Q.B. No. 1461 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, AS AMENDED (the "*CCAA*")

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

SIXTH REPORT OF THE MONITOR

ERNST & YOUNG INC.

MARCH 9, 2010

TABLE OF CONTENTS

TO THE

SIXTH REPORT OF THE MONITOR

LISTING OF APPENDICES

INTRODUCTION

1. On November 10, 2009, Big Sky Farms Inc., Drycast Systems Inc. and Big Sky Management Consulting Corp. (collectively, the "**Applicants**" or "**Big Sky**") filed for and obtained protection from their creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, (the "**CCAA**") pursuant to an order of this Honourable Court dated November 10, 2009 (the "**Initial Order**").

2. Pursuant to the Initial Order, Ernst & Young Inc. was appointed monitor of the Applicants during these CCAA proceedings (the "**Monitor**").

3. Paragraph 15 of the Initial Order established a Stay of Proceedings until December 10, 2009 (the "**Stay Period**"). The Stay Period was subsequently extended to February 1, 2010 by Order of this Honourable Court dated December 9, 2009; and further extended to February 11, 2010 by Order of this Honourable Court dated January 5, 2010. On February 11, 2010, by Order of this Honourable Court, the Stay Period was extended to and including the earlier of March 18, 2010 or one Business Day after the Plan Implementation Date.

4. On December 7, 2009, the Monitor issued its first report (the "**First Report**"), the purpose of which was to advise this Honourable Court with respect to, *inter alia*: (a) Background information pertaining to each of the Applicants; (b) Background information and the status of US proceedings commenced under Chapter 15 of the US Bankruptcy Code; (c) The request by the Applicants for an Order approving a claims process whereby Big Sky would, *inter alia*: (i) Call for claims of its creditors through the implementation of the Claims Process; (ii) Establish a Claims Bar Date of 5:00 pm

(Central Time) on January 15, 2010; and (iii) Establish a dispute resolution process that included the appointment of a Claims Officer; (d) The existence of potential Agricultural Lien Claims of indeterminable priority filed in respect to the pigs located in the State of Iowa, USA; (e) The cash flow of the Applicants between November 10, 2009 and November 29, 2009; (f) The activities of the Applicants and the Monitor since the making of the Initial Order; (g) The basis and requirement for the Applicants request for an extension of the Stay Period; and (h) The recommendations of the Monitor pertaining to the Claims Process, including the Claims Bar Date, and request for the extension of the Stay Period.

5. On December 16, 2009, the Monitor issued its third report (the "**Third Report**") the purpose of which was to, *inter alia*, advise this Honourable Court with respect to the status of the US proceedings pursuant to Chapter 15 of the US Bankruptcy Code and the Applicant's request for an Order: (a) Approving an Insurance Finance Charge in favour of CAFO in the amount of $589,879.68, secured solely by the unearned or returned premiums and other amounts due to the Applicants in the event that the Applicants' insurance policy is cancelled or collapsed; and (b) Requesting the assistance of the US Bankruptcy Court for a determination of the validity and priority of the Agricultural Lien Claims.

6. On December 28, 2009, the Monitor issued its second report (the "**Second Report**") the purpose of which was to, *inter alia*, provide information to this Honourable Court related to the status of the restructuring efforts and the Applicant's request for an Order: (a) Authorizing and directing the filing of the Plan; (b) Authorizing and establishing the procedure for Big Sky to call, hold and conduct the Creditors' Meeting; (c) Approving

the form of materials to be distributed to creditors affected by the Plan; and (d) Setting the conditions for approval of the Plan in order for the Plan to be sanctioned by the Court.

7. On December 29, 2009, the Monitor issued its fourth report (the "**Fourth Report**") the purpose of which was to, *inter alia*, provide information to this Honourable Court with respect to the Applicant's request for an Order approving the sale of Big Sky's idle farrow to finish operation in the District of Treherne, Manitoba to Porcherie Lac du Onze Ltee. ("**Porcherie**") and vesting all of the Applicants' right, title and interest in and to the property into Porcherie, free and clear of all liens and encumbrances, except permitted encumbrances.

8. On February 9, 2010, the Monitor issued its fifth report (the "**Fifth Report**") the purposes of which was to advise this Honourable Court with respect to, *inter alia*: the status of the Applicant's divesture of Real Property; (b) the results of the Claim Process; (c) the proposed amendments to the Plan; (d) compliance by the Applicants with the Order of this Honourable Court authorizing the filing of the Plan, the mailing of the Plan and Meeting Documents and conducting of the Creditors' Meeting; (e) the results of the vote at the Creditors' Meeting, (f) the status of the conditions that must be satisfied in order for this Honourable Court to sanction the Amended Plan; (g) the conditions that must be satisfied to achieve Plan Implementation; (h) the proposed distribution to creditors under the Plan; (i) an update with respect to the Applicants cash flow for the Reporting Period; (j) the Re-Forecast of the Applicant's cash flows for the Re-Forecast Period; and (k) the Applicant's request for an Order sanctioning the Plan of Arrangement and allowing an extension to the Stay Period.

9. The purpose of this Sixth Report of the Monitor (the "**Sixth Report**") is to provide this Honourable Court with information relating to, *inter alia*, the:

(a) Motion brought by Big Sky Finishers (No. 1) Inc. ("**Finishers**") dated February 18, 2010 seeking an order that certain agreements between Finishers and Big Sky identified in a Notice to Disclaim or Resilate an Agreement (the "**Notice of Repudiation**") issued by the Applicants to Finishers on February 4, 2010 not be disclaimed or resiliated; and

(b) The recommendation of the Monitor pertaining thereto.

10. Capitalized terms not defined in this Sixth Report are as defined in the Initial Order, the Claims Process Order, the Order (Authorizing Filing of the Plan of Arrangement & Creditors Meeting), the Order (Sanction of Plan of Arrangement, Approval of Articles of Reorganization, Postponement of Annual Shareholders' Meeting, Termination of Unanimous Shareholders Agreement; Receipt of Late Filed and Contingent Claims; and Extension of the Stay of Proceedings), the Amended Plan, and the First Report to and including the Fifth Report. All references to dollars are in Canadian currency unless otherwise noted. A copy of all motion records and reports are available for creditors on the Monitor's website at www.ey.com/ca/bigskyfarms .

TERMS OF REFERENCE

11. In preparing this Sixth Report, the Monitor has relied upon unaudited financial information, company records, and discussions with management of the Applicants. The Monitor has not performed an audit, review or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered

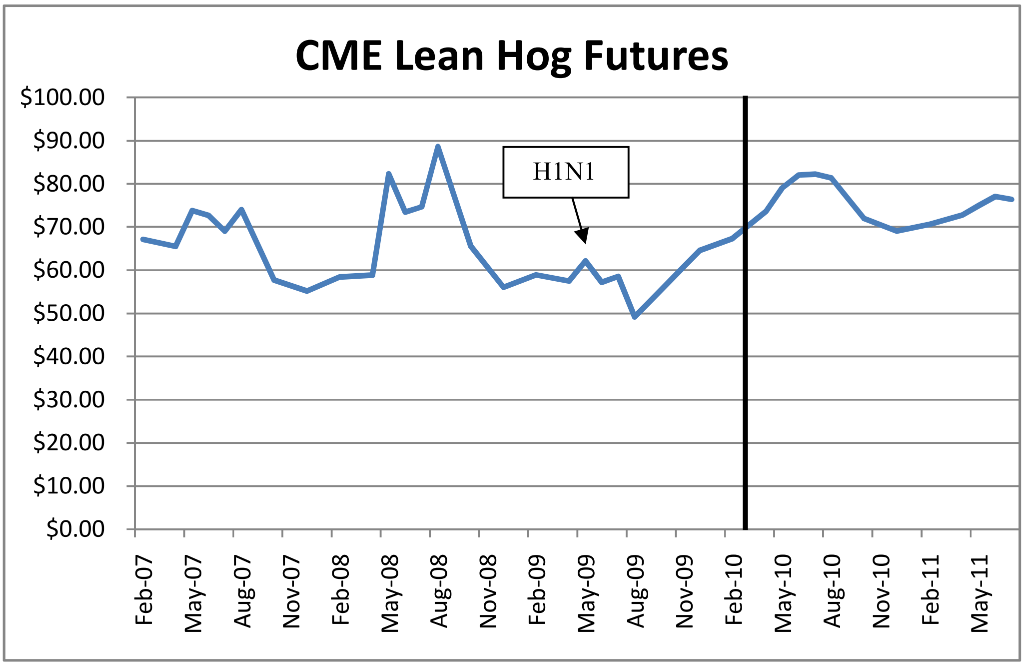
Accountants Handbook has not been performed. Future orientated financial information relied upon in this report is based on management's assumptions regarding future events and actual results achieved may vary from this information and the variations may be material.

BACKGROUND INFORMATION

12. Background information pertaining to the Applicants and the CCAA proceedings is contained in the First Report through to and including the Fifth Report of the Monitor filed with this Honourable Court.

CURRENT ECONOMIC CONDITIONS FOR THE HOG INDUSTRY

13. Lean hog futures pricing on the CME Index highlights the volatility within the hog industry over the past three years, as indicated below:

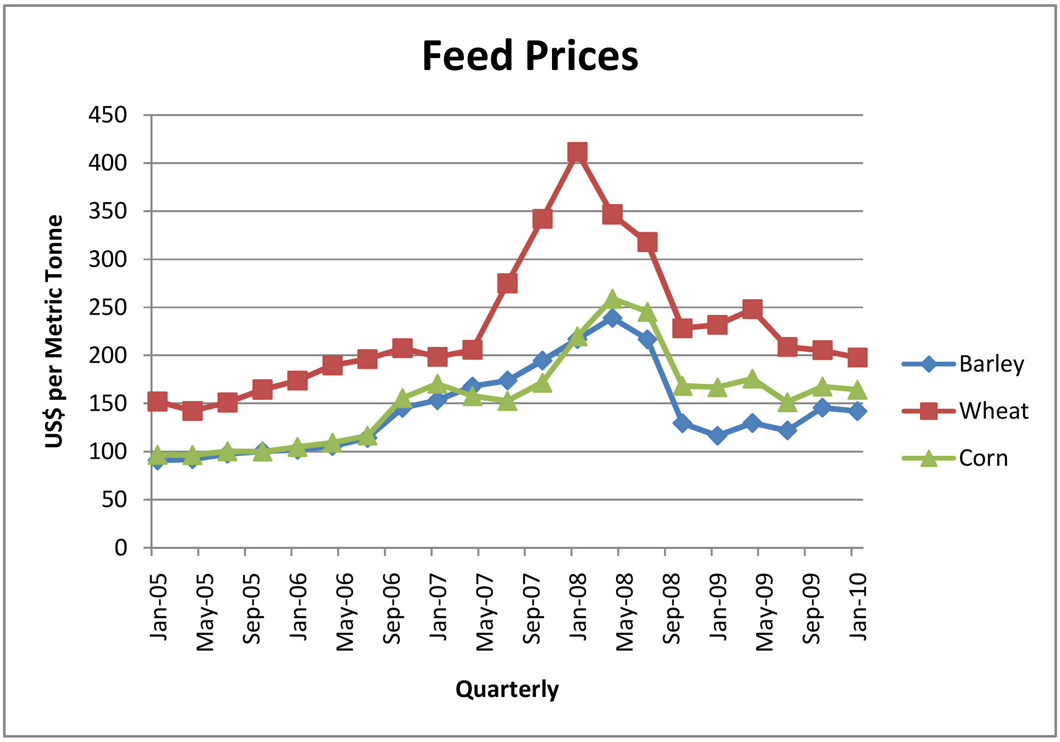


Source: CME Group

14. The Canadian hog industry has faced an extended downturn that can be attributable to a number of economic factors, including:

(a) The strengthening of the Canadian dollar versus the U.S. dollar, which currently resides at Cdn$1 = US$0.9755 (Bank of Canada noon rate – March 9, 2010). Hog inventory sale contracts are priced and paid in U.S. dollars based on a U.S. dollar pricing formula. The effect of the rising Canadian dollar has resulted in an erosion in Canadian dollar revenue to Canadian hog producers; for instance, each $0.01 increase in the Canadian dollar against the U.S. dollar results in a reduction of approximately $1 million in operating revenue to the Applicant;

(b) A significant rise in the price of feed, mainly caused by the U.S. Government's policy mandating minimum ethanol production amounts which has increased the demand for corn. The effect of the diversion of corn to alternative products resulted in increased demand and thereby higher prices for other cereal crops used as feed in hog production units. While feed prices have more recently abated, it is uncertain as to whether this price abatement is sustainable or whether enhanced global demand with recovering global economies will re-ignite cereal grain pricing; such that feed pricing pressures will again cause margin erosion for hog producers;



Source: IMF Energy and Commodities Research Dept.

(c) The international H1N1 flu virus which has been and remains characterized as "swine flu" that caused a material abatement in consumer demand for pork, further depressing the price of pigs. While the H1N1 vaccine has relieved fears of a wide-spread return of the virus, consumption levels of pork remain below pre-H1N1 levels and hog prices remain impacted; and

(d) The negative impact upon prices obtained by Canadian hog producers from U.S. pork processors for Canadian pigs as a result of the United States legislation requiring Mandatory Country of Origin Labelling ("**MCOOL**") that went in to effect on September 30, 2008 (with the final rules taking effect on March 18, 2009). MCOOL was identified by Agriculture and Agri-Food Canada as a contributing factor to the decline in demand for Canadian pork:

> *Hog Numbers began their decline three years ago as producers, faced with rising input costs and declining prices, cut back on their production. The situation was further aggravated in late 2008 and early 2009 as Canadian producers facing uncertainties associated with the MCOOL experienced reduced US export markets for live feeder and slaughter hogs.*[1]

15. While the forecast for lean hog prices as outlined on the CME futures index indicate levels that will result in a return to industry profitability, the economic forces faced by the industry remain uncertain and variable. All producers must be cognizant and focused on maintaining a streamlined cost structure and liquidity to promote longer term stability and sustainability.

AGREEMENTS WITH BIG SKY FINISHERS (NO. 1) INC.

16. Finishers acquired two large scale hog finishing barns and related land, facilities and equipment located near Ogema, Saskatchewan (the "**Project**") from Big Sky in 2003.

17. In May of 2003, Big Sky entered into the following agreements with Finishers, collectively referred to as the "**Contracts**":

    (a) A contract finishing agreement (the "**Contract Finishing Agreement**") dated May 16, 2003 whereby Finishers has agreed to finish hogs owned by Big Sky from weanling size to full-grown market-weight hogs to a term ending June 30, 2018. A copy of the Contract Finishing Agreement is found at Exhibit "B" to the affidavit of John Beckton sworn on February 18, 2010 (the "**Beckton Affidavit**");

    (b) An option agreement (the "**Option Agreement**") dated May 16, 2003. Subject to the terms and conditions of the Option Agreement, Finishers has a put option to sell to Big Sky the Project and Big Sky has a call option to repurchase the Project at,

[1] Agriculture and Agri-Food Canada – Quarterly Pork Report, January – March 2009

subject to certain adjustments, the depreciated book value of the barns at the time of sale. A copy of the Option Agreement is found at Exhibit "C" to the Beckton Affidavit; and

(c) An indemnity agreement (the "**Indemnity Agreement**") dated May 16, 2003 pursuant to which Big Sky has agreed to indemnify Finishers, along with its directors, officers and certain related persons, against certain claims or losses resulting from environmental activity on the Project. A copy of the Indemnity Agreement is found at Exhibit "D" to the Beckton Affidavit.

18. The key ownership and economic terms found in the Contract Finishing Agreement are:

Term of Agreements	May 16, 2003 – June 10, 2018
Ownership of Hogs	Big Sky
Ownership of Hog Finishing Barns	Finishers
Monthly Base Fee (A)	$104,000
Monthly Marketing Incentive Payment[1] (B)	$8,550
Total Monthly Payment (A + B)	$112,550
Total Annual Payments	$1,350,600
Hog Finishing Spaces Provided by Finishers	24,000
Cost per Hog Space (C)	$56.28
Annual Manure Removal Costs per Hog Space[2] (D)	$9.75
Total Cost per Hog Space (C + D)	$66.03
Notes: 1. Estimate based on annual hog inventory turnover 2. Estimate based on estimated annual removal costs	

19. As indicated above, the Total Cost per Hog Space under the Contract Finishing Agreement with Finishers is $66.03.

20. The key economic terms of the Option Agreement include:

(a) Absent termination of the Contract Finishing Agreement, Finishers may exercise a put option to sell one or both of the hog barns at any time after June 30, 2009 but subject to certain conditions and restrictions, not later than May 31, 2018;

(b) Big Sky may exercise a call option to purchase one or both of the hog barns at any time after June 30, 2017, but not later than May 31, 2018;

(c) The purchase price for each barn, should either the put or call option be exercised, is the book value of the barn less depreciation at the date of exercise. As of the date of the contract, the book value of each barn was agreed to be $3.55 million (total $7.1 million) while the book value of each barn at the end of the contract, June 30, 2018, was, subject to additions and dispositions, agreed to be $900,000 (total $1.8 million) (this amount represents the investor's equity in the Projects as the mortgages on the barns are scheduled to be paid by that date).

CHRONOLOGY OF EVENTS

21. The following chronology summarizes events, some of which are based on representations from Big Sky management, that are relevant to the application by Finishers:

DATE	EVENT
May 2003	The Applicants and Finishers enter into the Contracts
June 2007	Economic conditions faced by the hog industry on a global basis begin to deteriorate as a result of the above identified economic drivers
August 14, 2008	Big Sky management meet with Mr. Beckton, to negotiate amendments to the Contracts to reflect economic realities faced by the Applicants
September 22, 2009	Big Sky management meet with Mr. Beckton to negotiate amendments to the Contracts to reflect economic realities faced by the Applicants
November 10, 2009	The Applicants apply for and are granted by this Honourable Court relief under the CCAA
January 29, 2010	Pursuant to contract negotiations the Applicants issued to Finishers an offer to amend the Contracts
September 22, 2009 to February 3, 2010	Big Sky management and Finishers have frequent discussions regarding amendments to the Contracts
February 3, 2010	Big Sky management determines negotiations to amendments to the Contracts are at an impasse and the window of opportunity to achieve resolution is at an end
February 4, 2010	The Applicants issue the Notice of Repudiation of the Contracts
February 8, 2010	The Applicants conduct the Creditors' Meeting
February 11, 2010	The Amended Plan is sanctioned by the Court
February 11, 2010	Finishers requests written reasons for the issuance of the Notice of Repudiation pursuant to CCAA s. 32(8)
February 16, 2010	The Applicants provide written reasons to Finishers pursuant to CCAA s. 32(8)
February 18, 2010	Finishers files a motion with this Honourable Court seeking to set aside and vacate the Notice of Repudiation of the Contracts
February 26, 2010	The US Bankruptcy Court issues an order confirming the Order sanctioning the Amended Plan (the "**U.S. Confirmation Order**" attached as Appendix "B")

MONITOR'S ANALYSIS

Scope of Review

22. In performing its analysis that have led to its recommendations, the Monitor has relied upon the following documents, discussion and analysis (certain of the documents indentified below have been excluded from inclusion as appendices to this report as: (i) the contents are proprietary in nature or confidential such that disclosure could be competitively damaging to Big Sky; or (ii) included as an attachment to other material filed with this Honourable Court):

    (a) The Contracts (Exhibit "B", "C", and "D" to the Beckton Affidavit);

    (b) The Beckton Affidavit;

    (c) The Seventh Supplementary Affidavit of Canute Tagseth sworn March 8, 2009 (the "**Tagseth Affidavit #7**");

    (d) Discussions with each of Casey Smit, CEO, Canute Tagseth, CFO, and Heather Forbes, Johnson Advisory Services, (the "**Special Advisors**");

    (e) Detailed costing analysis as prepared by the Special Advisors under cover email of January 28, 2010 (confidential);

    (f) The Financial Statements of Finishers as at June 30, 2009 (Exhibit "G" to the Beckton Affidavit) and December 31, 2009 (Attached as Appendix "C");

    (g) Canadian and Iowa grower contract analysis as prepared by Big Sky (confidential);

    (h) Province of Saskatchewan land title documents (Attached as Appendix "D");

(i) Information memorandum and Order of the Queen's Bench of Alberta approving the sale of the hog facilities of Great Plains Farms Ltd. (Exhibit "D" to Tagseth Affidavit #7) ;

(j) The notice issued by the Applicant to Finishers dated February 16, 2010 in response to a request from Finishers pursuant to CCAA s. 32(8) (Attached as Exhibit "H" to the Tagseth Affidavit #7);

(k) CME Futures Index and such other indices as relevant; and

(l) Such other review and analysis as deemed necessary by the Monitor in its sole discretion.

Analysis Performed

Contract Finishing Agreement

23. As outlined above, the Contract Finishing Agreement between the Applicants and Finishers has an estimated cost per hog space to the Applicants of approximately Cdn$66.03.

24. Big Sky currently contracts finishing spaces with various other contract growers in Canada and Iowa. As a result of deteriorating hog prices and the escalating Canadian dollar, Big Sky embarked on a process of renegotiating its contract grower arrangements in both Canada and in Iowa. Since 2007, Big Sky has renegotiated its contract finishing rates as follows:

(a) Saskatchewan – average of Cdn$38 per hog space; and

(b) Iowa - average of US$32 (or Cdn$33 based on a conversion rate of Cdn$1 = US$0.9755) per hog space.

25. The table below compares the cost of contract finishing agreements that Big Sky has recently negotiated in Canada and the United States with the existing Contract Finishing Agreement:

Comparison of Other Agreements with Finishers' Agreement	
Locale	**Average Price per Hog Space**
Saskatchewan	Cdn$36 to Cdn$40
Iowa (U.S.)	US$30 to US$35 (Cdn$31 - Cdn$36)
Big Sky Finishers (No. 1) Inc.	Cdn$66

26. Similar to the Contract Finishing Agreement (adjusted for price comparison purposes to include manure removal), the contracts in Canada and the United States includes all labour, operational costs and manure removal. The average price per hog space under the Contract Finishing Agreement with Finishers exceeds the average price per hog space in Canada by Cdn$26 to Cdn$30 (40% to 45%) and exceeds the average price per hog space in the U.S. by Cdn$30 to Cdn$35 (45% to 53%).

27. When compared to the average cost of other finishing contracts in Saskatchewan, the current contractual obligations with Finishers results in Big Sky incurring additional costs of approximately $672,000 annually, calculated as follows:

Annual Incremental Cost of Agreement with Finishers			
	Contract with Finishers	**Average Contract in Saskatchewan**	**Increased Cost of Finisher's Contract**
Average Price per Hog Space	$66	$38	
Hog Spaces	24,000	24,000	
Total in Cdn$	$1,584,600	$912,000	$672,000

28. Assuming Big Sky could secure finished hog sale contracts in the United States that would absorb the production currently processed under the contract grower arrangement with Finishers (approximately 66,000 to 70,000 hogs annually), such as to permit Big Sky to secure hog grower contract arrangements at a lower cost in the United States, the net savings to Big Sky would increase by approximately $108,000 annually (based on an additional estimated saving of Cdn$4.50 per hog space equivalent (24,000 hog spaces)), to a total of $780,000 per annum.

29. In previous years, Big Sky was able to realize a cost subsidy of its Canadian contract grower operations that resulted from a weak Canadian dollar in comparison to the strong US dollar. During the period of January 2, 2009 to March 9, 2010, the Canadian dollar appreciated from Cdn$1 = 0.8260 to Cdn$1 = 0.9755 or 18.1%, resulting in erosion of the cost subsidy by the equivalent percentage. As all hog sales are calculated based on a U.S. dollar pricing formula, including production derived from the Finishers barns, and assuming a total Contract Finishing Agreement annual cost of $1.58 million, the foregone subsidy as a result of the appreciated Canadian dollar (annualized) would approximate an amount exceeding $286,000.

30. In addition to the foregoing, it is evident based on the revised contractual terms obtained by Big Sky with other contract growers in Saskatchewan that at pricing equivalent to Cdn$38 per hog space contract grower operations can achieve viability.

Option Agreement

31. If the Option Agreement is not disclaimed, Finishers will maintain the right to exercise its Put Option following Plan Implementation (following termination of the Stay Period). Based on the December 31, 2009 net book value of the Project, if the Put Option was exercised by Finishers immediately following Plan Implementation, the purchase price to be paid by Big Sky would approximate $4.83 million, representing a purchase price of $201 per hog space equivalent.

32. Since the downturn in the hog industry, there have been few transactions in the industry to substantiate fair value for finishing barns. The insolvencies of Stomp Pork Farms Ltd. and Fairway Farms Ltd. in Saskatchewan have resulted in a number of barn closures and those facilities remain vacant and unsold. This excess capacity of hog barns in Saskatchewan has impacted the fair market value of all hog barns in the Province, and the Project would not be immune from these influences.

33. The most recent known sale of hog facilities include:

(a) The Leroy Agra Pork finishing barn (40,000 spaces), which was reportedly sold in May 2009 for approximately $2 million or **$50/hog space**;

(b) Three Great Plains Farms Ltd. hog facilities (totalling 6,000 hog spaces) located near Medicine Hat, Alberta were sold by a Receiver in August 2008 for $230,000 or **$38/hog space**; and

(c) A hog facility (10,000 spaces) located in the District of Ponteix, Saskatchewan was recently purchased by New Generation Pork Finishing Inc. for $400,000 or **$40/hog space**.

34. Assuming the Leroy Agra Pork transaction value of $50/hog space is reflective of the current market value for finishing barn production facilities, the Project would have a total fair market value of only $1.2 million, $3.6 million below the current Put Option value of $4.8 million.

35. At a value of $4.83 million, the Project has the hog space equivalent value of approximately $201 which is $151 higher than the next highest comparable per hog space equivalent:

Comparison of Put Option Purchase Price vs. Recent Hog Barn Sale	
Put Option Purchase Price (based on December 31, 2009 Net Book Value)	$4,833,207
Equivalent Hog Spaces	24,000
Purchase Price per Equivalent Hog Space (A)	$201.38
Leroy Agra Pork Sale Price per Equivalent Hog Space (B)	$50.00
Amount Put Option Price exceeds Leroy Agra Port Sale (A – B)	$151.38

36. In addition to the foregoing, if the Option Agreement is not disclaimed and Finishers exercises the Put Option pursuant to the terms of the Option Agreement, Big Sky would have no ability to finance the purchase pursuant to the current terms of the exit financing facility or to acquire the facility through excess cash flow.

FINDINGS AND RECOMMENDATIONS OF THE MONITOR

37. Based on the foregoing, and absent negotiated and acceptable amendments to the terms of the Contracts, it is the view of the Monitor that the issuance by Big Sky of the Notice of Repudiation was warranted for the following reasons:

(a) The cost per hog space equivalent associated with the Contract Finishing Agreement far exceeds equivalent costs at competitive rates for finishing barn facilities in both Canada (Saskatchewan) and the United States (Iowa);

(b) The Put Option associated with the Option Agreement could result in the Applicant being required to pay a purchase price for the Project at a value that is more than 4.0 times the estimated fair market value of the assets comprising the Project;

(c) Disclaimer of the Contracts would enhance the prospects of the Applicant's future viability; and

(d) While the Monitor is cognizant of possible adverse consequences to Finishers associated with the Notice of Repudiation, on a balance of prejudice test the Monitor believes that the viability of Big Sky as an operating entity, including within the local communities in which it operates, outweigh any possible adverse consequences to Finishers.

All of which is respectfully submitted this 9th day of March, 2010.

ERNST & YOUNG INC.
In its capacity as Court Appointed Monitor
of Big Sky Farms Inc., Drycast Systems Inc.
and Big Sky Management Consulting Corp.

Per:

Kevin Brennan, CA•CIRP, CIRP
Senior Vice-President

APPENDIX "A"

NOTICE OF REPUDIATION

Form 4

Notice by Debtor Company to Disclaim or Resiliate an Agreement

To: *Ernst & Young Inc., Court-Appointed Monitor of Big Sky Farms Inc., Drycast Systems Inc. and Big Sky Management Consulting Corp.*

To: *Big Sky Finishers (No. 1) Inc.*

TAKE NOTICE THAT:

1. Proceedings under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 ("the Act") in respect of Big Sky Farms Inc., Drycast Systems Inc. and Big Sky Management Consulting Corp. were commenced on the 10th day of November, 2009.

2. In accordance with subsection 32(1) of the Act, the debtor company gives you notice of its intention to disclaim or resiliate the following agreements:

(a) Contract Finishing Agreement (the "**Contract Finishing Agreement**") between Big Sky Finishers (No. 1) Inc. ("**Finishers**") and Big Sky Farms Inc. ("**Farms**") dated May 16, 2003 whereby Finishers has agreed to finish hogs owned by Farms for a term ending June 30, 2018 (subject to earlier termination in certain circumstances, as provided for in the Contract Finishing Agreement);

(b) Option Agreement (the "**Option Agreement**") between Finishers and Farms dated May 16, 2003 pursuant to which Finishers has a put option to sell to Farms two large scale hog finishing barns and related land, facilities and equipment located near Ogema, Saskatchewan (the "**Project**"), and Farms has a call option to repurchase the Project from Finishers at the expiry of the term of the Contract Finishing Agreement (or, at the option of Finishers, on one year's notice at any time after June 10, 2010) at the depreciated book value of the barns at the time of sale, subject to certain adjustments as provided in the Option Agreement; and

(c) Indemnity agreement (the "**Indemnity Agreement**") between Finishers and Farms dated May 16, 2003 pursuant to which Farms has agreed to indemnify Finishers, along with its directors, officers and certain related persons, against certain claims or losses resulting from environmental activity pertaining to the Project.

3. In accordance with subsection 32(2) of the Act, any party to the agreement may, within 15 days after the day on which this notice is given and with notice to the other parties to the Agreement and to the monitor, apply to court for an order that the Agreement is not to be disclaimed or resiliated.

4. In accordance with paragraph 32(5)(a) of the Act, if no application for an order is made in accordance with subsection 32(2) of the Act, the Agreement is disclaimed or resiliated on the 6th day of March, 2010, being 30 days after the day on which this notice has been given.

Dated at Humboldt, Saskatchewan, on February 4, 2010

BIG SKY FARMS INC.

Per: ____________________
Casey Smit, Chief Executive Officer

The monitor approves the proposed disclaimer or resiliation.

ERNST & YOUNG INC., in its Capacity as Monitor of Big Sky Farms Inc.

Per: ____________________
Kevin Brennan, Monitor's Representative Responsible For the Proceedings

Dated at Vancouver, British Columbia, on February 4, 2010...........

APPENDIX “B”

U.S. CONFIRMATION ORDER

UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF IOWA
WESTERN DIVISION

IN RE:

BIG SKY FARMS INC.
by Ernst & Young Inc.
as Its Monitor

Chapter 15

Debtor in a Foreign Proceeding

Bankruptcy No. 09-03293S

ORDER RE:
MOTION FOR RECOGNITION AND ENFORCEMENT OF
CANADIAN COURT SANCTION ORDER

The matter before the United States Bankruptcy Court for the Northern District of Iowa, Western Division (the "Court"), scheduled for hearing on February 26, 2010, is the Motion for Recognition and Enforcement of Canadian Court Sanction Order (the "Monitor's Motion") filed on February 12, 2010 [Docket No. 48], by Julie Johnson McLean of the law firm of Davis, Brown, Koehn, Shors & Roberts, P.C., 215 10th Street, Suite 1300, Des Moines, Iowa 50309, as United States counsel for Ernst & Young Inc., an international insolvency and restructuring firm, as monitor (the "Monitor") of Big Sky Farms Inc., a corporation formed under the law of Saskatchewan, Canada (the "Debtor" or "Big Sky").

Upon review of the Monitor's Motion and the two Certificates of Service filed by Monitor's counsel on February 15, 2010 [Docket No. 49] and on February 16, 2010 [Docket No. 54], the Court finds that the Monitor served copies of the Monitor's Motion on February 12, 2010, and the Notice of Hearing [Docket

No. 53] on the Monitor's Motion on February 16, 2010, upon all creditors and parties in interest of Big Sky located in the United States. The Court further finds that one objection was timely filed by 12:00 p.m. on February 25, 2010, by creditor Farmers Cooperative Company of Hinton ("Hinton") as required by the Notice.

Also before the Court is Hinton's Motion Pursuant to FRCP 60 to Expand and Clarify the December 31, 2009 Order Recognizing the Foreign Proceeding Under Chapter 15 ("Hinton's Motion") [Docket No. 42] filed on February 5, 2010, in which Hinton requests that this Court expand Paragraph 16 of this Court's Recognition Order (as hereinafter defined in Paragraph K), to provide that the livestock maintained by the Debtor in Iowa of not less than 85% of the inventory population that existed on the date of the filing of the Petition for Recognition of a Foreign Main Proceeding herein (the "Chapter 15 Petition") serve as substitute collateral for livestock that consumed the feed supplied pre-petition to Big Sky by Hinton in the event Hinton's lien claims are determined to be valid, perfected, enforceable and prior to the security interests in favor of the Senior Secured Lenders (as hereinafter defined in Paragraph N).

Prior to the hearing, the Court was advised that the parties had reached some agreements with respect to the Monitor's Motion, and Hinton's Motion, and a proposed Order Granting the Motion for

Recognition and Enforcement of the Canadian Court Sanction Order (as hereinafter defined in Paragraph R) was submitted. In view of the parties' agreements, the Court held the hearing by telephone on the morning of February 26, 2010. United States counsel for the Monitor, Julie Johnson McLean, participated by telephone and Heidi L. Oligmueller and Lance D. Ehmcke also participated by telephone as attorneys for Hinton. Bruce G. Thomas appeared as attorney on behalf of Big Sky Farms Inc. Steven J. Heim appeared as attorney on behalf of Bank of Nova Scotia in its capacity as administrative agent for certain Canadian lenders.

This Chapter 15 case relates to a foreign proceeding (the "Canadian Proceeding") pending before the Queen's Bench, Judicial Centre of Saskatoon, Province of Saskatchewan, Canada ("Canadian Court"). The foreign proceeding is styled *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.,* Case No. Q.B. 1461 of 2009. It was filed in the Canadian Court on November 10, 2009, under the Companies' Creditors Arrangement Act, R.S.C. 1985, CC-36, as amended (the "CCAA"). Ernst & Young Inc. was appointed by the Canadian Court as the Monitor of Big Sky.

Having considered the record, including the Monitor's Motion and Hinton's Motion, the arguments of counsel, and the proposed

Order, the Court issues the following findings of facts and conclusions of law. There were no disputed facts with regard to the motions.

The only objection to the Monitor's Motion was filed by Hinton. The disputes as to both motions were contested matters between the Monitor and Hinton. The agreements reached between the Monitor and Hinton were submitted to the court in a proposed order prior to the telephonic hearing. Counsel for the Monitor and for Hinton told the court that they were unable to reach agreement as to whether the Monitor or Big Sky Farms Inc. had any legal or factual basis for intervening in Hinton's adversary proceeding 10-9007 against certain lenders who claim a security interest in the swine owned by Big Sky Farms Inc. located in the United States. Big Sky Farms Inc. has already moved to intervene. Hinton asserts that neither Big Sky Farms Inc. nor the Monitor has a right to intervene in that proceeding. The court recognizes that there is disagreement on this issue, and that decision on this issue is not necessary to the court's ruling on the pending motions by the Monitor and Hinton. Therefore the court will not rule in any advisory way as to whether either has an intervention right. The entry of this order on the pending motions shall not prejudice the opportunity of Monitor or Big Sky to seek intervention nor shall it prejudice the opportunity of Hinton to oppose any such intervention motions.

THE COURT HEREBY FINDS AND DETERMINES THAT:

A. This Court has jurisdiction to consider these matters pursuant to 28 U.S.C. §§157 and 1334. It is a core proceeding pursuant to 28 U.S.C. §157(b)(2)(P). Venue for this proceeding is proper under 28 U.S.C. § 1410(1) because the principal assets of Big Sky located in the United States are located in the Northern District of Iowa.

B. The Canadian Proceeding is a "foreign proceeding" as defined in 11 U.S.C.§101(23).

C. The Monitor is the duly appointed and authorized "foreign representative" of Big Sky within the meaning of 11 U.S.C. §101(24).

D. This Chapter 15 case was properly commenced pursuant to Sections 1504, 1509 and 1515 of the Bankruptcy Code, and the Chapter 15 Petition satisfies the requirements of Sections 1515 and 1517.

E. The Monitor has satisfied the requirements of Section 1515 of the Bankruptcy Code and Rules 1007(a)(4) and 2002(q) of the Federal Rules of Bankruptcy Procedure.

F. Pursuant to a certain Claims Process Order entered by the Canadian Court on December 9, 2009, Big Sky, with the assistance of the Monitor, caused a Claims Process Package approved by the

Canadian Court to be sent to each known creditor of Big Sky as of the Petition Date, including creditors located in Canada and in the United States, by ordinary pre-paid mail, fax or e-mail, on or before December 11, 2009. A copy of the Claims Process Order is attached to the Monitor's Motion marked as Exhibit "A".

G. Pursuant to the Claims Process Order, the Monitor also caused a newspaper notice to be published in each of the *Saskatoon Star Phoenix*, *Regina Leader-Post*, *Winnipeg Free Press* and the *Des Moines Register* newspapers on or before December 18, 2009. A copy of the *Des Moines Register* ad published on December 14, 2009, is attached to the Monitor's Motion marked as Exhibit "B".

H. In addition, the Monitor caused the Claims Process Package to be posted on the Monitor's website at www.ey.com/ca/bigskyfarms commencing on December 11, 2009.

I. On December 18, 2009, the Canadian Court entered an Order Seeking the Aid and Assistance of the U.S. Court wherein the Canadian Court requested the assistance of this Court in hearing and determining the validity and enforceability of liens claimed by Hinton under Iowa Code Chapter 570A against the livestock of Big Sky located in Iowa and the proceeds thereof (the "Lien Claims") and the priority of the Lien Claims of Hinton in relation to the claims of other creditors of Big Sky. A copy of the Canadian Court Order Seeking the Aid and Assistance of the

U.S. Court is attached to the Monitor's Motion as Exhibit "C".

J. On or about December 29, 2009, the Monitor provided to all of the creditors of Big Sky, including Hinton and all of Big Sky's creditors located in the United States, the Second Report of the Monitor [Docket No. 29] and the Plan of Compromise and Arrangement of Big Sky (the "Plan"). Sections 4.2(h) (i) and (ii) of the Plan provide that the Plan will not compromise, release or otherwise affect any portion of any claim of an agricultural supply dealer of livestock feed or other agricultural supplies in the United States ("U.S. Feed Supplier") holding a claim for the purchase price of feed or other supplies as of November 10, 2009, secured by a lien upon the livestock consuming the feed, or the proceeds thereof, provided such U.S. Feed Supplier has filed (i) a UCC financing statement in the Office of the Secretary of State of Iowa against Big Sky that meets all applicable filing requirements; and (ii) a written notice with the U.S. Court stating that such U.S. Feed Supplier asserts an agricultural supply dealer lien claim having equal priority with, or superior priority over, the liens of certain Senior Secured Lenders pursuant to Chapter 570A of the Iowa Code ("Notice of Lien Claim") on or before a certain date. Section 4.2(h)(iii) further provides that Big Sky and the Senior Secured Lenders may file with the U.S. Court a response to the U.S. Feed Supplier's Lien Claim on or before a certain date. Section

4.2(h)(iv) of the Plan provides that the U.S. Court will determine what portion, if any, of the U.S. Feed Supplier's Lien Claim is secured by a valid and perfected agricultural supply lien with equal or superior priority with the secured liens of the Senior Secured Lenders. A copy of the Plan, as amended on February 8, 2010, is attached to the Monitor's Motion marked as Exhibit "F".

K. In the Order Recognizing Foreign Proceeding under Chapter 15 [Docket No. 33] entered on December 31, 2009 (the "Recognition Order"), this Court found that Saskatchewan, Canada is the center of main interests of Big Sky, and the Canadian Proceeding is a "foreign main proceeding" pursuant to Section 1502(4) of the Bankruptcy Code and is entitled to recognition as a foreign main proceeding pursuant to Section 1517(b)(1).

L. Pursuant to a certain Creditors' Meeting Order entered by the Canadian Court on January 5, 2010, Big Sky, with the assistance of the Monitor, sent the proposed Plan and Creditors' Meeting Documents to all creditors located in Canada and the United States. The Monitor also posted copies of the Plan and Meeting Documents on the Monitor's website and published the Notice of the Meeting of Creditors in each of the *Saskatoon Star Phoenix, Regina Leader-Post, Winnipeg Free Press* and the *Des Moines Register* newspapers on January 15, 2010. Copies of the Creditors' Meeting Order and the *Des Moines Register* ad are attached to the Monitor's Motion as Exhibits "G" and "D," respectively.

M. On January 14, 2010, Hinton timely filed its Notice of Assertion of Lien Claim [Docket No. 38].

N. On January 15, 2010, Hinton filed an Adversary Proceeding No. 10-09007 [Docket No. 39] against Bank of Nova Scotia, Bank of Montreal, National Bank of Canada, and Farm Credit Canada (collectively, the "Senior Secured Lenders") in which Hinton asserts an agricultural feed supplier lien on hogs of the Debtor in Iowa that consumed feed provided by Hinton to the Debtor prior to the filing of the Chapter 15 Petition pursuant to Iowa Code Chapter 570A, and further asserts "that its feed supplier lien takes priority over and is senior to all other liens or security interests in the [Debtor's hogs] pursuant to Iowa Code §570A.5(3)." Adversary Complaint, ¶19.

O. On February 5, 2010, Big Sky and the Senior Secured Lenders timely filed an Objection [Docket No. 44] and Response [Docket No. 46], respectively, to Hinton's Notice of Lien Claim.

P. On February 5, 2010, Hinton filed its Motion to Expand and Clarify this Court's Recognition Order as discussed above.

Q. On February 8, 2010, the Monitor conducted the Creditors' Meeting in the Canadian Proceeding. Creditors could appear either personally or by proxy at the meeting. Of the Proven Claims who received the Claims Package, fourteen (14) of the

United States creditors voted in favor of the Plan. The balance abstained from voting; however, all but six (6) of the U.S. creditors submitted a Distribution Election to the Monitor pursuant to the Plan. Hinton was the only U.S. creditor who voted against the Plan. The U.S. creditors' claims, votes and distribution options are set out in Appendix "A" attached to the Monitor's Motion, and the total votes on the resolution to accept the Plan, as amended, are is set out in Appendix "B" attached to the Monitor's Motion. Over 98% in both number of creditors and dollar value of claims voted in favor of the Plan.

R. On February 11, 2010, the Canadian Court entered an Order of Sanction of Plan of Arrangement (the "Sanction Order"), a copy of which is attached to the Monitor's Motion marked Exhibit "E", in which the Canadian Court determined that the statutory requirements of the CCAA were satisfied with respect to Big Sky's Plan (see Sanction Order ¶5) and the Required Majority of Creditors under the CCAA voted in favor of the Plan. See Sanction Order ¶6.

S. Paragraph 3 of the Sanction Order finds that there was good and sufficient service and delivery of the Plan and the Creditors' Meeting Documents to the Affected Creditors. The Canadian Court approved, confirmed and sanctioned the Plan in conformity with the CCAA and provided that, effective as of the Plan Implementation Date, the Plan and all associated transactions effected thereby shall have full force and effect in all provinces and territories of Canada. Sanction Order ¶¶ 13, 36. The Sanction Order provides that, effective as of 12:01 a.m. (Central Standard Time) on the Plan Implementation Date, the Plan and all associated transactions shall be binding and effective upon each Affected Creditor, as described in the Plan, who will be deemed to have consented and agreed to all of the provisions of the Plan in its entirety.

T. In Paragraph 36 of the Sanction Order, the Canadian Court requests the aid of the U.S. Court to give effect to the Sanction Order in the United States and to assist Big Sky, the Monitor and their respective agents in carrying out the terms of the Sanction Order.

U. Paragraph 34 of the Sanction Order provides that Hinton's claim will be heard and determined and, if applicable, enforced by the U.S. Court and its Lien Claim will not be extinguished or discharged or alternatively enforced unless and until the U.S. Court so orders.

V. This Court finds that appropriate relief for Hinton pending the resolution of its Lien Claim in the Adversary Proceeding is to continue the requirement that the Debtor maintain livestock located in the state of Iowa within 85% or more of the population of livestock owned by the Debtor and located in Iowa on the date of the filing of the Chapter 15

Petition herein.

W. On February 12, 2010, the Monitor filed its Motion for Recognition and Enforcement of the Canadian Court Sanction Order.

X. The Plan, as amended, represents the culmination of the efforts of Big Sky, the Monitor, Senior Secured Lenders, the Debtor's other creditors and parties in interest to restructure Big Sky in conformity with the provisions of the CCAA and the Orders of the Canadian Court.

Y. This court recognizes the jurisdiction of the Canadian Court over the Monitor and Big Sky Farms Inc. and its subject matter jurisdiction over the CCCA case. The Court recognizes the Canadian Court Sanction Order as a final order approving the Plan of Arrangement of Big Sky Farms Inc.

This court also recognizes the request of the Canadian Court which seeks the aid and assistance of this court in hearing and determining the lien issues raised by Farmers Cooperative Company of Hinton in livestock and proceeds located in the United States. This court accepts the request, has taken jurisdiction of the dispute, and will hear, determine and enforce its orders and judgments in the adversary proceeding filed to determine such lien issues.

The Monitor or Big Sky Farms Inc. may file such actions and proceedings in this court to seek enforcement of the Canadian Sanction Order, pursuant to the provisions of chapter 15 of the

United States Bankruptcy Code, Title 11 United States Code and other statutes to the United States which may afford full faith and credit to foreign judgments.

Z. The relief granted herein is necessary and appropriate, in the interests of the public and international comity, consistent with the public policy of the United States, and warranted pursuant to Sections 1501, 1507 and 1521 of the Bankruptcy Code.

NOW, THEREFORE, THE COURT HEREBY ORDERS AS FOLLOWS:

1. The creditors of Big Sky in the United States have been duly served and provided adequate notice and opportunity to be heard with respect to the Plan and the Sanction Order.

2. This court recognizes the jurisdiction of the Canadian Court over the Monitor, Big Sky Farms Inc. and its subject matter jurisdiction over the CCCA case. The Court recognizes the Canadian Court Sanction Order as a final order approving the Plan of Arrangement of Big Sky Farms Inc.

This court also recognizes the request of the Canadian Court which seeks the aid and assistance of this court in hearing and determining the lien issues raised by Farmers Cooperative Company of Hinton in livestock and proceeds located in the United States. This court accepts the request, has taken jurisdiction of the dispute, and will hear, determine and enforce its orders and judgments in the adversary proceeding filed to determine such lien issues.

The Monitor or Big Sky Farms Inc. may file such actions and proceedings in this court to seek enforcement of the Canadian Sanction Order, pursuant to the provisions of chapter 15 of the United States Bankruptcy Code, Title 11 United States Code and other statutes to the United States which may afford full faith and credit to foreign judgments.

3. This Court shall retain jurisdiction with respect to the enforcement of this Order pending a resolution of Adversary Proceeding No. 10-9007 commenced by Hinton against the Senior Secured Lenders.

4. Until further order of this Court, Big Sky shall continue to maintain livestock located in the state of Iowa within 85% or more of the livestock population owned by the Debtor and located in Iowa on the date of the filing of the Chapter 15 Petition which was 53,060 head as of November 10, 2009. In the event a final non-appealable order is entered in Adversary Proceeding No. 10-9007 that declares Hinton held, with respect to all or any part of its claim against Big Sky, a valid first-priority perfected security interest and lien in the Debtor's hogs arising from the consumption of feed provided by Hinton pre-petition, and such lien and security interest is equal to or senior to all creditors, including the liens of the Senior Secured Lenders, pursuant to Iowa Code §570A.5(3) or otherwise, then said lien,

to the extent of such value, shall be deemed transferred to the hogs which continue to be maintained by the Debtor in Iowa as required by this Paragraph, and the proceeds thereof, for the purpose of serving as substitute collateral for livestock that consumed the feed supplied pre-petition to Big Sky by Hinton and for the purpose of providing payment in satisfaction of Hinton's claim in the event Hinton's lien claim is determined to be valid, perfected, enforceable and prior to the security interest in favor of Senior Secured Lenders. If this Court determines that with respect to all or any part of Hinton's claim against Big Sky, Hinton's lien is junior to the liens of the Senior Secured Lenders, unperfected or invalid for any reason, then with respect to such portion of Hinton's claim, the 10% distribution under the Plan deposited into the Disputed Claims Reserve will be paid to Hinton in accordance with the terms of the Plan, or within seven (7) days of this Court's Order becoming final and non-appealable, whichever date is later.

5. Notwithstanding any terms of the Plan or the Sanction Order, Hinton's claim will not be compromised, discharged or released and any lien claimed by Hinton in respect of its claim shall not be discharged or extinguished or alternatively enforced until the disposition of the Adversary Proceeding.

6. Except where inconsistent with orders entered by this Court, the Canadian Proceeding and Orders of the Canadian Court

will be granted comity and given full force and effect, pursuant to 11 U.S.C. Chapter 15 and United States laws.

7. Notwithstanding Bankruptcy Rules 7062 and 1018, this Order shall be immediately effective and enforceable upon its entry and, upon its entry, this Order shall become final and appealable. This Order constitutes a judgment as required by Fed. R. Bankr. P. 9021.

8. A copy of this Order shall be served, within three (3) business days of entry of this Order, by first-class U.S. mail, postage prepaid, upon: (i) all creditors of Big Sky known to the Debtor within the United States; (ii) the Office of the United States Trustee; and (iii) any other person who has filed a notice of appearance in this Chapter 15 case. Such service shall be good and sufficient service and adequate notice for all purposes. United States counsel for the Monitor shall file a certificate of service of this Order in compliance with this Paragraph 10 in this Chapter 15 case. A copy of this Order shall also be made available upon the Monitor's website at www.ey.com/ca/bigskyfarms.

DATED AND ENTERED March 1, 2010

WLEdmonds

William L. Edmonds, Bankruptcy Judge

APPENDIX "C"

FINISHER'S FINANCIAL STATEMENTS AS AT DEC. 31, 2009

BIG SKY FINISHERS (NO. 1) INC.
Statement of Operations
For the Six Months Ended December 31, 2009

	Dec 2009	YTD 2009-10	YTD 2008-09
Revenue			
Contract finishing revenue	$ 104,366	$ 626,200	$ 626,202
Other income	11,726	57,009	53,988
	116,092	683,209	680,190
Expenses			
Communications	455	2,507	2,613
Power	4,379	32,792	29,314
Heating fuel	-	14,188	16,581
General insurance	3,100	18,871	18,616
Repair & maintenance	8,126	47,720	52,852
Barn supplies	2,310	11,047	7,850
Property taxes	43	289	446
Wages	19,888	96,477	94,278
Employee benefits	3,160	15,301	15,369
Travel, meals & entertainment	282	1,920	226
Professional services	8,901	19,696	17,405
Management fees	5,000	30,000	30,000
Interest	14,316	79,005	110,928
Bad Debt	-	499,032	-
Depreciation	29,753	178,517	177,495
	99,712	1,047,361	573,973
Earnings from Operations	16,380	(364,152)	106,217
Income Taxes	2,539	(56,444)	16,464
Net Earnings	13,841	(307,708)	89,753
Retained Earnings, Beginning of Period	(219,987)	101,562	138,426
Dividends Paid	-	-	90,000
Retained Earnings, End of Period	(206,146)	(206,146)	138,179

BIG SKY FINISHERS (NO. 1) INC.
Balance Sheet
as at December 30, 2009

		31-Dec 2009		30-Jun 2009
Current Assets				
Cash	$	50,834	$	67,335
Short term investments		202,306		198,924
Accounts receivable		55,039		400,528
Prepaid expenses		27,589		17,939
		335,768		684,726
Property, Buildings & Equipment				
Cost		7,164,864		7,164,864
Less accumulated depreciation		2,331,657		2,153,141
		4,833,207		5,011,723
Long Term Investments		13,060		13,060
	$	5,182,035	$	5,709,509
Current Liabilities				
Accounts payable and accrued liabilities	$	85,310	$	69,530
Current portion of long-term debt		373,469		363,357
		458,779		432,887
Future income taxes payable		153,991		210,435
Long-term debt		2,975,410		3,164,624
		3,588,180		3,807,946
Shareholders' Equity				
Share capital (Note 5)				
Common		1		1
First preferred		1,800,000		1,800,000
Retained earnings		(206,146)		101,562
		1,593,855		1,901,563
	$	5,182,035	$	5,709,509

BIG SKY FINISHERS (NO. 1) INC.
Statement of Cash Flows
For the Six Months Ended December 31, 2009

	Dec 2009	YTD 2009-10	YTD 2008-09
Cash Flows From (Used In)			
Operating Activities			
Net earnings	$ 13,841	$ (307,708)	$ 89,753
Adjustments for			
Loss (gain) on disposal of assets	-	-	
Depreciation	29,753	178,517	177,495
	43,594	(129,191)	267,248
Changes in non-cash working capital			
Accounts receivable	53,171	345,488	(115,906)
Prepaid expenses	3,251	(9,650)	(10,656)
Accounts payable and accrued liabilities	(6,495)	15,780	10,299
Future income taxes	2,539	(56,444)	16,464
	96,060	165,983	167,449
Cash Flows From (Used In)			
Investing Activities			
Purchase of property, building and equipment	-	-	-
Increase in short term investments	(339)	(3,382)	(115,031)
Purchase of long term investments	-	-	111,005
	(339)	(3,382)	(4,026)
Cash Flows From (Used In)			
Financing Activities			
Payment of dividends	-	-	(90,000)
Repayment of long-term debt	(29,457)	(179,102)	(151,604)
	(29,457)	(179,102)	(241,604)
Net Decrease in Cash	66,264	(16,501)	(78,181)
Cash, Beginning of Period	(15,430)	67,335	249,030
Cash, End of Period	$ 50,834	$ 50,834	$ 170,849

BIG SKY FINISHERS (NO. 1) INC.
Statement of Operations
(Unaudited)
For the Six Months Ended December 31, 2009

	2009		2008	
	2nd Quarter	YTD	2nd Quarter	YTD
Revenue				
Contract finishing revenue	$ 313,100	$ 626,200	$ 313,101	$ 626,202
Other income	27,561	57,009	25,952	53,988
	340,661	683,209	339,053	680,190
Expenses				
Depreciation	89,259	178,517	88,867	177,495
Bad Debt	499,032	499,032		
Interest	39,910	79,005	50,516	110,928
Wages and benefits	60,056	113,698	56,800	109,873
Repairs and maintenance	31,887	58,767	33,511	60,702
Utilities	21,099	49,487	26,524	48,508
Management fees	15,000	30,000	15,000	30,000
General insurance	9,368	18,871	9,457	18,616
Professional services	14,821	19,696	13,616	17,405
Property taxes	129	289	224	446
	780,561	1,047,361	294,515	573,973
Earnings from Operations	(439,900)	(364,152)	44,538	106,217
Income Taxes	(68,184)	(56,444)	6,903	16,464
Net Earnings	(371,715)	(307,708)	37,635	89,753
Retained Earnings, Beginning of Period	165,569	101,562	145,545	138,426
Less Dividends Paid			45,000	90,000
Retained Earnings, End of Period	$ (206,146)	$ (206,146)	$ 138,179	$ 138,179
Dividends to be paid immediately following period end		-		-
Remaining Retained Earnings		(206,146)		138,179

BIG SKY FINISHERS (NO. 1) INC.
Balance Sheet
(Unaudited)
as at December 31, 2009

		31-Dec 2009		30-Jun 2009
Current Assets				
Cash	$	**50,834**	$	67,335
Short term investments (Note 3)		**202,306**		198,924
Accounts receivable		**55,039**		400,528
Prepaid expenses		**27,589**		17,939
		335,768		684,726
Capital Assets (Note 4)		**4,833,207**		5,011,723
Long term investments (Note 3)		**13,060**		13,060
	$	**5,182,035**	$	5,709,509
Current Liabilities				
Accounts payable and accrued liabilities		**85,310**		69,530
Current portion of long-term debt (Note 5)		**373,469**		363,357
		458,779		432,887
Future income taxes payable		**153,991**		210,435
Long-term debt (Note 5)		**2,975,410**		3,164,624
		3,588,180		3,807,946
Shareholders' Equity				
Share capital (Note 6)				
Common		**1**		1
Preferred		**1,800,000**		1,800,000
Retained earnings		**(206,146)**		101,562
		1,593,855		1,901,563
	$	**5,182,035**	$	5,709,509

BIG SKY FINISHERS (NO. 1) INC.
Statement of Cash Flows
(Unaudited)
For the Six Months Ended December 31, 2009

	2009 2nd Quarter	2009 YTD	2008 2nd Quarter	2008 YTD
Cash Flows From (Used In) Operating Activities				
Net earnings	$ (371,715)	$ (307,708)	$ 37,635	$ 89,753
Adjustments for				
Loss (gain) on disposal of assets	-	-	-	-
Depreciation	89,259	178,517	88,867	177,495
	(282,456)	(129,191)	126,502	267,248
Changes in non-cash working capital				
Accounts receivable	437,872	345,488	44,512	(115,906)
Prepaid Expenses	(19,344)	(9,650)	(19,942)	(10,656)
Accounts payable and accrued liabilitites	19,716	15,780	32,160	10,299
Future income taxes	(68,176)	(56,444)	6,904	16,464
	87,612	165,983	190,136	167,449
Cash Flows From (Used In) Investing Activities				
Purchase of capital assets	-	-	-	-
Net change in short term investment	(1,513)	(3,382)	(114,178)	(115,031)
Net change in long term investments	-	-	112,373	111,005
	(1,513)	(3,382)	(1,805)	(4,026)
Cash Flows From (Used In) Financing Activities				
Payment of Dividends	-	-	(45,000)	(90,000)
Repayment of long-term debt	(89,944)	(179,102)	(77,624)	(151,604)
	(89,944)	(179,102)	(122,624)	(241,604)
Net Increase in Cash	(3,845)	(16,501)	65,707	(78,181)
Cash, Beginning of Period	54,679	67,335	105,142	249,030
Cash, End of Period	$ 50,834	$ 50,834	$ 170,849	$ 170,849

APPENDIX "D"

SASKATCHEWAN LAND TITLE DOCUMENTS

Province of Saskatchewan
Land Titles Registry
Title

Title #: 136597023
Title Status: Active
Parcel Type: Surface
Parcel Value: $533,333.00 CAD
Title Value: *$533,333.00 CAD*
Converted Title: 01H07294
Previous Title and/or Abstract #: 106735585

As of: 04 Mar 2010 08:53:21
Last Amendment Date: 10 Dec 2008 07:38:36.887
Issued: 03 Nov 2008 11:52:19.880
Municipality: RM OF LEROY NO. 339

SW - 22 - 36-20 - 2

HYTEK LTD. is the registered owner of Surface Parcel #114266000

Reference Land Description: Blk/Par APlan No 101702810 Extension 14
As described on Certificate of Title 01H07294, description 14.

This title is subject to any registered interests set out below and the exceptions, reservations and interests mentioned in section 14 of *The Land Titles Act, 2000.*

Registered Interests:

Interest #:
145433190 Mortgage

Value: $200,000,000.00 CAD
Reg'd: 10 Dec 2008 07:38:37
Interest Register Amendment Date: N/A
Interest Assignment Date: N/A
Expiry Date: N/A

Holder:
Royal Bank of Canada
220 Portage Avenue
Winnipeg, MB, Canada R3C 0A5
Client #: 123199487
Int. Register #: 115078372

Addresses for Service:

Name	Address
Owner: HYTEK LTD. Client #: 112730846	BOX 100 LA BROQUERIE, MB, Canada R0A 0W0

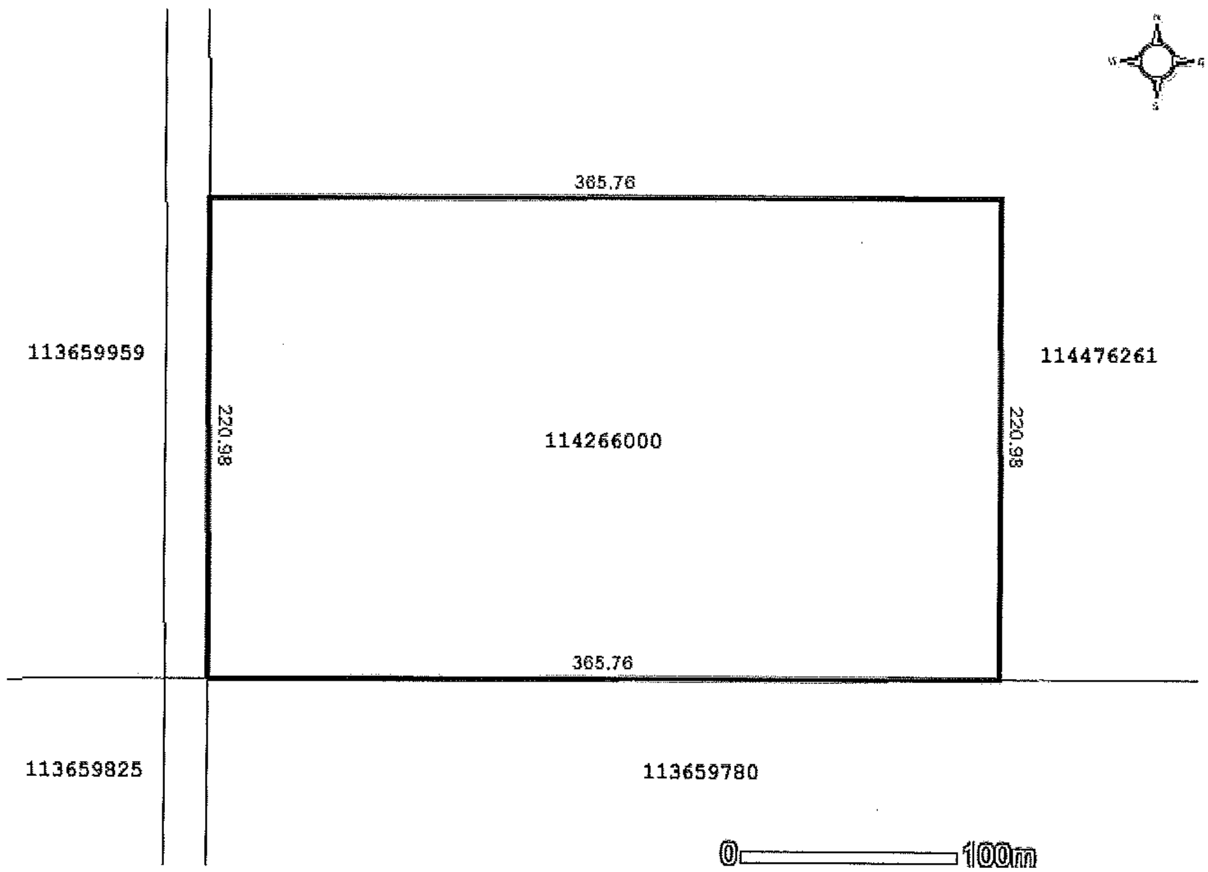
Notes:

Parcel Class Code: Parcel (Generic)

Back

Information Services Corporation of Saskatchewan

Surface Parcel Number: 114266000
LLD: (Parcel: A)Plan 101702810 Ext 14
Parcel Class Code: Parcel (Generic)
Area: 8.083 hectares (19.97 acres)
Request Date: Mar 4, 2010 9:18:41 AM CST



DISCLAIMER: THIS IS NOT A PLAN OF SURVEY. It is a consolidation of plans to assist in identifying the location, size and shape of a parcel in relation to other parcels. Parcel boundaries and area may have been adjusted to fit with adjacent parcels. To determine actual boundaries, dimensions, or area of any parcel, refer to the plan, or consult a surveyor.

Related Information

Parcel	Land Description
113659825	NE 16-36-20-2 Ext 0
113659959	SE 21-36-20-2 Ext 0
113659780	NW 15-36-20-2 Ext 0
114266000	(Parcel: A)Plan 101702810 Ext 14
114476261	SW 22-36-20-2 Ext 27

5 Records

Close

Province of Saskatchewan
Land Titles Registry
Title

Title #: 136597034
Title Status: Active
Parcel Type: Surface
Parcel Value: $533,334.00 CAD
Title Value: *$533,334.00 CAD*
Converted Title: 01H07299
Previous Title and/or Abstract #: 106735664

As of: 04 Mar 2010 08:53:21
Last Amendment Date: 10 Dec 2008 07:38:36.903
Issued: 03 Nov 2008 11:52:20.540
Municipality: RM OF LEROY NO. 339

SW 17- 34-19-2

HYTEK LTD. is the registered owner of Surface Parcel #114266077

Reference Land Description: Blk/Par APlan No 101762568 Extension 4
As described on Certificate of Title 01H07299, description 4.

This title is subject to any registered interests set out below and the exceptions, reservations and interests mentioned in section 14 of *The Land Titles Act, 2000.*

Registered Interests:

Interest #:
145433189 Mortgage

Value: $200,000,000.00 CAD
Reg'd: 10 Dec 2008 07:38:37
Interest Register Amendment Date: N/A
Interest Assignment Date: N/A
Expiry Date: N/A

Holder:
Royal Bank of Canada
220 Portage Avenue
Winnipeg, MB, Canada R3C 0A5
Client #: 123199487
Int. Register #: 115078372

Addresses for Service:

Name	Address
Owner: HYTEK LTD. Client #: 112730846	BOX 100 LA BROQUERIE, MB, Canada R0A 0W0

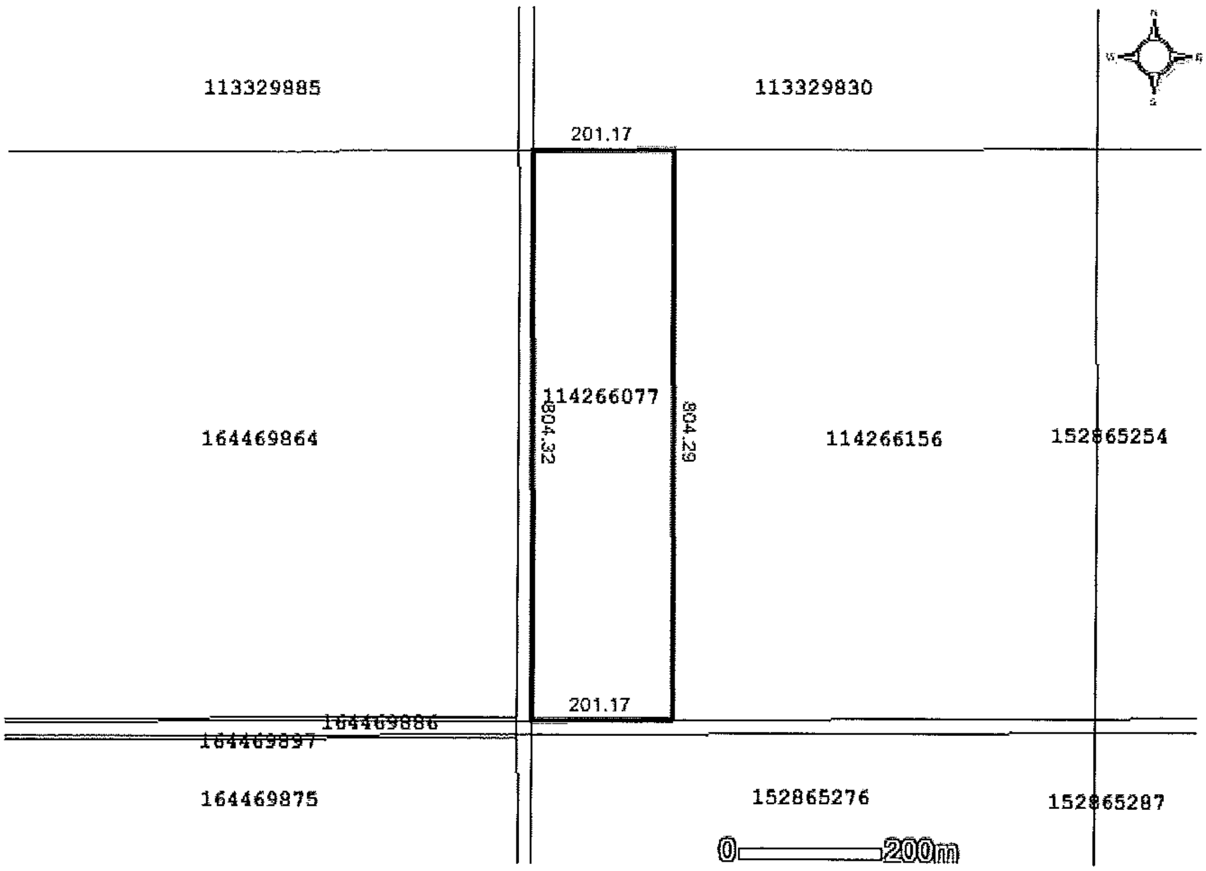
Notes:

Parcel Class Code: Parcel (Generic)

Back

Information Services Corporation of Saskatchewan

Surface Parcel Number: 114266077
LLD: (Parcel: A)Plan 101762568 Ext 4
Parcel Class Code: Parcel (Generic)
Area: 16.18 hectares (39.98 acres)
Request Date: Mar 4, 2010 9:06:57 AM CST



DISCLAIMER: THIS IS NOT A PLAN OF SURVEY. It is a consolidation of plans to assist in identifying the location, size and shape of a parcel in relation to other parcels. Parcel boundaries and area may have been adjusted to fit with adjacent parcels. To determine actual boundaries, dimensions, or area of any parcel, refer to the plan, or consult a surveyor.

Related Information

Parcel	Land Description
164469864	SE 18-34-19-2 Ext 1
164469886	(Parcel: H)Plan 101970974 Ext 0
164469897	(Parcel: G)Plan 101970974 Ext 0
113329885	NE 18-34-19-2 Ext 0
152865276	NW 08-34-19-2 Ext 1
114266077	(Parcel: A)Plan 101762568 Ext 4
114266156	SW 17-34-19-2 Ext 2
113329830	NW 17-34-19-2 Ext 0
164469875	NE 07-34-19-2 Ext 1

Province of Saskatchewan
Land Titles Registry
Title

Title #: 137438297
As of: 04 Mar 2010 09:24:49
Title Status: Active
Last Amendment Date: 25 May 2009 14:34:56.953
Parcel Type: Surface
Issued: 20 May 2009 09:52:30.910
Parcel Value: $1,000,000.00 CAD
Title Value: *$1,000,000.00 CAD*
Municipality: RM OF LEROY NO. 339
Converted Title: 01H07297
Previous Title and/or Abstract #: 136597001

NW 21-35-20-2

SINNETT PORK FARM LTD. is the registered owner of Surface Parcel #153280773

Reference Land Description: Blk/Par APlan No 101422763 Extension 10
As shown on Plan 101105536

This title is subject to any registered interests set out below and the exceptions, reservations and interests mentioned in section 14 of *The Land Titles Act, 2000.*

Registered Interests:

Interest #:
147205425 Mortgage

Value: $450,000.00 CAD
Reg'd: 20 May 2009 09:52:32
Interest Register Amendment Date: N/A
Interest Assignment Date: N/A
Expiry Date: N/A

Holder:
FARM CREDIT CANADA
12040 - 149 Street NW
Edmonton, AB, Canada T5V 1P2
Client #: 101944201
Int. Register #: 115461952

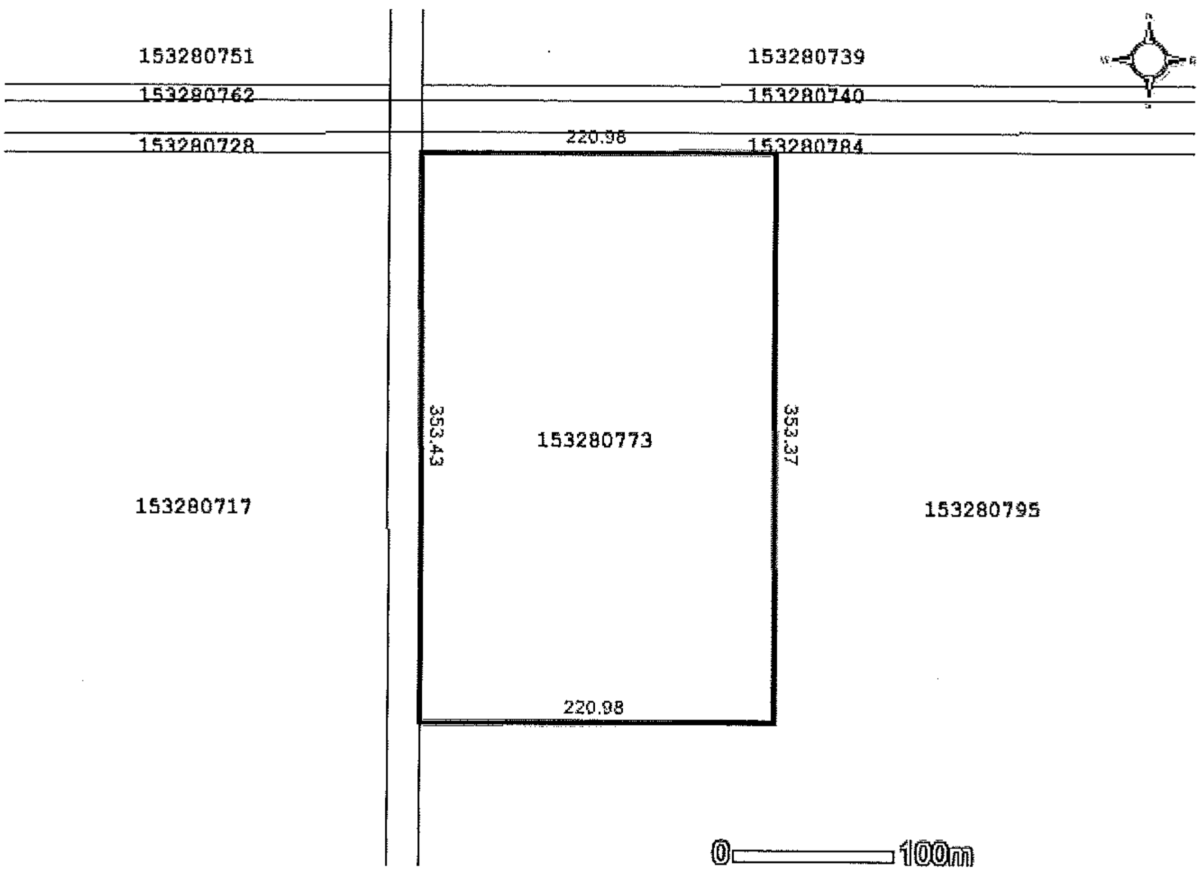
Addresses for Service:

Name	**Address**
Owner:	
SINNETT PORK FARM LTD.	BOX 878 HUMBOLDT, SK, Canada S0K 2A0
Client #: 100264586	

Notes:

Information Services Corporation of Saskatchewan

Surface Parcel Number: 153280773
LLD: (Parcel: A)Plan 101422763 Ext 10
Parcel Class Code: Parcel (Generic)
Area: 7.81 hectares (19.30 acres)
Request Date: Mar 4, 2010 9:29:48 AM CST



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Related Information

Parcel	Land Description
153280717	NE 20-35-20-2 Ext 1
153280728	(Parcel: G)Plan 101105536 Ext 0
153280773	(Parcel: A)Plan 101422763 Ext 10
153280762	(Parcel: F)Plan 101105536 Ext 0
153280740	(Parcel: E)Plan 101105536 Ext 0
153280795	NW 21-35-20-2 Ext 8
153280784	(Parcel: D)Plan 101105536 Ext 0
153280751	SE 29-35-20-2 Ext 1
153280739	SW 28-35-20-2 Ext 1