Appendix “I”
(2 of 7)

Neil Tedstone realty advisors

Appraisals & Consultancy

APPRAISAL[1]

Finfish (Salmon & Trout)
Aquaculture Processing Plant,
Water Treatment & Feed Facilities,
1-3 Plant Road & 37 Main Highway,
Hermitage-Sandyville, NL

Above: Water treatment facility (left) & processing plant (right).
Below: Feed facility.

Client: Ernst & Young Inc.

Effective Date: September 15, 2016

[1] Prepared under the Appraisal Standard of the Canadian Uniform Standards of Professional Appraisal Practice (2016 edition).

Neil Tedstone|realty advisors
Appraisals ◆ Consultancy

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29 Ottawa Street
St. John's, NL
Canada A1A 2R9

October 11, 2016

Ernst & Young Inc.
11 Englehart Street
Dieppe, NB E1A 7Y7

Attention: Mr. Steven J. McLaughlin, CPA, CA, CIRP, LIT
Vice President, Transaction Advisory Services

Dear Mr. McLaughlin:

Re: Current Market Value & "Forced Liquidation" Value Appraisal, Finfish (Salmon & Trout) Aquaculture Processing Plant, Water Treatment & Feed Facilities, 1-3 Plant Road & 37 Main Highway (Route 363), Hermitage-Sandyville, NL

Further to your recent instructions confirming your appraisal requirements in respect to the above property, the undersigned has prepared an appraisal report indicating the property's estimated current market value and "forced liquidation" value.

The processing plant and water treatment facility, both built in 2012, adjoin each other at 1-3 Plant Road. An Arch Span feed building, also built in 2012, is at a second location on the Route 363 approach to Hermitage.

The 20,278 square feet (over two levels; 12,278 sq. ft. footprint) processing plant is situated on a 0.507 acre (0.205 hectare) L-shaped freehold or fee simple land parcel, referred to as Site 1 in this appraisal.

The 1,523 square feet water treatment facility is situated on a 0.138 acre (0.0557 hectare) rectangular-shaped Crown-owned leasehold land parcel, which is a partially infilled waterlot, referred to as Site 2 in this appraisal.

The 6,200 square feet feed facility, a double frame trussed hoop straight wall Arch Span structure erected on a purpose-built concrete slab, is situated on a 0.316 acre (0.128 hectare) irregularly shaped freehold lot, referred to as Site 3 in this appraisal. The feed facility is on the Route 363 approach to Hermitage, around 1½ kilometres from the processing plant.

The subject property is valued by the Cost Approach, in the absence of known recent highly comparable building sales. The effective valuation date of this appraisal is taken to be September 15, 2016, the date of inspection.

Current Market Value Estimate:
The subject property's estimated current market value as of the effective valuation date is summarized on the next page.

- Industrial
- Commercial
- Investment
- Vacant Land
- Multi-Unit Residential
- Institutional
- Special Use

Land Valuation:		
Site 1 freehold land value estimate		
(including dock's residual value contribution)	$55,000	
Site 2 leasehold land value estimate	$4,000	
Site freehold land value estimate	$21,000	
Total land value estimate		$80,000
Depreciated RCN of Buildings:		
Processing Plant:		
RCN of processing plant	$2,800,000	
LESS: Physical depreciation @ 10%	- $280,000	
Depreciated RCN balance:	$2,520,000	
LESS: Functional depreciation @ 10%	- $252,000	
Depreciated RCN balance:	$2,268,000	
LESS: External depreciation @ 30%	- $680,400	
Depreciated RCN of processing plant		$1,588,000 (rounded)
Water Treatment Facility:		
RCN of water treatment facility	$150,000	
LESS: Physical depreciation @ 6.7%	- $10,050	
Depreciated RCN balance:	$139,950	
LESS: Functional depreciation @ 10%	- $13,995	
Depreciated RCN balance:	$125,955	
LESS: External depreciation @ 30%	- $37,787	
Depreciated RCN of water treatment facility		$88,000 (rounded)
Feed Facility:		
RCN of feed facility	$123,000	
LESS: Physical depreciation @ 13.3%	- $16,359	
Depreciated RCN balance:	$106,641	
LESS: External depreciation @ 30%	- $31,992	
Depreciated RCN of feed facility		$75,000 (rounded)
Depreciated RCN of site improvements		$15,000
Total value by Cost Approach		$1,846,000
Rounded to the nearest $5,000:		**$1,845,000**

Current market value estimate: $1,845,000
One million, eight hundred & forty five thousand dollars

In-Place Processing Facility and Equipment Lease:
The in-place processing facility and equipment lease was reviewed, but is disregarded for appraisal purposes on the following grounds (inter alia):

- The lease does not allocate a rent split between the processing facility (the real estate) and the Gray Aqua-owned equipment (Schedule 1.1).

- Although at this appraisal's effective valuation date the lease has two years and seven months to run at a premium rental rate with a five year renewal option on the same terms and conditions (rent included), there is no broadly established rental or investment market for fish processing facilities in Newfoundland and Labrador. This suggests the probability of leasing the facility to alternate tenants upon lease termination is slim, so accurately determining an appropriate reversion to market rent on lease termination is not possible.
- The lease's premium contract rent will probably not be sustainable in the open market upon termination of the lease. Over the long term life of the investment, annual rent is expected to be lower interspersed with potentially lengthy periods of vacancy. This is not an attractive long term risk proposition to prospective investors.

"Forced Liquidation" Value Estimate:
You have also requested a "forced liquidation" value estimate. The Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP; 2016 edition, page 8) defines "forced sale value" as:

> A term synonymous with "liquidation value", "distress sale" or "power of sale" implying a reduced selling period and compulsion to sell. Forced sale value is not a concept separate from market value but is a form of marketing conditions less favourable to the seller than those set out in the definition of market value.

There is no direct market evidence to support an accurate forced liquidation value estimate. Typically, the market expectation is for a forced liquidation sale to generate 50-80% of a real estate asset's current market value estimate, due in large part to a briefer marketing timeframe and associated vendor motivation.

For appraisal purposes, taking into account these value parameters, the subject property's forced liquidation value is estimated at 65% of the current market value estimate, or **$1,200,000** (rounded to the nearest $5,000):

Forced liquidation value estimate: $1,200,000
One million, two hundred thousand dollars

These estimates of the subject property's current market value and forced liquidation value are subject to the Assumptions & Limiting Conditions and Certificate of the Appraiser contained in this report. For appraisal purposes, the property is assumed to be environmentally clean.

Yours truly,

Neil Tedstone BSc., MRICS, AACI, P.App
Accredited Appraiser

CONTENTS

CONTENTS (continued)

1.0 SCOPE OF THE APPRAISAL

1.1 Identification & Description of the Property Appraised

The subject property comprises two separate locations in Hermitage, in the municipality of Hermitage-Sandyville, NL:

- a finfish (salmon and trout) aquaculture processing plant on a fee simple or freehold site and a freestanding water treatment facility on an adjoining leasehold site at 1-3 Plant Road, and
- a feed facility on a freehold site at 37 Main Highway, the Route 363 approach to Hermitage.

The two locations are summarized separately.

1-3 Plant Road (Site 1, Freehold & Site 2, Leasehold):

The 20,278 square feet (over two levels; 12,278 sq. ft. footprint) processing plant is situated on a 0.507 acre (0.205 hectare) L-shaped freehold or fee simple land parcel, referred to as Site 1 in this appraisal. Site 1 and is reproduced in Land Survey 1 (description and plan) on pages 4-5.

The 1,523 square feet water treatment facility is situated on an adjoining 0.138 acre (0.0557 hectare) rectangular-shaped Crown-owned leasehold land parcel, which is a partially infilled waterlot, referred to as Site 2 in this appraisal. Site 2 is reproduced in Land Survey 2 (description and plan) on pages 6-7.

Route 363 (Site 3, Freehold):

The 6,200 square feet feed facility, a double frame trussed hoop straight wall Arch Span structure erected on a purpose-built concrete slab in 2012, is situated on a 0.316 acre (0.128 hectare) irregularly shaped freehold lot, referred to as Site 3 in this appraisal. The feed facility is on the Route 363 approach to Hermitage, around 1½ kilometres from the processing plant. Site 3 is reproduced in Land Survey 3 (description and plan) on pages 8-9.

1.2 Purpose & Intended Use of the Appraisal

Neil Tedstone AACI, operating as Neil Tedstone Realty Advisors, was recently instructed by Mr. Steven J. McLoughlin, Vice President of Transaction Advisory Services with Ernst & Young Inc. in Dieppe, NB (the client and court-appointed receiver of the Gray Aqua group of companies) to proceed with a current market value and "forced liquidation" appraisal of the subject property. The appraisal is required for receivership asset management and possible sale purposes.

1.3 Property Interest Appraised & Ownership

The property right appraised of Sites 1 and 3 is the fee simple interest and of Site 2 is the leasehold interest, free and clear of any existing financing and other encumbrances, liens or charges, unless specifically addressed in this report. The property's respective appraised interests in Sites 1 and 2 are owned by Gray Aqua Processing Ltd. The Crown in right of the government of Newfoundland and Labrador holds the leased fee interest in Site 2. Site 3's interest is owned by Gray Aqua Group Ltd.

1.4 Definition of Value to be Estimated

The property's market value is estimated in this report. Market value is defined as:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in Canadian dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

Source: Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP)

The appraisal mandate includes a requirement to provide a forced liquidation value estimate. CUSPAP (2016 edition, page 8) defines "forced sale value" as:

> A term synonymous with "liquidation value", "distress sale" or "power of sale" implying a reduced selling period and compulsion to sell. Forced sale value is not a concept separate from market value but is a form of marketing conditions less favourable to the seller than those set out in the definition of market value.

For appraisal purposes, this definition is taken to represent forced liquidation value.

1.5 Effective Date, Inspection Date & Report Submission Date

Current effective date:	September 15, 2016.
Inspection date:	September 15, 2016.
Report submission date:	October 11, 2016.

1.6 Extent of Inspection & Data Collation Process

The undersigned inspected the subject property on September 15, 2016 (the effective valuation date). All pertinent land use zoning, municipal servicing, access, highest and best use issues, building replacement cost and depreciation data, and comparable land sales were examined and verified to the extent deemed necessary by the undersigned to validate this report's estimate of current market value.

1.7 Marketing & Sales History

Site 1, the freehold portion of the 1-3 Plant Road property, was acquired by Gray Aqua Processing Ltd on July 14, 2011 from Ocean Choice International L.P.

It is not known whether Site 2, the leasehold portion of the 1-3 Plant Road property, was ever assigned to the Gray Aqua group of companies from Ocean Choice International L.P. Site 2's lease was struck between the Crown in right of Newfoundland & Labrador and Ocean Choice International L.P., and runs for 50 years from July 28, 2011 at an annual ground rent of $100. For appraisal purposes, it is assumed that the Gray Aqua Group was assigned the leasehold interest in Site 2.

Site 3 (the Route 363 property) was acquired by Gray Aqua Group Ltd on September 22, 2011 from William and Deborah Roberts for $25,000.

The property is understood not to have been marketed for sale by the Gray Aqua group of companies prior to receivership proceedings.

1.8 Reasonable Exposure Time

Exposure time is the estimated duration a property would be offered on the open market prior to sale, given prevailing market conditions at the effective date of the appraisal.

Open Market or Non-Distressed Sale Conditions:

A reasonable exposure time for the property prior to sale under open market or non-distressed sale conditions would *be up to twelve months* at the effective date, if priced realistically, given the special use nature of the property.

Forced Liquidation or Distressed Sale Conditions:

A reasonable exposure time for the property prior to sale under forced liquidation or distressed sale conditions would *be up to four months* at the effective date, if priced realistically, given the special use nature of the property.

1-3 Plant Road:
Land Survey 1 – Description (Fee Simple or Freehold Parcel, Processing Plant)

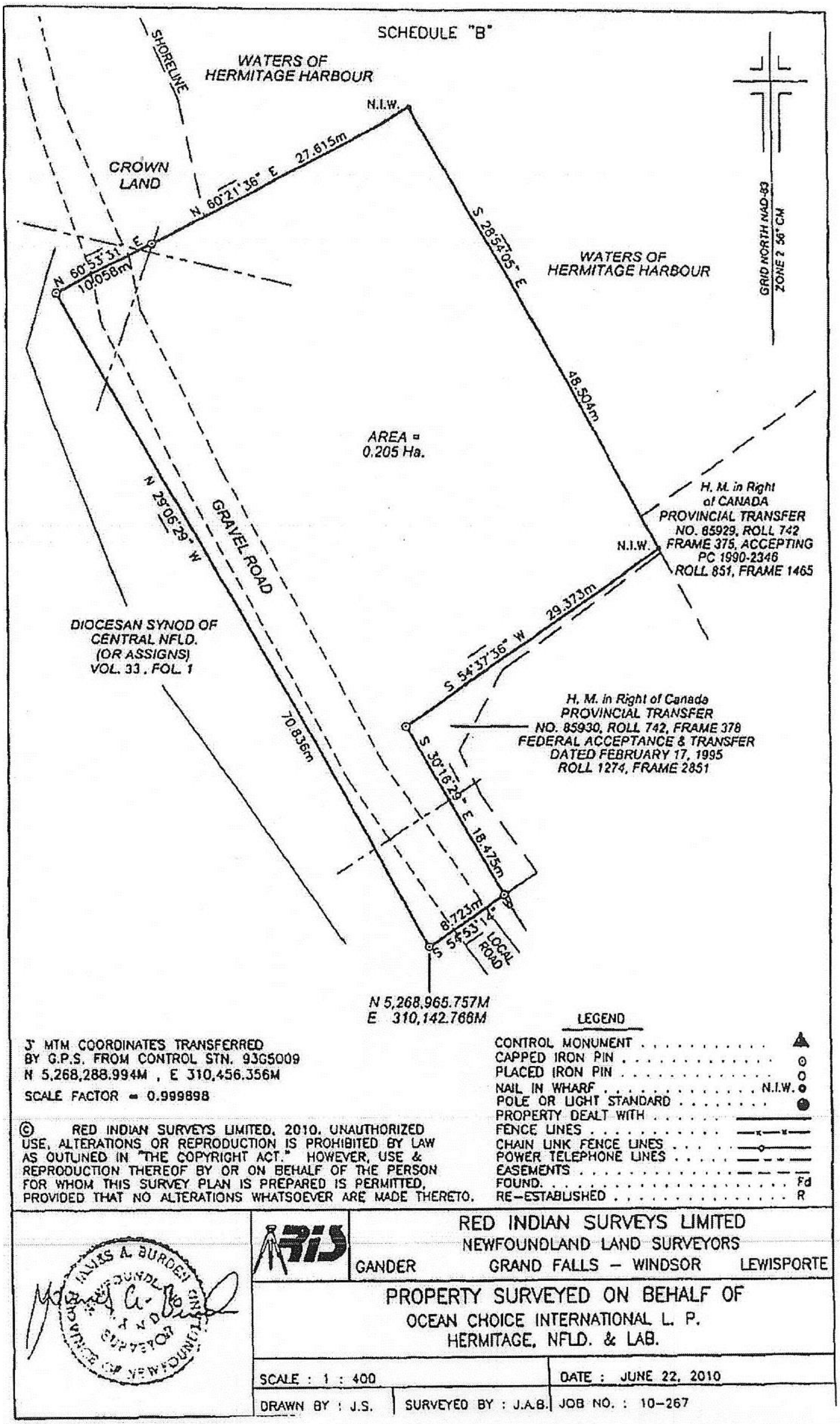
All that piece or parcel of land situate and being at Hermitage, in the Provincial Electoral District of Fortune Bay-Cape La Hune, abutted and bounded as follows, that is to say: Beginning at a point, the said point having NAD 83 coordinates of north 5,268,965.757 meters and east 310,142.766 meters: Thence along land granted by the Crown to the Diocesan Synod of Central Newfoundland (or assigns) registered in Vol. 33 Fol. 1, at the Registry of Crown Lands, north twenty-nine degrees six minutes twenty-nine seconds west for seventy decimal eight three six meters, thence along land granted by the Crown to the Diocesan Synod of Central Newfoundland (or assigns) registered in Vol. 33 Fol. 1, at the Registry of Crown Lands, and along Crown Land, north sixty degrees fifty-three minutes thirty-one seconds east for ten decimal zero five eight meters, thence along Crown Land and along the waters of Hermitage Harbour, north sixty degrees twenty-one minutes thirty-six seconds east for twenty seven decimal six one five meters, thence along the waters of Hermitage Harbour and along property of H.M in Right of Canada Provincial Transfer No. 85929, Roll 742, Frame 375, Accepting PC 1990-2346, Roll 851, Frame 1465, south twenty-eight degrees fifty-four minutes five seconds east for forty eight decimal five zero four meters, thence along property of H.M in Right of Canada Provincial Transfer No. 85930, Roll 742, Frame 378, Federal Acceptance & Transfer Dated February 17, 1995, Roll 1274, Frame 2851, south fifty-four degrees thirty-seven minutes thirty-six seconds west for twenty nine decimal three seven three meters, thence along property of H.M in Right of Canada Provincial Transfer No. 85930, Roll 742, Frame 378, Federal Acceptance & Transfer Dated February 17, 1995, Roll 1274, Frame 2851, south thirty degrees sixteen minutes twenty-nine seconds east for eighteen decimal four seven five meters, thence crossing a Local Road, south fifty-four degrees fifty-three minutes fourteen seconds west for eight decimal seven two three meters to point of beginning and containing in all 0.205 Hectares. All bearings are referred to Grid North (Zone 2 - NAD83).

Job No. 10-267

Date: June 22, 2010

June 22/10

1-3 Plant Road:
Land Survey 1 – Plan (Fee Simple or Freehold Parcel, Processing Plant)



1-3 Plant Road:
Land Survey 2 – Description (Leasehold Parcel, Water Treatment Facility)

RECEIVED
JUN 28 2011
CROWN LANDS
CENTRAL

SCHEDULE " A "

All that piece or parcel of land situate and being at Hermitage, in the Provincial Electoral District of Fortune Bay-Cape La Hune, in the province of Newfoundland & Labrador, abutted and bounded as follows, that is to say:

Beginning at a point, the said point having NAD83 coordinates of north 5,269,035.057 meters and east 310,121.520 meters;

Thence along an infilled area north twenty-seven degrees twenty minutes seventeen seconds west for thirty decimal four eight four meters;

Thence through the Waters of Hermitage Harbour north sixty degrees twenty-one minutes thirty-six seconds east for eighteen decimal two nine four meters;

Thence through the Waters of Hermitage Harbour south twenty-seven degrees twenty minutes seventeen seconds east for thirty decimal four eight four meters;

Thence along property of Ocean Choice International L.P. (Formerly Seacrest Corp. Of Canada Ltd.) south sixty degrees twenty-one minutes thirty-six seconds west for eighteen decimal two nine four meters to point of beginning.

Containing in all 557 Sq. Meters:

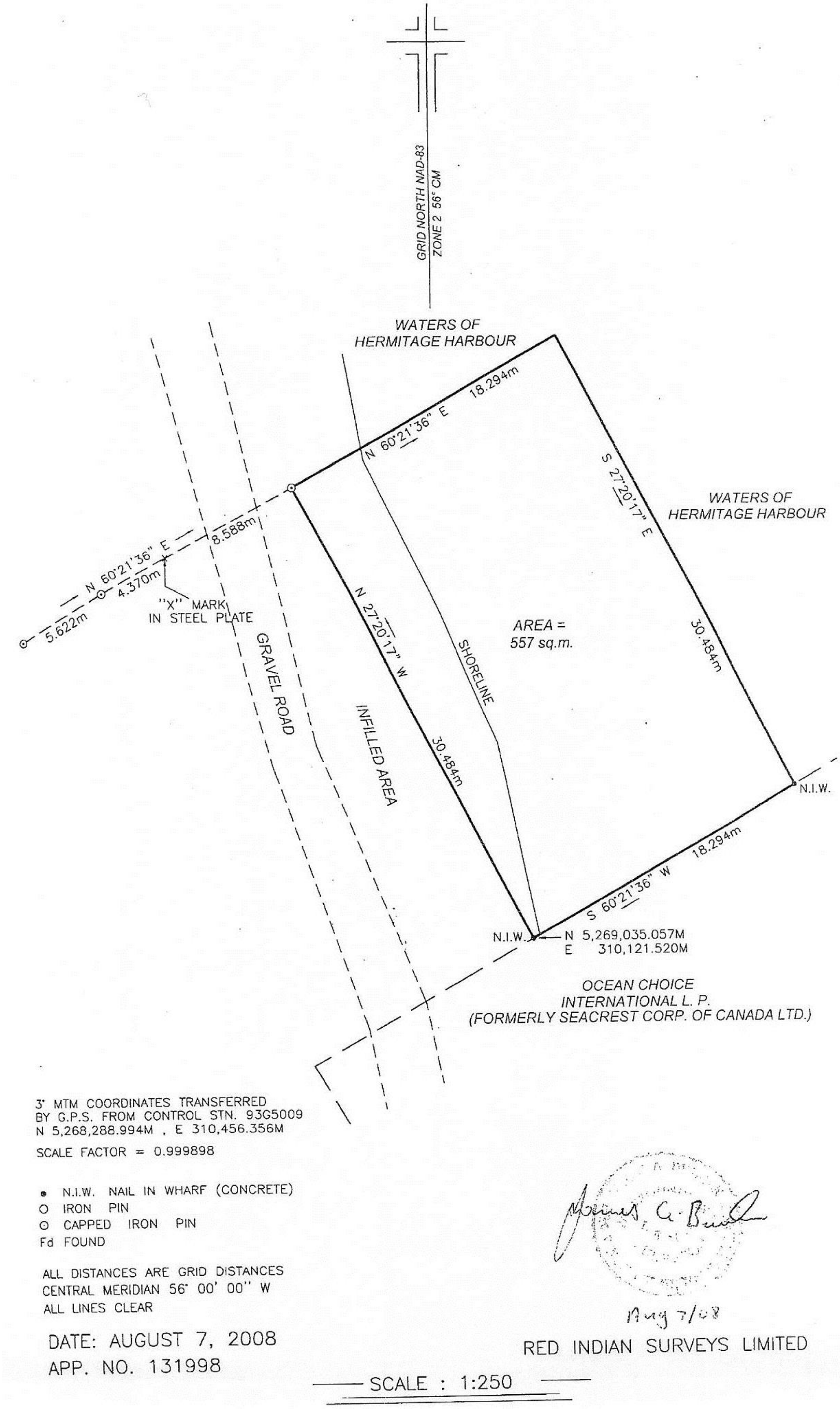
All bearings being referred to the Meridian of 56 degrees West Longitude in the Three Degree Modified Transverse Mercator Projection (Zone 2 - NAD83).

APP. No. 131998
Date: August 7, 2008

James G. Bird

Aug 7/08

1-3 Plant Road:
Land Survey 2 – Plan (Leasehold Parcel, Water Treatment Facility)

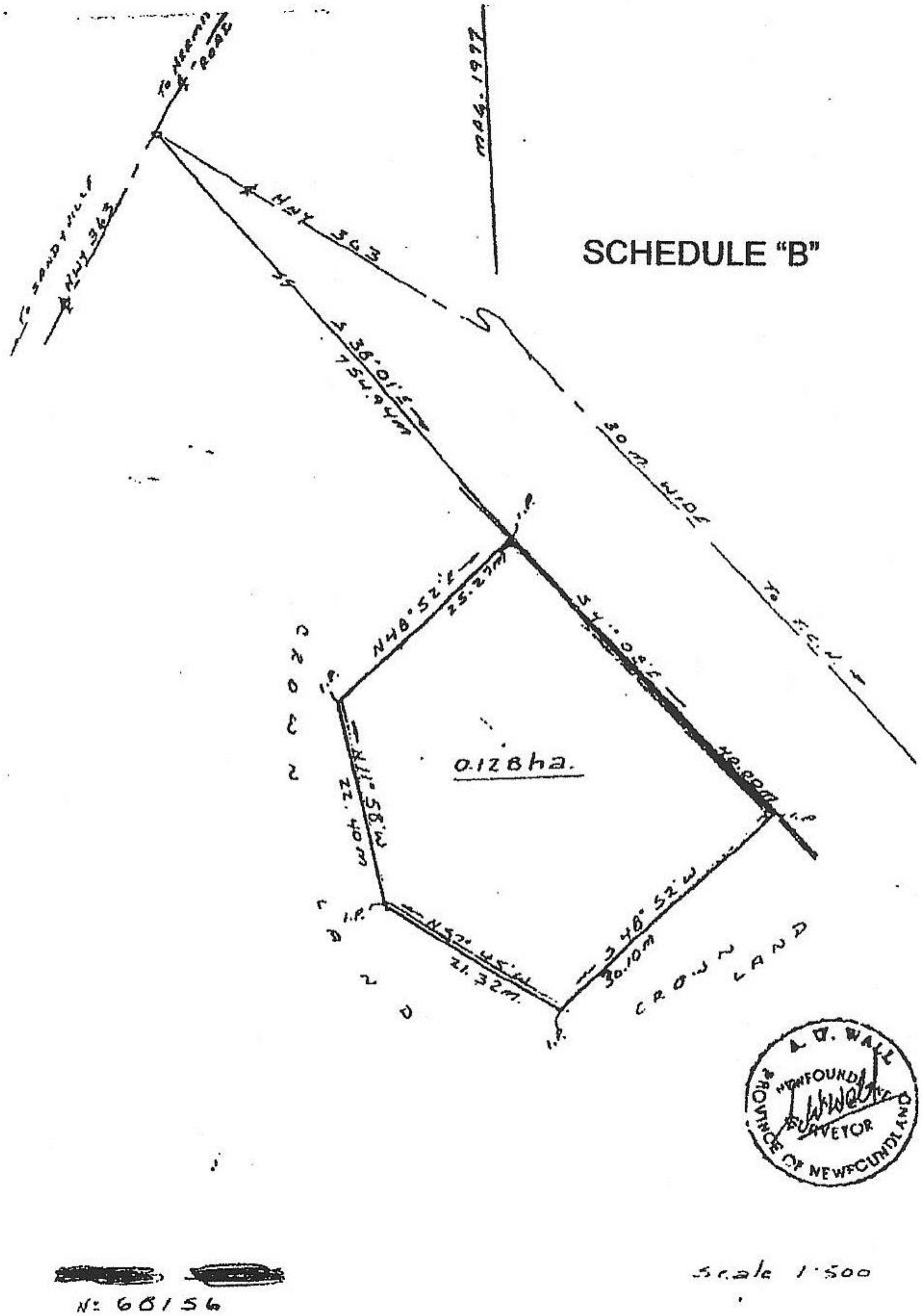


37 Main Highway:
Land Survey 3 – Description (Freehold Parcel, Feed Facility)

Albert Simms of Hermitage
in the Electoral District of Fortune-Hermitage

All that piece or parcel of land situate and being at Hermitage aforesaid, abutted and bounded as follows, that is to say: Beginning at a point in the southwesterly limit of Highway 363, thirty metres wide, leading to the Trans Canada Highway, the said point being distant seven hundred and fifty-four decimal nine four metres as measured on a bearing of south thirty-eight degrees zero one minute east from the point of intersection of the south-westerly prolongation of the centreline of the road leading to Hermitage with the centreline of said Highway 363; thence running along the said south-westerly limit of Highway 363 south forty-one degrees zero eight minutes east forty metres; thence running by Crown lands south forty-eight degrees fifty-two minutes west thirty decimal one zero metres and thence north fifty-seven degrees forty-five minutes west twenty-one decimal three two metres and thence north eleven degrees fifty-eight minutes west twenty-two decimal four zero metres and thence north forty-eight degrees fifty-two minutes east twenty-five decimal two seven metres, more or less, to the point of beginning and containing an area of 0.128 ha, more or less; all bearings being magnetic.

37 Main Highway:
Land Survey 3 – Plan (Freehold Parcel, Feed Facility)

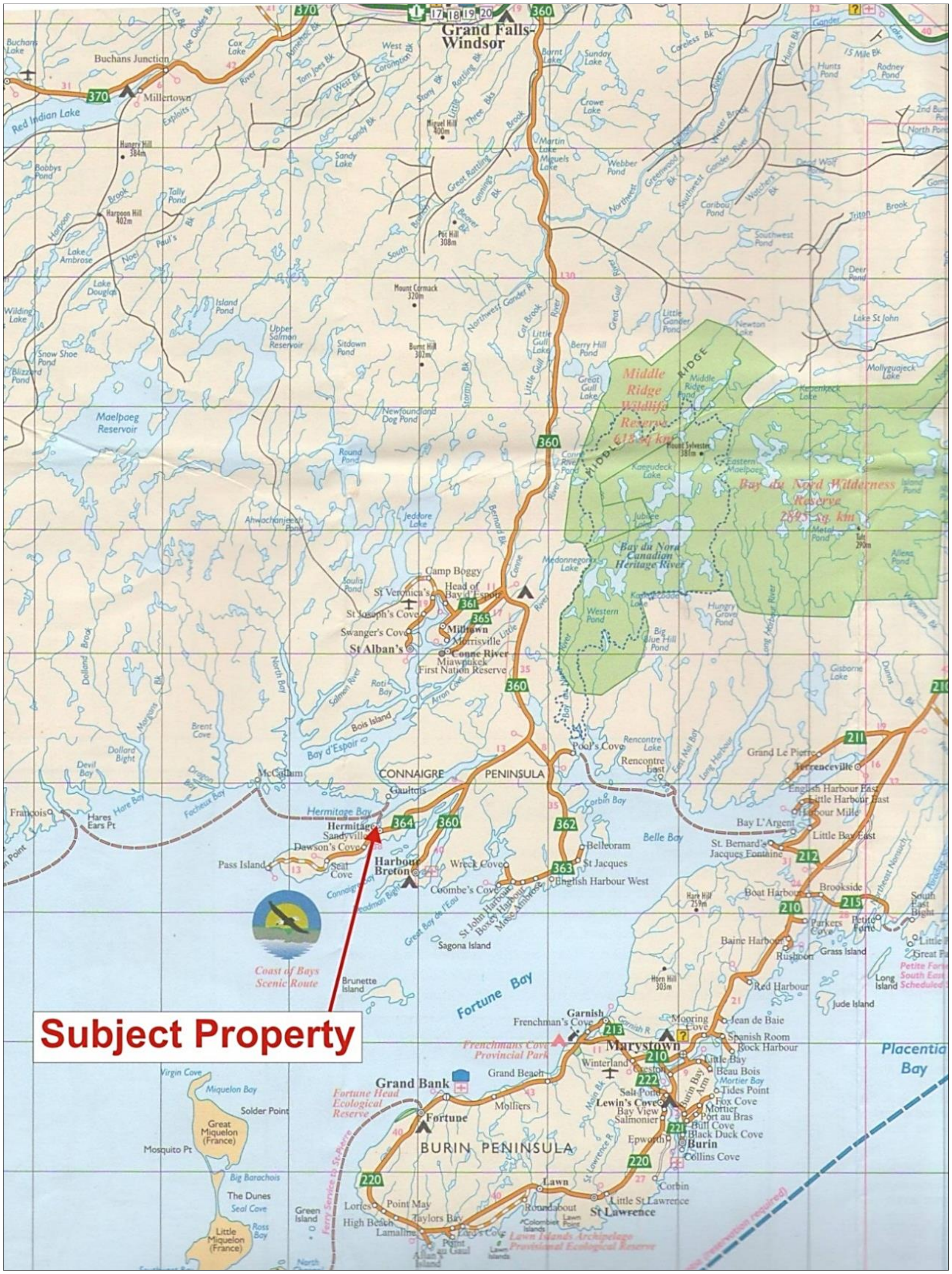


2.0 REGIONAL ECONOMIC & MARKET OVERVIEW

Town of Hermitage-Sandyville & Coast of Bays Region:

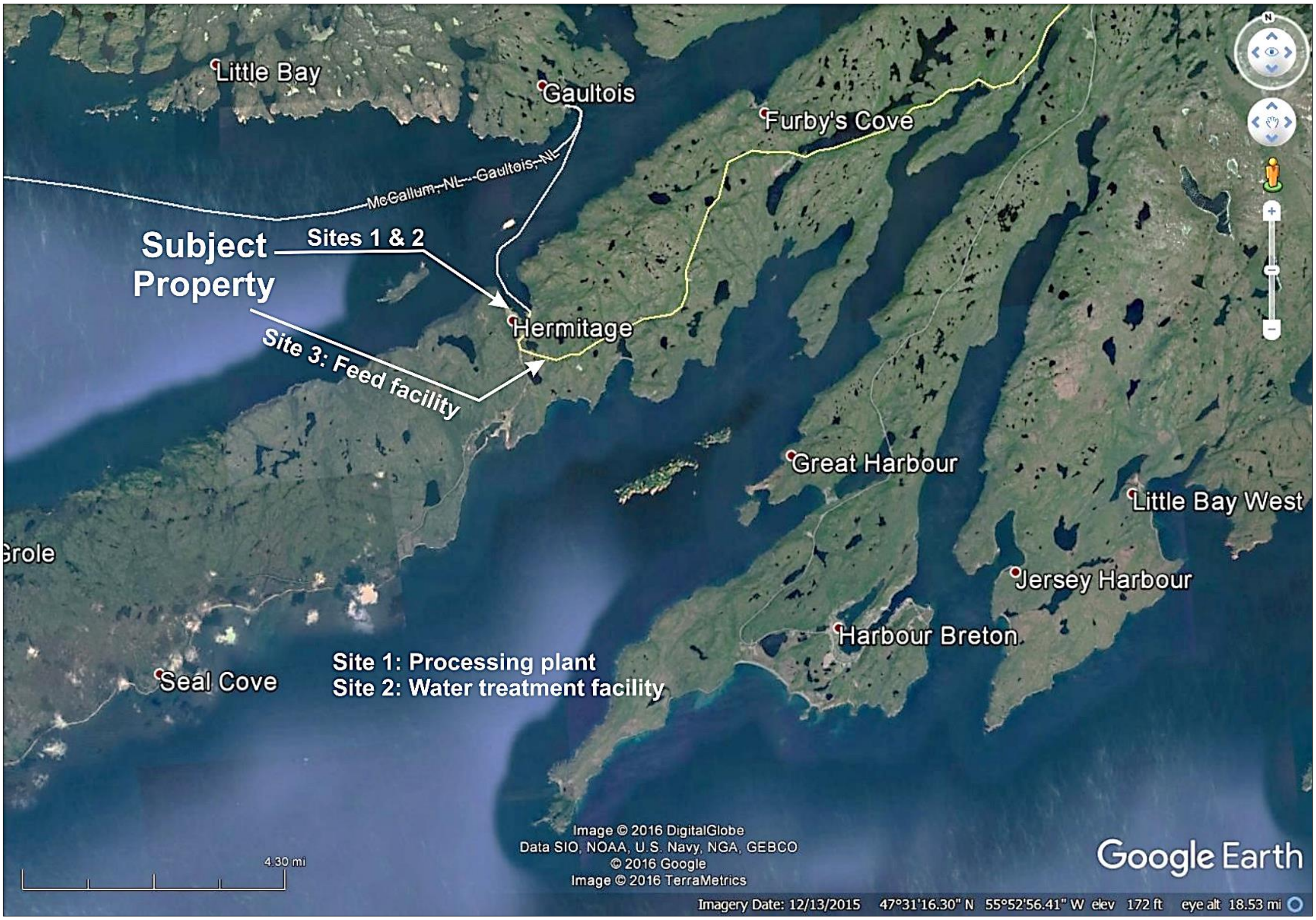
Incorporated in 1969, the town of Hermitage-Sandyville consists of the communities of Hermitage and Sandyville. The town spans the narrow peninsula that separates Hermitage and Connaigre Bays; Hermitage is located on the Hermitage Bay side of the peninsula, with Sandyville on the Connaigre Bay side. The subject property is approximately identified on the Area Map below and Google Earth Image 1 on the next page.

Area Map



Source: Provincial Highway Map

Google Earth Image 1 – Hermitage & Harbour Breton Area



As of the 2011 census, the town of Hermitage-Sandyville had a population of 450, down 9.8% from 499 in the 2006 census. The 2016 census population is not yet known.

Hermitage is located in a well-protected cove which has a very good harbour extending well inland. The harbour entrance is deep with a shallow bottom near its head and is protected by barren-topped hills which rise on both sides of the harbour. A brook divides the flatter land at the head of the ice free harbour, with settlement concentrated on the ample level land on its eastern side. It is about 200 kilometres from the Trans Canada Highway, and is located in the Coast of Bays region on the south coast of Newfoundland.

The Coast of Bays region is home to 22 communities with populations ranging from around 100 people to 1,711 in Harbour Breton (Statistics Canada, 2011). The Coast of Bays is geographically broken down into three sub-regions: Fortune Bay North Shore, Connaigre Peninsula, and Bay d'Espoir, with a total 2011 census population of around 7, 500. In summary, the area is remotely located and sparsely populated.

Aquaculture:

The following is taken from the provincial government's "The Economy 2016', published in April 2016.

The Newfoundland and Labrador aquaculture industry is primarily focused on the production of Atlantic salmon, blue mussels and steelhead trout. Since the adoption of the Newfoundland and Labrador Aquaculture Strategic Plan in 2000, the industry has grown significantly. This growth has created socio-economic opportunities for rural communities in the Coast of Bays region and other areas of the province. The Province released a new Sustainable Aquaculture Strategy in 2014 to support the aquaculture industry.

The aquaculture industry in Newfoundland and Labrador experienced positive growth in 2015. The industry rebounded from lower production in 2014 attributable to the removal of fish from the production cycle (due to the detection of the virus that may lead to Infectious Salmon Anaemia) in 2012 and 2013, and the superchill event during the winter of 2014. Total aquaculture production in 2015 was 22,800 tonnes, up significantly relative to the 9,200 tonnes produced in 2014 (see chart). The growth was mainly attributable to increased salmonid production, particularly Atlantic salmon. The total value of aquaculture production in 2015 was $161 million, up 172% from 2014. The increase in total market value was also mostly due to the rise in Atlantic salmon production.

Direct employment for the aquaculture industry in 2015 was estimated at 439 persons, on par with 2014.

Salmonids

Atlantic salmon and steelhead trout are the two major commercial salmonid species in the province. In 2015, there were 87 commercial salmonid site licences, covering a combined area of 2,402 hectares.

In 2015, salmonid production increased significantly. Total aquaculture salmonid production was approximately 19,700 tonnes and was valued at $149 million. This represented large increases in both production volume and production value compared to 2014. Market prices for 8-10 pound wholefish Atlantic salmon declined over 2014; however, the lower value of the Canadian dollar partially offset the reduction in U.S. dollar prices.

Shellfish

In Newfoundland and Labrador, the blue mussel is the main commercial aquaculture shellfish species. In 2015, there were 51 commercial shellfish site licences that covered a combined area of 4,090 hectares.

Mussel production declined 4.0% to 3,100 tonnes in 2015, while market value increased 10.4% to $12.8 million. The mussel sector experienced challenges harvesting product during the winter season in 2015, limiting the product supply available for processing and lowering total production volume. The rise in shellfish value was due to the lower value of the Canadian dollar, as U.S. dollar prices were relatively stable.

In 2015, the first commercial oyster sites were licensed in the province with commercial production anticipated in the next two to three years.

Future Expansion

On May 14, 2015, the Department of Fisheries and Aquaculture announced it would provide $8.15 million of funding to Northern Harvest Sea Farms Inc. to expand the company's aquaculture operations in the province. The investment will increase production capacity and is expected to generate additional employment for the south coast region.

In the 2015-16 fiscal year, the Provincial Government invested $1.33 million in marine infrastructure for the aquaculture industry. Minor repair work was completed on both the Harbour Breton and Hermitage wharfs. Furthermore, major construction on the Milltown wharf was completed this past winter.

Source: "The Economy 2016", pages 39-40, Government of Newfoundland and Labrador

Aquaculture in the Coast of Bays region is a multi-million dollar industry with established markets and further investment potential. The marine environment of the Coast of Bays is perfect for farming several species of shellfish and finfish. Sheltered bays, inlets and freshwater lakes offer protected areas for cages and suspended gear culture. The region also has the warmest marine water temperatures in the province.

With these excellent aquatic conditions, the region is home to a thriving scallop hatchery, producing a consistent supply of scallop seed that enhances scallop-farming province-wide. As well, there is consistent and reliable mussel seed collection and many sites that are ideal for culturing shellfish.

The region also boasts the largest commercial salmonid hatchery in the province. Millions of steelhead trout and thousands of Atlantic salmon are hatched annually; then on-grown at marine farms throughout the Coast of Bays.

Not only does the Coast of Bays offer a wealth of aquatic resources, but its strategic geographic location also gives an advantage for trading with Iceland, the European Union and the French islands of St. Pierre and Miquelon. The Gander International Airport affords aquaculture companies a fast and efficient channel to international markets.

Infrastructure for this industry is excellent, with many supplies and services locally available and produced. Environmental conditions, availability of expertise and strong support services make the climate ripe for continued growth. Aquaculture spins off support industries such as secondary processing, diving, composting and feed production that offer significant potential for development.

A summary of provincial aquaculture production and value statistics for 2015 is reproduced on the next page.

Newfoundland Labrador
Fisheries and Aquaculture

Newfoundland and Labrador Aquaculture Industry Highlights 2014 (Revised) and 2015 (Preliminary)

Total Market Value for 2014: $59 million, and 2015: $161 million

Priority Species		Employment
Salmonid:	Atlantic salmon Steelhead trout	Approximately 439 individuals are employed through aquaculture hatchery and grow-out activities.
Shellfish:	Blue mussel	

Production (metric tonnes)

Species	2014	2015	% Change
Salmonid	5,980	19,684	229.2
Shellfish	3,260	3,130	-4.0
Total	**9,240**	**22,815**	**146.9**

Aquaculture Licenses		Approximate Water Area (hectares)	
Salmonid	87	Salmonid	2,402
Shellfish	51	Shellfish	4,090
Hatcheries	4	Hatcheries	N/A
Other	10	Other	145
Total Licenses:	**152**	**Total Area:**	**6,637**

- **Atlantic salmon production rebounded following lower production levels in 2014. A full recovery to 2013 production levels is anticipated by the end of next year.**
- **Mussel production experienced a small decline, compared to 2014. Lower production was mainly due to decreased access to product during winter months. Production is expected to grow in 2016.**
- **The lower value of the Canadian dollar had a positive impact on market demand and commodity prices for both finfish and shellfish. The lower exchange rate partially offset declining market prices for salmonid products.**
- **In 2015, the first commercial oyster sites were licensed in the province with commercial production anticipated in the next two to three years.**

Source: DFA

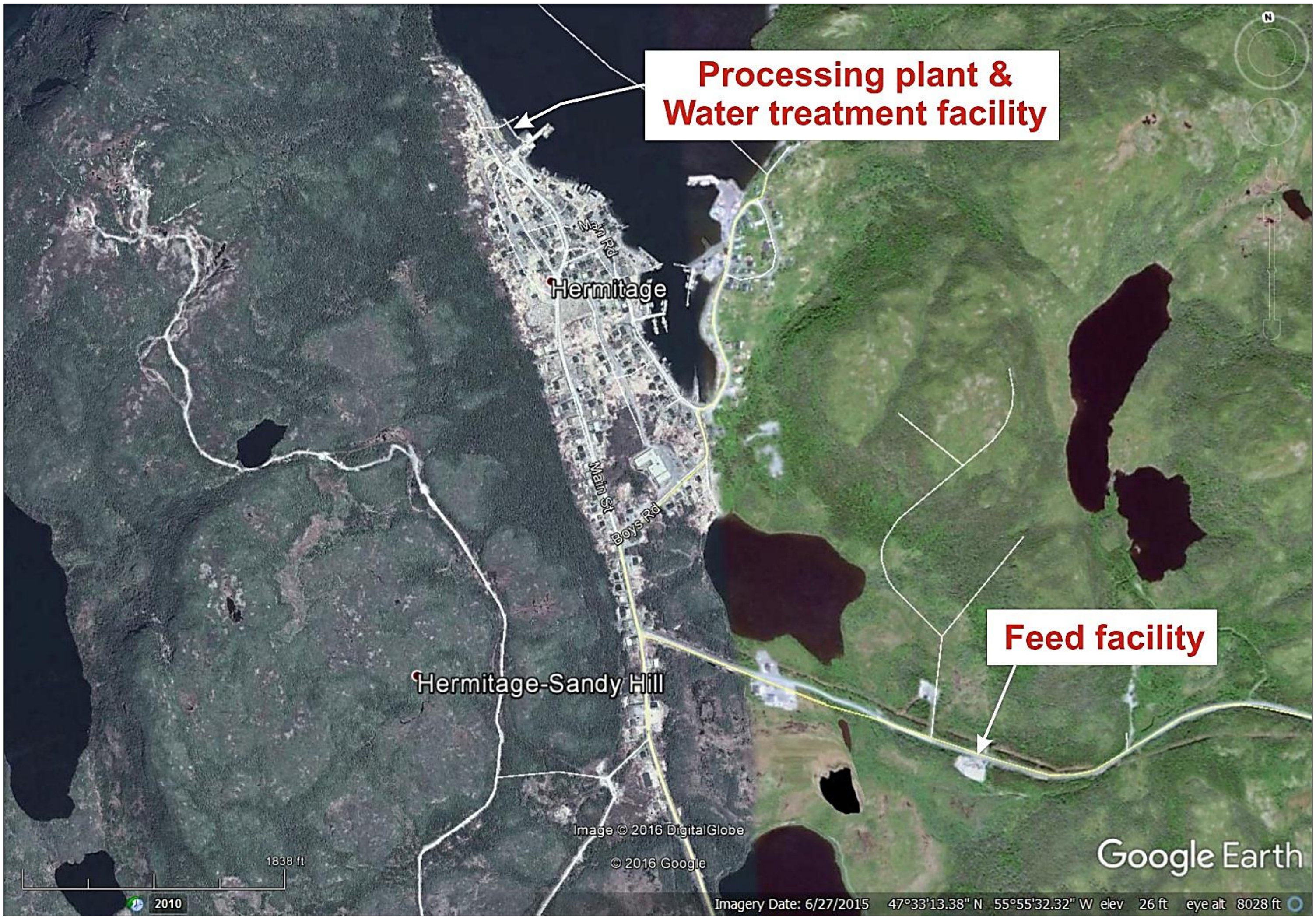
* current to December 31, 2015

Source: http://www.fishaq.gov.nl.ca/stats/pdf/aqua_production_and_%20value_%202016%20aqua.pdf

3.0 NEIGHBOURHOOD SUMMARY

The processing plant and water treatment facility are located at the end of Plant Road in Hermitage Harbour, and the feed facility is on the Route 363 approach to Hermitage, as indicated on Google Earth Image 2 below.

Google Earth Image 2 – Hermitage



Neighbouring properties includes the adjoining federal Department of Fisheries & Oceans bait building and provincial government wharf, from which the Gaultois ferry departs. At the Plant Road and Pointe Road intersection is the Freeman Crewe 1983 Ltd (Clover distributors) warehouse. Residential is the dominant use in the immediate area. Across Hermitage Harbour from the subject property is an aquaculture inflow wharf, which was fully funded by the provincial government to the tune of around $2.5 - $3 million in 2011. The harbour is ice-free year round, and is suited to aquaculture cages.

Raw undeveloped land adjoins the feed facility on Route 363.

There are no known or proposed developments in the general neighbourhood of the subject property that adversely affect the property's current market value at the effective valuation date.

Neighbourhood images taken on September 15, 2016 (this appraisal's effective valuation date) are below and on the next page.

Above: Approach to the subject property along Plant Road. The processing plant is beyond the white federal bait building.

Below: The water treatment facility (left) and processing plant (right) viewed from higher ground on Pointe Road.

Views southeast (left) and northwest (below) along Route 363 from opposite the feed facility.

4.0 SITE DESCRIPTION

The three subject sites are described separately by their locations:

- 1-3 Plant Road: Freehold Site 1 (processing plant) and leasehold Site 2 (water treatment facility).
- Route 363: Freehold Site 3 (feed facility).

4.1 Site Configuration & Dimensions

1-3 Plant Road:

Site 1:

Site 1, the processing plant site, is freehold or fee simple in tenure, and contains an area of 0.507 acre (0.205 hectare). It is L-shaped, with access-only frontage at the end of Plant Road of 29 feet (8.723 metres). The main near-rectangular part of Site 1 is around 91 feet (27.615 metres) by 159 feet (78.504 metres).

Site 2:

Site 2, the water treatment facility site, is a contiguous rectangular land parcel containing 0.138 acre (0.0557 hectare) that has been leased from the Crown in right of the Government of Newfoundland & Labrador. This parcel was mostly a waterlot, which was partially infilled in 2011-2012 to accommodate the water treatment facility.

Route 363:

Site 3:

Site 3, the feed facility site, is freehold or fee simple in tenure, and contains an area of 0.316 acre (0.128 hectare). It has frontage of 131 feet (40.0 metres) onto Route 363. It has a maximum depth of around 110 feet.

4.2 Topography

1-3 Plant Road:

Site 1:

Site 1 is mostly level and is improved with the processing plant and a concrete wharf or apron over wood decking and a cribbing structure. At the site’s southwestern boundary, a cliff rises up to Pointe Road.

Site 2:

Before infilling of Site 2 began, it comprised an estimated 15-20% upland and 80-85% waterlot. It is now estimated to have been infilled to the extent that around 50-75% of the site is now upland. The upland portion is mostly level.

Route 363:

Site 3:

Much of Site 3 is level and at grade with Route 363. It appears to have been partly backfilled to achieve this. The rear portion of Site 3 slopes down steeply and is unusable land.

4.3 Access

1-3 Plant Road:

Site 1:

Site 1 is accessed from the end of Plant Road.

Site 2:

Site 2 is accessed via Site 1.

Route 363:

Site 3:

Site 3 is accessible along much of its Route 363 frontage.

4.4 Services

1-3 Plant Road:

Sites 1 & 2:

Sites 1 and 2 benefit from municipal water services, as well as hydro and telephone services. Sanitary sewage is understood to be discharged directly into the harbour.

Route 363:

Site 3:

Site 3 is understood to have on-site well and septic systems for its limited water and sanitary disposal requirements.

4.5 Easements

No easements were observed crossing or adjoining the three sites. This appraisal assumes any easements crossing or adjoining the subject property do not adversely affect its current market value estimate at the effective valuation date.

4.6 Encroachments

1-3 Plant Road:

Site 1:

According to a Real Property Report dated April 7, 1999 provided by Gray Aqua in December 2011 for a previous appraisal assignment and retained on file, the following encroachments affected Site 1 at that time:

- The Department of Fisheries & Oceans (DFO) had a utility service line and winches along the northwest and northeast boundaries.
- DFO had a utility service line crossing through the southeastern portion of the land.
- The former fish plant and a fuel supply line encroached on adjoining federal land.

No other encroachments are known to affect Site 1.

Site 2:

There are no known encroachments affecting Site 2.

Route 363:

Site 3:

There are no known encroachments affecting Site 3.

4.7 Environmental Considerations

1-3 Plant Road:

Site 1:

No surface level environmental concerns were observed (i.e. petroleum product spills, etc.) at the time of the inspection. A large above ground fuel storage tank known to have been in place on Site 1 in December 2011, presumably associated with the former processing plant which was destroyed by fire, had been removed at the time of this appraisal's inspection.

Site 2:

No surface level environmental concerns were observed at the time of the inspection.

Route 363:

Site 3:

What appears to be surface petroleum product staining was observed in places on Site 3 (see image, right). An Environmental Site Assessment would verify the extent of any surface contamination.

NOTE: This appraisal is undertaken on the basis that there are no outstanding environmental concerns affecting Sites 1-3.

4.8 Site Improvements

1-3 Plant Road:

Site 1:

Site 1 is improved with the fish processing plant and a concrete wharf or apron over wood decking and posts.

Site 2:

Site 2, mostly a waterlot when leased from the Crown in July 2011, has been mostly infilled to accommodate the new processing plant, water treatment facility and associated site improvements.

Route 363:

Site 3:

Site 3 is improved with a double frame trussed hoop straight wall Arch Span structure used as a feed facility and erected on a purpose-built concrete slab in 2012.

4.9 Photographs

Photographs of the property, taken on September 15, 2016, are in the main body of the report and at Appendix A.

5.0 BUILDING DESCRIPTION

5.1 Introduction

The three buildings' specifications are summarized based on inspection observations of September 15, 2016 and plans for the processing plant and water treatment facility only provided by Gray Aqua for a previous appraisal on the property conducted in December 2011, prior to the construction of the buildings.

It is noted that the "as built" structures differ in some respects from the plans, e.g. the actual roof finish to the water treatment facility is metal (not shingles), and the siding is metal (not vinyl). Some actual building dimensions, based on exterior measurements taken on September 15, 2016, also differ from the plans.

5.2 Construction Features

Processing Plant:

Storeys & framing	-	One and two storeys, wood (2" x 6") exterior wall framing, some steel framing.
Age	-	Built in 2012 over a pre-existing in-place concrete foundation and floor slab.
Foundation & structural floors	-	Poured concrete footings and foundation walls with a poured concrete floor slab. NOTE: In-place concrete slab and foundation from a former plant destroyed by fire was used for the existing plant.
Exterior walls	-	Vertically ribbed metal panels.
Windows	-	Very limited fenestration.
Doors	-	Adequate exterior personnel entrance points and two dock-level loading doors.
Roof	-	Wood truss roof system with 26 gauge metal roof deck over felt paper and sheathing, well insulated fire-partitioned attic (one section of the attic was viewed).
Building area	-	Main floor: 12,278 square feet Second floor mezzanine: ±8,000 square feet Total floor area: ±20,278 square feet
Floor heights	-	Main floor below 2nd floor: 12 feet Second floor finished height: 8 feet Full height (main floor) sections: 23 feet (to roof line) Weighted average height incl. roof for costing purposes: 15 feet

Water Treatment Facility:

Storeys & framing	-	One storey, wood (2" x 6") exterior wall framing.
Age	-	Built in 2012.
Foundation & structural floors	-	Poured concrete footings and foundation walls with a poured

		concrete floor slab. Raised height concrete foundation wall in places.
Exterior walls	-	Vertically ribbed metal panels and exposed raised concrete foundation wall.
Windows	-	None.
Doors	-	Two exterior personnel doors and one at-grade loading door.
Roof	-	Metal roof finish.
Building area	-	1,523 square feet.
Floor heights	-	Two sections in the building: 11' 6" and 14' 6" Weighted average height incl. roof for costing purposes: 13 feet

Feed Facility:

Storeys & framing	-	One storey high tension steel tubing double frame trussed hoop straight wall Arch Span structure.
Age	-	Built in 2012.
Foundation & structural floor	-	Poured concrete floor slab on grade.
Exterior walls & roof	-	22 mm polyethylene membrane over steel tubing frame.
Windows	-	None.
Doors	-	One steel personnel door and one at-grade polyethylene loading door.
Building area	-	6,200 square feet (62' x 100').
Floor heights	-	Around 18-20 feet clear height at domed centre.

5.3 Finishes

Processing Plant:

Floors	-	Combination of slip-resistant floor finish on concrete slab and unpainted concrete slab in main floor processing area, unpainted concrete slab to receiving/shipping bays, ceramic tile to main floor common areas, washrooms and offices. Plywood to most of second floor mezzanine, vinyl tile to second floor offices/lab/storage rooms.
Walls	-	4' x 8' vinyl paneling to main floor processing area,
Ceilings	-	4' x 8' vinyl paneling to main floor processing area below second floor. 2' x 2' ceiling tile on T-bar to main floor admin area. Ribbed exterior metal roof sheeting to second floor ceiling and full height main floor.

Water Treatment Facility:

Floors	-	Exposed concrete slab throughout most of the building.
Walls	-	Metal paneling and raised concrete wall.

Ceilings	-	Metal paneling.

Feed Facility:

Floors	-	Exposed concrete slab throughout most of the building. Vinyl tile over concrete in washroom.
Walls & ceilings	-	No substantive interior wall or ceiling finish.

5.4 Services

Processing Plant:

Electrical	-	800 amp, 347/600 volt, 3 phase, 4 wire main service in second floor electrical room.
Plumbing	-	Adequate washroom and general plumbing amenities throughout. Central floor drain in main floor processing area.
Lighting	-	Mostly fluorescent fixtures, with adequate emergency exit lighting.
Fire protection	-	Adequate fire protection.

Water Treatment Facility:

Electrical	-	Power feed is sourced from the processing plant.
Plumbing	-	High capacity water treatment plumbing system.
Lighting	-	Fluorescent.

Feed Facility:

Electrical	-	125 or 200 amp service. Minimal electrical requirement.
Plumbing	-	Single two piece washroom. Minimal plumbing requirement.
Lighting	-	Minimal incandescent/LED-compatible lighting.

5.5 General Condition & Utility

The three structures are in very good overall condition, having been built in 2012. There is some minor damage to the processing plant's metal roof finish at the eave of the receiving bay (see image, right). A small portion of the metal flat stock eave trim is missing at the peak of the plant's northwestern gable end and along the water treatment facility's eave.

Functionally, the processing plant and the freestanding water treatment facility were purpose-built for finfish (salmon and trout) aquaculture processing. The site is narrow which limits truck access and the movement of product and materials on site.

NOTE: Adaptive re-use issues and associated costs for alternate fish processing operations are not known, but will be incurred in the event that salmon and trout aquaculture operations cease. These considerations are not addressed in this appraisal, which assumes viable long term operations for the proposed salmon and trout aquaculture processing use.

The Arch Span feed facility is suitable for alternate general purpose storage.

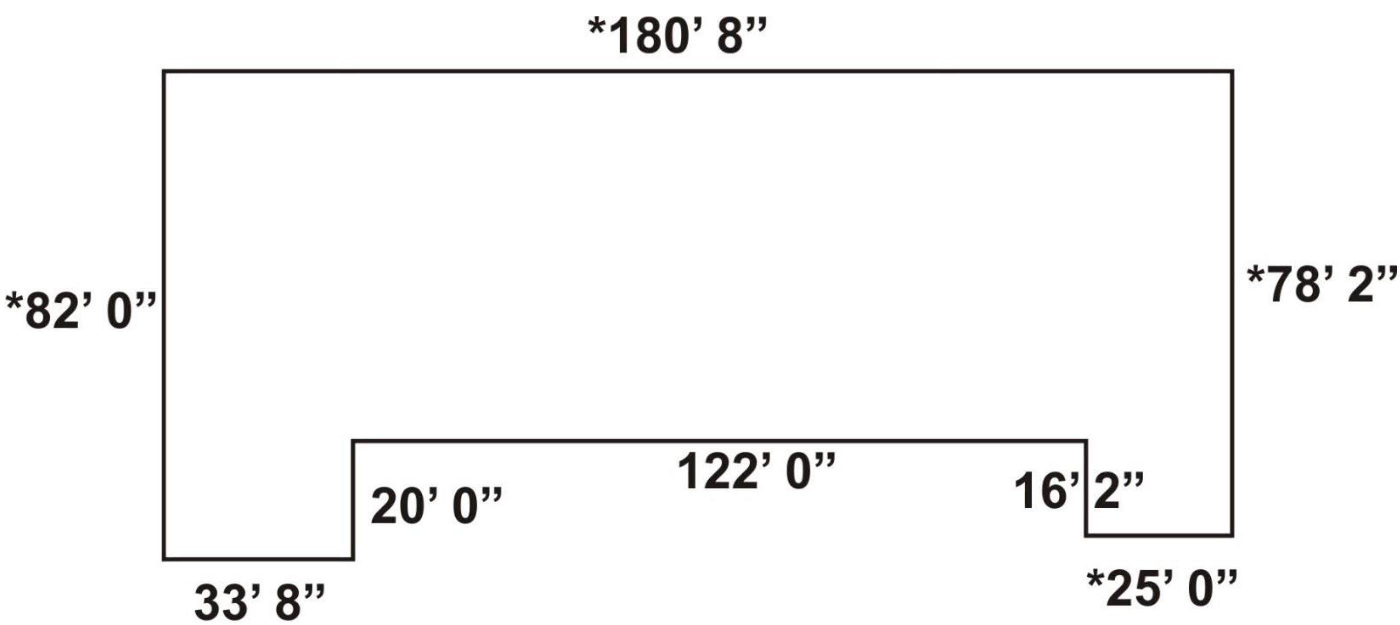
5.6 Building Plans

"As built" sketch plans based on actual measurements (where accessible) of the structures are below and on the next page.

Building plans and elevations of the processing plant and water treatment facility are at Appendix B. The processing plant plans are dated November 28, 2011, and the water treatment building plans are dated August 2008. These plans were provided by the Gray Aqua group in December 2011 for a previous appraisal assignment.

"As Built" Sketches:

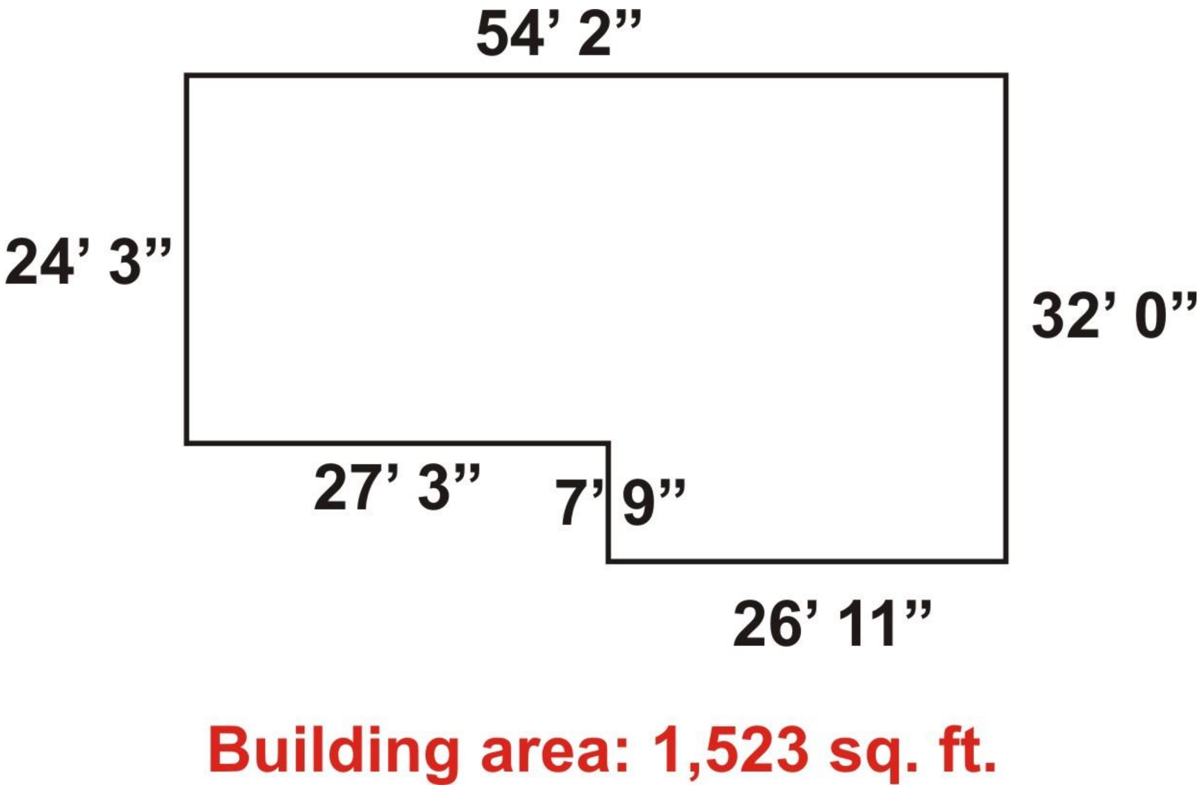
Processing Plant:



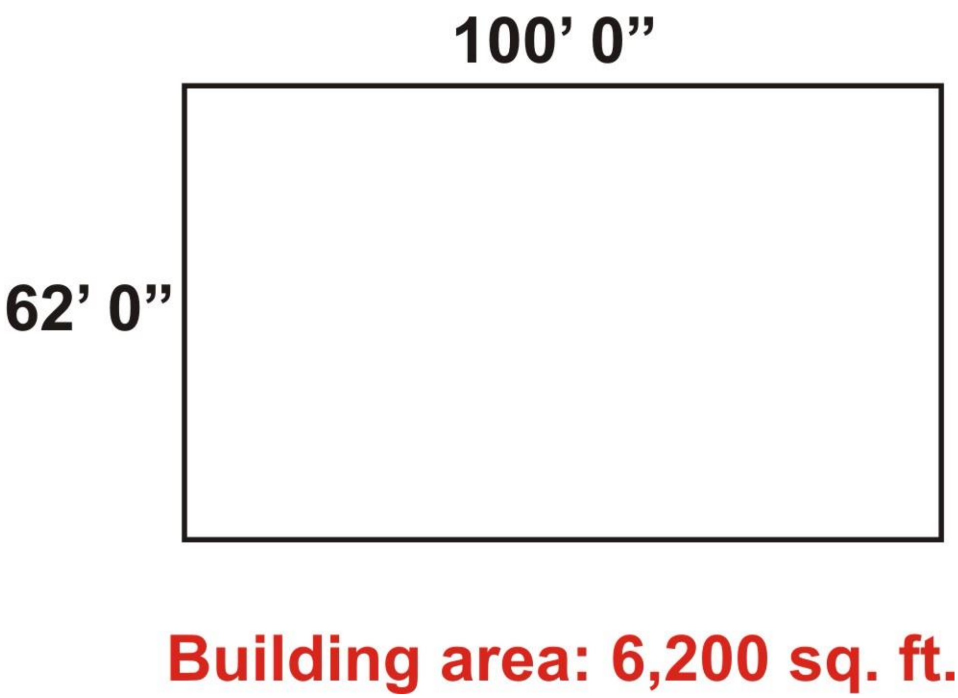
Main floor area: 12,278 sq. ft.
2nd floor mezzanine area: +/-8,000 sq. ft.
Total floor area: +/-20,278 sq. ft.

***Inaccessible to measure at time of inspection.**
Dimensions taken from floor plans at Appendix B.

Water Treatment Facility:



Arch Span Feed Facility:



6.0 ASSESSED VALUE & ANNUAL TAXES

A market value-based system of municipal property assessment operates in Newfoundland and Labrador. The base valuation date for 2016 municipal assessments is January 1, 2014. The current assessment cycle runs for three years from January 1, 2016 to December 31, 2018.

The subject property is assessed by the Municipal Assessment Agency on behalf of the Town of Hermitage-Sandyville. Two assessments are in effect:

1-3 Plant Road (processing plant and water treatment facility):
Assessed value @ $694,800 (land @ $3,700, building @ $691,100).

37 Main Highway (feed facility):
Assessed value @ $49,200 (land @ $400, building @ $48,800).

The municipality advises that an ad-hoc municipal taxation agreement was made with the Gray Aqua group when operations commenced in 2012 in the amount of $55,000 per year for property and water/sewer tax and garbage collection. This agreement is understood to expire in 2017. A copy of the agreement was not provided for review.

Property tax payable for the entire property based on the 2016 property tax rate in Hermitage-Sandyville of 9 mils (0.9%) would be $6,696 per year (i.e. total assessment of $744,000 x 9.0 mils).

A processing plant business occupancy tax is levied at 36.5 mils (3.65%). Business occupancy tax would be $27,156 per year (i.e. total assessment of $744,000 x 36.5 mils, if the processing plant business occupancy tax rate were to be applied to the feed facility as well).

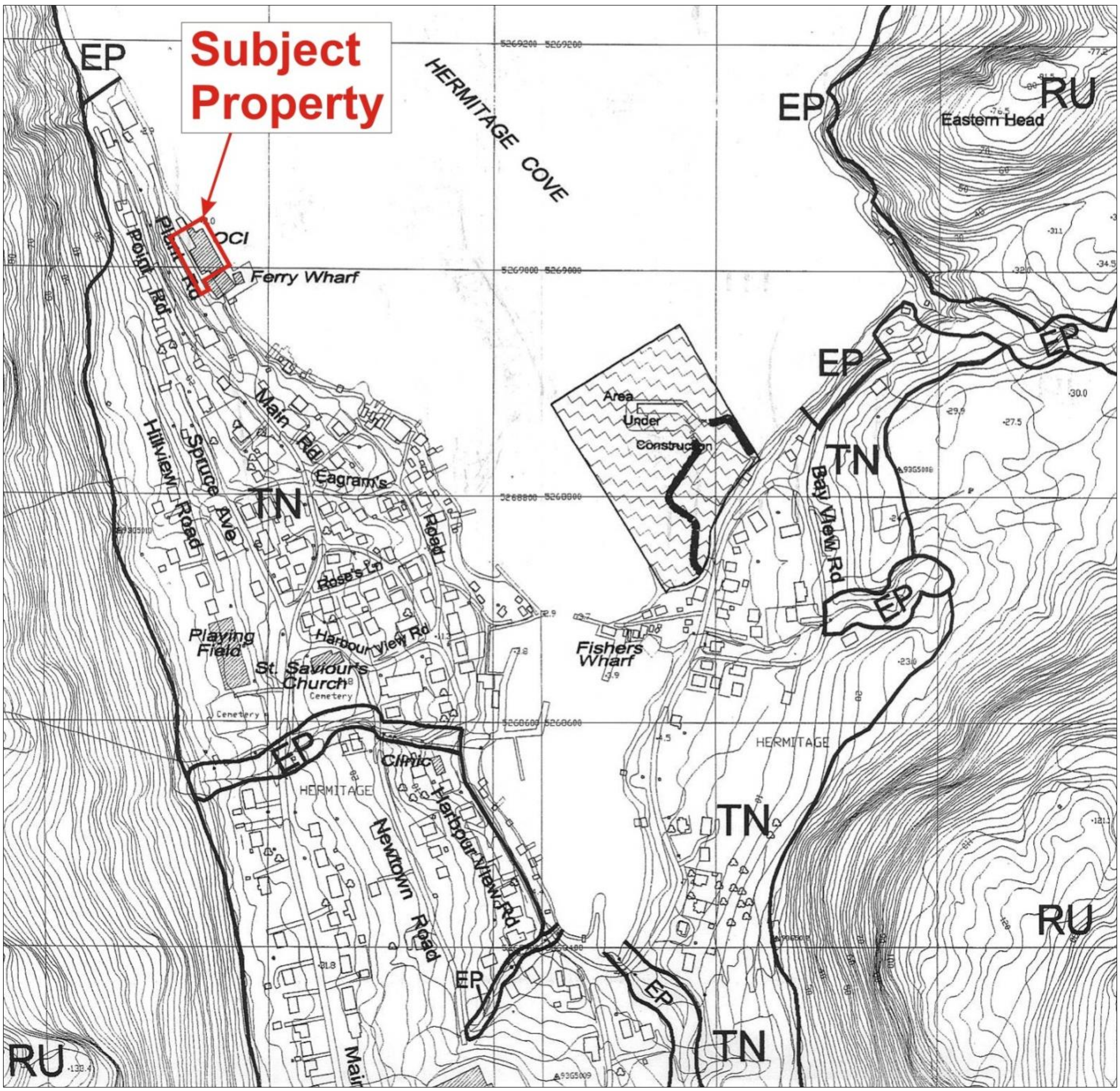
Water usage at the plant is not metered.

7.0 LAND USE ZONING

1-3 Plant Road (Processing Plant & Water Treatment Facility):

The Town of Hermitage-Sandyville Development Regulations 2011 has the 1-3 Plant Road property zoned Town (TN), as indicated on Land Use Zoning Map Extract 1 reproduced below. The TN land use zone allows a broad range of Permitted and Discretionary Use Classes, as indicated in the Use Zone Table on the next page. Fish processing is not specifically referenced as a Permitted or Discretionary Use Class, but is taken to fall under the "General Industry" or "Light Industry" Discretionary Uses Classes.

Development Regulations Land Use Zoning Map Extract 1:
1-3 Plant Road (Processing Plant & Water Treatment Facility)



Town (TN) Use Zone Table – Permitted & Discretionary Uses:

Town of Hermitage – Sandyville
Development Regulations 2011

SCHEDULE C – TOWN

USE ZONE TABLE

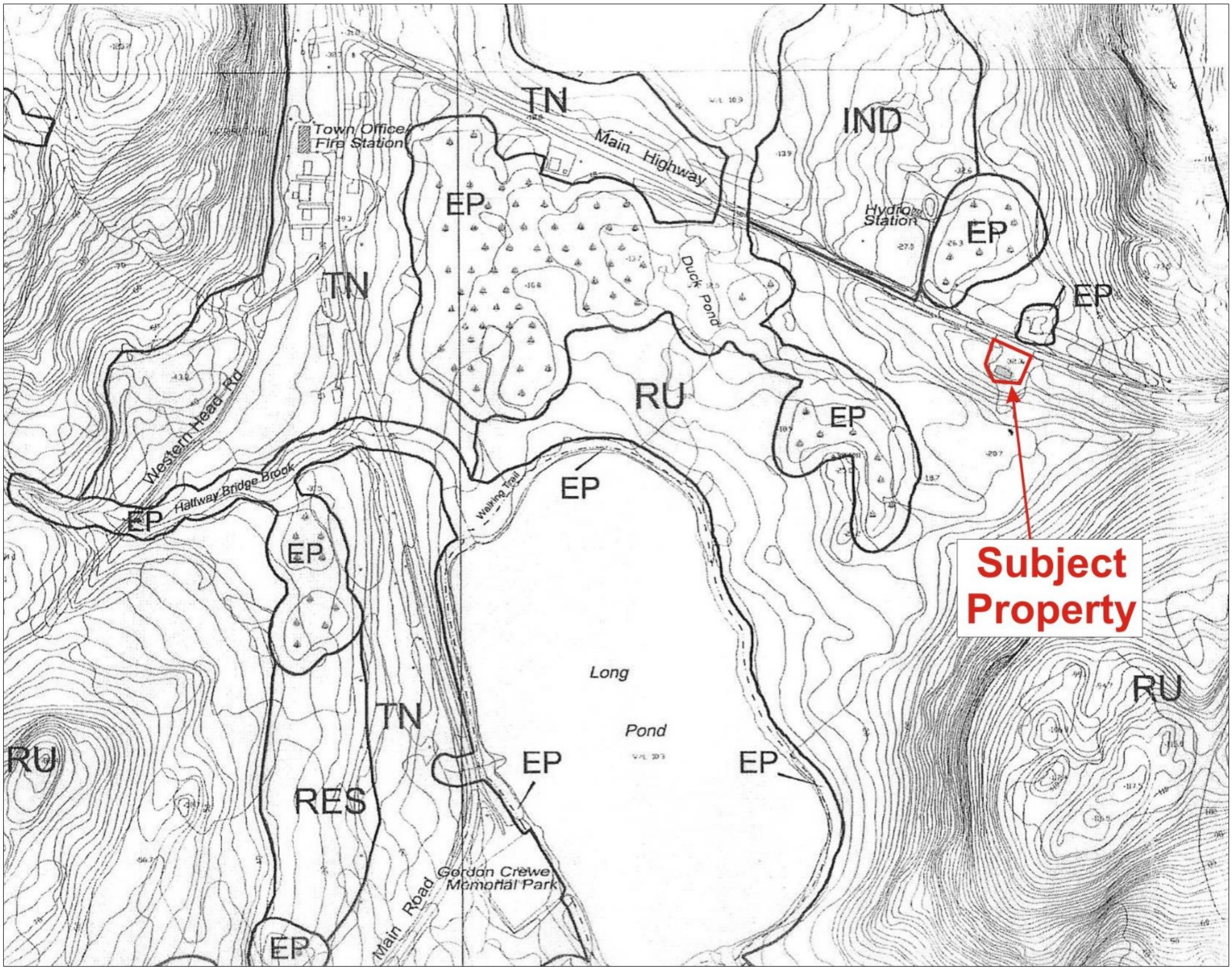
TOWN (TN) ZONE

ZONE TITLE	TOWN (TN)
PERMITTED USE CLASSES - (see Regulation 93 and Condition 1) Conservation, Bed and Breakfast, Mini-Home, Mobile Home, Recreational Open Space, Single Dwelling	
DISCRETIONARY USE CLASSES - (see Regulations 23 and 94 and Condition 1) Agriculture, Antenna, Catering, Child Care, Club and Lodge, Commercial – Residential, Communications, Convenience Store, Cultural and Civic, Double Dwelling, Educational, Funeral Home, General Assembly, General Industry, General Service, Light Industry, Medical and Professional, Medical Treatment and Special Care, Office, Outdoor Market, Passenger Assembly, Personal Service, Place Of Worship, Seniors' Housing and Personal Care Facilities, Service Station, Shop, Take-out Food Service, Theatre, Transportation, Veterinary	

37 Main Highway (Feed Facility):

The 37 Main Highway property is zoned Rural (RU), as indicated on Land Use Zoning Map Extract 2 reproduced on the next page. The RU land use zone allows a limited range of Permitted and Discretionary Use Classes, as indicated in the Use Zone Table on page 30. The subject property appears to be a Discretionary Use ("General Industry" or "Light Industry") under the RU zone.

Development Regulations Land Use Zoning Map Extract 2:
37 Main Highway (Feed Facility)



Rural (RU) Use Zone Table – Permitted & Discretionary Uses:

Town of Hermitage – Sandyville
Development Regulations 2011

SCHEDULE C – RURAL

USE ZONE TABLE

RURAL (RU) ZONE

ZONE TITLE	RURAL (RU)
PERMITTED USE CLASSES (see Regulation 93) Agriculture, Antenna, Conservation, Forestry, Mineral Exploration, Recreational Open Space, Transportation	
DISCRETIONARY USE CLASSES (see Regulations 23 and 94) Animal, Campground, Catering, Cemetery, General Industry, Light Industry, Mineral Working, Mining, Outdoor Assembly, Scrap Yard, Seasonal Residential, Single Dwelling, Solid Waste Disposal, Transportation, Utilities	

CONDITIONS FOR RURAL ZONE

1. Development Standards

Development standards in this zone will be determined by the Town, and, where applicable, subject to approvals from the Provincial Government.

Regulation 53 uses – Public Services and Public Utilities – are permitted in this zone.

6.0 HIGHEST & BEST USE

6.1 Definition

Highest and best use may be defined as:

"The reasonably probable and legal use of vacant land or improved property which is physically possible, appropriately supported, financially feasible and which results in the highest value."

A property's market value is largely influenced by its highest and best use at the effective valuation date.

6.2 Discussion & Conclusion

1-3 Plant Road – Processing Plant & Water Treatment Facility:

As a recently purpose-built and fully licensed finfish (salmon and trout) aquaculture fish processing plant and ancillary water treatment facility, the subject property's highest and best use is in its proposed aquaculture processing use.

NOTE: Adaptive re-use issues and associated costs for alternate fish processing operations are not known, but will be incurred in the event that salmon and trout aquaculture operations cease. These considerations are not addressed in this appraisal, which assumes viable long term operations for the proposed salmon and trout aquaculture processing use.

37 Main Highway – Feed Facility:

The 6,200 square feet feed facility, a double frame trussed hoop straight wall Arch Span structure erected on a purpose-built concrete slab in 2012, is broadly suited to general purpose storage, for which there is anticipated to be a small market in Hermitage. The longevity of the structure is limited compared to a conventional building, with the polyethylene enclosure having a life expectancy of 10-12 years, according to the supplier. The steel tubing frame has a life expectancy of around 40 or more years, the supplier advises.

9.0 VALUATION

9.1 Current Market Value Estimate – Introduction

The subject property is appraised assuming the long term commercial viability of the finfish aquaculture processing use. As stated in the highest and best discussion, adaptive re-use issues and associated costs for alternate fish processing operations are not known, but will be incurred in the event that salmon and trout aquaculture operations cease. These considerations are not addressed in this appraisal, which assumes viable long term operations for the proposed salmon and trout aquaculture processing use, despite the somewhat cyclical and volatile nature of the aquaculture sector.

The property is valued by the Cost Approach, which values property by adding the depreciated reproduction or replacement cost of the building and site improvements to the estimated vacant land value. This method involves valuing the vacant site, then estimating the reproduction or replacement cost new of the building and site improvements (paving, landscaping, etc.), from which accrued depreciation from all sources (physical, functional and external [locational and economic factors]) is deducted.

The Cost Approach can be most accurate in the analysis of new or relatively new properties, particularly those which are built for owner-occupation and are not typically built for speculative sale or investment purposes. The subject property falls into this category, and is considered a special use property for which comparable market sale and rental data is not available.

In the case of fish processing plants, the underlying merits and value of the real estate are typically not the primary drivers when a buy or sell decision is being contemplated. Certainly, all other things being equal, a superior modern facility should command a value premium in excess of an older functionally challenged facility. But strategic buying and investment decisions tend to be made more on the basis of (among other factors):

- a plant's proximity to available raw material quotas, which can vary significantly over a few years,
- the number of competing plants in the local area holding similar processing licenses, and
- perceived competitive advantage on the part of the company contemplating purchasing the plant and associated licenses. Politics and optics aside, it may make business sense to purchase and close a licensed plant to ensure the viability of a similarly licensed facility already held within a company's portfolio.

Past consultations with the Barry Group, one of the larger corporate players in the Newfoundland fishery, confirmed that the underlying value of a processing plant's real estate is not of great concern to the company when contemplating the purchase or divestiture of a plant. Processing plant acquisitions by the company cannot be analyzed in a manner that can properly extract a meaningful real estate value for the plant.

Taking these considerations into account, the Cost Approach is the only practical method of estimating the subject property's current market value. Although considered a market value appraisal method of the last resort in the absence of good comparable sale and investment (rental and expense) data, the Cost Approach is considered reasonably reliable for the subject property as it is a special use property located in Hermitage on Newfoundland's south coast where little or no comparable market data is available.

9.2 Cost Approach Valuation

The Cost Approach values property by adding the depreciated reproduction or replacement cost of the building and site improvements to the estimated vacant land value. This method involves valuing the vacant site, then estimating the reproduction or replacement cost new of the building and site improvements (paving, landscaping, etc.), from which accrued depreciation from all sources (physical, functional and external [locational and economic factors]) is deducted.

Land Valuation:

The subject land is valued by comparison to known land sales with similar overall characteristics. In the absence of a broad and deep pool of comparable waterfront and waterlot land sales in Hermitage and elsewhere on Newfoundland's Coast of Bays area, known non-waterfront commercial land sales and Crown grants in the Coast of Bays have been considered.

No recent comparable land sales in the local market area were identified. This is not a major concern, as local market conditions have been flat and stable in recent years, suggesting neither an increase nor decrease in land values. Five older broadly comparable land sales are summarized in the Comparable Land Sales Schedule on the next page. The sales took place between November 2008 and September 2011, and range in unit price from a low of $0.11 per square foot (psf) of land area (Sale 4) to a high of $1.94 psf (Sale 3).

Sale 1 ($1.81 psf of land area, pictured below) is the subject property's Site 3 located at 37 Main Highway (Route 363). It was acquired by Gray Aqua Group Ltd in September 2011 for the development of the feed building to supplement the subject property's finfish processing operations. Sale 1 is a non-waterfront parcel around 1.5 kilometres from the processing facility on the approach into Hermitage-Sandyville, and was partly level and at grade with Route 363. It required some backfilling to maximize site utility, and the land slopes down steeply from the rear boundary. Something of a premium unit price was paid for this site compared to other known commercial land sales in the Coast of Bays area.

Sale 1: 37 Main Highway (Route 363). This is the subject property's Site 3. December 2011 image.

COMPARABLE LAND SALES SCHEDULE

Sale #	Location	Vendor – Purchaser	Sale Date	Sale Price	Land Area (sq. ft.)	Price per sq. ft. of Land Area
1	Route 363, Hermitage-Sandyville	William & Deborah Roberts – Gray Aqua Group Ltd	September 22, 2011	$25,000	13,778	$1.81
2	Hermitage Harbour, Hermitage-Sandyville	Alpha Investments Ltd – Cold Ocean Salmon Inc.	September 13, 2011	$110,000	±610,000	±$0.18
3	40-42 Canada Drive (Route 360), Harbour Breton	Eric Skinner & Kimberley Bullen – Hilltop Holdings Inc.	September 2011	$30,000	15,467	$1.94
4	Corner of Main Street (Route 361) & Church Road, St. Alban's	Crown in Right of NL – St. Alban's Inn Ltd	February 5, 2009	$6,800	59,329	$0.11
5	Route 360, Harbour Breton	Crown in Right of NL – Trans-Island Funeral Services Ltd	November 13, 2008	$5,200	10,323	$0.50

Sale 2 (±$0.18 psf of land area) contains a total of around 14 acres in two parcels close to each other in Hermitage Harbour. The smaller parcel (around 0.25 acre) adjoined the L-shaped federal government wharf. The larger ±13.75 acre parcel comprised some harbourside land and mostly upland. The land area is approximate, based on consultation with a local operations manager of the purchaser (the Newfoundland subsidiary of Cooke Aquaculture). Registered sale documentation is inconclusive on the land area. Sale 2 is understood to have been speculatively acquired with the intention of aquaculture-related development, but there are local concerns about alternate land use development options, such as residential. There are no immediate development plans for Sale 2. The large site area and speculative nature of the purchase put downward pressure on Sale 2's unit price.

Sale 3 ($1.94 psf of land area) is a near-rectangular non-waterfront commercial land parcel on the main road in Harbour Breton. It was cleared, graded and serviced at the time of sale. Sale 3 was purchased for the development of a small commercial warehouse.

Sales 4 and 5 are older Crown grants, issued pursuant to fully paid-up land leases. Commercial Crown land leasing policy typically allows for granting of fee simple title when the land has been fully paid out over five years in 20% annual installments of the estimated fee land value.

Sale 4 ($0.11 psf of land area) involved the St. Alban's Inn site and transacted for $0.11 psf of land area. Although located on a non-waterfront corner lot in central St. Alban's, Sale 4's development potential was limited by the presence of sewer and power easements crossing the site. Sale 4's unit price is at the low end of the unit price range.

Sale 5 ($0.50 psf of land area) is a near-rectangular non-waterfront commercial land parcel on Route 360 in Harbour Breton that was granted in November 2008.

The five sales' unit prices range widely. Aside from providing broad value parameters, the sales offer limited guidance on value for the subject land. Outside the Coast of Bays region, known waterfront and non-waterfront commercial land sales in smaller rural Newfoundland communities occasionally transact in a typical unit price range of $0.10 - $0.50 psf of land area, including Crown grants. This is at the low end of the unit price range indicated by the five comparable sales.

Site 1 Valuation: Site 1 is freehold land with an area of 22,085 square feet (0.507 acre or 0.205 hectare). It is improved with a dock or apron made up of a concrete deck on what is understood to be a cribbing system, according to Gray Aqua. An enquiry to Gray Aqua in December 2011/January 2012 as to the dock's structural soundness indicated that this was not known at the time. Rather than cost the dock new and extensively depreciate it, the Site 1 land valuation includes a nominal residual value contribution for the dock, given its (1) uncertain structural condition, and (2) limited value contribution in the marketplace even if structurally sound.

Based on the five land sales considered and broader known commercial land sales in rural Newfoundland communities outside the Coast of Bays region, Site 1's land-only value excluding the dock's contribution is estimated at $1.00 psf of land area. Its small area and usable waterfront location as an established processing plant site supports this choice of unit value. To this is added a residual value contribution for the dock of $1.50 psf of land area (not dock area). It is unclear as to how much (if any) value the dock adds in its unknown structural condition, but it is reasonable to attribute some value to the dock structure. The dock's in-place value contribution is considered to be only a small fraction of its replacement cost new. Site 1's freehold value estimate is **$55,000** (rounded), or $2.50 psf of land value overall:

Site 1 area	22,085 sq. ft.	
Land-only unit value	$1.00/sq. ft.	
Land-only value		$22,085
Dock's unit value contribution	$1.50/sq. ft.	
		$33,128
Site 1 total value estimate @ $2.50 psf of land area		$55,213
Rounded to:		**$55,000**

Site 2 Valuation: Site 2 is leasehold land with an area of 6,000 square feet (0.138 acre or 0.0557 hectare). Only a small portion of Site 2 remains waterlot, with most of the former waterlot component now rock-filled to accommodate the water treatment facility.

A leasehold interest valuation has been calculated based on the following parameters:

- A freehold unit value of $1.00 psf of land area, or $6,000.
- A reasonably secure value-to-rent ratio or discount rate of 6% per year, to derive a notional annual market rent of $360.
- An annual "profit rent" or leasehold advantage of $260, calculated by deducting the Crown lease's annual contract rent of $100 from the notional annual market rent of $360.
- The annual profit rent of $260 is then re-capitalized at 6% per year for the remaining ground lease term of 44 years, 10 months (the 50 year ground lease commenced on July 28, 2011), to give a leasehold interest value estimate of **$4,000**. This is calculated as follows:

Annual profit rent	$260
Present value @ 6% pa over 44 yrs, 10 mths	x 15.443992
Leasehold interest value estimate	$4,015
Rounded:	**$4,000**

- At $4,000, Site 2's leasehold interest is valued at two-thirds of the unencumbered freehold value of $6,000. The remaining $2,000 of freehold land value (the leased fee interest) is attributable to the Crown in right of the Government of Newfoundland and Labrador as ground lessor.

Site 3 Valuation: Site 3 is freehold land with an area of 13,778 square feet (0.316 acre or 0.128 hectare). Site 3 sold in September 2011 for $25,000 or $1.81 psf of land area, and is referenced as Sale 1 in the comparable land sales analysis. There may have been a degree of purchaser motivation at play, as this unit price was high compared to most other known land sales in the local area. For appraisal purposes, Site 3 is attributed a unit value of $1.50 psf of land area, for a total current market value estimate of **$21,000** (rounded):

Site 3 land area	13,778 sq. feet
Current unit value	$1.50 per sq. ft.
Total market value	$20,667
Rounded to:	**$21,000**

Total Land Valuation: The total land value estimate attributable to Gray Aqua's combined freehold (Site 1) and leasehold (Site 2) interests is **$80,000**:

Site 1 freehold land value estimate (including dock's residual value contribution)	$55,000
Site 2 leasehold land value estimate	$4,000
Site freehold land value estimate	$21,000
Total land value estimate	**$80,000**

Replacement Cost New (RCN) of Buildings:
The RCN of the processing plant and freestanding water treatment facility are estimated using the CoreLogic–Swift Estimator on-line valuation service. The feed facility's RCN is estimated based on current supplier-provided cost information.

Fish Processing Plant:
The key valuation parameters and assumptions are as follows:

- *Occupancy model:* The CoreLogic–Swift Estimator costing service does not have a designated fish processing plant occupancy category. All processing and industrial occupancy categories were reviewed. The "cold storage facility" model was selected as most representative for the subject building. Specification modifications to this occupancy model were made based on inspection observations and available building plans, some of which are at Appendix B.
- *Building area:* The building's total floor area is 20,278 square feet on a main floor or footprint of 12,278 square feet and a second floor – which is basically an open storage mezzanine with some finished office/lab/storage rooms and an electrical room – of around 8,000 square feet (not measured, estimated from building plans at Appendix B).
- *Storey height:* A weighted average storey height for the plant is calculated to be 15 feet, as storey heights throughout the building are variable. For instance, the main floor has some sections open to the plant's full height.
- *Framing:* 100% wood framing is the basis of the costing. There may be some structural steel elements.
- *Construction quality:* The processing plant is costed at the "3.0 Good" and "3.5 Very Good" specifications. This allows for its remote location, which will drive up the cost. An RCN estimate is selected within the cost range derived from these two specifications.

The fish plant's RCN (including built-ins, such as freezer and cooler equipment) based on these two specifications is between $2,529,680 ($124.75 per square foot of total building area) and $3,039,672 ($149.90 per square foot of total building area). This excludes any additional machinery and equipment required for processing operations. The costing reports are reproduced at Appendix C. A reasonable RCN estimate for appraisal purposes is taken to be $2,800,000, or $138.08 per square foot of total building area.

Water Treatment Facility:
The key valuation parameters and assumptions are as follows:

- *Occupancy model:* The CoreLogic – Swift Estimator costing service does not have a designated water treatment facility occupancy category. The "Shell, Industrial" model was selected as most representative for the subject building, given its lack of interior finish. Specification modifications to this occupancy model were made based on inspection observations and available building plans, some of which are at Appendix B.
- *Building area:* The building's main floor area is 1,523 square feet, based on exterior measurements.
- *Storey height:* The storey height for the water treatment building is taken to be 10 feet.

- *Framing:* 100% wood framing is the basis of the costing.
- *Construction quality:* The water treatment facility is costed at the "3.5 Very Good" and "4.0 Excellent" specifications. This excludes any machinery and equipment, but includes an allowance for upgraded plumbing required for water treatment operations. In addition, this allows for its remote location, which will drive up the cost. An RCN estimate is selected within the cost range derived from these two specifications.

The water treatment building's RCN based on these two specifications is between $136,323 ($89.51 per square foot of total building area) and $159,047 ($104.43 per square foot of total building area). This excludes the additional water treatment machinery and equipment. The costing reports are reproduced at Appendix C. A reasonable RCN estimate for appraisal purposes is taken to be $150,000, or $98.49 per square foot of total building area.

Feed Facility:

Tarp-Rite Inc. of Woodstock, NB supplied the Arch Span building in 2012. Mr. Bill McHatten with Tarp-Rite was consulted for this appraisal to gauge current supply and install costs. Supply of the building materials for a similar 62' x 100' structure would now be around $48,000. A labour crew from New Brunswick for the install would cost around $30,000. A local labour crew could probably install the building for around $20-25,000, so a $25,000 labour allowance is made. Allowances are made for nominal electrical and plumbing (say $10,000), the concrete pad (say $15,000), well and septic ($15,000) and associated site work ($10,000).

The feed facility's total RCN is estimated at $123,000 or $19.84 per square foot of building area, summarized as follows:

Materials supply	$48,000
Labour to install	$25,000
Electrical & plumbing allowance	$10,000
Concrete pad	$15,000
Well & septic systems	$15,000
Associated site work/preparation	$10,000
Total RCN estimate:	$123,000

Accrued Depreciation:

Accrued depreciation is the total loss in value attributable to physical deterioration, functional obsolescence and external (locational and/or economic) obsolescence.

Physical deterioration reflects loss in value due to physical deficiencies. In the subject property's case, physical depreciation is limited given that the buildings were constructed in 2012.

Processing Plant: The processing plant was newly built in 2012, except for the former plant's in-place concrete slab and foundation. The plant's actual age is four years, and has a life expectancy of 60 years, which may be extended with the implementation of a prudent repair and maintenance program. On a straight age-life basis, the plant's physical depreciation is estimated at 6.7% (4 year age ÷ 60 year life expectancy). A total physical depreciation allowance of 10% is made to account for the use of the previous plant's in-place concrete floor slab.

Water Treatment Building: This structure will be built entirely with new materials, so a physical deterioration allowance is not made. Given the building's four year age and a similar 60 year life expectancy as the processing plant, a 6.7% physical depreciation allowance is made.

Feed Facility: The feed facility is also four years old, but has a shorter life expectancy. The supplier advised that the steel tube framing has around a 40 year life expectancy, and the polyethylene covering has a 10-12 year life expectancy before it deteriorates to the extent that replacement is required. Overall, the feed facility is taken to have a 30 year life expectancy. Physical depreciation is estimated at 13.3% (4 year age ÷ 30 year life expectancy).

Functional obsolescence reflects loss in value due to a lack of utility or functionality.

The feed facility is fully functional. The processing plant and water treatment facility offer a high level of functionality, but are limited by their small and narrow combined site area and configuration. Furthermore, the Heritage Processing Inc./Cooke Aquaculture operations manager was asked about the overall functionality of the buildings and said that some aspects would be designed differently based on operational experience, but was not specific as to what. All things considered, a reasonable functional obsolescence allowance of 10% of the depreciated RCN balance is applied to the processing plant and water treatment facility, after deducting for physical depreciation.

External (locational or economic) obsolescence reflects "...a temporary or permanent impairment of the utility or saleability of the improvement or property due to negative influences outside the property. External obsolescence may result from adverse market conditions."[2]

External obsolescence is based on the economics of the town and region as well as micro-location issues (e.g. proximity to environmental pollution, etc.). There are some logistical issues associated with the subject property's somewhat remote location in Hermitage, even though it is in the heart of the south coast aquaculture belt. The property is two hours from the Trans Canada Highway, and the south coast aquaculture industry in Newfoundland is still in the early stages of development compared to aquaculture operations in the Maritimes and elsewhere.

[2] Source: "The Appraisal of Real Estate", 2nd Canadian edition, page 14.13 (2002).

An external obsolescence allowance of 30% applicable to the three buildings reasonably acknowledges the downside associated with the subject property's location in Hermitage and more broadly in the Coast of Bays. There is also structural risk associated with the long term viability and sustainability of the operation at the subject property, giving due consideration to the cyclical volatility of the aquaculture sector. Adaptive re-use of the plant for other fish processing purposes may be costly, and it is prudent to price in or "mark to market" an element of perceived long term risk associated with these concerns.

It is impossible to support the 30% external obsolescence allowance with market evidence. There are three primary theoretical methods[3] of gauging external obsolescence, but none can be supported with market evidence in the subject property's case.

The 30% external obsolescence allowance is made to the three building's depreciated RCN balances after deducting for physical deterioration and functional obsolescence.

Depreciated RCN:

After applying depreciation from all sources, the depreciated RCN or net value contribution for each building is as follows:

Processing Plant: Depreciated RCN of $1,588,000 (rounded).

Water Treatment Building: Depreciated RCN of $88,000 (rounded).

Feed Facility: Depreciated RCN of $75,000 (rounded).

Site Improvements:

Site 1 has limited asphalt paving. The remainder of the land base is basically unimproved, except for the buildings. A nominal depreciated RCN or value contribution of $15,000 is made for Site 1's asphalt paving.

Final Value by the Cost Approach:

Adding the total land value of $80,000 to the depreciated RCN of the three buildings and site improvements gives a total current market value estimate by the Cost Approach of **$1,845,000** (rounded to the nearest $5,000), as indicated on the next page.

---

[3] The three methods are (1) allocation of market-extracted depreciation, (2) analysis of market data, and (3) capitalization of income loss. Source: "The Appraisal of Real Estate", 2nd Canadian edition, pages 16.26 - 16.28 (2002).

Cost Approach Valuation:

Site 1 freehold land value estimate		
(including dock's residual value contribution)	$55,000	
Site 2 leasehold land value estimate	$4,000	
Site freehold land value estimate	$21,000	
Total land value estimate		$80,000
Depreciated RCN of Buildings:		
Processing Plant:		
RCN of processing plant	$2,800,000	
LESS: Physical depreciation @ 10%	- $280,000	
Depreciated RCN balance:	$2,520,000	
LESS: Functional depreciation @ 10%	- $252,000	
Depreciated RCN balance:	$2,268,000	
LESS: External depreciation @ 30%	- $680,400	
Depreciated RCN of processing plant		$1,588,000 (rounded)
Water Treatment Facility:		
RCN of water treatment facility	$150,000	
LESS: Physical depreciation @ 6.7%	- $10,050	
Depreciated RCN balance:	$139,950	
LESS: Functional depreciation @ 10%	- $13,995	
Depreciated RCN balance:	$125,955	
LESS: External depreciation @ 30%	- $37,787	
Depreciated RCN of water treatment facility		$88,000 (rounded)
Feed Facility:		
RCN of feed facility	$123,000	
LESS: Physical depreciation @ 13.3%	- $16,359	
Depreciated RCN balance:	$106,641	
LESS: External depreciation @ 30%	- $31,992	
Depreciated RCN of feed facility		$75,000 (rounded)
Depreciated RCN of site improvements		$15,000
Total value by Cost Approach		$1,846,000
Rounded to the nearest $5,000:		**$1,845,000**

Current market value estimate: $1,845,000
One million, eight hundred & forty five thousand dollars

NOTE: Prospective purchasers of the subject property are very limited. The existing tenant, Hermitage Processing Inc. (a subsidiary of Cooke Aquaculture), is perhaps the most probable purchaser.

9.3 In-Place Processing Facility & Equipment Lease Commentary

The main terms and conditions of the in-place processing facility and equipment lease are as follows:

Lessor	-	Gray Aqua Processing Ltd.
Lessee	-	Hermitage Processing Inc. (a subsidiary of Cooke Aquaculture).
Term	-	5 years form April 15, 2014 to April 14, 2019. Remaining term at effective valuation date is 2 years, 7 months.
Rent	-	$36,850 per month, or $442,200 per year, no step-ups. Effectively a semi-gross lease.
Additional rent	-	If municipal taxes exceed $55,000 per year (i.e. the fixed amount agreed between Gray Aqua and the municipality), the tenant pays the overage differential.
Renewal	-	Additional five year term on the same terms and conditions, including rent (no step-ups).
Landlord's responsibilities	-	Insurance, all municipal taxes to the $55,000 annual cap, wharf and building shell maintenance.
Tenant's responsibilities	-	Power/fuel, telephone/internet, snow removal, disposal of fish waste.
Landlord's equipment	-	Specified at Schedule 1.1.
Other	-	Tenant has right of first refusal to purchase the property during the lease term (Schedule C).

The in-place processing facility and equipment lease is disregarded for appraisal purposes on the following grounds (inter alia):

- The lease does not allocate a rent split between the processing facility (the real estate) and the Gray Aqua-owned equipment (Schedule 1.1).
- Although at this appraisal's effective valuation date the lease has two years and seven months to run at a premium rental rate with a five year renewal option on the same terms and conditions (rent included), there is no broadly established rental or investment market for fish processing facilities in Newfoundland and Labrador. This suggests the probability of leasing the facility to alternate tenants upon lease termination is slim, so accurately determining an appropriate reversion to market rent on lease termination is not possible.
- The lease's premium contract rent will probably not be sustainable in the open market upon termination of the lease. Over the long term life of the investment, annual rent is expected to be lower interspersed with potentially lengthy periods of vacancy. This is not an attractive long term risk proposition to prospective investors.

9.4 Forced Liquidation Value Estimate

The appraisal mandate includes a requirement to provide a forced liquidation value estimate. CUSPAP (2016 edition, page 8) defines "forced sale value" as:

> A term synonymous with "liquidation value", "distress sale" or "power of sale" implying a reduced selling period and compulsion to sell. Forced sale value is not a concept separate from market value but is a form of marketing conditions less favourable to the seller than those set out in the definition of market value.

For appraisal purposes, this definition is taken to represent forced liquidation value.

There is no direct market evidence to support an accurate forced liquidation value estimate. Typically, the market expectation is for a forced liquidation sale to generate 50-80% of a real estate asset's current market value estimate, due in large part to a briefer marketing timeframe and associated vendor motivation.

For appraisal purposes, taking into account these value parameters, the subject property's forced liquidation value is estimated at 65% of the current market value estimate, or **$1,200,000** (rounded to the nearest $5,000):

Forced liquidation value estimate: $1,200,000
One million, two hundred thousand dollars

These estimates of the subject property's current market value and forced liquidation value are subject to the Assumptions & Limiting Conditions and Certificate of the Appraiser contained in this report. For appraisal purposes, the property is assumed to be environmentally clean.

8.0 CONCLUSION OF VALUE

The subject property comprises three buildings at two separate locations in the municipality of Hermitage-Sandyville, NL. The buildings comprise a 20,278 square feet aquaculture finfish (salmon and trout) processing plant, and an adjoining freestanding 1,523 square feet water treatment building at 1-3 Plant Road. The third building is a 6,200 square feet Arch Span building at 37 Main Highway (Route 363). The three buildings were constructed in 2012.

Neil Tedstone AACI, operating as Neil Tedstone Realty Advisors, was recently instructed by Mr. Steven J. McLoughlin, Vice President of Transaction Advisory Services with Ernst & Young Inc. in Dieppe, NB (the client and court-appointed receiver of the Gray Aqua group of companies) to proceed with a current market value and "forced liquidation" appraisal of the subject property. The appraisal is required for receivership asset management and possible sale purposes.

The property's highest and best use is in its continued aquaculture processing use, subject to the cyclical volatility of Newfoundland's south coast aquaculture sector. The Arch Span building is also suitable for general purpose non-aquaculture storage.

The Cost Approach valuation method is applicable for new and recently built special use properties, such as the subject property, where limited or no reliable comparable market data is available, or where the underlying merits and value of the real estate are not the primary drivers behind an asset transaction.

The Cost Approach alone is relied on in this appraisal to value the subject property. Although considered a market value appraisal method of the last resort in the absence of good comparable sale and investment (rental and expense) data, the Cost Approach is considered reasonably reliable for the subject property as it is a special use property located in Hermitage-Sandyville on the south coast of Newfoundland where little or no comparable market data is available.

The in-place processing facility and equipment lease was reviewed, but is disregarded for appraisal purposes on the following grounds (inter alia):

- The lease does not allocate a rent split between the processing facility (the real estate) and the Gray Aqua-owned equipment (Schedule 1.1).
- Although at this appraisal's effective valuation date the lease has two years and seven months to run at a premium rental rate with a five year renewal option on the same terms and conditions (rent included), there is no broadly established rental or investment market for fish processing facilities in Newfoundland and Labrador. This suggests the probability of leasing the facility to alternate tenants upon lease termination is slim, so accurately determining an appropriate reversion to market rent on lease termination is not possible.
- The lease's premium contract rent will probably not be sustainable in the open market upon termination of the lease. Over the long term life of the investment, annual rent is expected to be lower interspersed with potentially lengthy periods of vacancy. This is not an attractive long term risk proposition to prospective investors.

Current Market Value Estimate:

The appraisal's effective valuation date is September 15, 2016, the date of inspection. The property's estimate of current market value by the Cost Approach as of the effective valuation date is:

$1,845,000

One million, eight hundred & forty five thousand dollars

NOTE: Prospective purchasers of the subject property are very limited. The existing tenant, Hermitage Processing Inc. (a subsidiary of Cooke Aquaculture), is perhaps the most probable purchaser.

Forced Liquidation Value Estimate:

The appraisal mandate includes a requirement to provide a forced liquidation value estimate. CUSPAP (2016 edition, page 8) defines "forced sale value" as:

> A term synonymous with "liquidation value", "distress sale" or "power of sale" implying a reduced selling period and compulsion to sell. Forced sale value is not a concept separate from market value but is a form of marketing conditions less favourable to the seller than those set out in the definition of market value.

For appraisal purposes, this definition is taken to represent forced liquidation value.

There is no direct market evidence to support an accurate forced liquidation value estimate. Typically, the market expectation is for a forced liquidation sale to generate 50-80% of a real estate asset's current market value estimate, due in large part to a briefer marketing timeframe and associated vendor motivation.

For appraisal purposes, taking into account these value parameters, the subject property's forced liquidation value is estimated at 65% of the current market value estimate, or **$1,200,000** (rounded to the nearest $5,000):

$1,200,000

One million, two hundred thousand dollars

These estimates of the subject property's current market value and forced liquidation value are subject to the Assumptions & Limiting Conditions and Certificate of the Appraiser contained in this report. For appraisal purposes, the property is assumed to be environmentally clean.

9.0 ASSUMPTIONS & LIMITING CONDITIONS

1 While expert in appraisal matters, the author of this report is not qualified to give legal advice. It is assumed that:

a) Title to the property is good and marketable;

b) There are no encroachments, encumbrances, indebtedness, restrictions, leases or covenants that would affect the valuation, except as expressly noted in this report;

c) Any rights-of-way, easements or encroachments over other real property and leases or other covenants as might be noted are legally enforceable;

d) The existing use is a legally conforming use, which may be continued by any person purchasing the property from the existing owners.

2 Possession of this report does not carry with it the right of publication. All copyright is reserved to the author and is considered confidential by the author and his client. It shall not be disclosed, quoted from or referred to (in full or in part) or published in any manner without the expressed written consent of the appraiser.

3 Information concerning, but not limited to, sale and rental information on comparable properties referenced in this report is assumed to be reliable. As well as using documented market transaction evidence, it may have been necessary to rely on hearsay evidence. Reasonable attempts have been made to verify such information.

4 The value estimate is based on current and forecast economic conditions at the effective date of this appraisal. The market value expressed in this appraisal is reliable on the effective date. As market conditions and socio-political factors influencing real estate value can change quickly and without notice at times, the market value estimate cannot be relied on any other date without confirmation from the appraiser.

5 The author of this appraisal is not a qualified architect or surveyor. Any sketches, diagrams, plans and photographs are presented for illustration and interpretation purposes only.

6 The appraiser is not required to give court, tribunal or discovery testimony concerning this appraisal without prior arrangements. Remuneration for testimony preparation and appearance must be negotiated separately.

7 This appraisal has been prepared in accordance with instructions received and described in the report. The appraisal should not be used for any other purpose than that for which it was prepared, namely to estimate the current market value in three buildings at two separate locations in the municipality of Hermitage-Sandyville, NL. The buildings comprise a 20,278 square feet aquaculture finfish (salmon and trout) processing plant, and an adjoining freestanding 1,523 square feet water treatment building at 1-3 Plant Road. The third building is a 6,200 square feet Arch Span building at 37 Main Highway (Route 363). The three buildings were constructed in 2012. The appraisal is required by Ernst & Young Inc. for receivership asset management and possible sale purposes.

8 *Environmental Risk Identification:*

The appraiser is not expert or qualified in environmental contamination auditing. The appraiser is not aware of any environmental hazards relating to this property unless expressly addressed in this report. The appraised value assumes the property to be free of any environmental hazards.

10.0 CERTIFICATE OF THE APPRAISER

I, the appraiser, certify that:

1 I personally inspected the subject property on September 15, 2016.

2 The effective date of this appraisal report is September 15, 2016 (current), the date of inspection.

3 All factors affecting the property's market value were considered.

4 To the best of my knowledge and belief, the statements of fact contained in this report are correct and have been verified where possible.

5 The reported analysis, opinions and conclusions are unbiased and limited only by the reported assumptions and limiting conditions (whether such conditions are imposed by the terms of this assignment or by the appraiser).

6 I have no past, present or prospective interest in the property that is the subject of this report, and have no personal interest or bias with respect to the parties involved.

7 My compensation is not contingent on the reporting of a predetermined market value that favours the cause of the client, the amount of the current market value, the attainment of a stipulated result, or the occurrence of a subsequent event.

8 My analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the current Canadian Uniform Standards of Professional Appraisal Practice and the Code of Professional Ethics of the Appraisal Institute of Canada.

9 No-one provided significant professional assistance to the appraiser signing this report.

10 The Appraisal Institute of Canada reserves the right to review this report.

11 The Appraisal Institute of Canada has a Continuing Professional Development program for designated members. As of the date of signing this report, I have fulfilled the requirements of this program.

12 The final estimate of current market value (as defined elsewhere in this report), as of September 15, 2016, is **$1,845,000**.

13 The "forced liquidation" value estimate (as defined elsewhere in this report) is 65% of the current market value estimate, or **$1,200,000**.

October 11, 2016

Neil K. Tedstone BSc., MRICS, AACI, P.App

APPENDIX A: Photographs of the Subject Property

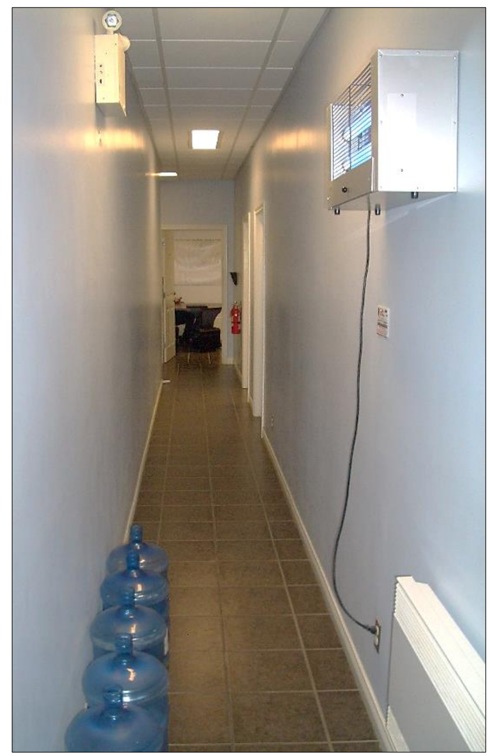
Processing Plant:

Exterior of the processing plant.

Above: Wharf side of plant.

Below: Plant viewed from Pointe Road.

Plant's finished administrative and staff area off the main entrance.



Plant's main floor interior.

Plant's second floor or mezzanine interior.

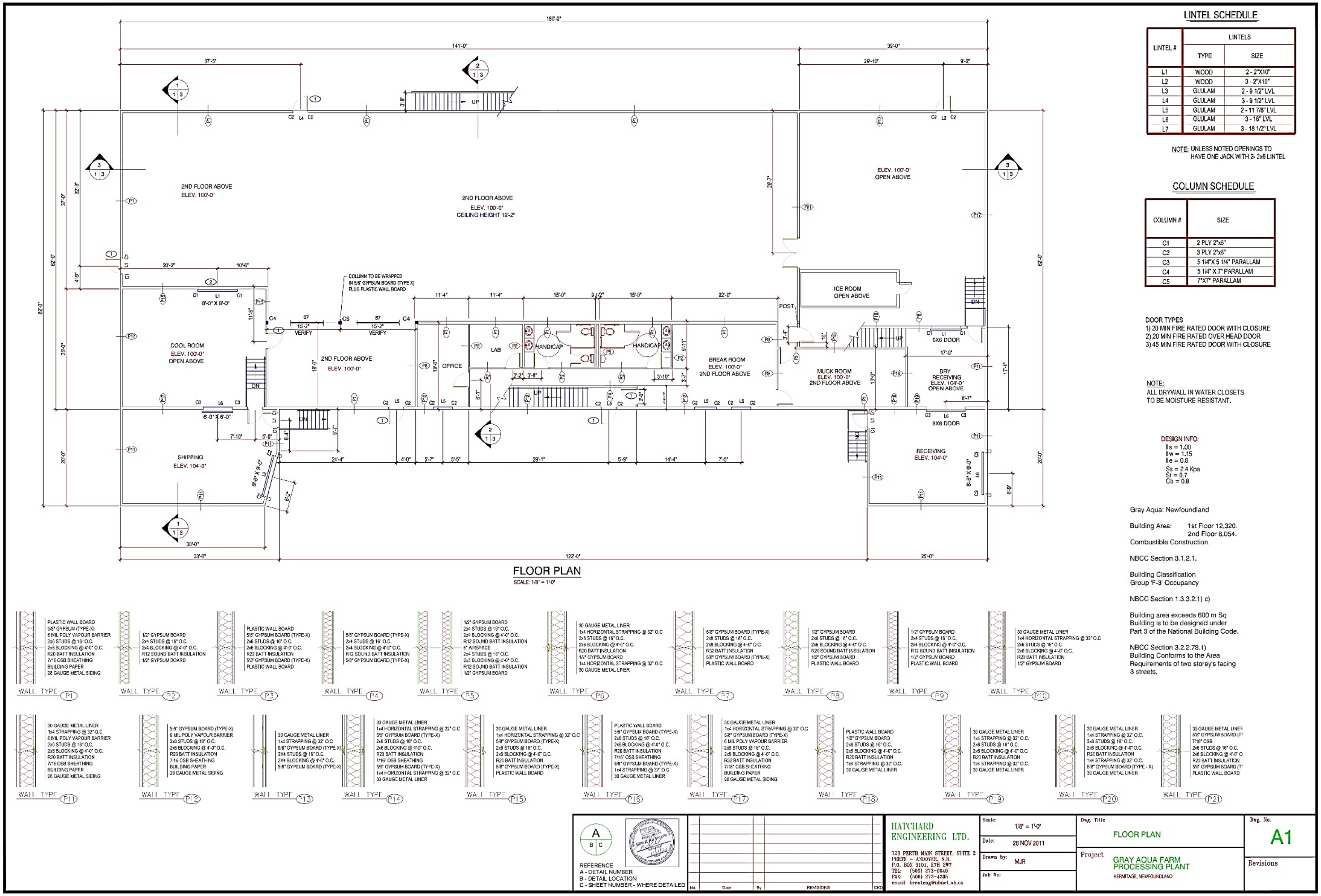
Water Treatment Facility:

Feed Facility:

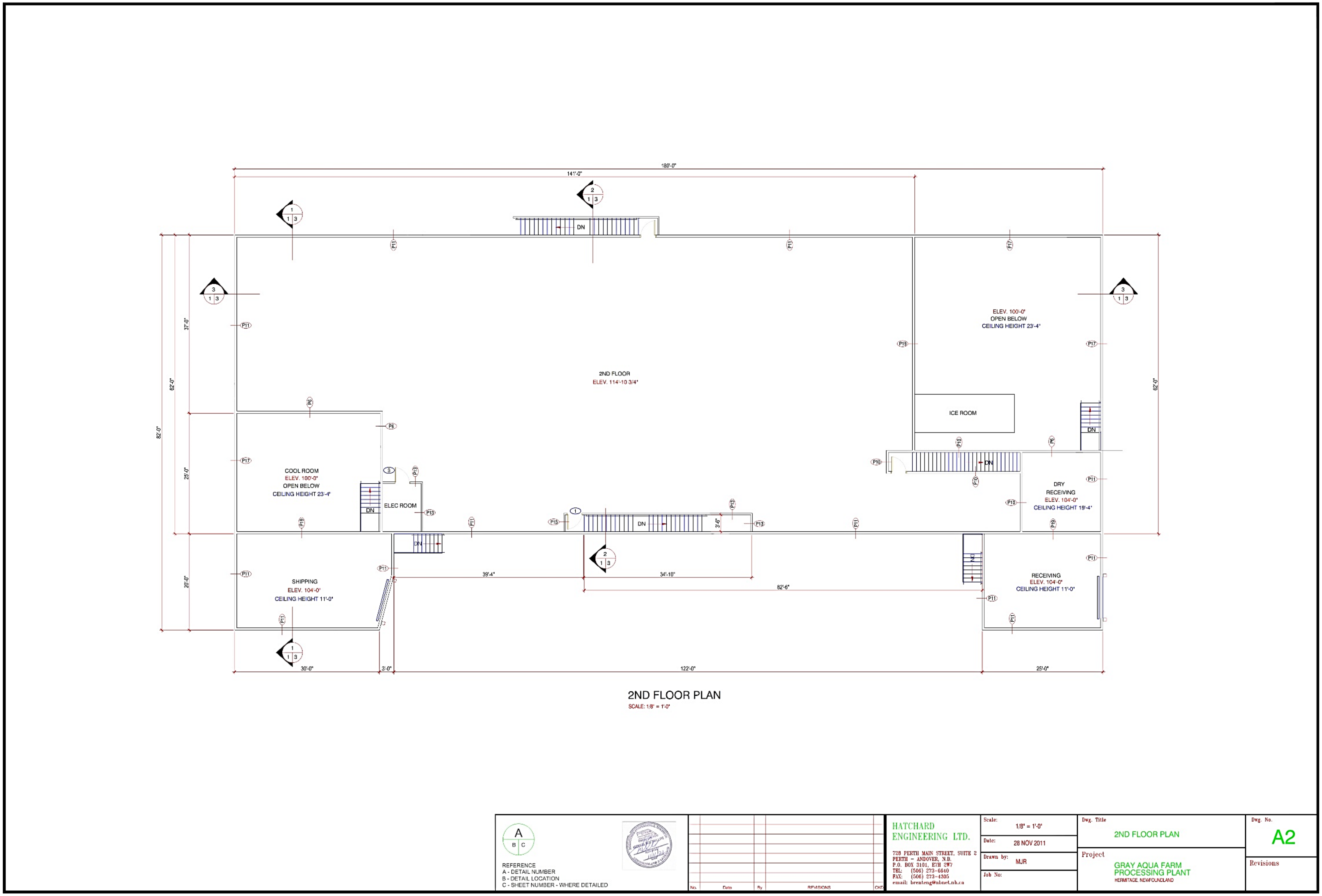
Feed facility interior.

APPENDIX B: Building Plans, Processing Plant & Water Treatment Facility

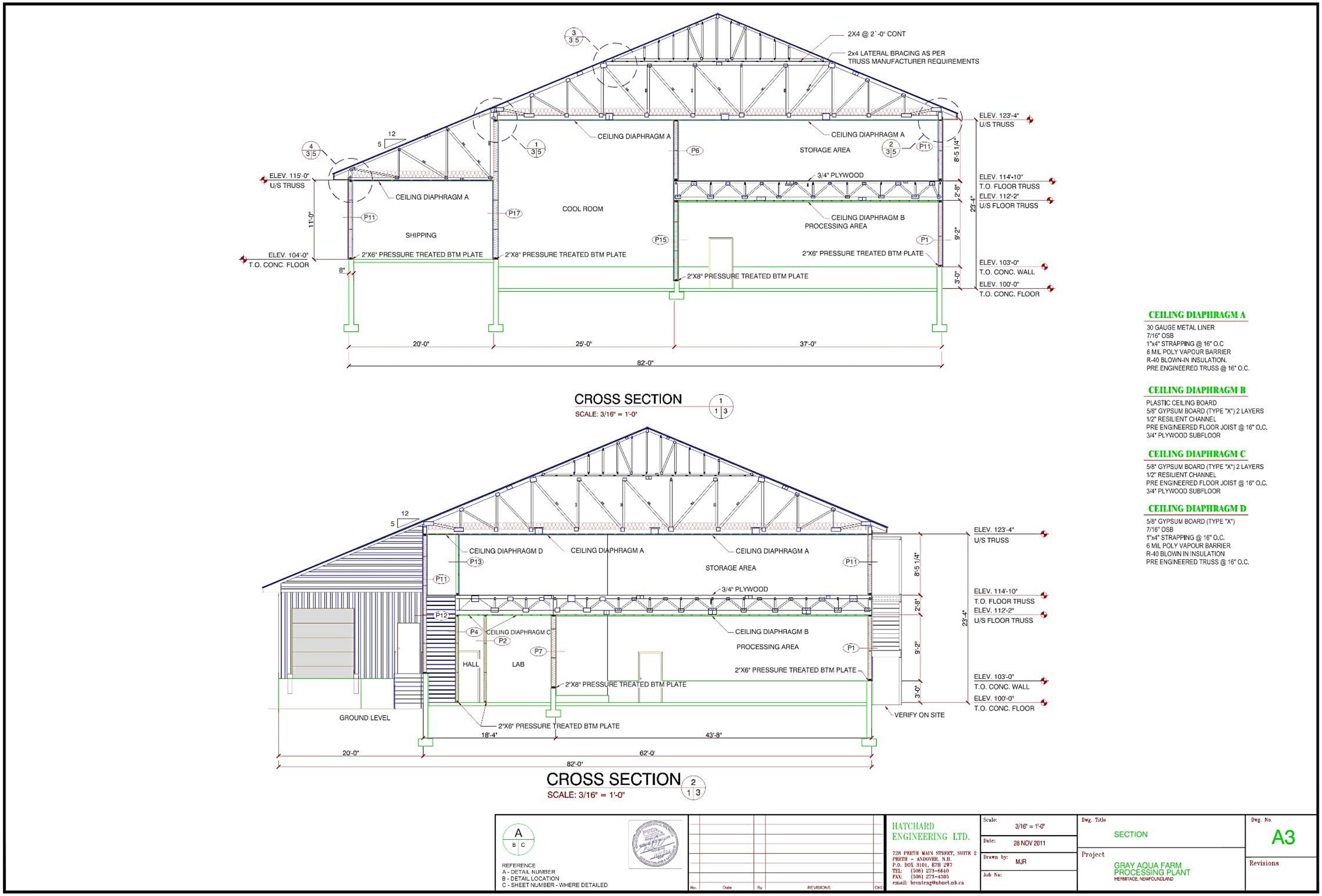
Processing Plant – Main Floor Plan



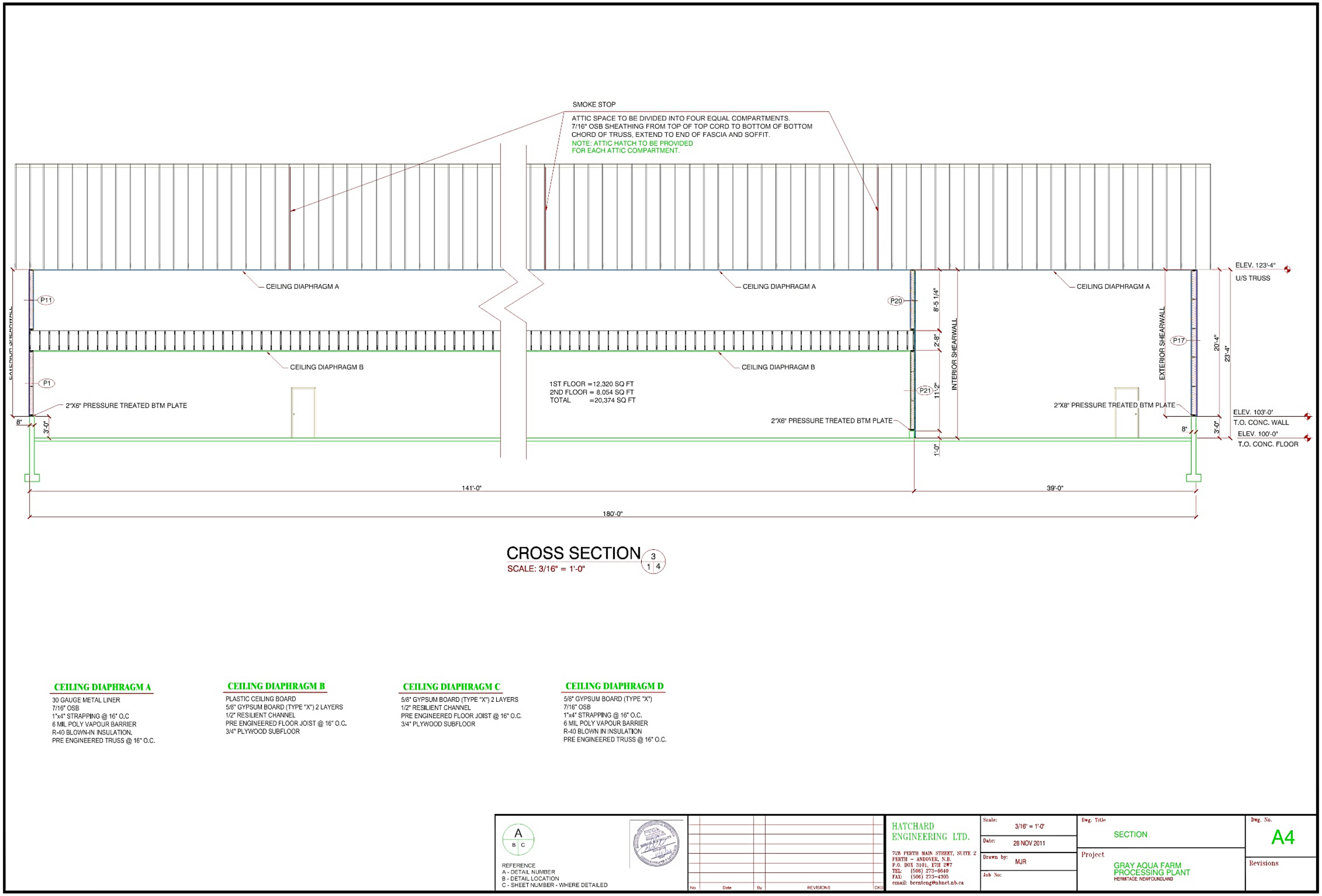
Processing Plant – Second Floor Plan



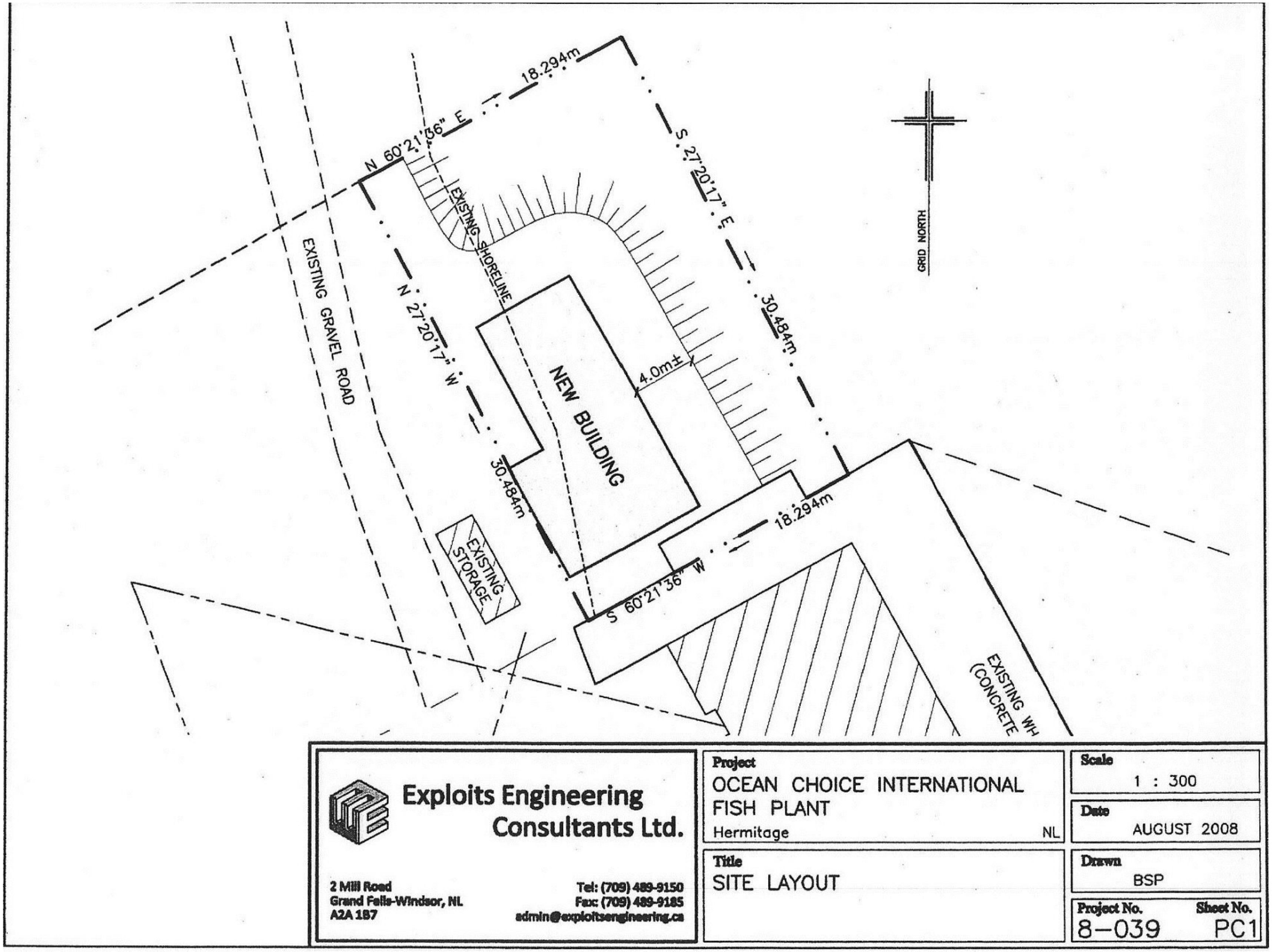
Processing Plant – Cross Section 1



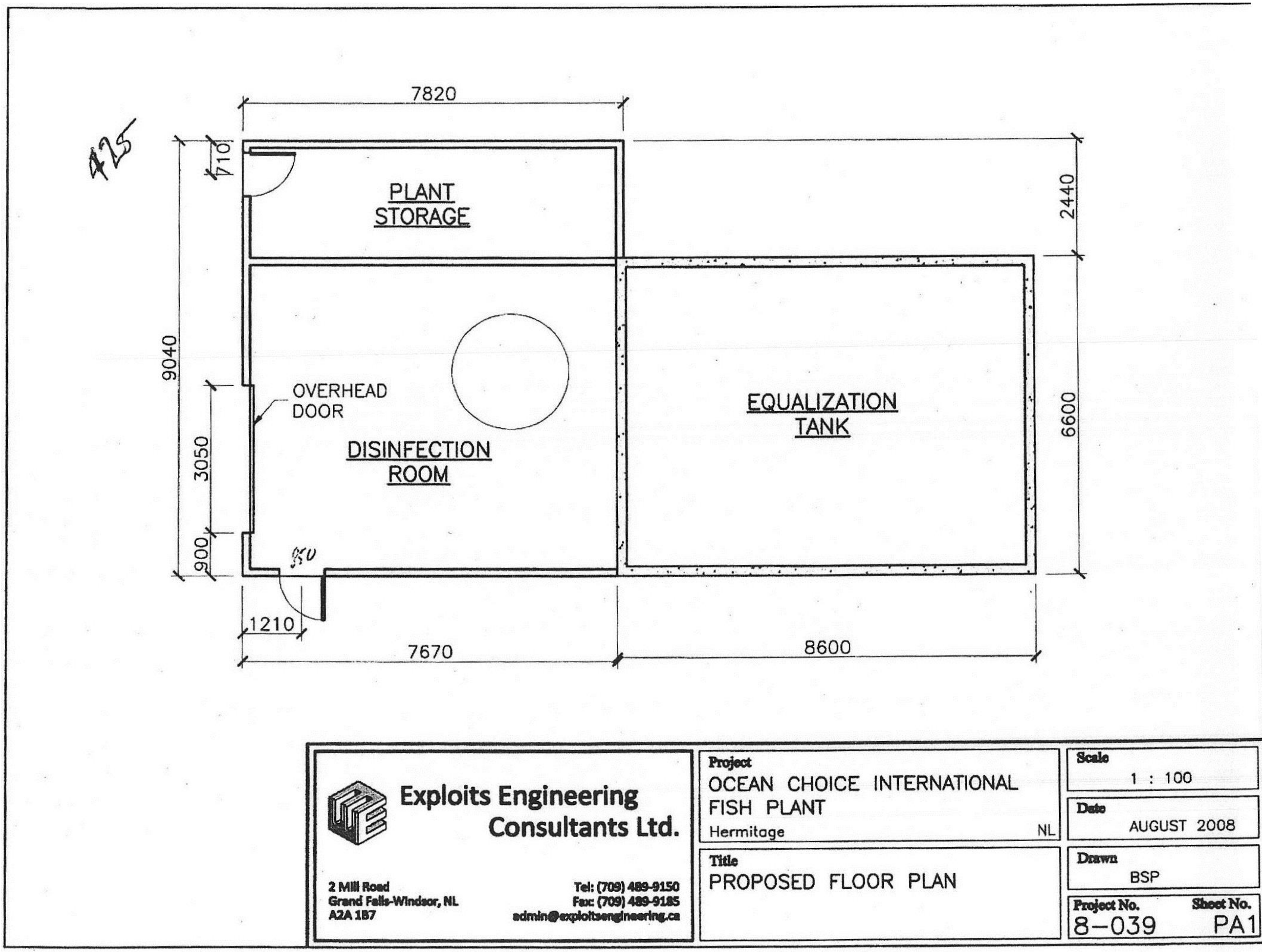
Processing Plant – Cross Section 2



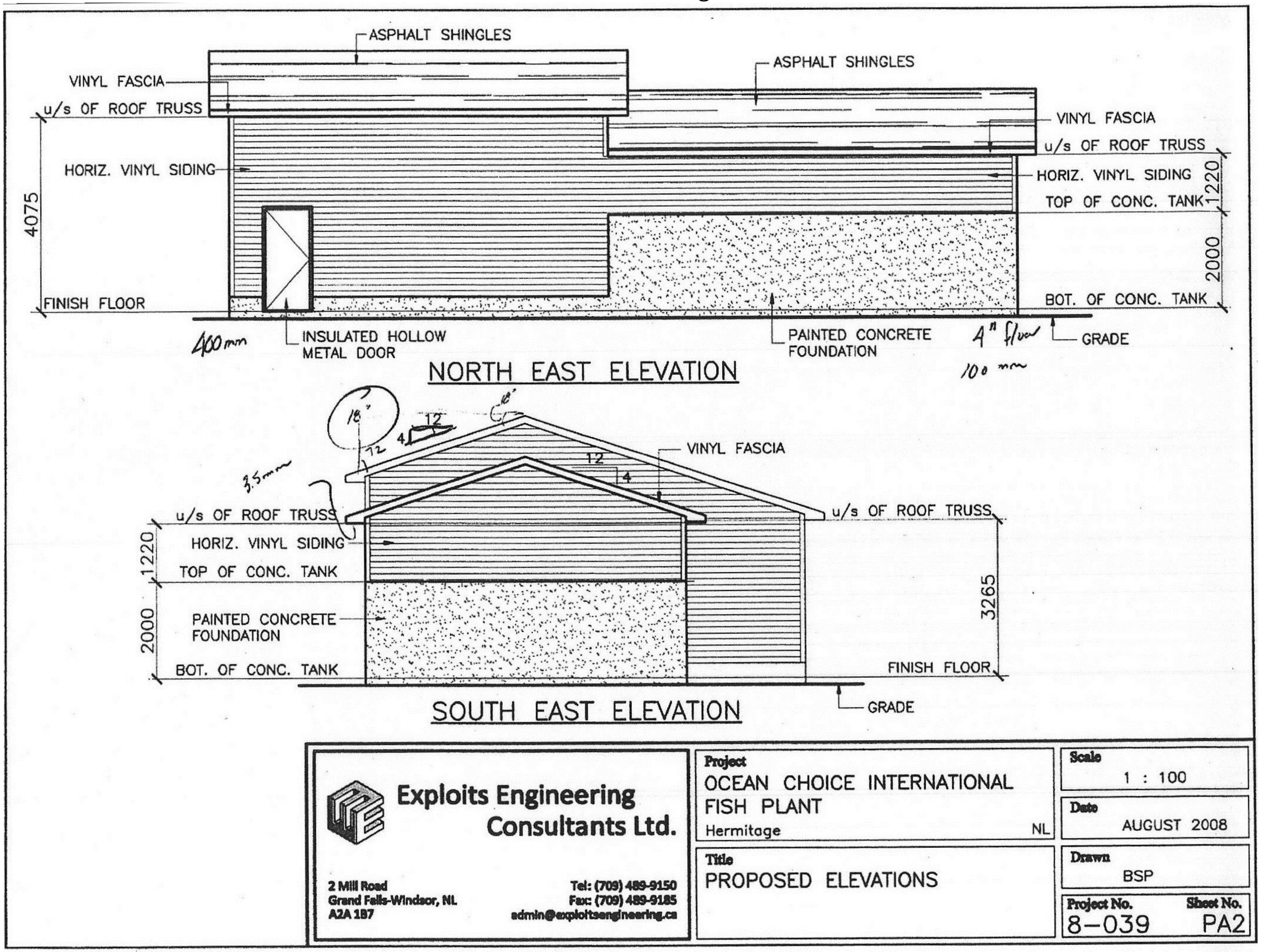
Water Treatment Building – Site Layout



Water Treatment Building – Floor Plan



Water Treatment Building – Elevations



APPENDIX C: Construction Cost Estimates, Processing Plant & Water Treatment Facility

Processing Plant – Low-end Cost Estimate:

CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

General Information

Estimate ID:	Aquaculture processing plant	**Date Created:**	10-6-2016
Property Owner:		**Date Updated:**	
Property Address:	1-3 Plant Road Hermitage, NL A0H1S0	**Date Calculated:**	10-06-2016
Local Multiplier:		**Cost Data As Of:**	10-2016
Architects Fee:		**Report Date:**	using default

Processing plant

Area	20278	**Overall Depreciation %**	
Stories in Section	2	**Physical Depreciation %**	
Stories in Building		**Functional Depreciation %**	
Shape	irregular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age			

Occupancy Details

Occupancy	**%**	**Class**	**Height**	**Quality**
447 Cold Storage Facility	100	D	15	3.0
Occupancy Total Percentage	100			

Calculation Information (All Sections)

	Units	**Unit Cost**	**Total Cost New**	**Less Depreciation**	**Total Cost Depreciated**
Basic Structure					
Base Cost	20,278	$79.46	$1,611,290		$1,611,290
Exterior Walls	20,278	$20.39	$413,468		$413,468
Heating & Cooling	20,278	$24.90	$504,922		$504,922
Basic Structure Cost	**20,278**	**$124.75**	**$2,529,680**	**$0**	**$2,529,680**

Cost data by CoreLogic, Inc.

Except for items and costs listed under "Addition Details," this SwiftEstimator report has been produced utilizing current cost data and is in compliance with the Marshall & Swift Licensed User Certificate. This report authenticates the user as a current Marshall & Swift user.

CoreLogic®

Processing Plant – High-end Cost Estimate:

CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

General Information

Estimate ID:	Aquaculture processing plant	**Date Created:**	10-6-2016
Property Owner:		**Date Updated:**	
Property Address:	1-3 Plant Road Hermitage, NL A0H1S0	**Date Calculated:**	10-06-2016
Local Multiplier:		**Cost Data As Of:**	10-2016
Architects Fee:		**Report Date:**	using default

Processing plant

Area	20278	**Overall Depreciation %**	
Stories in Section	2	**Physical Depreciation %**	
Stories in Building		**Functional Depreciation %**	
Shape	irregular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age			

Occupancy Details

Occupancy	**%**	**Class**	**Height**	**Quality**
447 Cold Storage Facility	100	D	15	3.5
Occupancy Total Percentage	100			

Calculation Information (All Sections)

	Units	**Unit Cost**	**Total Cost New**	**Less Depreciation**	**Total Cost Depreciated**
Basic Structure					
Base Cost	20,278	$100.37	$2,035,303		$2,035,303
Exterior Walls	20,278	$22.54	$457,066		$457,066
Heating & Cooling	20,278	$26.99	$547,303		$547,303
Basic Structure Cost	**20,278**	**$149.90**	**$3,039,672**	**$0**	**$3,039,672**

Cost data by CoreLogic, Inc.

Except for items and costs listed under "Addition Details," this SwiftEstimator report has been produced utilizing current cost data and is in compliance with the Marshall & Swift Licensed User Certificate. This report authenticates the user as a current Marshall & Swift user.

CoreLogic

Water Treatment Facility – Low-end Cost Estimate:

CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

General Information

Estimate ID:	Water treatment facility	**Date Created:**	10-06-2016
Property Owner:		**Date Updated:**	10-06-2016
Property Address:	1-3 Plant Road Hermitage, NL A0H1S0	**Date Calculated:**	10-06-2016
Local Multiplier:		**Cost Data As Of:**	10-2016
Architects Fee:		**Report Date:**	using default

Water treatment faciity

Area	1523	**Overall Depreciation %**
Stories in Section	1	**Physical Depreciation %**
Stories in Building		**Functional Depreciation %**
Shape	irregular	**External Depreciation %**
Perimeter	(auto-calc)	
Effective Age	0	

Occupancy Details

Occupancy	**%**	**Class**	**Height**	**Quality**
454 Shell, Industrial	100	D	10	3.5
Occupancy Total Percentage	100			

Calculation Information (All Sections)

	Units	**Unit Cost**	**Total Cost New**	**Less Depreciation**	**Total Cost Depreciated**
Basic Structure					
Base Cost	1,523	$69.63	$106,046		$106,046
Exterior Walls	1,523	$19.88	$30,277		$30,277
Basic Structure Cost	**1,523**	**$89.51**	**$136,323**	**$0**	**$136,323**

Cost data by CoreLogic, Inc.

Except for items and costs listed under "Addition Details," this SwiftEstimator report has been produced utilizing current cost data and is in compliance with the Marshall & Swift Licensed User Certificate. This report authenticates the user as a current Marshall & Swift user.

CoreLogic®

Water Treatment Facility – High-end Cost Estimate:

CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

General Information

Estimate ID:	Water treatment facility	**Date Created:**	10-06-2016
Property Owner:		**Date Updated:**	10-06-2016
Property Address:	1-3 Plant Road Hermitage, NL A0H1S0	**Date Calculated:**	10-06-2016
Local Multiplier:		**Cost Data As Of:**	10-2016
Architects Fee:		**Report Date:**	using default

Water treatment faciity

Area	1523	**Overall Depreciation %**	
Stories in Section	1	**Physical Depreciation %**	
Stories in Building		**Functional Depreciation %**	
Shape	irregular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age	0		

Occupancy Details

Occupancy	**%**	**Class**	**Height**	**Quality**
454 Shell, Industrial	100	D	10	4.0
Occupancy Total Percentage	100			

Calculation Information (All Sections)

	Units	**Unit Cost**	**Total Cost New**	**Less Depreciation**	**Total Cost Depreciated**
Basic Structure					
Base Cost	1,523	$82.78	$126,074		$126,074
Exterior Walls	1,523	$21.65	$32,973		$32,973
Basic Structure Cost	**1,523**	**$104.43**	**$159,047**	**$0**	**$159,047**

Cost data by CoreLogic, Inc.

Except for items and costs listed under "Addition Details," this SwiftEstimator report has been produced utilizing current cost data and is in compliance with the Marshall & Swift Licensed User Certificate. This report authenticates the user as a current Marshall & Swift user.

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