

January 28, 2002

DIRECT NUMBER: (306) 787-5879

Doug Weninger
Big Sky Farms Inc.
905 – 5th Avenue – PO Box 610
HUMBOLDT SK S0K 2A0

Dear Mr. Weninger:

Re: **DIRECTOR'S APPROVAL**

Big Sky Employees Fund Inc. and Big Sky Farms Inc.
General Ruling/Order 45-902 - Labour-sponsored Venture Capital Corporations Exemption
Ruling 1992 ("GRO 45-902")
Part 2 - Trades by an LSVCC of Its Securities to Employees
Your file: n/a
Our file: 41323

Further to your letter of December 7, 2001 with respect to the above matter and subsequent correspondence and pursuant to GRO 45-902, approval is hereby granted to proceed with the following trade without the use of an offering memorandum:

Issuer:

Big Sky Employee's Fund Inc. (the "LSVCC")

Operating Company:

Big Sky Farms Inc. (the "Operating Company")

Securities offered:

Common shares of the LSVCC (the "Common Shares")

Purchase price per security:

\$6.407/Common Share up to and including July 31, 2002 and thereafter at a purchase price as determined with the consent of the board of directors of the LSVCC and the Operating Company provided that notice of any change in the price at which the securities are offered by the LSVCC shall first be provided to the Director.

Minimum subscription to close:

None.

Minimum investment per investor:

\$2,000 per calendar year (i.e. 312 Common Shares, subject to adjustment based on adjustment to the price of the Common Shares).

Maximum investment per investor:

\$5,000 per calendar year (i.e. 780 Common Shares, subject to adjustment based on adjustment to the price of the Common Shares).

Opening date:

In continuous distribution

Closing date:

In continuous distribution

Investors :

All employees of the Operating Company or the Operating Company's wholly owned subsidiary Drycast Systems Inc., (or self-directed registered retirement savings plans of which such employee is the sole beneficiary) eligible to participate pursuant to the provisions of The Labour-sponsored Venture Capital Corporations Act (Saskatchewan) (the "LSVCC Act").

Sold by:

Florian Possberg, Michael Deutscher, Brian Blackbeard, Doug Weninger, Matt Schidlowsky, Joe Scheiber and Lorianne Earis all of Humboldt, Saskatchewan or a registrant under The Securities Act, 1988 (Saskatchewan) authorized to trade in this type of securities.

Incentives to investors :

The Operating Company will lend to investors up to the full amount of their subscription price, to a maximum of \$5,000 per employee per calendar year (the "Employee Loans"). These Employee Loans will be repayable, without interest (except in the event of default in which case interest shall accrue at a rate not exceeding 10% per annum), over a period of up to 18 months as follows:

- a. payments roughly equivalent to the tax credits allowed the subscriber pursuant to the LSVCC Act will be payable by not later than June 30 in the year following the year to which the tax credit relates;
- b. where the investor is a registered retirement savings plan, balloon payments in amounts roughly equivalent to the tax savings realized by the beneficiary of such RRSP through subscribing for the securities through the RRSP will be payable on or prior to June 30 in the year following the tax year to which such deductions relate; and
- c. the balance of the Employee Loan will be repayable in twice-monthly installments on or about the 15th day and last day of each month over a term of 18 months.

The maximum Employee Loans outstanding per employee at any give time cannot exceed \$10,000.00.

Use of proceeds by the LSVCC:

Costs of the offering:

None. The Operating Company will pay the cost of the offering.

Reserved for administration costs and/or redemption of securities:

None. The Operating Company will pay the administrative costs of the LSVCC. The Operating Company will, as allowed by law and its articles of incorporation as amended, redeem or repurchase sufficient of its securities held by the LSVCC to allow the LSVCC to fund the redemption of its securities, in so far as such redemption is allowed by law, the LSVCC Act and the LSVCC's articles of incorporation as amended.

Balance:

All proceeds shall be used to purchase common shares of the Operating Company at a purchase price of \$4.28 per share. Additionally, in the event that within six months following the issuance of common shares of the Operating Company by the Operating Company to the LSVCC the Operating Company should issue common shares of the Operating Company to other third party investors at a price below the price at which the common shares of the Operating Company are sold to the LSVCC, the Operating Company shall thereupon issue to the LSVCC such additional number of common shares of the Operating Company as may be necessary so as to reduce the effective price for all common shares of the Operating Company purchased by the LSVCC within the six months preceding such third party investment, to the same price at which common shares of the Operating Company are sold to such third party investors.

Use of proceeds by the Operating Company:

Add to the working capital of the Operating Company.

provided that:

1. The LSVCC, the Operating Company and the trade comply with the provisions of GRO 45-902.
2. Each investor receives a copy of the following material prior to or contemporaneously with the trade:
 - a. This Director's Approval;
 - b. Certificate of Incorporation, Articles of Incorporation and any amendments thereto (or restated Certificate and Articles of Incorporation) of the LSVCC and of the Operating Company;
 - c. The latest financial statements of the LSVCC required by GRO 45-902 to be filed with the Commission and sent to security holders of the LSVCC;
 - d. The latest annual and, if for a period after the latest annual, the latest interim financial statements of the Operating Company required by GRO 45-902 to be filed with the Commission and send to security holders of the Operating Company;
 - e. Risk Disclosure Statement satisfactory to the staff of the Commission which statement should be drafted in keeping with the Risk Factors Disclosure contemplated by the standard form offering memorandum developed for use with GRO 45-902 and should refer investors to their own professional advisors before investing;

- f. Disclosure as required by section 80.2 of *The Securities Act, 1988* (Saskatchewan); and
 - g. Such other material as the LSVCC sees fit to provide to investors provided such material has the prior approval of the staff of the Commission;
3. Prior to any closing, funds raised pursuant to the trade are held in trust by McKercher, McKercher & Whitmore, Barristers and Solicitors, 374 - 3rd Avenue South, Saskatoon, Saskatchewan, S7K 1M5, Telephone: (306) 653-2000, Fax: (306) 244-7335 until the following conditions of closing are met and if such conditions of closing are not met by March 31, 2002, such funds are to be returned to the investors or, in the case of funds advanced directly by the Operating Company as Employee Loans to the Operating Company as repayment of such Employee Loans, without interest or deduction:
- a. The LSVCC is registered as a labour-sponsored venture capital corporation pursuant to the LSVCC Act and the tax incentives under the LSVCC Act are available to investors;
 - b. All material contracts have been entered into and all necessary consents of third parties obtained or other satisfactory arrangements made; and
 - c. All legal matters relevant to the closing have been reviewed to the satisfaction of the legal counsel to the LSVCC.

If you have any further questions, please feel free to contact our offices.

Yours truly,

“Dean Murrison”

Dean Murrison
Deputy Director, Legal

cc: Economic and Co-operative Development
Attention: Marv Weismiller

Enclosure