NORTH AMERICAN FUR AUCTIONS INC.

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Dear Rancher,

With start of the 2017 selling season, everyone can now look back on the past year and breathe a sigh of relief that 2016 is behind us. That is not to say that the early signs are that the year 2017 will bring any dramatic improvements to the fur business. However, after a year in which fur prices fell on most items to levels not seen in nearly two decades, a new year usually brings with it renewed hope and optimism for better times ahead.

NAFA is fully aware of how difficult 2016 was for most producers. There was a lot of money lost across the industry, both by producers and buyers. In light of these circumstances, **NAFA takes pride in announcing that for its fiscal year ended October 31, 2016, the Company recorded a small after tax net profit of $1.4 million.**

NAFA's results for Fiscal 2016 were independently audited as well as thoroughly reviewed and approved by the Company's Board of Directors. This independent audit included a thorough examination of and inquiry into all of NAFA's assets and liabilities as well as ensuring that the Company had made all of the necessary provisions for any reserves or bad debts that might be reasonably foreseeable at this time. Further, NAFA's shareholders' equity now stands at over $50 million which, coupled together with our fully available $90 million bank line of credit, puts NAFA in an exceptionally strong financial position.

NAFA also takes pride in the fact that our 2016 net profit was not achieved through cuts to our promotional or buyer solicitation budgets. Instead, NAFA has hired additional staff in China and dramatically increased the number of Chinese workshops, face-to-face meetings and general promotional activities in this all-important market over the last year. As well, NAFA has been able to maintain all of its operations without having to cut staff.

While others in the industry may choose to perpetuate rumors about NAFA's financial position, mostly in an effort to deflect attention from their own financial issues and problems, NAFA believes that it may be the only fur auction house to report a net profit in 2016.

With this announcement, NAFA is trying to be as transparent and accountable as we can with our producers. This is because we recognize that the relative financial strength and health of your auction company can have a very significant impact in the financial well-being of your own business.

In light of current market circumstances, NAFA asks all North American producers to, once again, consider whether the time has now finally come to have a pooling of North American auction resources so that we can continue to compete at a world-class level. On many levels, this action now seems more urgent than perhaps ever before.

While there are still many challenges ahead in 2017, rest assured that NAFA will continue its many efforts to support its producers, as well all other aspects of the fur industry, in every way possible.

Sincerely,

Michael D. Mengar
President and CEO