to Demand Debenture dated 22 May 2003 made by the Debtor in favour of the Creditor, together with mortgage(s) in respect thereof dated 26 May 2003

   (e) Fourth Supplement to Demand Debenture dated 31 January 2004 made by the Debtor in favour of the Creditor, together with mortgage(s) in respect thereof

   (f) Fifth Supplement to Demand Debenture dated 22 August 2005 made by the Debtor in favour of the Creditor, together with mortgage(s) dated 24 August 2005 and 31 October 2005 in respect thereof

   (g) Sixth Supplement to Demand Debenture dated 31 October 2005 made by the Debtor in favour of the Creditor, together with mortgage(s) in respect thereof

   (h) Sixth Supplement [*sic.*] to Demand Debenture dated 14 July 2006 made by the Debtor in favour of the Creditor, together with mortgage(s) in respect thereof

2. Share Pledge Agreement dated 1 September 2000 in favour of the Creditor regarding shares of Dry Cast Systems Inc.

3. Assignment and Agreement dated 1 September 2000 re life insurance (over the life of Florian Possberg) made by the Debtor and Florian Possberg in favour of the Creditor acknowledged on 18 October 2000 by the Canada Life Assurance Company

4. Assignment and Agreement dated 1 September 2000 re life insurance (over the life of Michael Deutscher) made by the Debtor and Michael Deutscher in favour of the Creditor acknowledged on 7 November 2000 by TransAmerica Life Insurance Company of Canada

5. Cash Collateral Security Agreement dated 16 September 2002 made by the Debtor in favour of the Creditor

6. Cash Collateral Security Agreement dated 16 May 2003 made by the Debtor in favour of the Creditor

7. (a) Assignment Agreement dated 16 May 2003 made by the Debtor in favour of the Creditor relating to certain material contracts

   (b) Supplement to Assignment Agreement dated 22 August 2005 made by the Debtor in favour of the Creditor acknowledged and consented to by the Creditor

8. Security Agreement dated 22 August 2005 made by the Debtor in favour of the Creditor.

9. Pledge Agreement dated 14 July 2006 made by the Debtor in favour of the Creditor relating to Big Sky Management Consulting Corp. shares

10. Assignment Agreement dated 6 March 2008 made by the Debtor in favour of the Creditor

11. All other security held by the Creditor

SCHEDULE B

PROPERTY

1. All freehold real and immovable property now or hereafter owned or acquired by Big Sky Farms Inc. (the "**Debtor**") or in which it, at any time, has an interest together with all buildings, erections and fixtures now or hereafter constructed or placed thereon

2. All leasehold property now or hereafter leased by the Debtor together with all buildings, erections and fixtures now or hereafter constructed or placed thereon

3. All inventory, equipment, machinery, vehicles and other tangible personal property now or hereafter owned by or acquired by the Debtor or in which it, at any time, has an interest and all replacements, attachments and accessories thereto from time to time

4. All intangible property now or hereafter owned or acquired by the Debtor or in which it, at any time, has an interest, including, but not limited to, all contract rights, chattel paper, warehouse receipts, bills of lading, documents of title, insurance policies, instruments, securities, accounts, book debts, receivables which are not book debts, choses in action, licenses, permits, franchises, leases, client lists, goodwill, patents, trademarks, trade names, copyrights, other industrial and intellectual property and the undertaking of the Debtor

5. All undertaking, property and assets of the Debtor, both real and personal, moveable and immovable of whatsoever nature and kind now owned or hereafter acquired or in which it may, at any time, have an interest

6. (a) All shares in the capital stock of Drycast Systems Inc. and Big Sky Management Consulting Corp. (the "**Shares**") and all subscription rights, warrants, options and other rights to acquire Shares in which the Debtor now or hereafter has any right, title, interest or benefit;

   (b) with respect to the personal property described in subparagraph (a), all records in any form evidencing or relating thereto and all agreements, securities and other rights, privileges and benefits in respect thereof including, without limitation, all voting rights; and

   (c) with respect to the personal property described in subparagraphs (a) and (b), all renewals, substitutions and replacements therefor (including securities issued in exchange or substitution therefor under any reorganization of capital, amalgamation, arrangement or other transaction) and proceeds thereof and all interest, dividends, distributions, income and revenue thereon and therefrom, whether in cash, property, securities or any other form.

NOTICE OF INTENTION

Subsection 12(1) of
The Saskatchewan Farm Security Act

TO: **Farm Land Security Board**
Suite 207 – 3988 Albert Street
Regina SK, S4S 3R1

AND TO: **Big Sky Farms Inc.**
Box 610
Humboldt, SK S0K 2A0

TAKE NOTICE THAT The Bank of Nova Scotia, in its capacity as Administrative Agent for and on behalf of certain parties secured pursuant to a Third Amended and Restated Credit Agreement made as of July 14, 2006, as amended, restated, supplemented and extended, intends to apply after the expiration of 150 days following service of this Notice of Intention, to a justice of the Court of Queen's Bench for an order pursuant to section 11 of *The Saskatchewan Farm Security Act*, providing that subsection 9(1)(d) of the said *Act* does not apply with respect to the mortgage referred to herein.

AND TAKE FURTHER NOTICE of the following:

(a)	Judicial Centre where the application is proposed to be made:	Saskatoon
(b)	Mortgagee's name and address: (As administrative Agent for the Secured Parties referenced in Schedule "A")	The Bank of Nova Scotia Scotia Plaza 40 King Street West 62nd Floor Toronto ON, M5W 2X6
(c)	Mortgagee's contact person(s):	Robert Boomhour, Director Telephone: (416) 866-3584

This is Exhibit D referred to in the affidavit of M. KIM ANDERSON sworn before me this 25 day of AUGUST, A.D. 20 09

A Commissioner for Oaths in and for Saskatchewan
My Commission Expires July 31, 2011

And:

Robertson Stromberg Pedersen LLP
600 – 105 21st Street East
Saskatoon, SK S7K 3J9

Attention: M. Kim Anderson
Telephone: (306) 933-1344

(d) Mortgagor's name and address: Big Sky Farms Inc.
Box 610
Humboldt, SK S0K 2A0

(e) Mortgagor's contact person: Canute Tagseth - CFO
Telephone: (306) 682-5041

(f) Property Description: See Schedule "B"

(g) Mortgage Particulars

(i) Date of Execution: September 1, 2000
Amendments full particularized in Schedule "E"

(ii) Amount of Mortgage: $100,000,000.00

(iii) Balance Outstanding: $66,321,327.36 as at the close of business Aug 19, 2009.
See Schedule "C" for particulars.

(iv) Interest Rates Credits A – C - BNS Prime/Base Rate plus 4.5%

(v) Instalments Payable: Entire obligation is payable on demand. Demand has been made.

(vi) Amount and dates of all instalments paid during the three years immediately preceding the date of this Notice: See Schedule "D"

(vii) A copy of the Mortgage: See Schedule "E" for all security documentation.

DATED at the City of Toronto, in the Province of Ontario, this 21st day of August, 2009.

THE BANK OF NOVA SCOTIA, as Agent

By:
Name: Robert Boomhour
Title: Director

SCHEDULE "A"

Secured Parties

1. The Bank of Nova Scotia
2. National Bank of Canada
3. Farm Credit Canada
4. Bank of Montreal

THIS IS EXHIBIT "B" TO THE

AFFIDAVIT OF NEIL STRIDE

SWORN BEFORE ME THIS 9TH

DAY OF NOVEMBER, 2009

SAM RAPPOS

A NOTARY PUBLIC
FOR THE PROVINCE OF ONTARIO

Agriculture and Agri-Food Canada Agriculture et Agroalimentaire Canada Canadä

Hog Industry Loan Loss Reserve Program

The Hog Industry Loan Loss Reserve Program (HILLRP) assists the pork industry to deal with immediate short-term cash-flow pressures. It is designed to increase access to credit for eligible producers currently producing hogs in Canada and who can provide a business plan which demonstrates that the business is or can be viable and has a reasonable prospect of repaying the loan.

The Government of Canada will share the risk with financial institutions in consolidating short-term debt into long term loans to hog eligible producers. The loans to an eligible hog producer will be based on a credible business plan and the size of operation from recent production and sales records.

Lenders are responsible for assessing applications, extending and managing loan amounts in accordance with the program's terms and conditions, managing their Reserve Fund and for any losses beyond those that can be drawn from the Reserve Fund. As such, lenders continue to bear a proportion of the risk for loans extended under the HILLRP.

If you are a producer who is considering exiting the industry, please visit the Canadian Pork Council's web site for information on the Hog Farm Transition Program.

Date Issued: 2009-10-02

Agriculture and Agri-Food Canada Agriculture et Agroalimentaire Canada Canada

Eligible Applicants

Individuals, partnerships, corporations and cooperatives that meet the following criteria are eligible to apply for a loan under the Hog Industry Loan Loss Reserve Program (HILLRP):

- currently operating a hog operation in Canada;
- is not participating in the Hog Farm Transition Program

Also, the applicant must demonstrate by providing a business plan to the financial institutions that:

- the farming business is or can be viable; and
- has a reasonable prospect of repaying loan

The eligibility of an applicant will be assessed by the authorized financial institutions.

Date Issued: 2009-10-02

Agriculture and Agri-Food Canada Agriculture et Agroalimentaire Canada Canada

How to Apply

Producers will need to contact participating Financial Institutions to apply for HILLRP loan. An integral and first step of the loan approval process will be the development of a business plan that demonstrates future viability of the business and how the loan will be repaid. Producers are encouraged to work with their business advisors to develop a business plan that incorporates current and future income statements, balance sheets, cash flow information based on realistic future hog prices and other relevant information.

Information concerning the essential elements of a business plan including past and future market prices for hogs will be posted on this website in the near future to help producers develop and explain future cash flow projections.

Producers are also encouraged to start discussions with their financial institution as soon as possible. Until a financial institution is authorized by AAFC to start issuing HILLRP loans, they will be able to discuss the following topics:

- The importance of demonstrating potential viability of the business
- The nature of HILLRP

Producers

Loans are issued by authorized financial institutions on behalf of Agriculture and Agri-Food Canada. Please refer to Participating Financial Institution section to locate financial institutions near you that offers loans under the Hog Industry Loan Loss Reserve Program (HILLRP). The contacts at the financial institutions will be able to guide you through the process of submitting an application for a loan under the HILLRP.

Financial Institutions

Financial institutions who wish to issue loans under this program are invited to contact the HILLRP Program for further details on the application process.

Application Deadline

The application deadline is scheduled for March 1, 2010 but producers are encouraged to present their business plans to their financial institution before this deadline to ensure access to the government backed funding.

Date Issued: 2009-10-02

Agriculture and Agri-Food Canada Agriculture et Agroalimentaire Canada Canada

Loan Terms

Loan Purpose

The Hog Industry Loan Loss Reserve Program (HILLRP) loans are meant to address short-term liquidity issues by converting shorter term debt into longer term loans, and to make new investments required to achieve longer term profitability.

The loan will first be used to repay outstanding advances for hogs under the Advance Payments Program legislated by the *Agricultural Marketing Programs Act* for the 2008-09 production period.

Interest Rate

Loan interest rates will be negotiated between the participating Financial Institutions and the applicant and will take into consideration the participation of the Government of Canada in sharing the risk of loans losses.

Loan Maximum

Loan amounts approved by Financial Institutions will be based on the applicant's business plan and the size of operation from recent production and sales records, with a maximum loan amount based on the following rates per animal:

- $85 per market hog;
- $30 per weaner; and
- $25 per iso weaner.

Loan Period

The loan period will be negotiated between the lender and the applicant. The loan period will be where possible for a 10-year period and shall not exceed a 15-year period.

Loan Security

Security requirements for loans, including personal guarantees, will be at the discretion of the lender taking into consideration the risk reduction provided by the program.

Date Issued: 2009-10-02

THIS IS EXHIBIT "C" TO THE AFFIDAVIT OF NEIL STRIDE SWORN BEFORE ME THIS 9TH DAY OF NOVEMBER, 2009

SAM RAPPOS

A NOTARY PUBLIC FOR THE PROVINCE OF ONTARIO

[LETTERHEAD OF THE BANK OF NOVA SCOTIA AS AGENT]

November 9, 2009

CONFIDENTIAL

Big Sky Farms Inc.
Box 610
Humboldt, Saskatchewan
S0K 2A0

Attention: Chief Financial Officer

Dear Sirs and Mesdames:

SENIOR SECURED DEBTOR-IN-POSSESSION CREDIT FACILITY

I GENERAL

Background: Big Sky Farms Inc., as borrower, Drycast Systems Inc. and Big Sky Management Consulting Corp., as guarantors (together with Big Sky Farms Inc., the "**Debtors**"), The Bank of Nova Scotia, as administrative agent (the "**Pre-Filing Agent**"), and The Bank of Nova Scotia, National Bank of Canada, Bank of Montreal and Farm Credit Canada (collectively, the "**Pre-Filing Lenders**") are parties to the Third Amended and Restated Credit Agreement dated as of July 14, 2006, as amended and supplemented from time to time, including without limitation as amended by five amending agreements and supplemented by two letter agreements (collectively the "**Credit Agreement**"). Events of default have occurred under the Credit Agreement and the Pre-Filing Agent on behalf of the Pre-Filing Lenders has demanded repayment of all obligations owing or accruing due to the Pre-Filing Agent and the Pre-Filing Lenders, and has delivered notices of intention to enforce security.

Notwithstanding such demand, under a letter agreement of August 25, 2009, the Pre-Filing Lenders agreed to forbear taking further steps under the security granted to the Pre-Filing Agent on behalf of the Pre-Filing Lenders on a day-by-day basis. In such letter agreement, as supplemented by letter agreements of September 14, 2009, October 15, 2009, October 21, 2009, October 30, 2009, November 3, 2009 and November 9, 2009, the Pre-Filing Lenders also agreed subject to the provisions of those letter agreements to provide a temporary credit of $18,724,548.55 million. The Pre-Filing Lenders are not willing to further increase the temporary credit and the temporary credit has been fully drawn.

The Debtors have informed the Pre-Filing Lenders that they intend to seek court protection under the *Companies' Creditors Arrangements Act* (Canada) (the "**CCAA**")and have requested that the Pre-Filing Lenders provide them with debtor-in-possession financing so as to permit the Debtors to restructure their businesses and property on an expedited basis.

The Pre-Filing Lenders are prepared to provide debtor-in-possession financing to the Borrower (as defined below) on and subject to the terms and conditions set out in this DIP financing agreement as the same may be amended, varied, supplemented, restated, renewed or replaced at any time and from time to time (the "**DIP Financing Agreement**").

Borrowers: The borrower under this DIP Financing Agreement is Big Sky Farms Inc. (the "**Borrower**").

Guarantors: All present and future debts, liabilities and obligations of the Borrower under or in connection with this DIP Financing Agreement (including principal, interest, fees, expenses and any other amounts) (the "**DIP Obligations**") are unconditionally guaranteed by each of Drycast Systems Inc. and Big Sky Management Consulting Corp. (each in such capacity, a "**Guarantor**" and collectively, the "**Guarantors**"). The Borrower and the Guarantors are referred to collectively in this DIP Financing Agreement as the "**Obligors**", and each individually, as an "**Obligor**".

Lenders: The lenders under this DIP Financing Agreement are The Bank of Nova Scotia (37.89%), Bank of Montreal (24.34%), National Bank of Canada (23.57%) and Farm Credit Canada (14.2%) (collectively, the "**Lenders**", each a "**Lender**"), each with a percentage share of each DIP Loan (as defined below) under the DIP Facility (as defined below) as set out in this paragraph in parentheses after such Lender's name.

Administrative Agent: The administrative agent on behalf of the Lenders is The Bank of Nova Scotia (the "**Agent**").

DIP Facility: A senior secured super-priority debtor-in-possession revolving credit facility (the "**DIP Facility**") in the maximum principal amount of $6,300,000 (the "**Maximum DIP Credit Amount**"), available by way of a DIP revolving line of credit.

Repayment: All DIP Obligations shall be due and payable on the earlier of (the

"**Termination Date**"):

(1) March 31, 2010;

(2) the date of the termination of the stay period under the Interim Order or Related Orders (as such terms are defined below); or

(3) the date on which the Lenders demand repayment of the DIP Facility after the occurrence of an Event of Default (as defined below).

The Termination Date may be extended at the request of the Borrower with the consent of the Lenders, at their sole discretion, for such period and on such terms as the Borrower and the Lenders may agree and as the Court in the Obligor's CCAA proceedings may approve.

Up-Front Fee: The Borrowers shall pay the Lenders a non-refundable, fully-earned up-front fee equal to 2% of the Maximum DIP Credit Amount, which shall be due and payable to the Agent for distribution to the Lenders on the Termination Date. Such up-front fee may be paid by the Borrower out of the proceeds of the DIP Facility.

Standby Fee and Other Fees: From and after the initial advance, the Borrower shall pay a standby fee on the daily unadvanced portion of the DIP Facility in an amount equal to 0.5% per annum payable monthly in arrears. The Borrower shall also pay annual agency and other fees to the Agent in accordance with any fee agreement between the Agent and the Borrower. Such annual agency and other fees may be paid by the Borrower out of the proceeds of the DIP Facility.

II DIP FACILITY

DIP Availability: Advances under the DIP Facility ("**DIP Loans**") may be requested by submission to the Agent of a draw request no more frequently than on a weekly basis, and may be repaid and reborrowed. Availability is limited to the Maximum DIP Credit Amount and is subject to the other conditions described herein. Each draw request must be acceptable to and approved by the Lenders acting reasonably.

The aggregate borrowings under the DIP Facility during any week shall not exceed the forecasted borrowing requirements set forth in the Cash Flow Budget.

"**Cash Flow Budget**" means the detailed 16 week forward looking rolling cash flow budget of receipts and disbursements as prepared by the Borrower with the assistance of the monitor appointed or to be appointed under the Initial CCAA Order (the "**Monitor**") and attached as Schedule "A" to this DIP Financing Agreement, or any subsequent detailed cash flow budget prepared by the Borrower with the assistance of the Monitor and submitted by the Borrower to the Agent on behalf of the Lenders and approved in writing by the Agent on behalf of the Lenders.

III TERMS AND CONDITIONS

Use of Proceeds: The DIP Facility may be used to pay:

(1) expenditures provided for in the Cash Flow Budget;

(2) fees and expenses associated with the DIP Facility, fees and expenses of the Lenders' counsel and fees and expenses associated with the CCAA proceedings generally; and

(3) such other expenditures as the Lenders shall have consented to in writing.

Restrictions on Use of Proceeds: Without the prior written approval of the Agent, the Borrowers shall not use the proceeds of the DIP Facility otherwise than in accordance with the Use of Proceeds paragraph of this DIP Financing Agreement.

Security: To secure all DIP Obligations and other obligations of the Obligors under or in connection with this DIP Financing Agreement, the Agent on behalf of itself and the Lenders is granted and will receive a fully perfected first priority security interest, charge and mortgage in and court-ordered charge on terms and conditions, including as to priority, acceptable to the Agent on behalf of the Lenders (the "**DIP Charge**") on all of the existing and after-acquired real and personal, tangible and intangible, property, assets and undertaking of the Obligors, including, without limitation, all cash, cash equivalents, bank accounts, accounts, other receivables, chattel paper, contract rights, hogs, feed, inventory, instruments, documents, securities (whether or not marketable), equipment, fixtures, real property interests, franchise rights, patents, tradenames, trademarks, copyrights, intellectual property, intangibles, capital stock, investment property, supporting obligations, letter of credit rights, commercial tort claims, causes of action and all substitutions, accessions and proceeds of the foregoing, wherever located, including insurance or other proceeds thereof (collectively, the "**Collateral**").

Permitted Encumbrances and All Collateral will be free and clear of liens, encumbrances and claims ranking in priority to the DIP Charge, except for charges created under the Initial CCAA Order, the amount secured by, and the priority of

Priority: each of which, shall be acceptable to the Lenders in their sole discretion, and any other liens or encumbrances which are acceptable to the Lenders in their sole discretion (collectively, the "**Permitted Encumbrances**"). Permitted Encumbrances shall be subordinate to the DIP Charge except as set forth in the Initial CCAA Order or as otherwise agreed to in writing by the Agent on behalf of the Lenders, in their sole discretion.

Interest Rates and Fees: DIP Loans under the DIP Facility will be available at the Borrower's option in Canadian Dollars at the applicable Prime Rate (as defined in the Credit Agreement) plus 8% per annum.

Interest on DIP Loans will accrue on the basis of a year of 365 or 366 days, as applicable, and will be calculated, payable and compounded monthly on the 22nd business day of each month, provided that the portion of the amount of interest payable that is equal to the applicable Prime Rate plus 3% per annum shall be payable on such business day while the remaining amount of interest payable shall accrue and be payable on the Termination Date. Any change in Prime Rate shall be effective as of the opening of business on the day such change takes place.

The annual rates of interest or fees to which the rates calculated in accordance with this DIP Facility are equivalent, are the rates so calculated multiplied by the actual number of days in the calendar year in which such calculation is made and divided by 365 or 366, as applicable.

Mandatory Prepayments and Commitment Reduction: Upon receipt by the Agent in compliance with the Initial CCAA Order and subsequent proceedings, all proceeds of the disposition of assets out of the ordinary course of business of the Obligors shall be applied by the Agent in permanent reduction of Credit B under the Credit Agreement.

If during any 16-week rolling period (including the weeks prior to the date of this DIP Financing Agreement) the number of hogs sold out of the Borrower's inventory during such period as set forth in the Historical Cash Flow Statement exceeds the forecast for such period set forth in the Cash Flow Budget (and using the information from the Historical Cash Flow Statement for the weeks prior to the date of this DIP Financing Agreement) by at least 10% (the "**Excess Hog Inventory Sales Test**"), then the sales proceeds realized by the Borrower that were attributable to the sale of such excess hogs (such sales proceeds calculated as the simple average price realized by the Borrower in connection with the sale of all hogs during such 16-week rolling period) shall immediately (a) be used to repay all DIP Loans and other DIP Obligations and the Maximum DIP Credit Amount shall be permanently reduced by the amount of such sales proceeds and then (b), to the extent any of such sales proceeds are left remaining, be transferred to the Agent to be held by the Agent in a cash collateral account as additional security for the benefit of the Lenders.

"**Historical Cash Flow Statement**" means the detailed 16 week historical rolling cash flow statement of actual receipts and disbursements as prepared by the Borrower with the assistance of the Monitor and attached as Schedule "B" to this DIP Financing Agreement, or any subsequent detailed cash flow statement prepared by the Borrower with the assistance of the Monitor and submitted by the Borrower to the Agent on behalf of the Lenders and approved in writing by the Agent on behalf of the Lenders.

The Borrower shall immediately make any payments required to eliminate any amount by which the principal amount outstanding at any time under the DIP Facility exceeds the Maximum DIP Credit Amount.

Documentation:

All documentation relating to the DIP Facility shall be in form and substance satisfactory to the Lenders. The Obligors shall execute and deliver to the Agent as the Agent may request, such further documents and assurances to give full force and effect to this DIP Financing Agreement. At the option of the Agent, the Obligors shall execute and deliver such guarantees, acknowledgments, mortgages, security agreements and charges as the Agent may from time to time request.

Conditions to Initial Availability under DIP Facility:

(1) An initial CCAA order (the "**Initial CCAA Order**") in form and substance (including, without limitation, in respect of the approval of this DIP Financing Agreement and the creation of the court-ordered charges provided for herein) satisfactory to the Lenders shall have been made by the Court of Queen's Bench for Saskatchewan (Judicial Centre of Saskatoon) (the "**Court**").

(2) No motion for leave to appeal the Initial CCAA Order or Related Orders shall have been made or an intention to do so communicated in writing.

(3) No motion to amend, vary or stay the Initial CCAA Order or Related Orders shall have been made or an intention to do so communicated in writing.

(4) The Agent and the Lenders shall have been named as additional insureds and loss payees on the Obligors' casualty insurance policies, including insurance with respect to any real property

Collateral.

(5) No material adverse change in the operations, financial condition or business prospects of the Obligors shall have occurred.

(6) There shall have been no breach of any covenant or other obligation of the Obligors under or in connection with this DIP Financing Agreement.

Continuing Conditions to Availability under DIP Facility:

(1) Related orders (the "**Related Orders**") shall have been made by any other court of competent jurisdiction required in connection with the Initial CCAA Order (the "**Related Courts**"), including without limitation by courts of competent jurisdiction in Iowa.

(2) No motion for leave to appeal the Initial CCAA Order or Related Orders shall have been made or an intention to do so communicated in writing.

(3) No motion to amend, vary or stay the Initial CCAA Order or Related Orders shall have been made or an intention to do so communicated in writing.

(4) The stay of proceedings provided by the Initial CCAA Order and the Related Orders shall remain in effect pursuant to stay extension orders that are in form and substance satisfactory to the Lenders.

(5) The Borrower shall on an ongoing basis provide to the Agent all documentation and materials reasonably required by the Agent and/or the Lenders (including without limitation a business plan consistent with the requirements of the Loan Loss Reserve Program (defined below) showing the viability of the Borrower) to support one or more applications, loan registration form submissions, or amendments or supplements to such applications or submissions, to the Government of Canada, or a department, agency or ministry thereof, under the new program announced by the Government of Canada (the "**Loan Loss Reserve Program**") to support hog producers such as the Borrower by providing loan loss reserve contributions to lenders.

(6) By no later than 5:00 p.m. Eastern Standard Time, November 30, 2009, the Borrower will have developed a plan of compromise and recapitalization with committed funding in an

amount that is, and which plan is on terms and conditions that are, acceptable to the Lenders and that includes without limitation exit financing that is consistent with the requirements of the Loan Loss Reserve Program.

(7) The Agent and the Lenders continuing to be named as additional insureds and loss payees on the Obligors' casualty insurance policies, including insurance with respect to any real property Collateral.

(8) No material adverse change in the operations, financial condition or business prospects of the Obligors shall have occurred.

(9) There shall have been no breach of any covenant or other obligation of the Obligors under or in connection with this DIP Financing Agreement.

(10) All representations and warranties of the Obligors under this Financing Agreement shall be true and correct.

The Borrower shall be deemed to have represented and warranted to the Lenders, each time the Borrower accepts credit from the Lenders under this DIP Financing Agreement, that, at such time, all of the foregoing conditions have been satisfied or fulfilled.

Representations and Warranties: The Borrower and each Guarantor represents and warrants to the Agent and the Lenders as follows:

(1) it is a corporation duly incorporated, organized and validly existing under the laws of its jurisdiction of incorporation;

(2) it has all requisite power and authority to enter into and perform its obligations hereunder;

(3) its execution and delivery hereof and the performance of its obligations hereunder have been duly authorized by all necessary action including, without limitation, the obtaining of all necessary shareholder consents;

(4) this DIP Financing Agreement has been duly executed and delivered by it and constitutes a legal, valid and binding obligation of the Obligors enforceable against them in accordance with its terms;

(5) the Collateral is unconditionally owned by the Obligors and is only located at the locations disclosed to the Lenders, the Collateral has not been sold, leased or otherwise disposed of other than for inventory in the ordinary course of business, and the Collateral is not subject to any rights of any person or entity other than Permitted Encumbrances; and

(6) all statements (whether financial or otherwise), information, reports, budgets, forecasts and projections made available by the Borrowers or anyone on their behalf to the Agent or the Lenders are true, complete and accurate in all respects and do not omit any information necessary to make them true, complete and accurate in all respects.

Covenants: The Obligors covenant and agree that:

(1) subject to the terms of the Initial CCAA Order and the Related Orders, they shall comply with all laws, rules, regulations and orders, including, without limitation, environmental laws and regulations and shall immediately notify the Agent on behalf of the Lenders of any action, claim, lawsuit, demand, investigation or proceeding pending, or to the knowledge of any Obligor, threatened, against any Obligor, before any court, governmental authority, regulatory authority, arbitrator or tribunal;

(2) they shall maintain in good standing at all times all insurance coverage as is customarily carried by companies which are engaged in the same or similar business to the business of the Obligors, or as may be required by the Lenders;

(3) they shall not seek or consent to any plan of reorganization or liquidation or any plan of arrangement without the prior written consent of the Lenders acting reasonably;

(4) any information memorandum, form of letter of intent, form of bid offer, form of agreement of purchase and sale, or other similar document used by the Obligors or the Monitor under or in connection with the disposition of assets out of the ordinary course of business of the Obligors shall be subject to the prior approval of the Lenders acting reasonably;

(5) any qualifying bid, letter of intent, qualifying bidder, purchaser, sale or agreement of purchase and sale under or in connection with the disposition of assets out of the ordinary course of business of the Obligors shall be subject to the prior approval of the Lenders acting reasonably;

(6) they shall not make any expenditures inconsistent with the most

recent Cash Flow Budget approved by the Lenders from time to time;

(7) the Obligors shall not incur or enter into any debts, liabilities or obligations, including without limitation guarantees and contingent obligations, other than as permitted by the Initial CCAA Order or in writing by the Lenders;

(8) the Obligors shall not permit any liens or other encumbrances on their property other than Permitted Encumbrances;

(9) the Obligors shall not merge, amalgamate, consolidate, reorganize, or sell any assets outside of the ordinary course of business, unless permitted in writing by the Lenders;

(10) the Obligors shall not make or permit any dividends or distributions (whether by reduction of capital or otherwise) with respect to their shares or directly or indirectly purchase, redeem or otherwise acquire or retire any of their shares without the prior written consent of the Lenders;

(11) the Obligors shall permit the Agent and the Lenders, through the Agent's employees, representatives and advisors, to have access, at any time, to the books, records, property and premises of the Obligors;

(12) they shall consult in advance with the Lenders in connection with any plan of compromise or arrangement and any such plan shall be satisfactory to and subject to the approval of the Lenders;

(13) no Obligor shall conduct any business or engage in any transaction with an affiliate or non-arm's length person unless such business or transaction is on terms which would apply to an arm's length transaction;

(14) the Borrower shall pay all DIP Obligations as and when they come due; and

(15) each of the Obligors shall carry on business in the ordinary course in accordance with prudent industry practice in all material respects and operate, maintain and preserve in good health, repair, working order and condition (ordinary wear and tear excepted), as the case may be, all assets and livestock material to and necessary for the proper conduct of its business as presently conducted.

Reporting Covenants:

The Borrower shall deliver to the Agent on behalf of the Lenders:

(1) weekly by no later than 5:00 p.m. EST each Wednesday following the making of the Initial CCAA Order and prior to and as a requirement for the making of any DIP Loan, (a) an updated Cash Flow Budget and an updated Historical Cash Flow Statement each in form and substance satisfactory to and approved by the Lenders together with (i) a comparison prepared by the Borrower with the assistance of the Monitor of the previous weeks forecast to actual results, and (ii) an explanation of the differences, (b) a Borrowing Base Certificate in the form required under the Credit Agreement and (c) reporting with respect to the Excess Hog Inventory Sales Test, the Cash Flow Test, the Working Capital Test and the Value Depletion Test to the end of the prior week in form and substance satisfactory to and approved by the Lenders;

(2) daily, progress reports with respect to negotiations for an investment by an outside investor, an additional investment by the existing shareholders and conversion of subordinated debt to equity;

(3) forthwith, notice of any breach of covenant or other obligation of the Obligors under or in connection with this DIP Financing Agreement;

(4) forthwith, notice of any material adverse change in the operations, financial condition or business prospects of the Obligors;

(5) forthwith, notice of any investigation, proceeding, order, claim or notice by any governmental agency with respect to any violation or alleged violation of applicable laws;

(6) all reporting required under the Credit Agreement; and

(7) such further reports and information as the Lenders may request from time to time.

In addition, the Borrowers shall forthwith upon receipt deliver to the Lenders copies of all pleadings, motions, applications, judicial information, financial information, and other documents filed by or on behalf of the Obligors with the Court or any Related Court, or distributed by or on behalf of the Obligors to the Monitor or any other person and all reports prepared by the Monitor and such other reports and information respecting the Obligors' business, financial condition or prospects, on a confidential basis, as the Lenders may, from time to time, request. All reports and financial statements shall be in form and

DIP Charge and this DIP Financing Agreement, or granting any other priority claim, except to the extent such amendment, supplement or other modification is entered into, or priority of other claim is made with the prior written consent of the Lenders;

(8) any order of the Court or a Related Court shall be issued that is not satisfactory to and consented to by the Lenders acting reasonably;

(9) failure by an Obligor to comply with the Initial CCAA Order, a Related Order or any other order ancillary thereto;

(10) if, in the opinion of the Lenders, there occurs, or may occur, any material adverse change in the business, properties, assets, affairs, operations or prospects of an Obligor or of the Obligors taken as a whole, financial or otherwise;

(11) without limiting the foregoing Event of Default, if, in the opinion of the Lenders, any of the following occurs:

(i) during any 16-week rolling period (including the weeks prior to the date of this DIP Financing Agreement) there is any adverse deviation of at least 10% in the amount of operational receipts and operational disbursements set forth in the Historical Cash Flow Statement from the forecast for such amount in the Cash Flow Budget (and using the information from the Historical Cash Flow Statement for the weeks prior to the date of this DIP Financing Agreement) for such period (the "**Cash Flow Test**");

(ii) at any time there is an adverse change of at least 15% in the aggregate realizable value of the assets that are subject to a Borrowing Base Certificate (being eligible receivables (comprised of accounts receivable less specified deductions ("**Eligible Receivables**")), feed inventory and hog inventory ("**Hog Inventory**")), as compared to a baseline (each, a "**Baseline**") of $[•] for Eligible Receivables, $[•] for feed inventory and $[•] for Hog Inventory (the "**Working Capital Test**") (for an aggregate baseline of $[•]); or **[Note: Numbers to be finalized based on October 31, 2009 figures.]**

(iii) at any time the sum (with increases being subtracted in the calculation) of the decrease (or increase) in the value of Eligible Receivables from the applicable Baseline, plus the decrease (or increase) in the value of Hog

Inventory from the applicable Baseline at such time, plus the aggregate of all advances outstanding under the DIP Facility at such time is equal to or in excess of $9,000,000 (the "**Value Depletion Test** ").

(12) the Agent or any one of the Lenders receives notice from the Government of Canada or from a department, agency or ministry thereof, that funding of loan loss reserve contributions under the Loan Loss Reserve Program are not available in respect of the Borrower in an amount and on terms and conditions acceptable to the Lenders acting reasonably; or

(13) an Obligor ceases or threatens to cease to carry on business in the ordinary course, except where such cessation occurs in connection with a sale of all or substantially all of its assets or other restructuring or reorganization which has received the prior written consent of the Lenders.

Remedies:

On the Termination Date, any right of the Borrower to receive any advance or other accommodation of credit from the Lenders shall be immediately terminated and any further advances made, if any, thereafter shall be in the sole discretion of the Lenders. Subject to any requirement to seek leave of the Court set out in the Interim Order or Related Orders, the Lenders shall be entitled, in addition to all other remedies at law and under any security or other agreement, to exercise their rights to notify and direct account debtors of the Obligors to pay accounts receivable directly to the Agent, to sweep blocked accounts subject to cash management and any cash collateral accounts, if any, on a daily basis and to apply any credit balance in such blocked accounts or cash collateral accounts against any outstanding indebtedness owing to the Lenders in such order as the Lenders deems fit. In addition, on the Termination Date, all debts, liabilities of the Borrower to the Lenders shall become immediately due and payable.

Without limiting the foregoing, on the Termination Date, subject to any requirement to seek leave of the Court set out in the Interim Order or Related Orders, the Agent and the Lenders shall have the right to exercise all other customary remedies under applicable law, including, without limitation, the right to realize on all Collateral and the collateral securing the Obligations and the Other Secured Obligations, in each case without the necessity of obtaining further relief or order from any court.

For greater certainty, nothing shall prevent the Lenders from applying to the Court or a Related Court, on two days' notice, or such shorter notice as the court may permit, for such relief as the Lenders may determine is necessary or appropriate, prior to or following the

Termination Date.

Expenses:	The Borrower shall pay all of the Agent's and the Lenders' costs and expenses, including those incurred for due diligence, transportation, computers, copying, appraisals, audits, insurance, consultants, searches, filing and recording fees, collateral auditing fees and all other out-of-pocket costs and expenses incurred by the Agent and the Lenders (including the fees and expenses of its legal counsel). The Borrower shall also pay the costs and expenses of the Agent and the Lenders in connection with any enforcement. All such costs and expenses, if not immediately paid by the Borrower upon demand, may be debited to any account of the Borrower with the Agent or any Lender and shall be secured by the DIP Charge.
Indemnity:	The Obligors indemnify and hold harmless the Agent, the Lenders, their affiliates and their officers, directors, employees, agents and advisors (each, an "**Indemnified Person**") from and against any and all suits, actions, proceedings, orders, claims, damages, losses, liabilities and expenses (including legal fees and disbursements and other costs of investigation or defence, including those incurred upon any appeal) that may be instituted or asserted against or incurred by any such Indemnified Person as a result of or in connection with credit having been extended, suspended or terminated under or in relation to the DIP Facility, or the use of the proceeds thereof, and the administration of such credit, and in connection with or arising out of the transactions contemplated hereunder and any actions or failures to act in connection therewith, including the taking of any enforcement actions by the Agent or the Lenders, and including any and all environmental liabilities and legal costs and expenses arising out of or incurred in connection with disputes between or among any parties hereto. All such indemnified amounts, if not immediately paid by the Borrower upon demand, shall be secured by the DIP Charge.

Taxes:	All payments under or in connection with the DIP Facility shall be made free and clear of any present or future taxes, withholdings or other deductions whatsoever (other than income and franchise taxes in the jurisdiction of each Lender's lending office). Each Lender will use reasonable efforts (consistent with their respective internal policies and legal and regulatory restrictions and so long as such efforts would not otherwise be disadvantageous to them) to minimize to the extent possible any applicable taxes, and the Borrower will indemnify the Lenders for such taxes and penalties paid by the Lenders. All such indemnified amounts, if not immediately paid by the Borrower upon demand, shall be secured by the DIP Charge.
Agent and Lenders:	The rights and obligations of, and the relationship between, the Agent and the Lenders shall be governed *mutatis mutandis* by the applicable provisions of the Credit Agreement. Such provisions shall be operative as between the Agent and the Lenders only and the Obligors shall not have any rights or obligations under or be entitled to rely for any purpose on such provisions.
Governing Law:	Province of Saskatchewan and the federal laws of Canada applicable in the Province of Saskatchewan.
Amendment:	No amendment or waiver of any provision of this DIP Financing Agreement will be effective unless it is in writing, and then the amendment, modification, waiver or consent will be effective only in the specific instance, for the specific purpose and for the specific length of time for which it is given.
Further Assurances:	The Obligors shall from time to time promptly, upon the request of the Agent or the Lenders, take or cause to take such action, and execute and deliver such further documents as may be reasonably necessary or appropriate to give effect to the provisions and intent of this DIP Financing Agreement.
Submission to Jurisdiction:	Each Obligor irrevocably submits to the non-exclusive jurisdiction of the courts of the Province of Saskatchewan and hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such court. Each Obligor hereby irrevocably waives, to the fullest extent it may effectively do so, the defence of an inconvenient forum to the maintenance of such action or proceeding.

Counterparts: This DIP Financing Agreement may be executed and delivered (including by electronic transmission and facsimile transmission) in any number of counterparts, each of which when executed and delivered is an original but all of which, taken together, shall constitute one and the same instrument.

Yours very truly,

THE BANK OF NOVA SCOTIA, as Agent

By: ______________________________
Name: Robert Boomhour
Title: Director

cc: Bank of Montreal
Farm Credit Canada
National Bank of Canada
Borden Ladner Gervais LLP

Accepted and agreed as of the date of this DIP Financing Agreement.

BIG SKY FARMS INC.
for itself and the other Obligors

By: ______________________________
Name:
Title:

By: ______________________________
Name:
Title:

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SCHEDULE "A"

Cash Flow Budget

SCHEDULE "B"

Cash Flow Statement