Real Estate Appraisal

OF

An Industrial Property

AT

2300 TRANSPORT ROAD

Wabasca, AB

Report Prepared For:

LANDING TRAIL CONSTRUCTION LTD.
PO Box 1917
ATHABASCA, AB,   T9S 2B5

Attention: Philip Brown

By:
Brian D. Hall, MBA
Supervisory Appraiser: Derek Van Lersberghe, AACI, P.App.

Landucation Valuation and Advisory Services
PO Box 515
Athabasca, AB   T9S 2A5
T: (780) 675-5559   F: (780) 675-4044
E-mail: brian@landucation.com

File No. 760665

OUR FILE NO. 760665

December 18, 2023

LANDING TRAIL CONSTRUCTION LTD.
PO Box 1917
ATHABASCA, AB, T9S 2B5

Dear *Philip Brown*:

RE: Real Estate Appraisal of: 2300 Transport Road, Wabasca, Alberta
Plan 9821453; Block 3; Lot 3

In accordance with your instructions, an analysis and evaluation of the above property has been conducted for the purpose of estimating the "market value" of the fee simple interest in the above property, as of December 15, 2023.

The enclosed appraisal report was prepared in accordance with the Standards of the Appraisal Institute of Canada (AIC). This formal opinion of value is a *Narrative Appraisal Report* as defined under the AIC *Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP)*. The data and analysis contained within the report are to the best of our knowledge and ability true and correct. Please review it for accuracy and completeness and advise our office if any errors or omissions are found.

All comments, opinions, and conclusions are discussed and elaborated upon within the body of this report to the extent believed necessary to support the estimate of market value as cited herein. Specific factual data, upon which these values are based, will be retained in the working files of Landucation Valuation and Advisory Services for future reference. Your attention is also drawn to the Assumptions and Limiting Conditions, which form an integral part of this report. As our mandate did not include consideration of environmental concerns, no specific investigation of such factors was undertaken. Please see the section of the report entitled Environmental Concerns for further particulars.

This appraisal report is to be used for the specific purposes stated therein, and by the intended users identified; no one may rely on the report for any other purpose without the written consent of Landucation Valuation and Advisory Services, and the AIC designated appraisers who signed the report.

Values and opinions contained in this report are based on market conditions as of the effective date of this report. This point-in-time valuation assignment does not provide a prediction of future values. In the event of market instability and/or disruption, values and opinions may change rapidly and as a result potential future events have NOT been considered in this report. As this report does not and cannot consider any changes to the property or market conditions after the effective date, clients and intended users are cautioned in relying on the report after the effective date noted herein.

Based on my viewing of the subject and appraisal, it is my opinion that the market value of the fee simple interest in the property located at 2300 Transport Road, Wabasca, AB (9821453;3;3), as of the effective date, December 15, 2023, is:

EIGHT HUNDRED THOUSAND and 00/100 DOLLARS **QUALIFIED – SEE EXTRAORDINARY ASSUMPTIONS AND LIMITING CONDITIONS**	**$800,000.**

Thank you for this opportunity to be of service.

On behalf of,
Landucation Valuation and Advisory Services

B.D. Hall, MBA
Candidate Member – *Appraisal Institute of Canada*

Table of Contents

PART I - INTRODUCTION

EXECUTIVE SUMMARY

This executive summary is prepared as a quick reference of the pertinent facts and estimates of value for the subject property. Readers are advised to refer to the full text of this narrative report for detailed information.

Report Prepared For (client):	LANDING TRAIL CONSTRUCTION LTD.
Intended Users:	LANDING TRAIL CONSTRUCTION LTD. - *No other users are permitted.*
Registered Owner:	LANDING TRAIL CONSTRUCTION LTD.
Purpose and use of the Appraisal:	Estimate the current market value to assist with decision making regarding potential sale ONLY- *No other uses are permitted.*
Address/Location:	2300 Transport Road, Wabasca, AB
Legal Description:	Plan 9821453; Block 3; Lot 3
Land Size/Shape:	Site is rectangular in shape, for a total area of 2.5± acres (1.01± hectares)
Building Size:	Industrial building: 5,000± square feet. Plus 5,000± Sq. Ft arch-rib storage building.
Site Coverage:	9.2%±
Type of Property:	Improved Industrial Property
Property Rights:	The property rights appraised are those of the *fee simple interest*
Services:	Municipal
Taxes (2023):	$5,822±
Assessment (2023):	$313,450
Zoning:	M3 - Airport Industrial District
Highest and Best Use:	**As Vacant:** The development of improvements that conform to the zoning bylaws (or discretionary uses) of the municipality.
	As Improved: The continuation of the existing use. The highest and best use is as is presently utilized.
Exposure Time:	The exposure and marketing time for the subject is estimated at market exposure six to twelve months.
Date of Site Visit:	December 15, 2023
Effective Date:	December 15, 2023
Date of Report:	December 18, 2023
Direct Comparison Approach:	$775,000
Income Approach:	$800,000
Cost Approach:	not applicable

Final Estimate of Value:	**$800,000.**

QUALIFIED – SEE EXTRAORDINARY ASSUMPTIONS AND LIMITING CONDITIONS

PHOTOGRAPHS OF SUBJECT PROPERTY

*All Photos December 15, 2023 (except as noted)

Front view

Site from the street

View of Property from the South

Rear view of Building 1

Interior

Interior


2 piece washroom


2nd floor mezzanine office


Mechanical


Mechanical

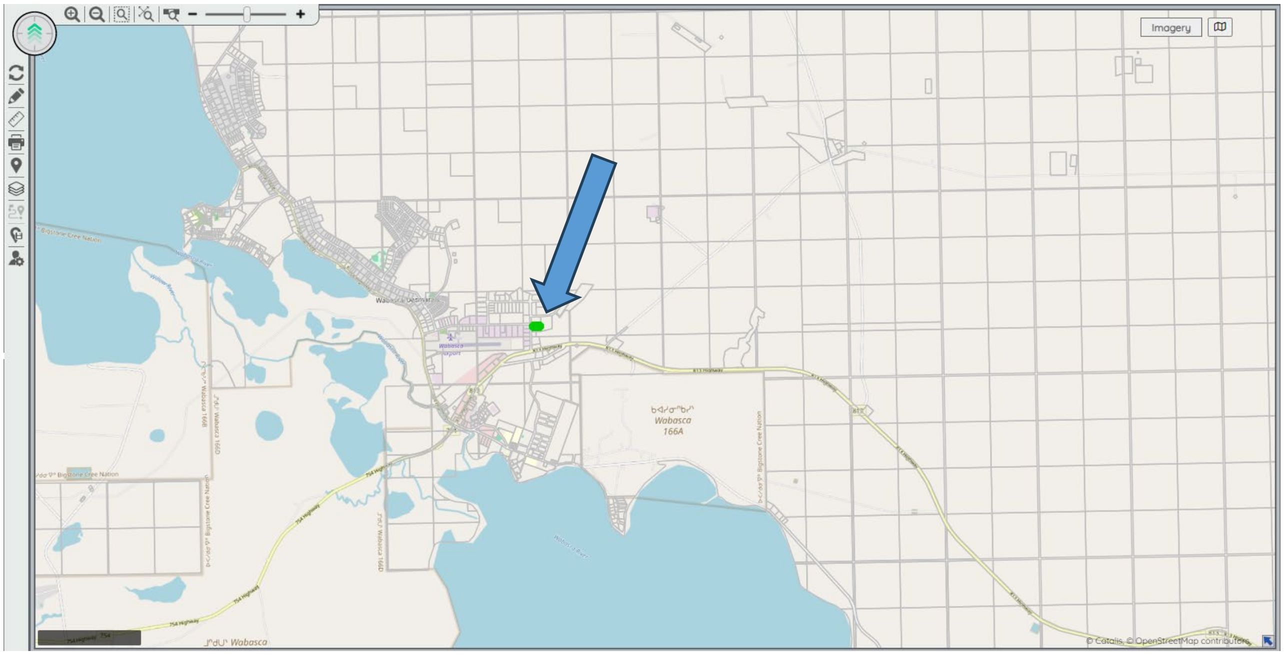

Exterior rear/side view


Building 2 Exterior

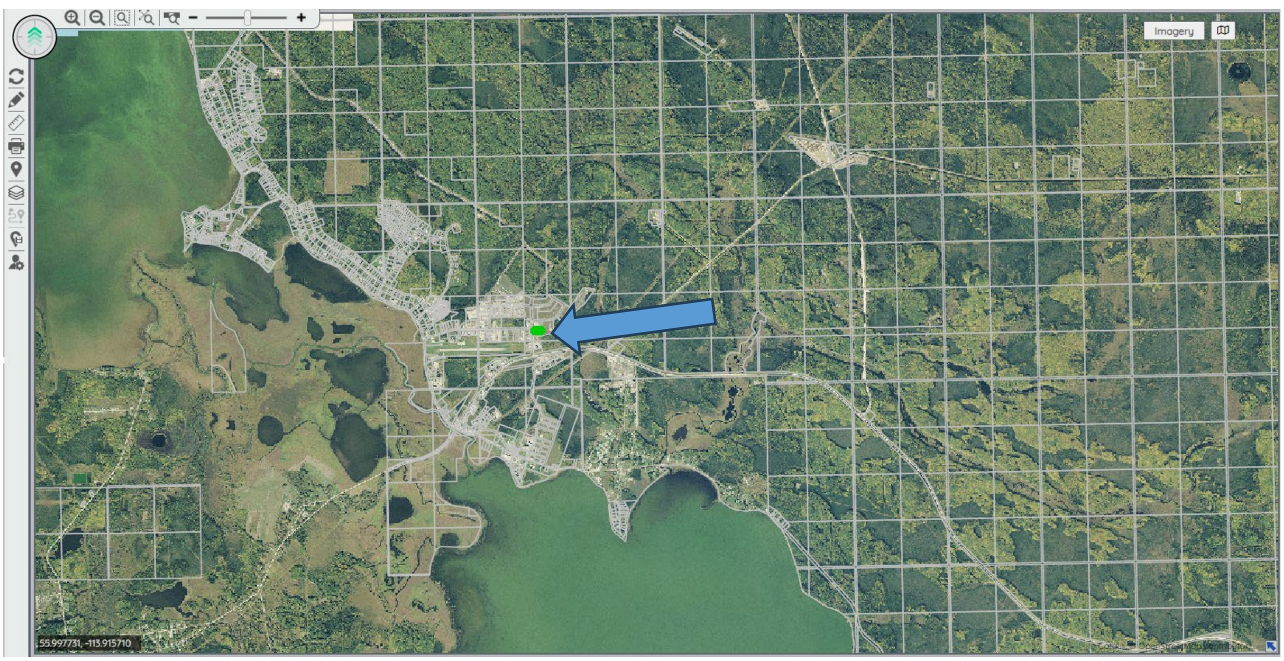

Building 2 Interior


Building 2 Interior

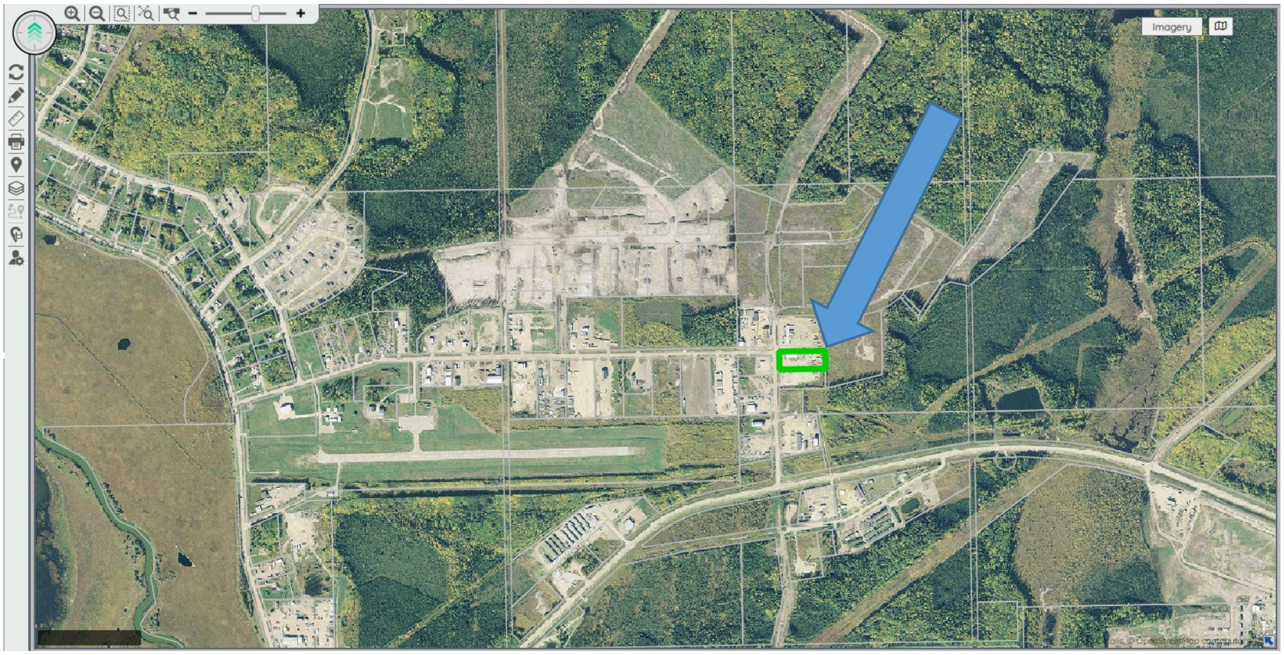
MAPS & AERIAL PHOTOS



Source: MD Opportunity



Source: MD Opportunity



Source: MD Opportunity

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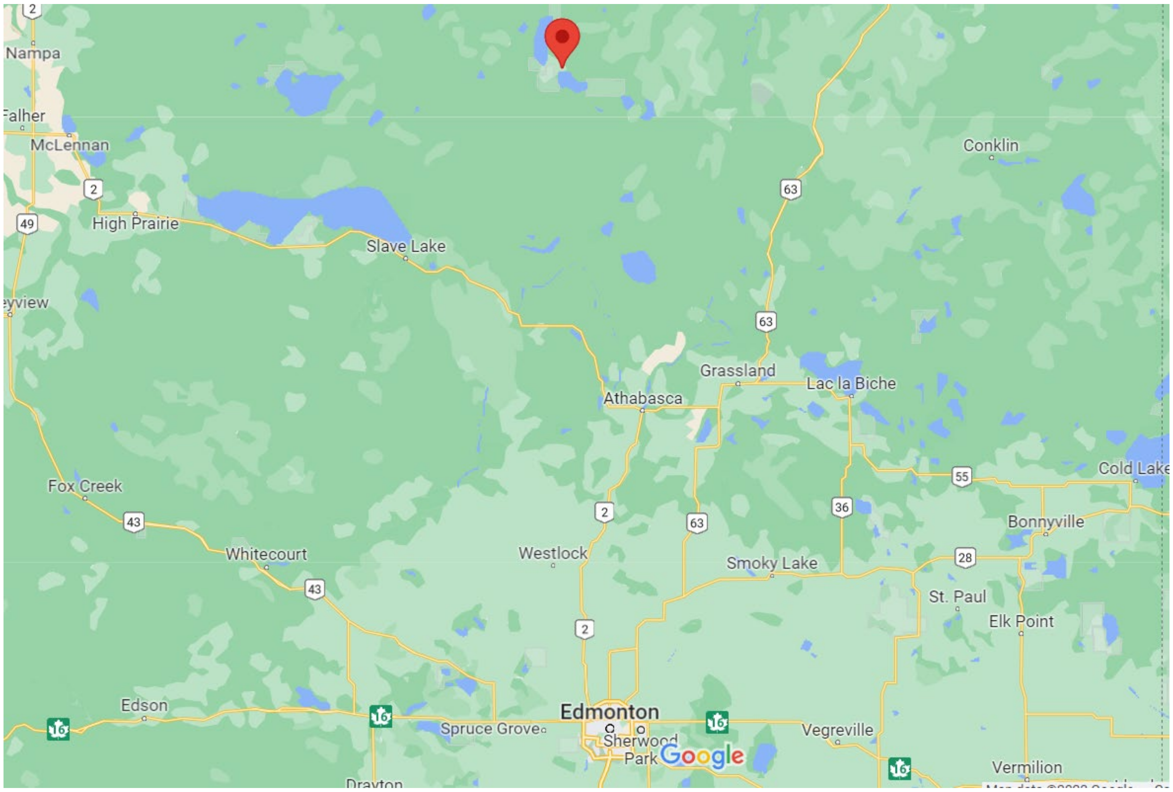

Source: Google

PART II – BASIS OF APPRAISAL

IDENTIFICATION OF THE PROPERTY

The subject property is an improved industrial property located at 2300 Transport Road, Wabasca, Alberta. It is currently configured as an industrial shop with adjacent arch-rib storage building.

EFFECTIVE DATE

The effective date of this report is December 15, 2023. The site visit and viewing of the subject property was conducted on December 15, 2023. The assignment is to provide a current market value opinion of the property, as it was viewed at the effective date.

PURPOSE, FUNCTION AND INTENDED USERS

The purpose of this report is to provide an unbiased and impartial estimate of the current market value of the ***fee simple*** interest in the subject property, as at the effective date. The function or intended use of the report is to provide an external review of the value of this property, to assist in DECISION MAKING REGARDING POTENTIAL SALE regarding the subject property. Accordingly, our client, *LANDING TRAIL CONSTRUCTION LTD.* and the client's management, are the only intended users of this document. Use of this report by others is not intended by the appraiser, and any liability to unintended users in this respect is strictly denied (see Assumptions and Limiting Conditions for further particulars).

Intended Users:	***LANDING TRAIL CONSTRUCTION LTD.***

This appraisal report cannot be relied on for any other purpose or by any other Intended User than those stated within the report without the written consent of Landucation Valuation and Advisory Services and the AIC designated appraiser who signed the report.

*The report may **NOT** be used for financing unless the lender is specifically named by Landucation in a **RELIANCE LETTER** or within this analysis.*

AUTHORIZATION

This analysis was prepared at the request of *Philip Brown*, agent for stated client. *Mr. Philip Brown,* agent for the property owner, authorized the site visit and viewing of the property and the use of photographs contained herein.

EXTRAORDINARY ASSUMPTIONS AND LIMITING CONDITIONS

In addition to the Assumptions and Limiting Conditions identified in Appendix 'A' of this appraisal report the following additional *Extraordinary Assumptions and Limiting Conditions* [1] and *Hypothetical Conditions*[2] are applicable to this analysis. The results of this analysis are qualified on the basis of the original and these additional Hypothetical Conditions and Extraordinary Assumptions. The certification that appears in this appraisal report is subject to the conditions noted within the report, those in Appendix 'A', and the following:

1. We assumed that the municipality has approved and issued Development and Building Permits for the construction of the buildings, if required, and we assume conformance with the Land Use Bylaw. The results of this analysis are QUALIFIED based on the hypothetical condition, and the extraordinary assumption and limiting condition that the improvements are a legal use or is a legal non-conforming use. Should the conditions be different that assumed, or different than as noted the results of this analysis are INVALID.
2. *Personal Property* is EXCLUDED from this analysis.
3. *Chattel assets* are EXCLUDED from this analysis.
4. The effect of *assemblage*, if applicable, is EXCLUDED from this analysis, except as specifically noted herein.
5. No public or private improvements have been disclosed or uncovered in our research. The effect of any future public or private improvements on the value of the subject has been EXCLUDED from this analysis.
6. This analysis assumes that occupancy permits (if necessary) are or will be approved by the municipality.

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[1] An extraordinary assumption is a hypothesis, either supposed or unconfirmed, which, if not true could alter the appraisers opinions and conclusions (e.g. an absence of contamination where such a contamination is possible, the presence of municipal sanitary sewer where unknown or uncertain). The appraiser must conclude before accepting the assignment which involves an Extraordinary Limiting Condition that the scope of the work applied will result in opinions and conclusions which are credible.

[2] Hypothetical conditions may be used when they are required for legal purposes, for purposes of reasonable analysis or for purpose of comparison. Common hypothetical conditions include proposed improvements and prospective appraisals. For every Hypothetical Condition, an Extraordinary Assumption is required. An analysis based on a hypothetical condition must not result in an appraisal report that is misleading or that relies on actions or events that would be illegal or improbable within the context of the assignment.

Property Rights Appraised

The property rights considered in this appraisal are those of the fee simple owner. This proprietary interest is defined as:

> *The greatest estate [interest] in land that a person can possess. The estate may be inherited in without any restriction. Equivalent in many ways, for practical purposes, to absolute ownership*. (Real Property Law, UBC, 2010)

Fee simple ownership has come to be thought of as complete ownership of real property. It consists of all of the bundle of rights associated with ownership of property subject to the powers of government, police, taxation, expropriation and escheat. In general, the owner has unlimited control over the disposition of the land.

Definition of Value

The Appraisal Institute of Canada recognizes the following definition of market value, at section 3.48 of the 2022 edition of the Canadian Uniform Standards of Professional Appraisal Practice:

> *The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, assuming that neither is under duress.*

This definition is often expanded by adding:

> *Implicit in this definition are the consummation of a sale as of the specified date and the passing of title from seller to buyer under conditions whereby:*
>
> - *buyer and seller are typically motivated;*
> - *both parties are well informed or well advised, and acting in what they consider their best interests;*
> - *a reasonable time is allowed for exposure in the open market;*
> - *payment is made in terms of cash in Canadian dollars or in terms of financial arrangements comparable thereto;*
> - *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.*

The International Valuation Standards include in the 2017 definition of market value the additional criteria that the:

> *…estimated amount for which an asset or liability should exchange on valuation date is between a willing buyer and a willing seller in an arm's length transaction after proper marketing, and where the parties had each acted knowledgeably, prudently and without compulsion.*

DEFINITION OF PROPERTY

The term property as it is referred to throughout this report, is defined as:

> *The physical land and buildings affixed thereto. Any contents or equipment not considered as part of the building, and any value generated from business conducted on these premises are excluded from this report.*

SCOPE OF WORK

SITE VISIT

A site visit and viewing of the subject property was completed on December 15, 2023 in order to view the physical and functional state of the property. Information regarding present use, and history was obtained through research of the MLS and Land Titles systems, discussion with municipal officials, telephone conversations with the owner's representative, and through personal observation, unless otherwise stated.

TYPE OF ANALYSIS

The current appraisal complies with the Standards of the Appraisal Institute of Canada. The Direct Comparison, Income, and Cost Approaches to value were investigated as to their relevance to this assignment, including a review of market data necessary to properly apply these approaches. In this regard the Direct Comparison and Income Approaches have been applied and later reconciled to a final estimate of value. While some variation in the conclusion of each exists, the results are considered mutually supportive of each other. Overall we have greatest confidence in the Income Approach.

DATA RESEARCH

Information pertaining to the assessment, the applicable land use controls, and the community in general was provided by the local municipality and through discussion with various local residents. Comparable sales and lease information / research were obtained from a variety of sources; some of which included meetings/discussions with landlords, property managers, purchasers and vendors active in the market, local real estate agents, Multiple Listing Services where available, land titles offices, our own files, and other appraisers.

Other investigations included research and analysis of the local real estate market and trends. This included a review of sales of similar properties, plus other data that influence the estimation of market value in general.

AUDITS AND TECHNICAL INVESTIGATIONS

Unless otherwise specifically stated, technical investigations were not completed as part of this assignment, nor were results of such studies provided, including:

- detailed inspections or engineering reviews;
- environmental reviews or studies;
- a site survey;
- investigation of bearing capacity of the soil;
- audits of financial or legal arrangements concerning the easements;
- legal advice on title related issues.

VERIFICATION OF THIRD PARTY INFORMATION

The analysis set out in this report relied on written and verbal information obtained from a variety of sources we considered reliable. Unless otherwise stated herein, we did not verify client supplied information, which we believed to be correct; independent verification was conducted only where deemed appropriate and as noted in this report. The mandate for the appraisal did not require a report prepared to the standard appropriate for court purposes or for arbitration, so we did not fully document or confirm by reference to primary sources all information herein.

PART III – FACTUAL DATA

IDENTIFICATION OF THE PROPERTY AND TITLE INFORMATION

The subject property is located at 2300 Transport Road, Wabasca, AB. The legal description of the property as registered at Alberta Land Titles is:

PLAN 9821453
BLOCK 3
LOT 3
EXCEPTING THEREOUT ALL MINES AND MINERALS
AREA: 1.01 HECTARES (2.5 ACRES) MORE OR LESS

The title is registered to *LANDING TRAIL CONSTRUCTION LTD.,* of Athabasca, AB as at December 15, 2023. A copy of the Land Title is included in Appendix B.

ENCUMBRANCES/EASEMENTS/ENCROACHMENTS

The details of the encumbrances on title are as follows:

Plan 9821453; Block 3; Lot 3

REGISTRATION NO.	DATE (D/M/Y)	PARTICULARS
122 329 818	05/10/2012	Easement
142 055 123	20/02/2014	Mortgage
142 055 124	20/02/2014	Caveat: Assignment of Rents & Leases
142 221 067	15/07/2014	Amending Agreement

The reported registrations (if any) have not been investigated beyond the details noted herein; all are assumed not to have a negative impact of value or utility. The value established herein is qualified "as if" the registrations do not exist or have no impact on value. The appraisal is completed "as if" it is an unencumbered fee simple estate. *The reader is cautioned to consult legal counsel to determine the full effect of the reported or any registration*, or any other potential encumbrances. A copy of the Land Registry Title Search is included in the appendices to this report.

AREA & REGIONAL PROFILE

ALBERTA

Alberta is Canada's fourth largest province by population with the Government of Alberta's October 2022 data reporting 4,601,314 persons or +/- 11.7% of the population of Canada. The Alberta economy has become more diversified over the past 20 years and is based primarily on the abundant natural resources.

The province is bordered to the west by the Rocky Mountains, the plains of Saskatchewan to the east.

WABASCA-DESMARAIS AND THE MUNICIPAL DISTRICT OF OPPORTUNITY

The MD of Opportunity is located roughly 4 hours north of Edmonton and according to the municipality is home to more than 3,181 persons across seven hamlet communities. Within the MD of Opportunity are six reserves belonging to the Big Stone Cree Nation. The Big Stone Cree Nation Reserves have a population of approximately 2,400 living on reserve.

At 3.14 million hectares (approximately 29,180 square kilometers of land area), the Municipal District of Opportunity is the third largest Alberta municipality in size and is rich in natural resources.

Community pool and recreation centre. – Source: Landucation

Secondary Highways 754, 813, 686 and Primary Highway 88 link M.D. residents and businesses with the outside communities of Slave Lake, Athabasca, Peace River and Edmonton.

The MD of Opportunity has 5 airstrips - Wabasca, Calling Lake, Peerless Lake, Trout Lake and Chip Lake The **Wabasca Airport**, (*TC LID*: **CEE5**), is located approximately 2 kilometers north of the 4-

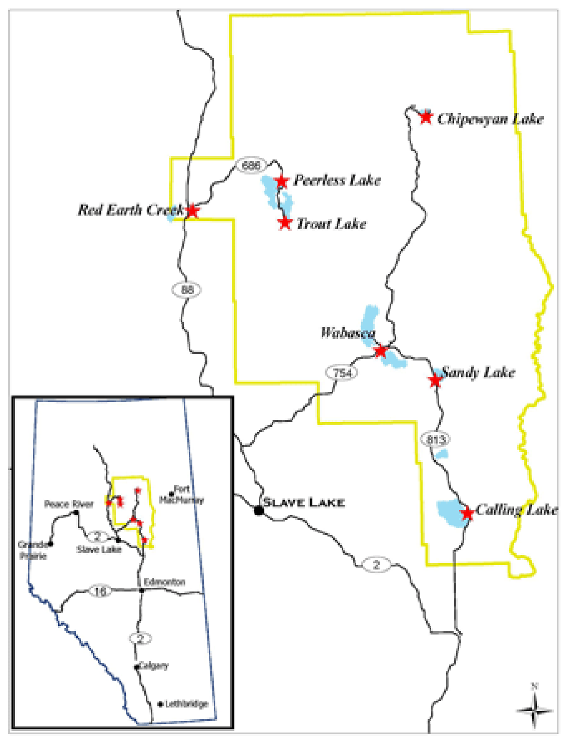
way intersection of highways 754, 813 and Mistassiniy Road. The airport is a registered aerodrome with a 3,544 foot asphalt runway.

Natural resources, especially oil and gas and some impact from forestry are the primary drivers of the local economy.

Located on the narrows between North and South Wabasca Lakes, Wabasca-Desmarais – the largest hamlet in the municipality – serves as the headquarters for the Municipal District of Opportunity and Bigstone Cree Nation, as well as for some provincial government area-offices.

Other communities under M.D. administration include the hamlets of Calling Lake, Red Earth Creek, Sandy Lake, and the settlements of Chipewyan Lake, Peerless Lake and Trout Lake. In 2010 the Peerless-Trout Lake First Nations was formed. All communities have benefited from numerous infrastructure improvements and investments in recent years, as the M.D. has moved to position the municipality for the future growth which lies ahead.

The largest hamlet in the District of Opportunity is Wabasca. The community offers a multitude of recreational activities, both inside and out including a pool and fitness center, tennis courts, Community Outreach Center, skate board park, ball diamonds, outdoor rinks, and arena. The North Wabasca Lake offers fishing (summer and winter) as well as a place to participate in water activities like swimming, kayaking, or tubing. Quading, horseback riding, and snow mobile trails weave in and out of the forested area.



Source: MD of Opportunity

As is evident from the zoning classifications of the Hamlet of Wabasca-Desmarais (see the *Land Use Bylaw Map* in the section: *Land Use Controls*) the hamlet has modest commercial and industrial districts that are closely linked to residential, with many land use classifications mixing housing within commercial or industrial development or adjacent to it.

The hamlet of Wabasca-Desmarais is approximately 350km north of Edmonton by road. Highways 813 and 754 intersect in the community. Highway 813 is a major regional and provincial trucking route, it runs through town and is the primary connector to other larger centers of commerce, Slave Lake and Athabasca. The nearest larger centres of commerce are Slave Lake 130km to the west and Athabasca 175km to the south.

The Bigstone Cree Nation Reserves are adjacent to the Hamlet and within the MD. Wabasca was the final scheduled stop for the 1899 Treaty and Scripts commission. On August 14, 1899 Treaty 8 was executed by Chief Joseph Bigstone.

Keyanow Medical Centre – Source: Landucation files

The Bigstone Cree Nation has a significant economic impact on the community of Wabasca-Desmarais and the MD of Opportunity. With ownership of over nine different business enterprises the Bigstone Cree Nation is a major employer in the area.

Strip Mall owned by Bigstone Cree Nation – Source: Landucation files

According to the Bigstone Cree Nation website:

> With lands adjacent to four lakes (North Wabasca, South Wabasca, Sandy, and Calling) in northern Alberta's boreal forest, the First Nation is rich in fishing and wild game.
>
> The Bigstone Cree Nation has a population of 6,781 as of February 1, 2007. Of the 6,781, 2,397 live on-reserve, 707 live in the isolated communities and 3,677 live off-reserve.
>
> The Bigstone Cree have six reserves established in northern Alberta, for a total of 21,066.6 hectares. These include 166 A, 166 B, 166 C, 166 D, all in the vicinity of the Hamlet of Wabasca (also known as Wabasca-Desmarais), 166 south of the Hamlet of Sandy Lake, and Jean Baptiste Gambler Reserve 183 surrounded by the Hamlet of Calling Lake.

The Calling Lake Reserve is partially within the hamlet of the Municipal District of Opportunity No. 17. It is located on Highway 813 along the eastern shore of Calling Lake, immediately north of Calling Lake Provincial Park. It is approximately 59 km north of Athabasca and 113 km south of Wabasca and has an elevation of 595 m (1,952 ft).

Source: Bigstone Cree Nation

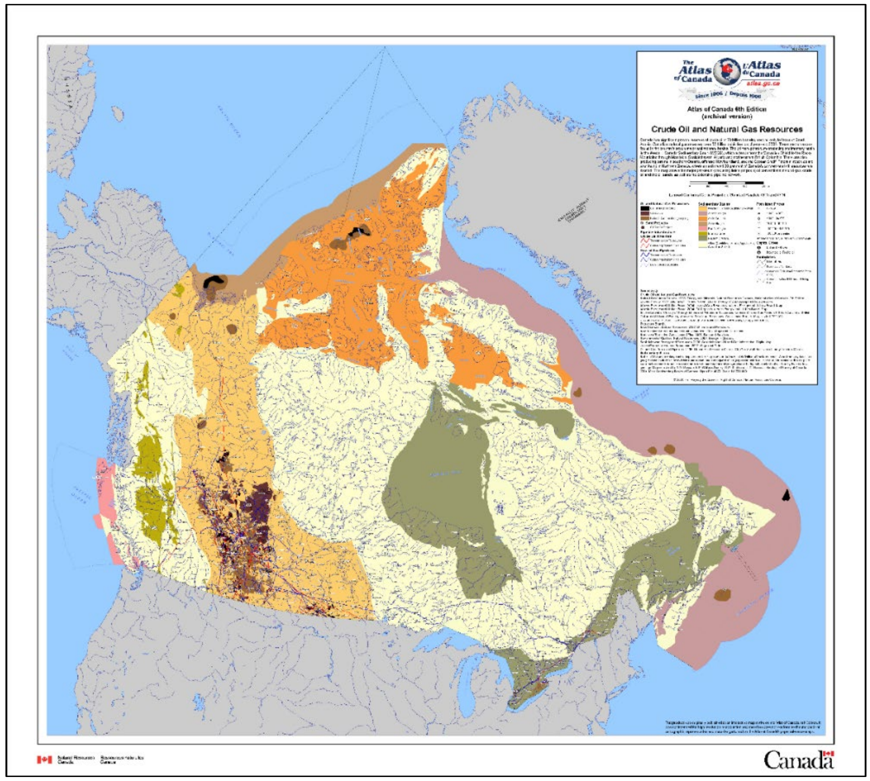
Chipewyan Lake Reserve is a small community within the Municipal District of Opportunity No. 17. It is located on the southern shore of Chipewyan Lake approximately 110 km north of Wabasca-Desmarais, AB and 128 km west of Fort McMurray. The community is not accessible by Alberta's provincial highway system.

Chipewyan Lake had a population of 38 living in 16 of its 35 total dwellings, a -54.2% change from its 2006 population of 83.

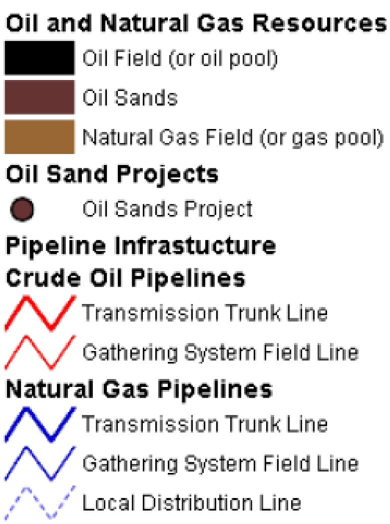
(http://www.bigstone.ca/content/location-1, April 11, 2014)

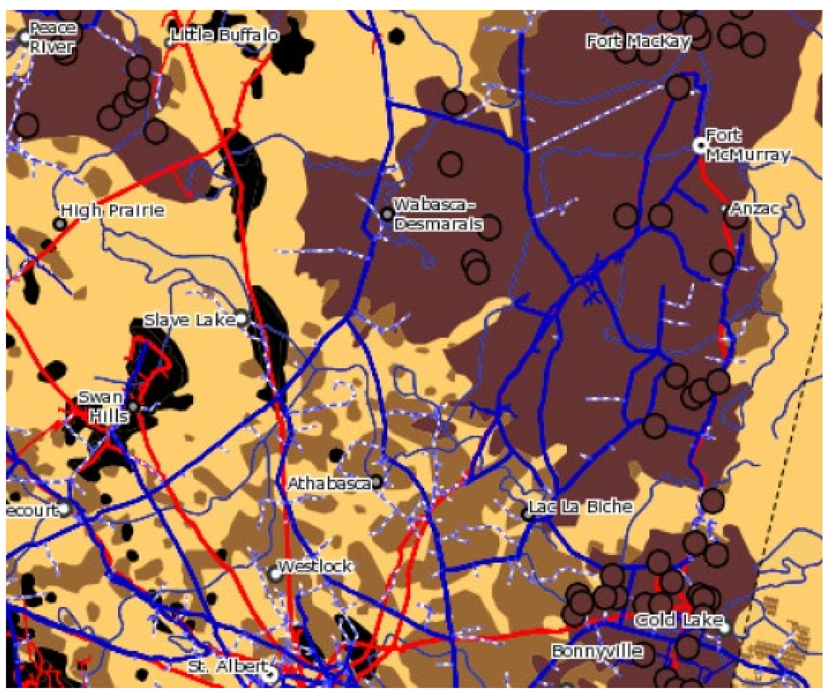
REGIONAL SUMMARY

The region is well placed to service the natural resource sector and to take advantage of its strategic location relative to accessing those resources. A copy of the Atlas of Canada map showing the location of heavy oil and natural gas deposits in Alberta is included at right to provide perspective on the oil and gas resources in the area. An enlarged detail of the area follows.



Atlas of Canada – Heavy Oil and Natural Gas Deposits.





NEIGHBOURHOOD PROFILE

The subject property is located in the airport industrial district of the Hamlet of Wabasca-Desmarais, north of Highway 813. The property is accessed from Transport Road one of the main industrial corridors in the hamlet. This location provides good access to local and regional traffic flows.

An aerial photograph follows with some community features labeled.

Given the size of the community the Hamlet of Wabasca-Desmarais and Bigstone Cree Nation are addressed as one community and neighbourhood in this report. Development in the vicinity of the subject contains a mix of uses including: industrial, airport industrial, and work camp style lodging. The RCMP station, school, recreation centres are near as are grocery stores, hardware store, hotels, restaurants, bakery, restaurants, fuel station, and post office as examples of businesses in the larger vicinity. There continues to be new capital investment in the community with a new seniors lodge recently constructed, multiple newer hotels, a newer 30 unit apartment building relatively recently constructed, liquor/cannabis store expansion, and opening of an ATB Financial branch as a few examples. Ages, styles and densities vary widely. Given the size of the hamlet all community services are close and convenient. There are no known adverse influences in the neighbourhood.

Zoning classifications of neighbouring lands include DC – Direct Control, I – Institutional, C1, C2 – Commercial, CH – Highway Commercial, R1A, R3 – Residential, RMH – Residential Manufactured Home, along with Urban Reserve lands. A zoning map from the MD of Opportunity is provided in the section *Land Use Controls*.

Wabasca-Desmarais is a small centre, given the size of the community all industrial and commercial districts could be considered part of the larger neighbourhood. Direct observation indicates that while there is limited supply of commercial land available for sale there is new capital investment in Wabasca-Desmarais, as noted above.

There is a reasonable supply of industrial land in the vicinity of the subject. Direct observation indicates that there is an excess supply of vacant industrial land available for sale.

Aerial of Community (Valtus – 5000M), Labels by Landucation

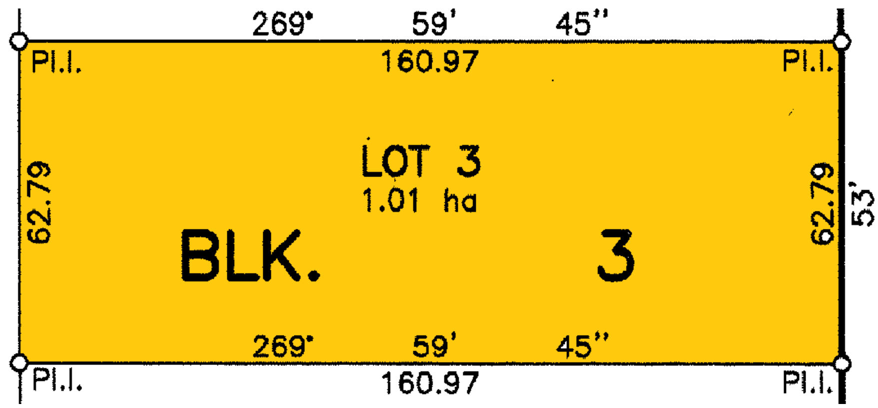
THE SITE

Location: The subject property is located in the airport industrial district of the community along a main traffic artery, Transport Road.

Visibility of Property: Rated as average.

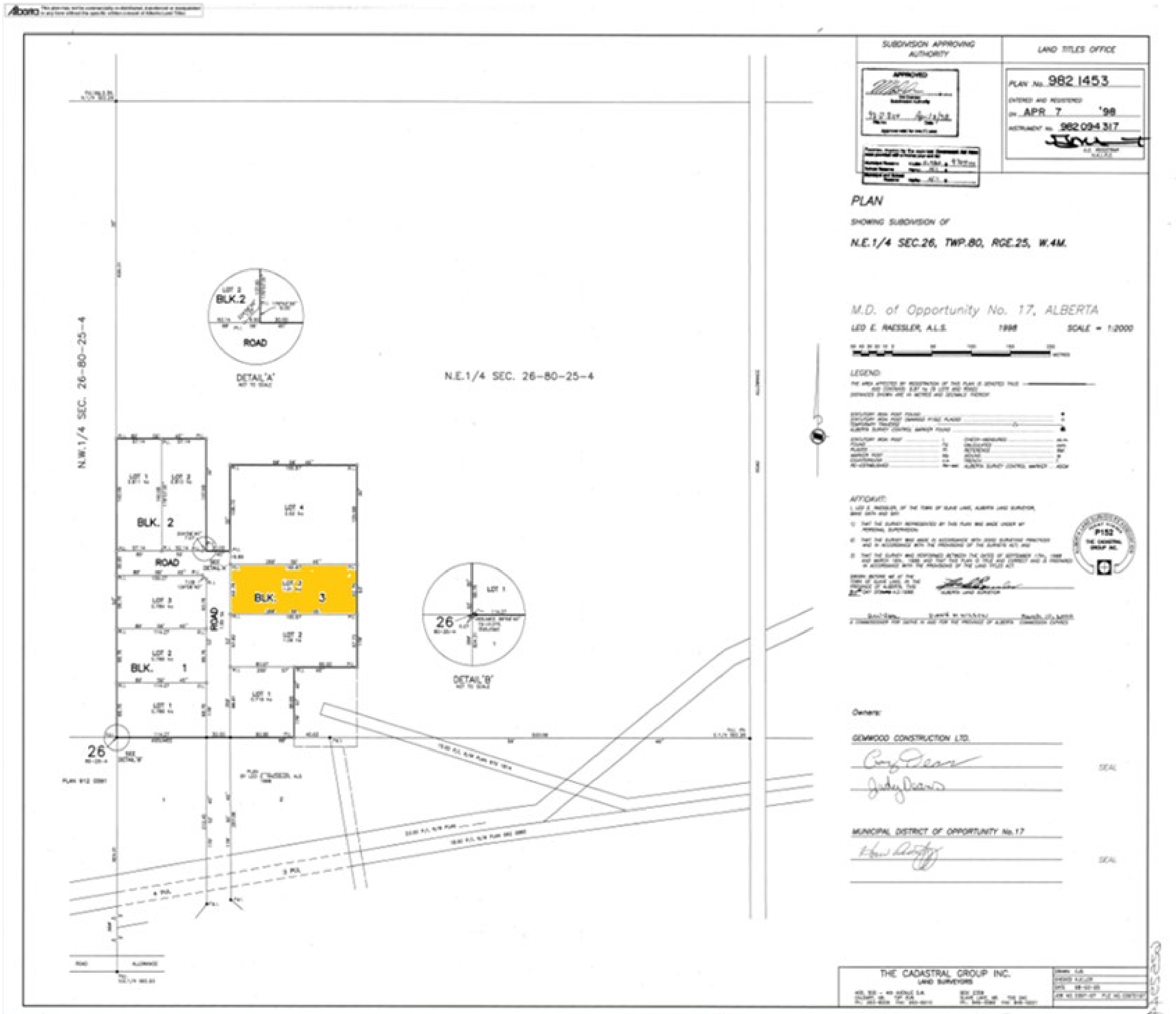
Access: Is directly east off Transport Road. There is no alley access.

Dimensions: The site is rectangular in shape with approximately 63± metres of frontage on Transport Road and depth of 161± metres. An enlarged excerpt from the survey plan is included below.



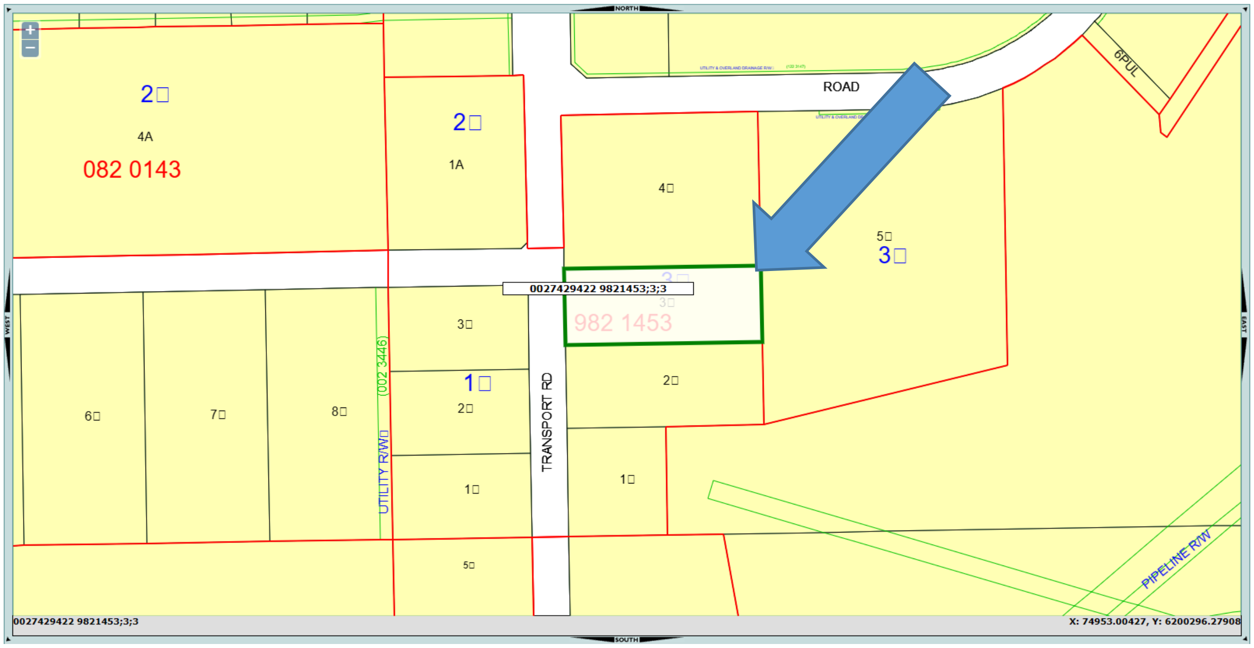
Source: Alberta Land Titles (colour mark-up by Landucation)

Plot Plan: A copy of the subdivision plan from the North Alberta Land Titles Office is included below; the subject property has been highlighted for reference.



Source: Alberta Land Titles Office (colour markup by Landucation)

An alternate view of the property from Alberta Spatial Information System:



Source: Alberta Land Titles

Topography:	Considered to be generally level but built up in a manner to allow adequate drainage away from the building.
Utilities:	Municipal services installed.
Roadway and Parking:	The site is an interior lot on a municipally maintained paved roadway. On-site parking is available on the lot.
Site Improvements:	The site is improved with an industrial building, storage building, and gravel parking area. The subject is enclosed by a chain link fence with 24 foot rolling gate.
Neighbouring Uses:	Within the subject's immediate neighbourhood are primarily industrial occupancies.
Observed Defects:	No defects were observed at the time of site visit and viewing.

IMPROVEMENT DESCRIPTION/EXISTING USE

This description of site improvements is compiled from a visit to the site and viewing of the subject conducted on December 15, 2023.

Existing Use:	The subject property described as 2300 Transport Road is currently configured for use in the natural resources service industry, with shop and office.
Building 1	
Year Constructed:	The building is reported to have been constructed in 2002.
Building Size/Dimensions:	The footprint of the building was measured as 5,000± square feet. The exterior measures 50 X 100 feet.
Interior Development:	The interior is developed with five bays in addition to approximately 225 square feet of office/mezzanine space. There are four 2-piece, washrooms.
Foundation:	Foundation was not directly observed and is assumed to be comprised of cast in place concrete slab on grade.
Exterior Walls/Condition:	Exterior walls are metal clad over the wood frame superstructure and appear in good condition.
Roof:	Access to the roof was not provided during the site visit and viewing. From our ground based observations the sloped roof is finished with painted metal.
Floors:	Concrete.
Walls:	Painted prefinished metal.
Ceilings:	Painted prefinished metal.
Lighting:	Surface mount fluorescent or LED lighting.
Electrical:	Underground to the building. 480volt 3-phase. Assumed adequate capacity.

Plumbing:	Four 2-piece washrooms. Municipal water and sewer.
Heating:	Overhead radiant tube style heaters in the shop and forced air furnace for non-shop portion.
Fuel:	Natural gas.
Access:	Two single man-doors. Four 16 feet wide by 16 feet high overhead doors with automatic openers.
Deferred Maintenance:	No significant items of deferred maintenance were identified during our site visit and viewing. An explanation of deferred maintenance follows.
Condition:	Rated as good.

DEFERRED MAINTENANCE

The Appraisal of Real Estate Third Canadian Edition defines deferred maintenance items as those items that are in need of immediate repair on the effective date of the appraisal. These items are those that must be replaced or repaired for the building to continue to function as it should and to be marketable to potential buyers. Deferred maintenance items are curable to the degree that spending the money to "cure" the item will result in a value increment equal or greater than the expenditure or spending the money will allow the other building components to retain their value. Identifying deferred maintenance items is of importance in an appraisal as a lump sum adjustment must be made in the Direct Comparison and Income Approaches because these items are specific to the subject and not reflected in the values of the comparable properties.

Appraisers are not building inspectors, and are therefore not qualified to comment on sources or causes of failures or items considered deferred maintenance; however it is important to note these items and bring them to the reader's attention for further study if desired.

No items were identified during our site visit and viewing that would meet the definition of deferred maintenance.

Effective Age And Estimated Useful Life Of Subject Improvement

The actual age of the property is the number of years that have elapsed since building construction was completed. Effective age on the other hand is related to the actual age but is also dependent on the condition and utility of the structure at the effective date of the appraisal. The effective age is partially dependent on market perceptions and judgement, however, it is largely based on the maintenance history of the building. Buildings that have received typical maintenance usually have an effective age that approximates their effective age while buildings that have had better than average maintenance history will have an effective age that is less than their actual age.

The effective age of each existing building is based on an estimate of its chronological age in relation to its expected lifespan with consideration to maintenance and any upgrades that have been completed that may extend the effective age of the building. Our estimates of effective age are based on our site visit and viewing of the subject property. The reported construction dates are noted below. The primary building appears to have received maintenance over time and is considered in average condition for its age generally. Based on our site visit and viewing our opinion of effective age and remaining economic life for the improvements are as follows:

Building	Year of Construction	Estimated Effective Age	Remaining Economic Life	
Industrial Building	2002	20 years	30 years	
Arch-Rib Storage	2023	New	25 years	Tarp roof

For the purpose of depreciation commercial or industrial buildings are typically estimated to have a 50 year lifespan, which can be extended through maintenance and upgrades.

Environmental Concerns

The subject property was viewed on December 15, 2023, to view the physical condition of the property and its functional capacity. The site visit of the property did not reveal any obvious signs of environmental problems; we did not observe any hazardous substances or conditions on or near the subject that would be considered detrimental to its utility or value. However, it should be acknowledged that our mandate does not specifically include consideration of environmental concerns. The subject property is appraised as if unaffected by contamination or hazardous substances. Additional investigations would therefore be required to confirm our observations.

A search of the Alberta Environmental Site Assessment Repository (ESAR) returned no results for the subject location. The Environmental Site Assessment Repository is an online, searchable database that provides scientific and technical information about assessed and/or reclaimed sites throughout Alberta. Environmental site assessments determine the quality of soil and groundwater of a site, particularly at retail gas stations and other commercial and industrial sites. A site assessment does not necessarily mean a site is, or ever was, contaminated. A marker identified as ESA is the location of a site where Alberta Environment has received scientific or technical information. Further details can be found at www.esar.alberta.ca.

Source Alberta Environment and Sustainable Resource Development (December 2023)

Nothing in this report should be construed as an environmental audit or detailed property condition report because such reporting is beyond the qualifications of the appraiser. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. Site contamination would have a *significant* adverse influence on the value of the property. The *appraiser expressly denies all liability* in this matter.

SALES HISTORY

Generally accepted appraisal-reporting standards require the disclosure and analysis of any recent market activity involving the subject property that is available to the appraiser in the normal course of business. This includes any listings for sale, offers to purchase, or transfers over a minimum of the immediately preceding three-year period.

According to public records no transfers of the subject property have occurred during the three years prior to the effective date. The last transfer discovered through our search of public records was recorded February 20, 2014 for an undisclosed amount.

Title the property is currently held in the name of *LANDING TRAIL CONSTRUCTION LTD.* under title number 142 055 122. A copy of the Certificate of Title for the subject parcel is included in the Appendices of this report for reference. The transfer preceding that recorded above is recorded at Alberta Land Titles Office and has not been investigated.

No Real Property Report (RPR) was provided and in its absence, it is assumed that there are no offending easements or encroachments that would adversely influence the value or utility of the subject property.

The subject property is not currently listed for sale on the public MLS System. The client reports a private negotiation is underway but has yet to conclude.

ASSESSMENT AND TAXES

Assessment for property tax purposes is mandated via an Act of the Alberta Provincial Legislature where assessments are carried out on an ends or results based mass appraisal market value assessment system.

The subject's taxable assessment and tax levy are summarized as follows:

9821453;3;3

		Land	Improvements
Commercial Site/Impr		224,430	224,560
Total Assessment	**$313,450**		
Taxes		$5,822±	

The assessment and tax information is based on the 2023 tax year and was estimated via the Assessment Summary. A copy of the Property Assessment and Tax Notice has not been provided and is not included in the appendices.

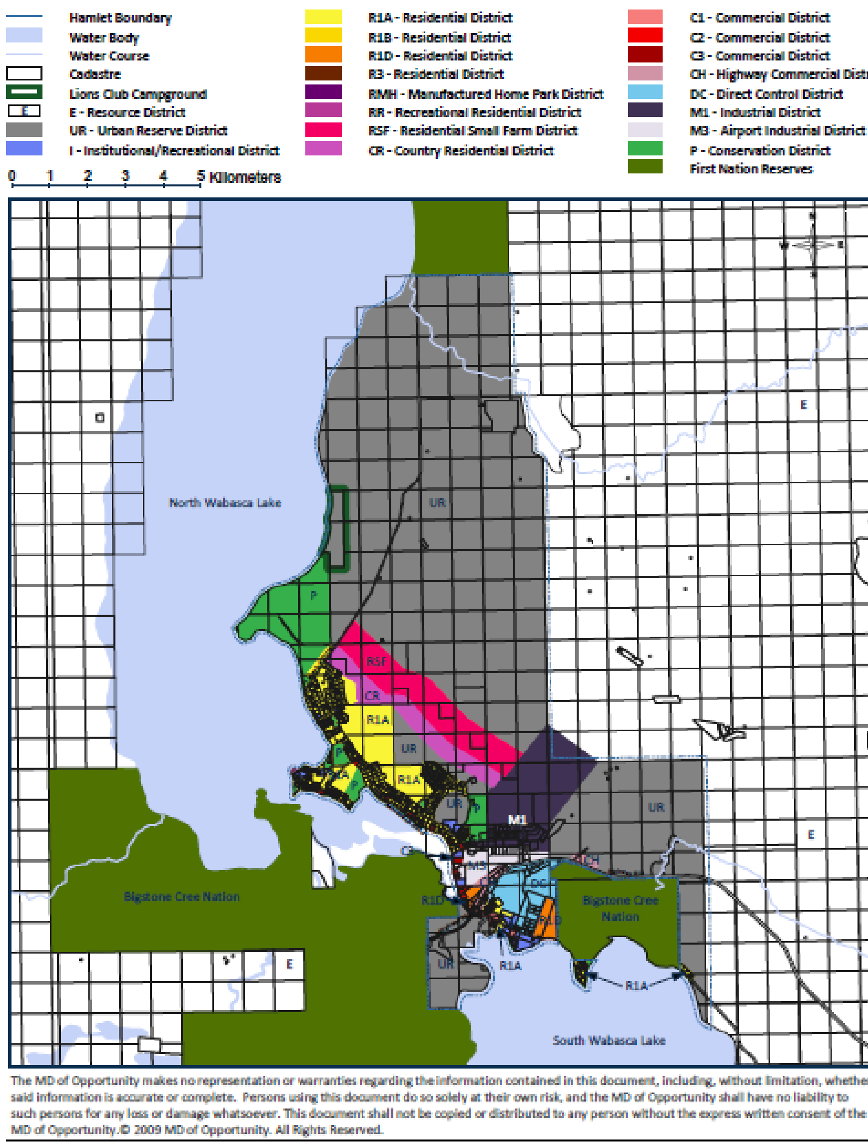
Based on our research no local improvement charges are reported regarding the subject.

LAND USE CONTROLS

The subject property is zoned M3 - Airport Industrial District under the Zoning Bylaws of the M.D. The Bylaw permits a range of land uses, and provides provisions for setbacks, minimum lot frontages, and side yards. The bylaw states the purpose of the M3 - Airport Industrial District is "*To provide for appropriate development within the areas of airports.*" (9.22.1). The present use of the subject is believed to be a legal use of the site.

Included in the appendices of this report is an excerpt from the municipal Zoning Bylaw. It provides a summary of the primary criteria governing land use. For full particulars, the Zoning Bylaw itself should be consulted. Zoning maps are available from the M.D and zoning was confirmed through review of this map. A copy of the zoning map has been included for reference.

11.2.7 A-7: Hamlet of Wabasca



Source: MD Opportunity

PART IV – ANALYSIS AND CONCLUSIONS

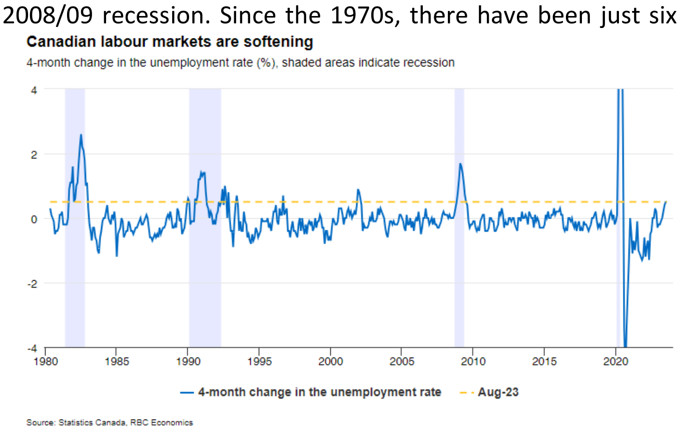
CHARACTERISTICS OF THE MARKET

ECONOMIC BACKGROUND – NATIONAL

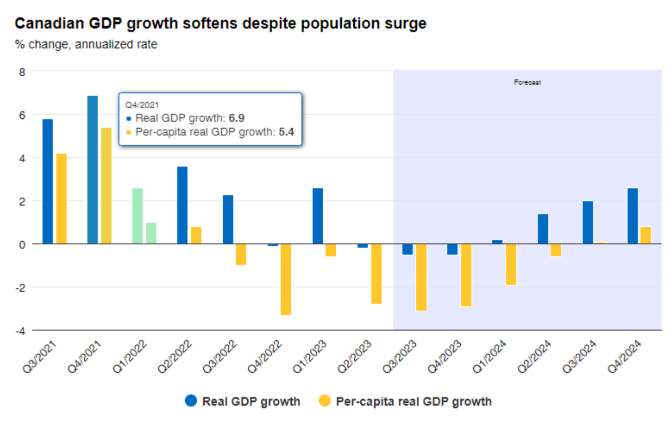
Global economies and financial markets are closely integrated raising the risk that policy actions or political uncertainty in one country will have adverse effects on others. The potential for economic disruption exists as a result of the continuing uncertainty regarding the Russian invasion of Ukraine.

According to RBC Economic Research:

> E Headwinds from higher interest rates and a slowing global economy are building. Canadian GDP edged 0.2% lower in Q2 of this year and early reports are pointing to another decline in Q3. Some factors that weighed on output in Q2 will prove 'transitory'—including disruptions due to wildfires and a strike by federal workers in April. But there are other indications that a long-expected 'mild' economic downturn may have already begun. Indeed, economic growth already looks dramatically softer in the context of a surging population. On a per-person basis, Canadian GDP has now declined for four straight quarters.
>
> The 0.5 percentage point increase in the Canadian unemployment rate over the last four months is the largest outside of the pandemic since the 2008/09 recession. Since the 1970s, there have been just six periods when the jobless rate rose by that much in such a short timeframe prior to this year—and four of them were during recessions. This time, the rise in unemployment has come via slower hiring (relative to surging population and labour supply growth) rather than faster firing. Though employment growth has slowed, it was still up 19,000 per month over the last four months. But the number of job openings is drifting lower, signaling that labour demand is flagging.



> Economies around the world are also losing steam. GDP growth in Europe was slow over the first half of the year and unemployment in the UK is beginning to rise. The manufacturing outlook globally has darkened, with manufacturing PMI surveys across most economies pointing to a pullback in activity. The Chinese economy looks wobbly, even controlling for a long-expected acceleration in demographic headwinds tied to a rapidly aging population.



> Bank of Canada officials are reiterating their one and only policy mandate: to hit a

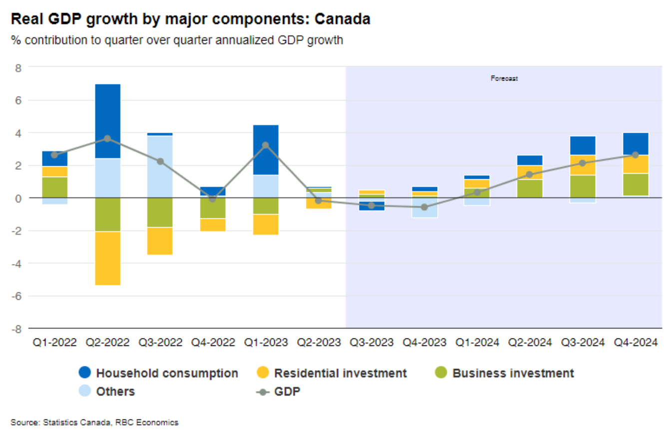
2% inflation target. And price pressures remain 'sticky' in Canada. Amid a softening in GDP growth and labour markets we expect the BoC to stay on the sidelines, holding rates steady into 2024.

The U.S. inflation/growth backdrop is the reverse of Canada's, with economic growth remaining exceptionally resilient, but with inflation pressures easing more significantly in recent months. In our view, that washes out to the same net monetary policy response on both sides of the border, with the Fed also holding interest rates at current levels into 2024.

Near-term risks to both BoC and Fed interest rate projections are tilted higher rather than lower. And we expect both central banks were spooked too much by the spike in inflation over last two years to pivot back interest rate cuts as swiftly as they might have in the past. We look for the first cut to the overnight rate from the BoC in Q3 of next year.

Consumer spending was essentially unchanged in Q2 and we look for a further slowdown in both Q3 and beyond. Spending on goods has softened significantly with retail sales volumes falling 3% at an annualized rate in Q2. Though spending on services has been stronger, it's also showing signs of slowing down

Aggressive interest rate increases over the last year and a half will continue to ripple through to consumers, pushing household debt payments (and delinquency rates) higher. Business investment has also shown signs of slowing and housing markets have cooled again after bouncing back sharply in the spring when the BoC temporarily paused interest rate increases. (CANADIAN ECONOMIC OUTLOOK | SEPTEMBER 2023)



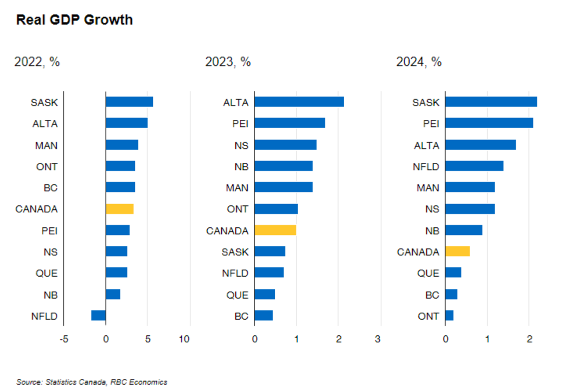
ALBERTA PROVINCIAL OUTLOOK

According to RBC Economic Research in the *Provincial Outlook*:

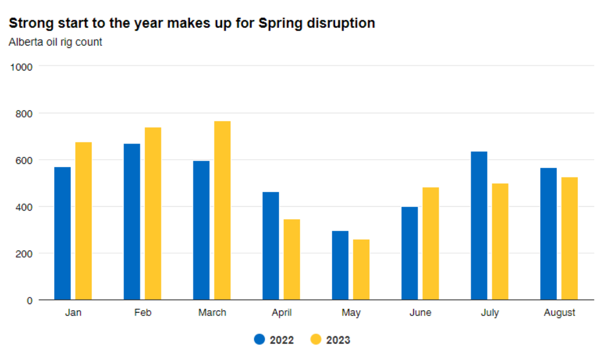
Economic growth is moderating across almost all provinces (except Newfoundland & Labrador) this year. With decades-high interest rates already constraining spending and investment, natural disasters and unfavourable growing conditions have posed an added challenge. We expect some of these setbacks to hit Quebec (+0.5%) and B.C. (+0.5%) harder, keeping both provinces at the back of our provincial growth rankings for 2023 and 2024.

By contrast, Alberta (+2.2%) is likely to take these challenges in stride, outgrowing all other provinces in 2023. And in the Prairies, a strong energy sector and booming population are expected to partially offset the disruptions of spring wildfires and a weak crop outlook.

Alberta isn't shielded from the many headwinds slowing down Canada's economy, but it continues to stand out for its relative vigour at this point in the cycle. We expect it to rank first among the provinces this year in terms of growth (+2.2%) —a spot it's held many times in the past. This would represent a slight 0.2 percentage-point downward revision from our previous forecast (due to a more pessimistic crop outlook in the Prairies.)



Along with the manufacturing and real estate sectors, the province's oil and gas industry is contributing to Alberta's economic upswing. Oil production had a solid start to the year. Wildfires caused some disruptions this spring, though some evidence suggest these were short-lived. The industry is also boosting investment in the province—largely in the form of new wells drilled—amid sustained demand and still-favourable commodity prices. Oil and gas investments are now above pre-pandemic levels in nominal terms.



Along with Alberta's relative affordability advantage, broadly positive economic prospects have been a big draw for newcomers to the province. Alberta welcomed more than 45,000 interprovincial migrants (on a net basis) and nearly 100,000 international immigrants (net) last year. And its population growth rate, which now rivals that of P.E.I., shows few signs of slowing. We expect the influx of migrants will contribute to solid growth in consumer spending this year (+6.4%). Though the broader economic cooldown is set to moderate retail sales growth in 2024, we still have growth for this indicator pegged at 3.5% in Alberta— well above the Canadian average (+2.1%).

Statistics Canada's 2023 projection for field crops indicates a marked decline from last year. At 14%, the drop in annual production (in metric tonnes) is unlikely to go unnoticed. Still, strength among other industries should cushion the province's economy from slowing too aggressively—and a bounce back in the agricultural sector next year could tilt our 2024 growth projection to the upside. (PROVINCIAL OUTLOOK | SEPTEMBER 2023)

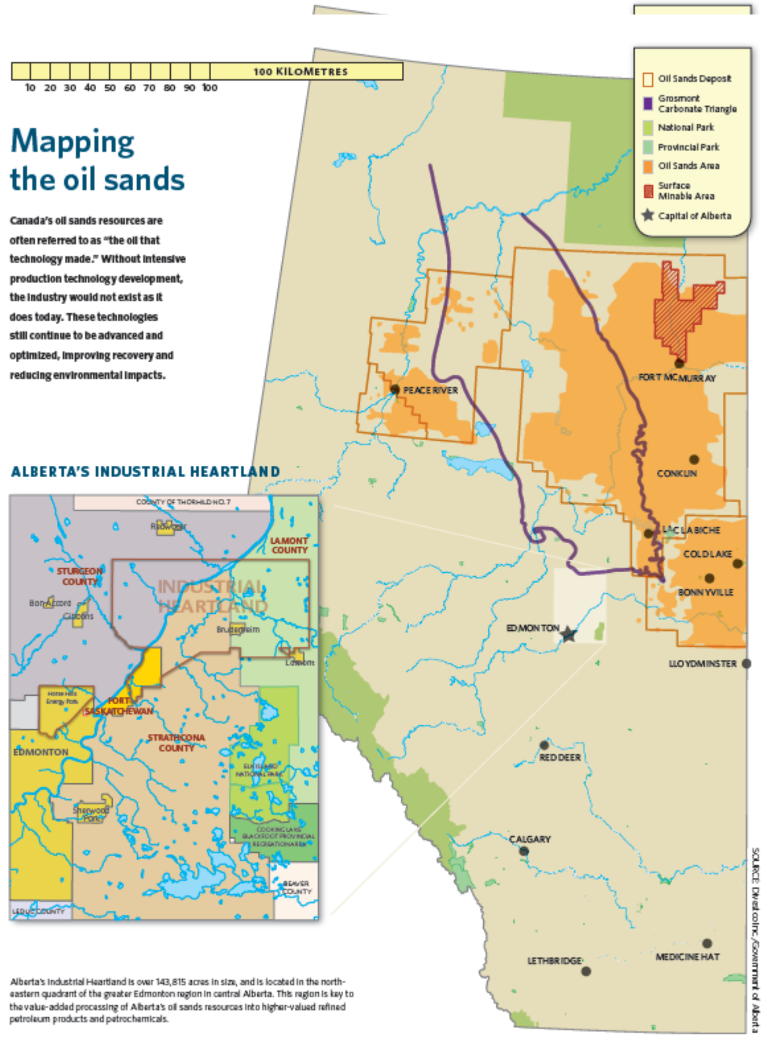
REGIONAL OUTLOOK

The economy in North Central and North East Alberta is driven primarily by natural resource industry with significant investment in energy and forestry. The Alberta oil sands are the third largest oil reserves in the world, after Venezuela and Saudi Arabia, covering 142,200 square kilometers within three main regions which include Athabasca/Wabasca, Cold Lake and Peace River. Reserves shallow enough to mine (up to 75 meters) are found only within the Athabasca oil sands area. Surface Mineable Area (SMA) equals to about 4,800 square kilometers and accounts for about 3.4 per cent of the total oil sands area.

Based on the size of the region there are many population centres that could be considered a similar market. When defining the market and given the size of the region and the number of real estate transactions that occur annually, it is necessary to expand the boundaries of the local market to the larger similar region to observe the data necessary to compile this appraisal report. The regional search has included communities with similar economic influences that the appraiser believes to offer adequate comparability to the subject and to communities that would be considered alternatives to the investor seeking to employ capital.

NATURAL RESOURCES

There are three major bitumen (or oil sands) deposits in Alberta. The largest is the Athabasca deposit, which is located in the province's northeast in the Regional Municipality of Wood Buffalo. The main population centre of the Athabasca deposit is Fort McMurray. The second-largest oil sands deposit is referred to as Cold Lake, just south of Athabasca, with the main population centres the City of Cold Lake and Town of Bonnyville. The smallest oil sands deposit is known as Peace River, which is located in northwest-central Alberta. A fourth deposit called Wabasca links to the Athabasca and is generally lumped in with that area. The Athabasca Deposit, which includes the Wabasca-Desmarais area is estimated at 236 billion cubic meters of initial in-place volumes of crude bitumen.



Source: Government of Alberta

Alberta's oil sands have been built on a history of technological innovation and continuous improvement in both operational and environmental performance. As examples:

- Improvements in technical efficiency.
- Improvements in operational performance.
- Reductions in operating cost profiles.
- Increases in the reserves base.
- Reductions in environmental impacts.

- Improvements in overall environmental performance.

Global economic recovery will require more energy of all kinds. This means:

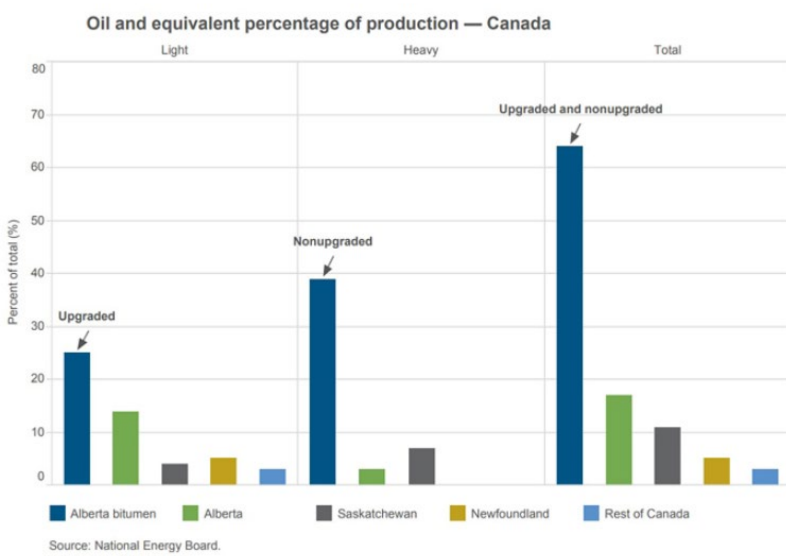
- An increasing role for renewables but a continuing and ongoing reliance on hydrocarbons.
- Declining conventional oil and gas production in many areas also means an increasing role for enhanced oil recovery; extraction and processing of bitumen; and other production of non-conventional crude oil and natural gas.

Total oil sands production is estimated to be running close to 2.8 million barrels/day.

According to the Oil Sands Developers Group:

- Over the next decade, the oil sands are anticipated to be the single largest source of new oil supply in the world.
- Each dollar invested in the oil sands creates approximately $9.00 (CDN) worth of economic activity globally, and $6.00 (CDN) of economic activity in Alberta.

Alberta has been and remains the largest producer of natural gas and oil in Canada. In 2017, Alberta produced 68 per cent of Canada's natural gas and 81 per cent of Canada's oil and equivalent. More than 60 per cent of Canada's total oil and equivalent production was marketable bitumen. The following graphic from the Alberta Energy regulator puts the size of Alberta's energy sector into perspective.



(July 5, 2018 http://www.aer.ca/providing-information/data-and-reports/statistical-reports/executive-summary)

North central and north east Alberta and region are well positioned to benefit from investment in natural resource extraction.

Exposure Time

The Canadian Uniform Standards of Professional Appraisal Practice 2022 provide the following definition of *exposure time* at section 3.23:

> *The estimated length of time the property interest being appraised would have been offered on the market before the hypothetical consummation of a sale at the estimated value on the Effective Date of the appraisal.*
> *Exposure time is backward-looking.*

The definition is further expanded at section 9.1 to add:

> *9.1.1 Exposure Time is a retrospective estimate of a length of time based upon an analysis of past events assuming a competitive and open market within which, a property would have sold.*
> *9.1.2 Exposure Time is always presumed to have preceded the Effective Date of the appraisal.*
> *9.1.3 Exposure Time is different for various types of real estate and under various market conditions. Rather than appearing as an isolated estimate of time, it must refer to the property appraised, at the value estimated.*
> *9.1.4 The overall concept of reasonable Exposure Time encompasses not only adequate, sufficient and reasonable time, but also adequate, sufficient and reasonable marketing effort.*

There is a distinction between Exposure Time and Marketing Time. Marketing time is defined in section 3.49 of CUSPAP 2022 as:

> *an opinion on the amount of time it might take to sell a property interest in Real Estate at the concluded estimate of Market Value during the period immediately after the Effective Date of an appraisal.*
> *Marketing Time is forward-looking and predictive.*

The estimate of exposure time for the subject referenced within this analysis is based on our review of sales and listing data across the market and is considered in the context of the subject property characteristics, location, and economic climate as at the effective date.

Market Characteristics Summary

We conclude from our investigation and analysis that demand for well-placed industrial space within the region is strengthening based on increased oilfield activity in the region and post pandemic recovery. While the economic indicators examined present an uncertain outlook for the near term, future prospects in the region remain positive as resource extraction activities continue and economic activity rebounds following the loosening of pandemic related restrictions and increase in commodity prices.

HIGHEST AND BEST USE

The concept of Highest and Best Use underlies the entire valuation process. It is based on the concept that a finite supply of product demands that land uses be optimised, whenever demand conditions warrant. Highest and Best Use is defined by the Canadian Uniform Standards of Professional Appraisal Practice as:

> *The reasonably probable use of Real Property, that is physically possible, legally permissible, financially feasible, and maximally productive, and that results in the highest value. (CUSPAP 2022 – 3.32)*

The highest and best use of a property is an economic concept that measures the interaction of four criteria:

- legal permissibility,
- physical possibility,
- financial feasibility, and
- maximum profitability

At any given time several principles of valuation are evoked, including the Principles of Consistent Use, Contribution, Change, Balance, and Conformity. The Principle of Conformity also affects the highest and best use analysis of the property; in general the highest and best use conclusion should conform to neighbouring uses. If industrial uses are typical in a neighbourhood, and if this development represents the highest and best use, application of the principle of conformity helps to define the probable use in more definitive terms. Probability is a modifier of both physically possible and legally permissible use. Money and time can resolve most physical and legal use limitations. The appraiser must consider the probability of change, as distinguished from possibility. To be probable the concept of time is critical where an imminent change is more credible than a future possibility of change.

As outlined by CUSPAP estimating the highest and best use of a property is a critical appraisal component that provides the valuation context within which market participants and appraisers select comparable market information. An appraiser considers highest and best use of the property as if vacant separately from the highest and best use of the property as improved. This is because the highest and best use of the site as if vacant and available for development determines the value of the land, even if the property's existing improvement does not represent the highest and best use of the site. Highest and Best use of land or a site is the use among all reasonable alternative uses that yields the highest present land value, after payment for labour, capital and co-ordination. The conclusion assumes that the parcel of land is vacant or can be made vacant by demolishing any improvements.

It is generally in the best interests of a landowner to maximize value by employing it to its highest and best use. The most profitable and probable use of a property is almost always determined by: location, land use classification, and development potential.

The development potential of an undeveloped or an under-utilized property is a function of current economic conditions, market expectations, and the demand for a particular type of development in the area. These factors are generally imputed in the market value of the land.

In evaluating the highest and best use of the subject the following considerations influenced our opinion:

Legally Permissible Use: The use of a property should conform to all zoning restrictions, land use regulations and to any restrictions placed upon the title. The subject is zoned *M3 - Airport Industrial District*. As vacant, the most probable use of the subject property is for development with conforming improvements. The existing development is assumed to be a legal use of the site.

Physically Possible Use: To be considered for highest and best use the use must be a physical possibility. Physical possibility includes consideration of shape and size of the site, soil bearing capacity, topography, infrastructure of the neighbourhood, access and egress and location. The size and shape of the subject site would permit a wide range of possible uses as permitted within the *M3 - Airport Industrial District* land use classification.

The subject property is a 2.5± acre site with good exposure and 10,000± square feet of industrial improvements plus parking. The design of the improvements takes advantage of the topography and access of the site. The land use of the subject conforms to neighbouring improved properties and does conform to the existing development within the vicinity. It is our opinion that the improvements contribute to the value of the land and the value of the property as improved exceeds its value as if vacant and undeveloped.

Financially Feasible Use: The existing improvements are more or less conventional in design and construction. As a result the property should be readily marketable to a variety of potential users for a continuation of the current use or re-configuration for alternate uses/occupancies.

In order to be considered for highest and best use, a market must exist for that use, there must be demand. The subject property would be desirable to various users and is considered marketable in the Wabasca and north central Alberta markets given the market conditions at the effective date of the appraisal.

Maximally Productive Use: The test of maximum productivity is applied to uses that pass the first three tests. Maximally productive use equates to the most profitable use in the context of investment value. Analysis of the market forces of supply and demand may aid in the process of elimination of alternative uses, and determine the uses that are both financially feasible and maximally productive.

The property is improved and would support a variety of uses. Nothing in our market analysis indicated that increased value would result from returning the site to vacant, undeveloped land. The existing development of the site and use of the improvements is considered to be the most maximally productive use at this time. Thus the continued use as developed likely represents the most profitable highest and best use.

The test of whether a site is improved to its "Highest and Best Use" is often limited to whether the building contributes to the overall property value. If land value for redevelopment purposes exceeds the value of the improved property, then there is economic justification for demolishing the structure to permit redevelopment of the site. As concluded in the valuation section of this report, and through a review of land values in this area, this is clearly not the case with the subject, as the building contributes to the overall property value. The building is believed to have a reasonable economic life remaining, and provides amenities that are in demand. It must be recognized that a wide range of possible uses could be considered appropriate for this location.

It is, therefore, concluded that:

As <u>Improved</u> the Highest and Best Use of the subject site, as at the date of appraisal, is for the continuation of the existing use. The Highest and Best Use of the subject is as presently utilized.

Applying the above analysis, if the site were <u>vacant</u>, the development of improvements or buildings that conform to the zoning bylaws (or discretionary uses) of the municipality would define its highest and best use.

VALUATION METHODOLOGY

The following commentary outlines the general procedures employed in the valuation of the subject property, in view of the purpose and function of this study. It is meant to serve as an overview of the appraisal methodology.

APPRAISAL PROCEDURES

The valuation process is accomplished through the application of appraisal techniques, often referred to as "approaches to value." Essentially, there are three primary approaches: the Direct Comparison Approach, the Income Approach, and the Cost Approach. Although in rare circumstances only one of these approaches can apply, typically a combination of two of the approaches are employed in estimating the market value of a given property. The determination of which of these approaches to value is best applicable to a specific assignment is largely dependent upon the nature of the appraisal assignment and the data available. Sometimes an approach is excluded through a client-imposed scope limitation. Following the application of all the valuation techniques, a correlation is made of all factors and circumstances that come to bear on the market value of the property.

VALUATION OF THE PROPERTY

This section of the report presents the valuation procedures used in arriving at the estimated market value of the subject property. The analytical process leading up to this point has entailed primarily an internal diagnosis of the subject property. The study undertaken for purposes of this report includes an investigation external in character, an analysis of the market itself. This involves the analysis of sales data related to other similar properties, all of which occur within the framework of the current market.

THE INCOME APPROACH

This approach focuses on a forecast of operating revenues and expenses for the property. This estimate of net income is then converted to an estimate of current market value with an overall capitalization rate referred to as direct capitalization. The mechanics of this methodology essentially relate to dividing the net earnings with a singular rate, or current-earnings ratio, which takes into account all of the comparative investment characteristics of the property. Direct Capitalization produces an expression of the current market value of the investment portion of a property, which might have to be adjusted for extraordinary circumstances that cannot be reflected in the straight capitalization of earnings, for example a larger than typical site size.

The type of "net earnings" used in the appraisal process is usually the net operating income produced by the property. The net operating income of a property represents the residual amount of rental income, after deducting only those annual expenditures directly associated with, or incidental to, the production of rental income, and to the ownership and operation of the realty. This approach is also considered applicable to properties that are owner-occupied, as it indicates the income that could be earned from the subject if it was rented to an outside tenant.

Revenues and expenses normally excluded from the Statement of Operation, developed for the purpose of valuing real estate consist of: interest income and other non-realty income, interest expense on operating debt, capital cost allowance (or depreciation), executive and shareholder remuneration, and interest on re-investment of retained earnings, working capital or extraordinary reserve funds.

LEASE SYNOPSIS

This report is completed as if the subject building was available for lease. This report assumes that the lease is at market rates without special consideration. For the purpose of this analysis we will use an estimate of market rent (NNN) based on our research of market rents in the community and region.

The building is currently leased at a rate of $7,000NNN monthly, however this also is reported to have been negotiated before consideration of the completion of the storage building. Given the current lease in place and considering the market we will rely on the actual lease rate supported by our research of market rates in application of this approach.

RENTAL ANALYSIS

In order to formulate an opinion of market rent for the subject, an investigation into rents of similar properties was undertaken; we have thus considered other properties in the immediate area that would be considered competing and properties in communities with similar economic influences. The rents quoted represent total amounts of net rent payable to the property owner. The property owner of an investment property generally incurs income loss due to vacancies and collection expenses, and they are generally responsible for structural repair and maintenance. These amounts must be deducted from rental revenues to reflect a net income the typical owner could expect from the property, and consequently, the return that the investment yields.

In Alberta leasing data is not part of the public domain. Market participants tend to be reluctant to reveal leasing information and therefore in some cases the appraiser has relied on verbal information from sources believed to be reliable. Economic and rental data has been compiled based on verbal interviews, a review of the MLS systems in use in the region, and from lease data on file. The comparable leased properties listed on the following table are considered representative of the general market. These leases represent a sample of the data on file, however other data on file may also have influenced our conclusion. To maintain the confidentiality of the data specific addresses have not been identified and specific details have been retained in our lease database.

Historically single tenant properties have been known to engender a premium rental rate compared to multi-tenant properties. This is due to the motivation of the tenant to control the yard and any associated parking or storage areas and includes the benefit of associating the building with their brand or corporate name.

A sample of some of lease rates found in the region applicable to the subject can be found in the table '*Comparative Lease Rates*'.

Comparative Lease Rates		
Lease 1	*Northern Alberta, 3,500 sq ft multi-tenant building, industrial style, comparable to the warehouse and home improvement portion of the subject. Sold in November 2021 with a cap rate of 7.05%. NNN Leases.*	*$29.14 psf* *$35.82 psf*
Lease 2	*Northern Alberta, 2,800 sq ft, industrial style with 160 sq ft office component on 1.24 acres, comparable to the warehouse and home improvement portion of the subject.*	*$18.00 psf*
Lease 3	*Rural, service centre community in Northern Alberta, shop and office on 12.96 acres, fenced, compacted gravel site. 6,200 sq ft plus office for total of 9,040 square feet.*	*$15.00 psf*
Lease 4	*Shop and office building, 19,000 sq ft on 3.84 acres, fenced graveled yard and paved parking area.*	*$12.00 psf*
Lease 5	*Northern Alberta resource community. 5,000 sq ft on 2 acres. 2016 construction on municipal services.*	*$14.00 psf*
Lease 6	*Northern Alberta resource community, two leases on 8,000 sq ft and 8,072 sq ft. Each with 5± acre fenced yard. Primarily shop, with 900± sq ft office space each.*	*$13.50 psf* *$14.50 psf*
Lease 7	*Rural, service centre community in Northern Alberta, shop and office on 4.22 acres, fenced, compacted gravel site. 16,500 sq ft.*	*$15.00 psf*
Lease 8	*Rural, service centre community in Northern Alberta, shop and office on 5.76 acres, fenced, compacted gravel site.18,000 sq ft.*	*$15.67 psf*
Lease 9	*Northern Alberta rural resource community, shop and office. 13,600 sq ft.*	*$12.00 psf*
Lease 10	*High exposure location, northern Alberta rural resource community, shop and office. 14,280 sq ft on 2.35 acres with municipal services. Fenced gravel yard. Building constructed in 2 phases.*	*$10.00 psf*
Lease 11	*Rural, service centre community in Northern Alberta, shop and office on 3 acres, fenced, compacted gravel site.10,000 sq ft.*	*$12.00 psf*

With consideration to the age and condition of the subject, the current market, and the current leases in place for the subject it is concluded that a current lease rate range of $16.80 rounded to $17.00 per square foot of building footprint area is a good reflection of current market rent potential for the subject property. This lease rate range is believed to be appropriate and achievable, as demonstrated by the actual lease arrangements.

Subject Property Adjustment Analysis

For the purpose of appraisal calculation of lease rates, the preferred method is to adjust rental rates to a NNN (triple net) equivalent and thus permit comparison of like units across the subject and comparable properties.

We have relied on our research of market rents to determine an annual potential gross income (PGI) for the subject property. An investor considering the property for purchase would have to consider the current lease market in the decision making/valuation process. *It is possible that an owner-operator / purchaser may be prepared to pay a higher equivalent price per square foot to own the building and thus calculate a premium into PGI to reflect the perceived benefit to ownership over leasing the property.*

Rental Analysis and Conclusion

A review of the market lease rates suggests a range of $10 to over $35 per square foot for comparable space in the region, although a typical rate range of $10 to $18 per square foot is more frequently observed. Considering the current economic climate, information we have collected on lease renewals, the size of the leasable space, the location of the property, the age and condition of the building, and general comparability to the lease indicators, the current lease is considered supported by the market and applicable. The property is configured for a single tenant occupancy, in location with cyclical demand. It is concluded that a lease rate range of $16.80 rounded to $17.00 per square foot of building footprint area is a good reflection of current market rent potential for the subject property. This lease rate range is believed to be appropriate and achievable; in selecting an appropriate market rent for the subject property the following factors are considered:

- The subject lease in place.
- The subject condition.
- Location.
- The subject configuration would support various occupants.
- Competing lease rates and spaces in the community.
- Age of the improvements.
- Access and parking.

This rate range will be used to calculate Potential Gross Income for the subject property.

POTENTIAL GROSS INCOME Annual			
Description	Leaseable Area Sq. Ft.	Lease Rate NNN $ / Sq. Ft.	Gross Income $ / year
2300 Transport Road, WABASCA, AB	5,000	$16.80	$84,000
		Potential Gross Income (PGI)	$84,000
2300 Transport Road, WABASCA, AB	5,000	$17.00	$85,000
		Potential Gross Income (PGI)	$85,000

Operating Statement

The following statement provides an estimate of stabilized Net Operating Income based on a typical year of operation.

PRO FORMA OPERATING STATEMENT
2300 Transport Road, WABASCA, AB
December 2023

INCOME						
Potential Gross Income (PGI)		$	84,000	$	85,000
LESS: Provision for vacancy & collection loss @	8%	-$	6,720	-$	6,800
Effective Gross Income (EGI)		$	77,280	$	78,200
EXPENSES					
Vacancy Allowance Expense @	2.0% of EGI	$	1,546	$	1,564
Management/Administration Expense @	4.0% of EGI	$	3,091	$	3,128
Provision for capital expenditures and non-recoverable costs @	2.0% of EGI	$	1,546	$	1,564
Net Operating Income (NOI)		**$**	**71,098**	**$**	**71,944**

Comments on The Operating Statement

Under net leases, the expense recovery covenants in the leases usually provide that virtually all expenses are recoverable from the tenant(s), except for structural maintenance for which an allowance must be made.

However, it is first necessary to provide for some loss due to vacancy. The vacancy allowance provides for loss in income through uncollected rents and associated occupancy charges (bad debt), in addition to allowing for actual vacancies that may occur. These adjustments are required, as a building cannot be expected to be occupied fully throughout its useful life. Vacancy allowances are local in application and will vary from time to time, and location to location. The magnitude of the vacancy and rent loss allowances is estimated by analysing the local real estate market for this particular type of property. Considering the physical amenities of the premises, competitive influences, size, current demand and preferences, it is concluded that a 8% vacancy allowance is appropriate at this time.

The effective gross annual income is the total possible gross income that would be produced by the property, less the losses incurred by vacancy and uncollected rents.

During periods of vacancy the landlord is responsible for the share of expenses normally covered by the tenant. An allowance of 2% of Effective Gross Income has been allocated for this purpose.

A management fee expense of 4% of Effective Gross Income has been deducted.

It is also necessary to make an allowance for structural maintenance. Although tenants are responsible for operating costs in a net rental situation, the property owner usually remains responsible for required maintenance to the foundations, floor slab, roof, exterior walls, and periodic upgrades or replacement of major mechanical systems such as electrical and heating services. This type of maintenance is not required on a routine or scheduled basis. Therefore, the amount estimated for this type of expense represents an annual increment that would allow for a larger periodic expenditure when necessary. The percentage allotted is to reflect an annualized figure over the full life of the property. In view of the current condition of the building, an allowance of 2% is chosen. A detailed capital expenditure forecast for the property has not been provided.

As suggested, the estimate of Net Income that is derived accounts for only those expenses necessary to ensure the continued income productivity of the property. This net income estimate forms the base income to be converted to an estimate of value through Direct Capitalization.

METHOD OF CAPITALIZATION

It is recognized that revenue producing real estate is an investment, similar in principal to other forms of investment such as stocks, bonds, term certificates, etc. Revenue producing real estate should, therefore, be appraised and analysed as an alternative form of investment based on similar criteria.

The income stream being earned by the subject property does not have the characteristics of annuity calculations. Annuities provide a guaranteed income in return for a fixed sum of money. They generally are highly secure and require minimal management. Real estate investors must consider the risk factors that relate to real estate when analysing appropriate rates of return. After considering the various methods of capitalization, it is concluded that direct capitalization is the most appropriate method to use in this appraisal. This approach to capitalization essentially involves converting the stabilized annual income at a singular rate, taking into account all of the comparative investment features of the property.

When using this method it is not necessary to develop separate rates for land and buildings. The often impossible task of estimating the remaining economic life of the building, or projecting the net income for such a period is not required. The Direct Capitalization method does not presume that land value will remain constant for the economic life of the building. The net income being generated is recognized as flowing from the entire property, with the land and buildings as one integrated investment. The Direct Capitalization method is the most realistic method in its application, and most adequately encompasses the thoughts of the investor, as they apply to real estate.

THE DIRECT CAPITALIZATION APPROACH

The Direct Capitalization Approach examines market sales to derive a market capitalization rate for the subject property.

Capitalization rates or expected rates of return are governed by the following factors:

- Inflation
- Risk
- Management
- Pure Rate of Return

All investors seek to achieve defined investment objectives both short term and long term. In general, there are four main investment objectives:

1. Safety of Principal
2. Income
3. Growth of Capital
4. Liquidity

Historically, the pure rate of return has been roughly 3%, representing the value at which someone will lend their capital in a riskless, management free investment, net of inflation.

Capitalization rates and value have an inverse relationship, i.e. capitalization rates that emanate from sales are inversely proportional to the income and/or selling prices (i.e. the lower the capitalization rate, when applied to the income stream, the higher the value estimate). Acceptable capitalization rates are, therefore, a strong reflection of confidence and personal risk tolerance and will fluctuate based on investors' perceptions of future returns. Property investors in this value range will have among their primary concerns quality of the tenant(s), and age and quality of the building. Consideration is also given to the terms of the lease arrangements and the strength of the lease income. The overall capitalization rate reflects the perceived quality and durability of the property's earning potential. Newer properties in good locations with strong rental histories or with the potential for an increase in value usually trade at comparatively low overall rates. Conversely, capitalization rates for properties with older building improvements or newer properties in less active/attractive markets or that may be more difficult to lease due factors specific to the property have capitalization rates that are higher and reflect the greater level of inherent risk and uncertainty. As a general rule, older (or higher risk) properties sell for higher capitalization rates, newer properties sell for lower capitalization rates.

We have no evidence to support that investors discriminate between light industrial and retail property classes, as such our analysis includes sales of income producing properties of both classes to inform our opinion in determining an estimate of the market capitalization rates within the region.

Industrial lease rates can differ from retail rates based on location and demand. Natural resource industries can have a significant impact on the demand for industrial property which can translate into higher values and lower cap rates in relation to retail properties which often experience softer demand.

It is noted that the income figures used in the capitalization rate calculations are generally based on data gathered regarding actual leases but may be based on estimates of market rent as opposed to actual lease rates in some instances. These calculations do help to define an applicable band of, or range in capitalization rates.

When deriving a capitalization rate the preferred method is based on comparison from comparable sales of properties of equal attractiveness or utility on the open market. The greatest weight is placed on actual sales of similar properties made relatively concurrent with the date of the appraisal and under comparable conditions. The table summarizes capitalization rates have been observed in the market.

Comparative Sales Data - Capitalization Rates (R_0)

Property / Location	Sale Date	Building Age	Building Size (Sq. Ft.)	Sale Price	NOI	Cap. Rate (R_0)
4919 49 Street Athabasca, AB	Mar-15	1977	6,909	$520,000	$46,758	8.99%
10015 107 Street Westlock, AB - Multi-tenant retail	Jan-16	1965	15,586	$3,600,000	$268,282	7.45%
4903 - 49 Avenue Athabasca, AB Single tenant retail	Oct-15	1964	1,600	$190,000	$17,781	9.36%
4803A 50 Avenue Valleyview, AB - Single tenant retail	Apr-20	2008	10,000	$1,100,000	$93,639	8.51%
594062 RR 125B Woodlands County - Multi-tenant Industrial shop	Aug-21	2015	24,800	$2,900,000	$171,517	5.91%
705 Caribou Trail Slave Lake, AB Multi-tenant industrial shop	Nov-21	1999	3,500	$999,000	$60,990	6.11%
10801/13/21 100 Street Grande Prairie - Mixed use retail plaza	Mar-20	1973-76	17,743	$2,900,000	$203,817	7.03%
11402/08 100 Street Grande Prairie, Multi-tenant retail/office 2 storey	Jul-20	1980	24,282	$2,480,000	$278,335	11.22%
5016 50 Avenue, Whitecourt, AB Retail building	Nov-21	1967	3,250	$375,000	$31,046	8.28%
4801 49 Street, Athabasca AB Multi-tenant office	Jun-21	1995	5,000 +/-	$410,000	$54,848	13.38%

Our research indicates that capitalization rates are lower in highly populated areas and increase with distance from urban centres and as community size decreases.

Capitalization of Net Income

In striking a final capitalization rate, it is suggested that a capitalization factor near that indicated by the historic market sales evidence is appropriate. The market rates range from 5.9% to over 13.0%. In determining an appropriate range the nature of the subject property is considered in contrast to the data and heavier weighting placed on properties that have similar characteristics and tenant profiles. Given the current market conditions, and the nature of the subject property an overall capitalization rate near the upper portion of the overall range is considered appropriate.

Our research of capitalization rates has included a review of the *Colliers International Canada – Cap Rate Report* for Q3 – 2023 which presents capitalization rate data for numerous Canadian cities including Edmonton. Regional markets historically trade at a premium capitalization rate to the urban centres, however the data from the Edmonton market is a useful indicator of the market trends in this property class, especially because the Edmonton market is acknowledged to be more active than the regional markets. Edmonton area capitalization rates for industrial space range from 5.50% to 7.00% and for retail space 5.50% to 7.0%, and for suburban office space from 6.75% to 8.50%. As noted, high quality, newer space historically trades at lower capitalization rates. Other older properties in the region in have traded over 12% where they were located outside major centres. The research also indicates a generally stable trend in capitalization rates for this type of property.

Given the location, the property would have reduced market appeal in attracting investors and tenants. The subject property is in a location that would be considered by investors as higher risk. As a result of our analysis a final capitalization rate of 9.0% is considered reasonable and appropriate and reflects a balance between the lower capitalization rates of newer properties and the rates observed in the market from sales of properties in less robust markets and our observations within the market generally. Accordingly, this rate range is deemed reasonable in the application of Direct Capitalization to the estimated income stream.

Therefore, applying the capitalization rate to the net income yields the following valuation for the subject:

Net Operating Income (NOI)		$ 71,098	$ 71,944
Capitalization Rate (R_0)		9.00%	9.00%
Value = $\frac{NOI}{R_0}$	=	$ 790,000	$ 800,000

CONCLUSION

Our estimate under the Income Approach is as follows:

VALUE INDICATED BY INCOME APPROACH (rounded)	**$800,000**

THE DIRECT COMPARISON APPROACH

The Direct Comparison Approach is generally considered to be the most reliable approach to value that is available to the appraiser. This is especially true when recent comparable sales exist that can be adjusted appropriately to indicate a value for the property under consideration. This method is a direct reflection of market activity and is usually the strongest indication of value, particularly when it is applied without undue consideration of income factors that are better reflected in the Income Approach.

The Direct Comparison Approach involves the analysis of market data, primarily the selling prices of comparable properties to determine a value estimate for a given subject property. The application of this approach is founded upon the *Principle of Substitution*. This Principle is based on the premise that a prudent purchaser will not pay more for a given property than the cost of acquiring an equally acceptable substitute property or a property with the same utility, provided there is no undue delay. Therefore, the Direct Comparison Approach uses historical selling prices or current listings to predict the most probable selling price, i.e. the market value for the subject property.

After researching and evaluating all known comparable sales and listings, each suitable sale is compared to the subject and adjustments are made for physical differences as well as variances in market conditions, location, and financing as applicable and where adequate data exists to confidently make quantitative adjustments – where limited quantitative data is available qualitative analysis, which recognizes the inefficiencies of the real estate markets and the difficulty in expressing adjustments with mathematical precision is utilized. There are various techniques including Trend Analysis, Relative Comparison Analysis, and Ranking Analysis. Relative Comparison Analysis is the study of the relationships indicated by market data without recourse to quantification – reliable results can usually be obtained by bracketing the subject between comparable properties that are superior and inferior to it.

Sales are typically compared on a unit basis (i.e. sales price per square foot; $ / sq. Ft or sales price per acre; $/acre) to provide a common reference point. The adjusted unit selling prices of the value indices are subsequently reconciled to provide an indication of the subject's value.

In selecting sales data for our valuation sales were chosen which were considered typical for properties in the regional market. The local market has few comparable properties and appears relatively illiquid at this time and as a result we have sought sales of comparable properties in other communities that are similarly economically dependent on natural resource extraction and outside major urban centres. In collecting sales data we have reviewed sales data on file as well as MLS data. The comparable sales in our analysis are not identical to the subject property, but they are similar and set out the general range in values that the market is operating in. It should be understood that the conclusion is not based entirely upon these sales, but rather on all market data available including, but not limited to, those set out in this report.

Time: The sales of comparable properties took place prior the effective date of the appraisal. There is a perception that market conditions have been changing since these sales have taken place relative to the changes in the economy. One disadvantage of the Direct Comparison Approach is that it is a trailing indicator, using historic prices to predict the future, where sufficient evidence exists to quantify the change in value, adjustments are made. Based on our observations inflation or deflation in value (accounted for through time based or market conditions adjustments) occurs relatively slowly. Adjustments are typically made based on a paired sales analysis where sufficient transactions exist to provide confidence in the results. This type of property sells relatively infrequently and as a result the timeframe for sales data is expanded.

Motive: No quantitative motivational adjustments are applicable.

Building Size: The subject and comparison properties would all be considered in a similar size range. No adjustments to the indicators relative to the subject have been made. Size differences are accounted for through the unit-based comparison and take effect when the unit value conclusion is applied to the subject size.

Site Size: Varies across the indicators. Adjustments have been made where warranted to reflect an estimate of the difference in the value of the underlying land in comparison to the subject and have been based on our market research.

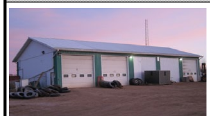
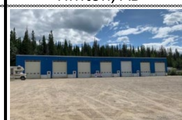
Age and Condition: The value indicators represent a range of chronological and effective ages. Adjustments have been made where appropriate to reflect differing ages and levels of depreciation of the comparison properties relative to the subject.

Quality / Utility: Based on our research, the indicators had similar utility.

Contribution Additional Building: The indicators all lack a comparable additional heated storage building and on this basis are considered inferior; adjustments for the contribution of this additional space have been made to reflect a proportionately sized building relative to the indicator.

Other: All sites had reasonable access. All sales appear to be arm's length and no motivational adjustments based on this factor have been applied. Notwithstanding that there are differences between the subject and the comparison properties many of the potential and probable future uses remain similar.

The following are sales we have used in estimating the current market value of the subject property:

Value Indicators - Improved Property Sales					
	Subject	Value Indicator 1	Value Indicator 2	Value Indicator 3	Value Indicator 4
MLS #	n/a	A1103286	A1176063	A1192806	Private Sale
Legal Description	9821453; 3; 3	9720770; 5; 10	5,24,51,32,NE	0922586; 5; 2	0023445; 1; 6
Address / Location	2300 Transport Road, Wabasca, AB	127 Willets Ave Hinton, AB	East River Road, Yellowhead County	16002 95 Street, Grand Prairie County	2251Airport Road, Wabasca, AB
Photos					
Sale Price	n/a	$ 830,000	$ 1,775,000	$ 1,650,000	$ 700,000
Sale Date	n/a	Oct-22	Sep-22	Oct-22	Oct-23
Building Size (Sq. Ft.)	5,000	10,200	15,100	8,000	6,000
Site Size (Sq. Ft.)	108,900	47,916	763,171	131,551	223,027
Site Size (acres)	2.50	1.10	17.52	3.02	5.12
Zoning	Industrial	Industrial	Industrial	Industrial	Industrial
Description	Single tenant wood frame, metal clad shop with storage building and gravel yard.	Single tenant wood frame, metal clad shop	Single tenant wood frame, metal clad shop	Metal frame, metal clad shop	Single tenant metal frame, metal clad shop with 2-story office development and gravel yard.
Age / Condition	2002 / Average	1996 / Average-Good	2015 / Average	2019 / Average-Good	2014 / Average
Days on Market	n/a	823 days	235 days	203 days	undisclosed
Site Coverage Ratio	4.6%	21.3%	2.0%	6.1%	2.7%
Selling Price / SqFt	n/a	$81	$118	$206	$117
Adjustments - Transactional					
Real Property Rights	n/a	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Market conditions / Time	n/a	$0	$0	$0	$0
Adjustments - Property					
Motive	As described	Comparable	Comparable	Comparable	Comparable
	n/a	$0	$0	$0	$0
Building Size	As described	Larger	Larger	Larger	Comparable
Site Size/ Value/ Location	As described	Smaller / Superior	Larger / Superior	Larger / Superior	Larger / Comparable
	n/a	-$198,000	-$300,000	-$705,000	-$52,000
Effective Age / Condition	As described	Older / Similar	Newer / Similar	Newer / Similar	Newer / Similar
$ Adjustment Age / Condition	n/a	$451,000	-$79,000	-$125,000	-$78,000
Contribution, Add'l Bldg	As described	Inferior	Inferior	Inferior	Inferior
$ Adjustment	n/a	$561,000	$831,000	$440,000	$330,000
Adjusted Price / Sq Ft.	n/a	**$161**	**$147**	**$158**	**$150**

Adjustments on the *Value Indicators – Improved Property Sales* table summarize the adjustment process used to value the subject properties.

Adjustments were made to reflect the differences in age and depreciation, site size, and quality/interior development, based on our research.

The sales above were given serious consideration in our analysis. These sales and others that we are aware of inform us of the market demand, or lack of for properties of this type.

Indicator 1: This indicator reflects an October 2022 transaction in a regional resource-based community. The indicator is older, on a smaller but more valuable site, with similar style of building development. This site lacks the additional storage building. The adjusted unit value is considered at the upper range that could be expected of the subject property.

Indicator 2: This indicator reflects a September 2022 transaction in in a regional resource-based community. The effective age is considered newer and the size of the improvements larger however the parcel is comparably larger. This site is partially improved (about 9 acres) with grading and gravel. This site lacks the additional storage building. The adjusted unit value is considered within the range that could be expected of the subject property.

Indicator 3: This indicator reflects a transaction from October 2022. The building is larger in size on a significantly more valuable site. The improvements are superior in comparison to the subject in effective age. This site lacks the additional storage building. After adjustments this indicator is considered within the range of what might be expected of the subject.

Indicator 4: This indicator reflects a transaction from October 2023 in the subject community. The building is similar in size on a larger site. The improvements are superior in age in comparison to the subject. This site lacks the additional storage building. After adjustments this indicator is considered within the range of what might be expected of the subject.

The value indicators used are the best data uncovered by our research.

Reconciliation of the Indicators

After adjustments to the indicators a value range for the improvements of $147/ Sq. Ft to $161/Sq. Ft. is established. Considering the foregoing analysis of the market data and the current economic climate in relation to the subject improvements and weighting of the indicators, a value within the range is supported. On a qualitative basis considering that the location is inferior, demand for space in the region is strengthening, a unit value conclusion near the mid-point of the range is considered reasonable and appropriate. It is my opinion that the market data supports a conclusion of $155 per square foot for the subject property or $775,000.

Our conclusion is as follows:

VALUE INDICATED BY DIRECT COMPARISON APPROACH (rounded)	**$775,000**

<u>**THE COST APPROACH**</u>

The third approach that is used to provide an estimate of value is the Cost Approach. The Cost Approach is an appraisal technique in which the value of the property is derived by adding the estimated value of the land to the estimated reproduction cost new of the improvements, after appropriate deductions for depreciation.

This approach is generally regarded as a cross-check to either or both of the Direct Comparison Approach and the Income Approach. It is sometimes the sole approach to valuation for special use properties that rarely sell on the open market.

When considering the value by the Cost Approach, it is recognized that cost and value are not synonymous. Value is the relationship between a commodity and the desire for purchase. <u>*Value may be higher or lower than the cost depending on demand conditions. The cost to produce an item and what that item will sell for on the open market are two very separate concepts.*</u>

Although this approach may provide some insight for new construction, the premise that the value of the individual components can simply be added together in an estimate of market value is a major weakness. It is difficult to assign, to any single component, the measure of its contribution to the composite productivity of the whole property. Further, this approach loses more reliability once depreciation is considered. Depreciation from all causes is extremely difficult to quantify and qualify. This valuation methodology is not sensitive to changing economic conditions (supply versus demand) and as noted there are difficulties measuring accrued depreciation.

As noted this methodology is not sensitive to changing economic conditions, construction materials costs have been fluctuating widely over the most recent 36 months. There remains a modest supply of improved properties; the sales data indicates it is often more economical to buy used than build new. Given the inherent weaknesses, the Cost Approach has not been developed for the subject property.

In my opinion a value estimate based on the Cost Approach is not appropriate for the subject when considered in the context of the current market and economy.

VALUE BY THE COST APPROACH	**not applicable**

<u>RECONCILIATION AND FINAL ESTIMATE OF VALUE</u>

Direct Comparison Approach	**$775,000**
Income Approach	**$800,000**
Cost Approach	**not applicable**

The value by the Direct Comparison Approach is generally considered reliable. It is significant as it directly reflects the actions of real estate investors and owner-users. This value estimate was based on the analysis of four market indicators. Adjustments for differences were based on studies of the market.

The Income Approach considers value based on the ability of the property to produce net income after provisions for expenses, and allow for recapture of the investment over a reasonable period of time. The estimate of net income is directly market-oriented and based on an analysis of the actual rental market. The capitalization rate was derived from market data. This approach has been given serious consideration.

The Cost Approach, is often used as a verification or cross check of the other two methods, and has not been developed for this analysis for the reasons noted herein.

The Income and Direct Comparison approaches to value are considered to be representative of the real estate market place for the subject. While the results of all approaches are considered mutually supportive, in determining our final value conclusion because of the relative strength of the data, greater confidence and weight has been given to the Income Approach.

In accordance with these generally accepted appraisal-reporting standards, a comment is required on the probable exposure time in order to achieve a sale at the reported market value. This comment is intended to set the context within which the market value conclusion is rendered. For most types of non-residential real estate, a normal exposure time is three to twelve months. For the subject, an exposure time of up to twelve months could reasonably be expected.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Market activity is being impacted in many industry sectors. As of the effective date, the undersigned considers that less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base an opinion of value. Consequently, less certainty – and a higher degree of caution – should be attached to this point-in-time valuation assignment than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, the undersigned recommends that clients and intended users keep the valuation of this property under frequent review.

In conclusion, keeping in mind at all times an unbiased and impartial point of view, and as a result of my investigation and analysis, it is my opinion that the "market value" of the subject property located at 2300 Transport Road, Wabasca, AB (9821453;3;3) as of December 15, 2023, is:

EIGHT HUNDRED THOUSAND and 00/100 DOLLARS **QUALIFIED – SEE EXTRAORDINARY ASSUMPTIONS AND LIMITING CONDITIONS**	**$800,000.**

On behalf of,
LANDUCATION VALUATION AND ADVISORY SERVICES

B.D. Hall, MBA, Candidate Member – *Appraisal Institute of Canada*
Date: December 18, 2023

Derek Van Lersberghe, AACI, P.App., Supervisory Appraiser
Date: December 18, 2023

CERTIFICATION

A personal viewing and site visit of the subject property was conducted on December 15, 2023 by B.D. Hall. The report has been made in conformance with and is subject to the requirements of "The Standards" of the Appraisal Institute of Canada. In accordance with those standards, I certify to the best of my knowledge and belief that:

- The statements of fact contained in this report are true and correct and verified where possible;
- All pertinent factors affecting the subject property value were considered to the extent felt necessary in rendering a reasoned opinion of value;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal impartial, and unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved;
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- My engagement in and compensation for this assignment were not contingent upon developing or reporting predetermined results, the amount of the value estimate, or a conclusion favouring the client;
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards;
- I have the knowledge and experience to complete the assignment competently;
- No significant professional assistance was provided, except for those individuals identified herein, to the person(s) signing this report;
- As of the date of this report, the undersigned has fulfilled the requirements of the Appraisal Institute of Canada Continuing Professional Development Program for designated members and candidate members;
- The undersigned is a member in good standing of the Appraisal Institute of Canada;
- I personally viewed the subject property of the report;

Values and opinions contained in this report are based on market conditions as of the effective date of this report. This point-in-time valuation assignment does not provide a prediction of future values. In the event of market instability and/or disruption, values and opinions may change rapidly and as a result potential future events have NOT been considered in this report. As this report does not and cannot consider any changes to the property or market conditions after the effective date, clients and intended users are cautioned in relying on the report after the effective date noted herein.

In my considered and professional opinion, based upon the data, analyses and conclusions contained herein, the market value of the parcel located at 2300 Transport Road, Wabasca, AB (9821453;3;3) as of December 15, 2023, is estimated at:

EIGHT HUNDRED THOUSAND and 00/100 DOLLARS **QUALIFIED – SEE EXTRAORDINARY ASSUMPTIONS AND LIMITING CONDITIONS**	**$800,000.**

B. D. Hall, MBA
Candidate Member – Appraisal Institute of Canada

Date: December 18, 2023

Supervisory Appraiser's Certification

RE:	The parcel located at 2300 Transport Road, Wabasca, AB Legal: Plan 9821453; Block 3; Lot 3 **QUALIFIED – See Extraordinary Assumptions and Limiting Conditions**

I certify to the best of my knowledge and belief that:

- The statements of fact contained in this report are true and correct and verified where possible;
- All pertinent factors affecting the subject property value were considered to the extent felt necessary in rendering a reasoned opinion of value;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are impartial, and unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved;
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- My engagement in and compensation for this assignment were not contingent upon developing or reporting predetermined results, the amount of the value estimate, or a conclusion favouring the client;
- The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards;
- I have the knowledge and experience to complete the assignment competently;
- No significant professional assistance was provided, except for those individuals identified herein, to the person(s) signing this report;
- As of the date of this report, the undersigned has fulfilled the requirements of the Appraisal Institute of Canada Continuing Professional Development Program for designated members;
- The undersigned is a member in good standing of the Appraisal Institute of Canada;
- I did not personally visit / view the subject property of the report;
- I am familiar with the subject area;
- I agree with the statements and conclusions contained within the report;

Values and opinions contained in this report are based on market conditions as of the effective date of this report. This point-in-time valuation assignment does not provide a prediction of future values. In the event of market instability and/or disruption, values and opinions may change rapidly and as a result potential future events have NOT been considered in this report. As this report does not and cannot consider any changes to the property or market conditions after the effective date, clients and intended users are cautioned in relying on the report after the effective date noted herein.

Derek Van Lersberghe, AACI, P.App. Date: December 18, 2023

PART V – APPENDICES

Appendix A – Assumptions and Limiting Conditions

The estimate of value contained in this report is founded upon a thorough and diligent examination and analysis of information gathered and obtained from numerous sources. Some information has been accepted at face value, especially if there was no reason to doubt its accuracy. Other data required interpretation and analysis pursuant to the objectives of this appraisal. Certain inquiries were outside the scope of this mandate. For these reasons, the analyses, opinions, and conclusions contained in this report are subject to the following assumptions and limiting conditions and any others that may be stated elsewhere in the report.

The certification that appears in this appraisal report is subject to the following conditions:

1. This report has been prepared at the request of the client for the specific use referred to herein. It is not reasonable for any other party to rely on this appraisal without first obtaining written authorization from the client, the author and any supervisory appraiser, subject to the qualification in paragraph 13 below. Liability is expressly denied to any person other than the client and those who obtain written consent and, accordingly, no responsibility is accepted for any damage suffered by any such person as a result of decisions made or actions based on this report. Diligence by all intended users is assumed.

2. Because market conditions, including economic, social and political factors, change rapidly, and on occasion without notice or warning the estimate of market value expressed herein cannot necessarily be relied upon as of any date other than the effective date without subsequent advice of the appraiser and confirmed in writing.

3. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it. No registry office search has been performed and the appraiser assumes that the title is good and marketable and free and clear of all value influencing encumbrances, encroachments, restrictions, or covenants, except as may be noted in this report and except those that may be in progress but have not come to our attention. The property is appraised on the basis of it being under responsible ownership.

4. It is assumed that the real estate complies in all material respects with any restrictive covenants affecting the site, and that any improvements have been built and are occupied and operated in full compliance with all requirements of law.

5. The subject property is presumed to comply with government regulations including zoning, building codes and health regulations and, if it doesn't comply, its non-compliance may affect market value. Investigations have been undertaken respecting matters that regulate the use of land. However, no inquiries have been placed with the fire department, the building inspector, the health department, or any other government regulatory agency, unless such investigations are expressly represented to have been made in this report.

6. No survey of the property has been made. The legal description of the property and the area of the site were obtained from the compiled maps of the municipality or from land titles. Further, the plans and sketches contained in this report are included solely to aid the recipient in visualising the location of the property, the configuration and boundaries of the site and the relative position of the improvements on the said lands.

7. This report is completed on the basis that testimony or appearance in court (or at any administrative proceeding) concerning this appraisal is not required unless specific arrangements to do so have been made beforehand. Such arrangements will include, but not necessarily be limited to, adequate time to review the appraisal report and data related thereto and the provision of appropriate compensation.

8. Unless otherwise stated in this report, the appraiser has no knowledge of any hidden or unapparent conditions of the property (including, but not limited to, its soils, physical structure, mechanical or other operating systems, its foundation. etc.) or adverse environmental conditions (on it or a neighboring property, including the presence of hazardous wastes, toxic substances, etc.) that would make the property more or less valuable. It has been assumed that there are no such conditions unless they were observed at the time of site visit and viewing or became apparent during the normal research involved in completing the appraisal. This report should not be construed as an environmental audit or detailed property condition report, as such reporting is beyond the scope of this report and/or the qualifications of the appraiser. The author makes no guarantees or warranties, express or implied, regarding the condition of the property and will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. The bearing capacity of the soil is assumed to be adequate.

9. The appraiser is not qualified to comment on environmental issues that may affect the market value of the property appraised, including but not limited to pollution or contamination of land, buildings, water, groundwater or air. Unless expressly stated, the property is assumed to be free and clear of pollutants and contaminants, including but not limited to moulds or mildews or the conditions that might give rise to either, and in compliance with all regulatory environmental requirements, government or otherwise, and free of any environmental condition, past, present or future, that might affect the market value of the property appraised. If the party relying on this report requires information about environmental issues, then that party is cautioned to retain an expert qualified in such issues. We expressly deny any legal liability relating to the effect of environmental issues on the market value of the property appraised.

10. No investigation of environmental and/or historical use of the property was undertaken. This limited scope of investigations did not provide an opportunity to thoroughly investigate such matters. Only those problems that came to our attention during a brief visit of the site are commented upon in the body of this report.

11. The data and statistical information contained herein were gathered from reliable sources and are believed to be correct. The data is not guaranteed, although reasonable attempts have been made to verify the accuracy of this information. The appraiser does not assume responsibility for the accuracy of items that were furnished by other parties. We reserve the right to alter, revise, and/or rescind the values reported should any subsequent or additional information be found, or in the event the engagement parameters are modified to any degree.

12. The opinions of value and other conclusions contained herein assume satisfactory completion of any work remaining it be completed in a good and workmanlike manner. Further inspection may be required to confirm completion of such work.

13. The contents of this appraisal report are considered confidential and will not be disclosed by the author or any other person from Landucation Valuation and Advisory Services. Except as provided for by the provisions of the Canadian Uniform Standards of Professional Appraisal Practice ("The Standards") and/or when properly entered into evidence of a duly qualified judicial or quasi-judicial body. The appraiser acknowledges that the information collected herein is personal and confidential and shall not disclose the contents of this report except as provided for in The Standards and in accordance with the appraisers privacy policy.

14. The appraiser has agreed to enter into the assignment as requested by the client named in the report for the use specified by the client, which is stated in the report. The client has agreed that the performance of this appraisal and the report format are appropriate for the intend use.

15. Written consent from the author and supervisory appraiser, if applicable must be obtained before any part of this report can be used for any purpose by anyone except the client and other intended users identified in the report. Liability to any other party for any pother use is expressly denied regardless of who pays the appraisal fee. Written consent and approval must also be obtained before the appraisal (or any part of it) can be altered or conveyed to other parties, including mortgagees (other than the client) and the public through prospectus, offering memoranda, advertising, public relations, news, sales, or other media. Possession of this report, or a copy thereof, does not carry with it the right to reproduction or publication in any manner, in whole or in part.

16. If transmitted electronically, this report will have been digitally signed and secured with personal passwords to lock the appraisal file. Due to the possibility of digital modification, only originally signed reports and those sent directly by the appraiser, can be relied upon without fault.

17. We were instructed to appraise the subject real estate only, excluding from consideration any business and/or goodwill interests

18. The appraiser assumes no responsibility for any alternate use of the report other than that use outlined in the purpose and function of this report. This includes but it is not limited to use of the report for the purposes of insurance replacement values; which, the values outlined in this report are not reflective of.

19. The appraiser assumes no responsibility for any loans made on the appraisal property where the borrower lacks the ability or motivation to repay the loan, or where a lender has not followed prudent lending practices. The appraisal assignment is completed on the basis of a lender completing a thorough due diligence investigation that reasonably concludes that the applicant/borrower has the capacity and intention to repay the loan. This appraisal report must not be viewed as the sole comfort for any loan extended on the appraisal property. The report is only a part of a process employed by a prudent lender directed at protecting the source of the mortgage funds.

20. This appraisal report, its content and all attachments/addendums and their content are the property of the author who has signed this report. The client and Intended Users and any appraisal facilitator are strictly forbidden, and no permission is expressly or implicitly granted or deemed to be granted, to modify, alter, merge, publish (in whole or in part) screen scrape, database scrape, exploit, reproduce, decompile, reassemble or participate in any other activity intended to separate, collect, store, reorganize, scan, copy, manipulate electronically, digitally, manually or by any other means whatsoever this appraisal report, addendum, all attachments and the data contained within for any commercial, or other, use.

21. These Assumptions and Limiting Conditions shall be read with all changes in number and gender as may be appropriate or required by the context or by the particulars of this mandate.

22. All copyright is reserved to the author.

23. Notwithstanding any image or text within this report, in any correspondence, or elsewhere, no reliance upon this report may be made for any reason by any party whatsoever where the client has not paid for the services rendered and documented herein. Proof of payment is a prerequisite to the appraiser accepting any responsibility for this analysis.

APPENDIX B – COPY OF CERTIFICATE OF TITLE FROM ALBERTA LAND TITLES OFFICE

LAND TITLE CERTIFICATE

S

LINC	SHORT LEGAL	TITLE NUMBER
0027 429 422	9821453;3;3	142 055 122

LEGAL DESCRIPTION
PLAN 9821453
BLOCK 3
LOT 3
EXCEPTING THEREOUT ALL MINES AND MINERALS
AREA: 1.01 HECTARES (2.5 ACRES) MORE OR LESS

ESTATE: FEE SIMPLE
ATS REFERENCE: 4;25;80;26;NE

MUNICIPALITY: MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17

REFERENCE NUMBER: 012 234 395

REGISTERED OWNER(S)

REGISTRATION	DATE(DMY)	DOCUMENT TYPE	VALUE	CONSIDERATION
142 055 122	20/02/2014	TRANSFER OF LAND		SEE INSTRUMENT

OWNERS

LANDING TRAIL CONSTRUCTION LTD.
OF BOX 1917
ATHABASCA
ALBERTA T9S 2B5

ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
122 329 818	05/10/2012	EASEMENT "OVER LOT 4 BLOCK 3 PLAN 9821453"
142 055 123	20/02/2014	MORTGAGE MORTGAGEE - ALBERTA TREASURY BRANCHES. 4910 - 50TH STREET ATHABASCA ALBERTA T9S1E3

(CONTINUED)

ENCUMBRANCES, LIENS & INTERESTS

PAGE 2
142 055 122

REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
		ORIGINAL PRINCIPAL AMOUNT: $700,000
142 055 124	20/02/2014	CAVEAT RE : ASSIGNMENT OF RENTS AND LEASES CAVEATOR - ALBERTA TREASURY BRANCHES. 4910 - 50TH STREET ATHABASCA ALBERTA T9S1E3 AGENT - RICHARD A VERHAEGHE
142 221 067	15/07/2014	AMENDING AGREEMENT AMOUNT: $950,000 AFFECTS INSTRUMENT: 142055123

TOTAL INSTRUMENTS: 004

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN ACCURATE REPRODUCTION OF THE CERTIFICATE OF TITLE REPRESENTED HEREIN THIS 11 DAY OF DECEMBER, 2023 AT 10:51 A.M.

ORDER NUMBER: 49113108

CUSTOMER FILE NUMBER: 760665

REGISTRAR OF LAND TITLES

END OF CERTIFICATE

THIS ELECTRONICALLY TRANSMITTED LAND TITLES PRODUCT IS INTENDED FOR THE SOLE USE OF THE ORIGINAL PURCHASER, AND NONE OTHER, SUBJECT TO WHAT IS SET OUT IN THE PARAGRAPH BELOW.

THE ABOVE PROVISIONS DO NOT PROHIBIT THE ORIGINAL PURCHASER FROM INCLUDING THIS UNMODIFIED PRODUCT IN ANY REPORT, OPINION, APPRAISAL OR OTHER ADVICE PREPARED BY THE ORIGINAL PURCHASER AS PART OF THE ORIGINAL PURCHASER APPLYING PROFESSIONAL, CONSULTING OR TECHNICAL EXPERTISE FOR THE BENEFIT OF CLIENT(S).

Appendix C – Excerpt from MD Opportunity Land Use Bylaw

9.22 M3 – AIRPORT INDUSTRIAL DISTRICT

(1) General Purpose

To provide for appropriate development within the areas of airports.

(2) Permitted Uses

- Airports
- Light industrial uses
- Limited contractor services
- Office uses
- Protective and emergency services
- Public or quasi-public buildings
- Public or quasi-public uses
- Public Utilities
- Buildings and uses ancillary to permitted uses

(3) Discretionary Uses

- Bulk fuel storage and sales
- Eating and drinking establishments
- General contractor services
- General retail stores
- Outdoor storage
- Recreational vehicle campground, workcamp
- Workcamps,
- Workcamps, short term
- Other uses which are, in the opinion of the Development Authority, similar to the above-listed permitted and discretionary uses
- Buildings and uses ancillary to discretionary uses

(4) Requirements

(a) Minimum Lot Area – 1.0 ha (2.5 ac.).

Lot areas less than this minimum may be allowed provided that necessary private on-site servicing, parking, loading, and other facilities can be accommodated.

MD of Opportunity No. 17 | Land Use Bylaw 2013-14 234

(b) Minimum Yards:

(i) Front – 9.0 m (29.5 ft.), or as required by the Development Authority.

(ii) Side – 4.5 m (14.8 ft.), or as required by the Development Authority.

(iii) Rear – 7.5 m (24.6 ft.), or as required by the Development Authority.


Imagery
Landuse
Thematics
UR - Urban Reserve District
I - Institutional/Recreational District
P - Community District
R1A - Residential District
R1B - Residential District
R1C - Residential District
R1D - Residential District
R2 - Residential District
R3 - Residential District
RMH - Residential Manufactured Home Park District
RR - Recreation Residential District
RSF - Residential Small Farm District
CR - Country Residential District
C1 - Commercial District
C2 - Commercial District
C3 - Commercial District
CH - Commercial District
CL - Community Lease District
DC - Direct Control District
M1 - Industrial District
M3 - Industrial District
Loon River (Temporary)
Bed and Shore
SE-26-80-25-W4

APPENDIX D – COMBINED PROPERTY ASSESSMENT AND TAX NOTICE

Summary Report

Year of General Assessment: 2022

Roll: 317620
Legal: 9821453 3 3 NE-26-80-25-4

Description: Falcon Rentals/Bays for Lease
Address: 2300 Transport Road
Zoning: HR-Hamlet Res. Dist.
Actual Use: Primary: M10106
Market Loc: 1007 Wabasca-Desmarais
Econ.Zone: Wabasca
Assbl.Party: C Corporation
Owner: LANDING TRAIL CONSTRUCTION LTD.
Box 1917
Athabasca AB T9S 2B2

Subdivision: WABASCA-DESMARAIS
Prop.Type: Warehouse
Assbl. Land Area: 2.50 Acres

Market Value Land

LandID	Base Code	Site Area	Services	Location Adj.	Asmt	Code	Value
154003358	42 General Comm/Indust	2.50 Acres	100%	100%	202	100%	132,320

Marshall & Swift

ImprID	MT- Qu- St Description	Area (Ft2)	Eff. Year	Asmt	Code	Value
238128407	910-03-99 1440' fence with 40' gate		2001	202	100%	31,850
238133743	505-03-61 50x80 Warehouse (Metal Clad)	4,000 Ft	2001	202	100%	149,280

Assessment Totals

Tax Status	Code	Description	Land	Improvement	Other	Assessment
T	202 *	Comm'l Imp/Site	132,320	181,130	0	313,450
		Grand Totals:	**132,320**	**181,130**	**0**	**313,450**

Narratives

923	07/15/2021	Check 2023	21-DP-054-50x100 Quonset-$26,600
997	03/20/2012	Permit Inspected	12-DP-045-3 seacans for storage-$
997	02/23/2014	Permit Inspected	13-DP-263-
997	02/04/2015	Permit Inspected	14-DP-202-Renewal of 13-DP-263.
997	08/18/2016	Permit Inspected	16-DP-023-Renewal of 14-DP-202
997	03/10/2017	Permit Inspected	17-DP-020-Change in use to multi use rental property-$
997	06/16/2017	Permit Inspected	17-DP-088-Renewal of permit for RV work camp-$

Inspections

Visual Exterior	10/26/2022	MEADOWS, Kris	2022 Global Inspection - Removed 870 building, Quonset is framing only, no change for 2022
Visual Exterior	10/25/2021	MEADOWS, Kris	2021 Annual Inspection - No change, NSY on permit
Visual Exterior	11/14/2017	BIRTLES, Troy	No Change

Revisions

MGA305(1)	05/09/2022	BIRTLES, Troy	Changed small business subclass assessment code as per MD.
MGA305(1)	06/23/2021	BIRTLES, Troy	Change to Small Business Sub Class as per MD
PR	02/24/2011	YEAR END PROCESS	Assessment Change

Sales

Date	Asmt	Price	Adj. Price	Sale Code	Type	Ratio	CofT
02/20/2014	$313,450	$700,000	$522,500	11 Owner(Prev.Interest)	Improved	60%	142055122
08/01/2001	$132,320	$20,000	$20,000	2 Good sale	Vacant	662%	012234395
04/01/1998	$132,320	$1	$0	86 *Subdivision Plan	Vacant		982094317007

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END OF REPORT

LANDUCATION VALUATION AND ADVISORY SERVICE

PO Box 515

Athabasca, AB T9S 2A5

T: (780) 675-5559 F: (780) 675-4044

www.landucation.com