Business Valuation of
The Company

Prepared For

The Company

Prepared By

Serecon Inc.

April 30th, 2017

April 30th, 2017

The Company

Dear Sir:

RE: BUSINESS VALUATION OF THE COMPANY

Please find attached our detailed business valuation of the combined operations of The Company and the honey farm, The Company, together referred to hereinafter as "Company", prepared for the purpose of informing parties of a potential acquisition of a major control stake in Company in an arm's-length transaction. We have followed the principles and procedures outlined by the Canadian Association of Certified Valuation Analysts and have determined that the total Fair Market Value of equity in Company was C$1,560,000 as of January 1, 2017, which is a midpoint in the range of C$1,470,000 to C$1,670,000. This range comes as a result of considering two valuation approaches – Market and Asset.

We have enjoyed working with you on this business valuation and thank you for this opportunity.

Should you have any questions about the process, analysis and/or results that are outlined herein, please do not hesitate to contact me directly.

Yours truly,
SERECON INC.

Edmonton Office

Enclosure

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1.0 Fundamentals

1.1 Introduction

We issue this valuation report (the "Report") on the business valuation (the "Valuation") of the combined operations of The Company Ltd., and a honey farm, The Company, together referred to as "Company", for the Client, one of the two General Managers of The Company.

It is our understanding that the Client requires our Valuation of Company for the purpose of informing parties of a potential acquisition of a major control stake in Company in an arm's-length transaction. This Valuation is to be used solely for this specific purpose.

Information provided to us suggests that The Company operates a mead manufacturing business, including the honey production stage, accompanied by retail operations and tourism services.

We have prepared the Report and the analyses in accordance with the Professional Standards of the Canadian Association of Certified Valuators and Analysts (CACVA). This is a "Detailed" report, which we completed as part of the Valuation Engagement resulting in a Conclusion of Value, as these terms are specified by the CACVA Professional Standards.

We express the Conclusion of Value in terms of the Fair Market Value (FMV). Under the CACVA's Professional Standards, *"Fair Market Value is the highest price, expressed in terms of cash equivalents, at which the property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's-length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts"*.

We state the Conclusion of Value for The Company as of January 1, 2017 (the "Valuation date"). This Report was issued on April 30th, 2017 (the "Report date").

Legal Identity of the Company

The Company Ltd. is incorporated under the *Alberta Business Corporations Act* with the corporate access number 201 filed on November 16, 2004.

The honey farm is registered under the name of The Company.

Engagement Limitations

This Valuation is not a recommendation on a sale or purchase of The Company or any of its shares or assets. This Valuation is completed based on its intended purpose of informing parties of a potential acquisition of a major control stake in The Company in an arm's-length transaction. It shall not be provided to any other party except those involved with a potential acquisition without our explicit prior consent.

We further disclaim any liability for losses suffered by any party because of the inappropriate or unauthorized use of this Valuation.

We maintain the right to amend any part of this Valuation, including the Conclusion of Value, if after the Report Date we find additional information that existed on the Valuation Date that could significantly change our Valuation.

We have completed a Detailed Reporting Engagement vs. a Summary Report Engagement.

The Valuation uses Fair Market Value as the standard of value. Fair Market Value is defined in The International Glossary of Business Valuation Terms, issued by the American Institute of Certified Public Accountants (AICPA), the American Society of Appraisers, the Canadian Institute of Chartered Business Valuators, the Canadian Association of Certified Valuation Analysts, and the Institute of Business Appraisers, as:

"*The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's-length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.*"

The Valuation Date is January 1st, 2017.

The premise of value used in this engagement is that of a going concern. It is our understanding that all stakeholders agree that The Company would continue to operate as a going concern. We must state that **the going concern basis may also require keeping The Company (the farm) with a legal farm status to continue running the business under favorable regulations of the Alberta Gaming and Liquor Commission**.

Limitations

Information provided by The Company's management (the "Management Information"), along with other sources and relevant assumptions were used in preparing this Valuation.

We have relied upon Management Information with embedded general implicit and explicit assertions such as its reasonable accuracy and completeness and fair presentation and classification in all material aspects. We have not audited or verified Management Information and the information from other sources, except several specific cases explicitly described in this Report. This Valuation is dependent on the quality of the information represented by the mentioned assertions. Should any of the information provided be incorrect or of low quality, this Valuation and its Conclusion of Value could be altered.

We have used Management Information and information from other sources, as well as our professional judgement and expertise to establish a range of major assumptions:

1) The net book values of all recorded assets and liabilities represent their fair market values unless specifically noted otherwise in this Report
2) The Company had no contingent liabilities as at January 1st, 2017
3) The Company accounts for its work-in-process inventory using the weighted average input cost and its finished goods balance using the FIFO method
4) The Company management does not have any formal business plan, strategy outline, or forecasts/projections for the future prepared by its management
5) There were no stock/share transfers in The Company during the last five years
6) The Company did not hold any formal Intellectual Property rights as at January 1st, 2017 except The Company officially registered trademark
7) The Company did not have any buy or sell arrangements as at January 1st, 2017
8) The Company did not have any relations with labour unions as at January 1st, 2017
9) The Company did not have any pension plans for its employees as at January 1st, 2017
10) There were no environmental assessments conducted for The Company during the last five years, and its management does not account for any site remedies
11) The Company management intention is to sell The Company and the respective farm together as a single business asset along with all recipes for products manufactured at The Company
12) The only material non-operating assets The Company intends to include in the possible sales transaction are a horse breeding barn, a trailer equipped for mead vinegar production, and a residential house
13) Company general management, the Client, by substance are employed full-time at The Company
14) The mark-up on the re-sale honey that the farm sells to The Company is approximately 5%
15) The simplified management financial statements of the farm represent the financial position and performance of the farm portion of The Company accurately and completely in all material respects
16) The Company did not have any operational or finance lease expenses/ contracts except between The Company Ltd. and the farm as at January 1st, 2017
17) Almost all expenses presented as "Interest and bank charges" in The Company income statements represent POS service charges and bank charges rather than interest expenses
18) The Company is not engaged in business with any related parties, including employment, except two general managers: The Client
19) There were no significant changes in The Company operations in the period between January 1, 2017 and April 30, 2017.

Should any of the major assumptions listed above be false, this Valuation could change, including the Conclusion of Value.

Subsequent events

There were no significant events after the Valuation Date and before the Report Date, which would have a major impact on this Valuation or its Conclusion of Value.

Jurisdiction exception

There is no Canadian or Albertan jurisdiction exception, which would prevent us from using the CACVA Professional Standards in any special case in completing this Valuation.

1.2 Sources of information

Management Information:

1) Financial statements for The Company for the years 2012-2016
2) Management accounting statement for The Company (the farm) for the years 2012-2016
3) SAIT students' business plan, analytics prepared for The Company covering the year 2014
4) Unaudited financial statements for The Company for the years 2012-2016
5) Detailed Accounts Payable breakdown with aging for The Company as at December 31, 2016, December 31, 2015
6) Detailed Accounts Receivable breakdown with aging for The Company as at December 31, 2016, December 31, 2015
7) Detailed Inventory breakdown for The Company as at December 31, 2016
8) Detailed Fixed Assets breakdown for The Company as at December 31, 2015
9) Detailed Inventory breakdown for The Company (the farm) as at December 31, 2016
10) Federal and provincial income tax filings for The Company for the years 2012-2016 along with the respective notices of assessment
11) Employment disclosures including positions and annual compensations
12) Certificate of incorporation for The Company
13) Interviews and personal correspondence with The Client, one of the two General Managers
14) The Company's website: http://

Information from other sources:

15) Data available from Serecon's real property and agricultural equipment database from past appraisals
16) TD Economics publicly available forecasts
17) BIZCOMP database set of market transactions for industries with SIC 5149, 2099, 2084, 5181, 7999 for the last 15 years

18) IBA database set of market transactions for industries with SIC 5149, 2099, 2084, 5181, 7999 for the last 10 years.

We have not audited or verified the Management Information, nor the information from other sources, except for several specific cases explicitly described in this Report.

2.0 Qualitative Foundations

2.1 Analysis of the Industry and Non-Financial Information

The Company is engaged in the mead manufacturing business, including the honey production stage, accompanied by retail operations and tourism services. This combination complicates its classification in accordance with the North American Industry Classification System (NAICS) or the Standard Industrial Classification (SIC). Its business activity may be classified throughout these SIC codes:

- 5149 -Groceries and Related Products (for health products retail distribution)
- 2099 - Food preparations not elsewhere classified (for health products manufacturing)
- 2084 - Wines, Brandy, and Brandy Spirit (manufacturing)
- 5181 - Beer and Ale (beer and ale sold via retail method)
- 7999 - Recreation (tourist attractions)

During the interview, The Client expressed an opinion that The Company was not faced with any closely comparable competition, and we agree with this statement based on the mix of business activity. Nevertheless, we maintain that The Company perhaps faces indirect competition from substitutes in each of the five industries listed above.

Description of the Ownership Rights

Both The Company and The Company (the farm) are owned by The Client with 50/50 shares in equity.

Related Parties

Based on the information provided, there are no related parties involved in the business activity except the two owners and managers: The Client who are employed full-time at The Company.

Site Visits and Interviews

We visited the site and inspected the facilities on February 21st, 2017, and interviewed The Client, one of the General Managers.

History and Background of COMPANY

The Company was incorporated in November 2004 in Alberta, Canada, under the *Business Corporations Act*. The honey production business started in 1995 from a small apiary (the farm).

The Company is therefore subject to both corporate and personal (partnership) income taxes, and files two types of returns annually.

Additional regulations pertaining to The Company operations mostly encompass those around excise-related issues and the Alberta Gaming and Liquor Commission (AGLC). AGLC has specific regulations for farm breweries, mainly developed for the wine industry and expanded for mead. Under these regulations, a farmer has to supply at least 75% of honey for brewing. It is perceived as a barrier to entry but is not enforced or controlled.

The Company also enjoys some preferential treatment due to having farm status that provides insignificant subsidies to some farm inputs, mainly fuel.

The Company does not have any subsidiary or affiliated businesses.

Operations

The Company operates on land that they own in Alberta. There is a residential house, retail shop, cold storage, breeding barn, a storage shed and a water well. The property was improved with a driveway in 2014. The Company also possesses some farm and mead production equipment and machinery. All of the facilities and key equipment are in good condition. The Serecon real property and equipment appraisal specialist has undertaken their valuation as part of this assessment and has observed their operational condition.

Livestock assets include bees, four horses and four donkeys. The bees were treated as an expense, while other livestock was excluded from the valuation on the premise that they are of a non-operating nature for The Company, and of immaterial value to the valuation. Although animals are used for tourism purposes, they perform rarely: usually only twice a year.

Among non-tangible assets The Company owns a registered trademark "The Company". It also had invested in the online store development that was expected to launch in 2017; therefore is not a part of this valuation.

As per discussions with The Client, the most valuable non-tangible assets are likely mead and some other honey product recipes kept as a trade secret that will be transferred as part of the potential acquisition. The Client emphasized that there was an extensive experience curve in developing the recipes, mainly due to the very limited mead-brewing training available.

All fixed assets and livestock are owned by The Company or their owners.

The Client also confirmed that The Company has favorable access to raw materials, both in terms of access to pollinating and third party honey purchase. In recent years The Company had produced about 40% of its own honey, and purchased 60% from a single supplier. She also mentioned that the local honey producers do not compete significantly with The Company over pollination as they see a benefit in the image it creates regarding honey production and due to The Company lower operational scale.

The Company is based in the Alberta, close to the of Calgary which is a larger city and one of the tourist destinations in Canada, with enough access to alfalfa and other plants preferable for pollination to produce "Alberta Multi Floral" honey. We consider the location to be favorable in general for the combination of manufacturing honey products, mead and rural tourism attraction.

The Company contracts Chartered Accountants to prepare accounts for both The Company and tax returns for The Company (the farm). We used this information along with the management accounts kept by management extensively in this business valuation. Any material mistakes or other incompliance could significantly distort our understanding of the The Company results and could lead to a different Conclusion of Value.

Stock-taking is conducted three times a year and is considered a risk area by The Company management due to some lag in inventory tracing. We consider this to be an indicator of a stronger internal control environment for a small business operation.

As per discussions with The Client, there were no environmental assessments done or problems identified in respect of The Company operations. We did not identify any major environmental risks during our observation.

Employees

The Company has approximately 10-15 part-time employees, mostly store clerks and tour guides.

The key staff consists of the Client who are closely engaged in the day-to-day operations of The Company. They do not account for the management costs in their accounts, mainly for the tax optimization purposes as explained by The Client. We have normalized The Company earnings in this respect as discussed further in the relevant part of this Report.

In The Client's opinion, labour constitutes a bottleneck resource for the business since The Company does not have access to foreign labour, unlike some other farming businesses.

Succession risk is high due to the family ownership and family involvement in The Company management.

Marketing

The multi-industry business profile of The Company is reflected in its marketing activities and pricing. The general value proposition is: "tourism + local mead + local honey".

The Client states that there are no direct competitors and we failed to find any competition with the exact same business profile as well, but highlight the competition from substitutes in other health-product and local brewing industries.

The retail channel is the first most important in volume. Many products in the store are resale: out-of-province honey varieties (customers appreciate variability), and all body care products. The store operates Wednesday through Friday.

Pricing is established at "Variable production cost +" method with all labour expenses treated as overheads. Under such a costing method, variable cost for mead is expected at $5-6 per bottle.

The second most important channel are liquor stores. Liquor stores charge an additional 70c per bottle mark-up to cover logistics cost.

Restaurants represent another sales channel, but is insignificant. The Company prices mead approximately 10% lower in this channel.

The farmers market presence was ceased in 2015 due to lower margins and we found no evidence of any major negative impact such a decision had on 2016 accounts.

As mentioned earlier, the online store is under development and may create a viable new sales channel.

The sales volume is highest in August and is lowest in the first quarter of the year.

Summary and Future Prospects

During the last five years, The Company has experienced significant revenue growth and improvements in many important financial indicators. In our opinion, The Company still has room for growth, including the net earnings potential. Such future growth expectation can be justified by two arguments:

- the growth over the last few years occurred during the overall downturn of the Alberta economy and we may argue that it can be expected to occur further as the economy develops;
- income elasticities usually found with the products that fall within SIC 5149, 2099 and 7999 are higher than average; therefore, we may expect the effect of economy development to have a higher than average impact.

With Alberta being one of the tourist destinations, future enhancement in brand awareness may help to establish some limited export potential. The Company does not pasteurize honey and has no benefit from it because Canada does not have standards for "natural" honey. If regulations change in this respect, it may create additional incentive for developing an export stream.

The main business risks considered by management are bees' health issues that first appeared in 2008/09, but started to be manageable recently in the region, and any changes to the AGLC regulations

The Client indicated that she expected to see an increase in the operations volume in the coming years. However, The Company management does not have a formal business plan or strategy in place.

2.2 Economic Conditions

The overall long-term economic conditions are favorable for The Company. We expect the region to continue to grow in terms of the Calgary metro population and both Calgary and Banff to maintain their tourist attractiveness. There will obviously be cyclical fluctuations and major stresses arisen from (de)regulations and changes in customer preferences, although the downturn in Alberta's economy had no clear negative impact on The Company operations as shown by the financial statements analysis further in this Report.

3.0 Analytical Foundations

3.1 Information Analysis

It is very difficult to analyze The Company operations from a single or even two interconnected industry perspectives.

As mentioned previously in this Report, The Company business activity may be classified throughout these SIC codes:

- 5149 -Groceries and Related Products (for health products retail distribution)
- 2099-Food preparations not elsewhere classified (for health products manufacturing)
- 2084 - Wines, Brandy, and Brandy Spirit (manufacturing)
- 5181 - Beer and Ale (beer and ale sold via retail method)
- 7999 - Recreation (tourist attractions

It is no surprise that there is no direct competition present for The Company in the region since the blend of tourism, products with perceived health values (honey), and both alcohol manufacturing and retail distribution is unique.

The closest comparable industry is that of wineries, but we argue it is still too distant from comparing with The Company because honey has significantly different product associations.

Furthermore, there are not many wineries in the regions that may be compared to The Company for viable financial benchmarking.

Due to these difficulties, we do not conduct industry analysis, both in terms of forces and financial benchmarks, since in our opinion such an analysis would be misleading.

3.2 Financial Statements Analysis

The management and its contract accountants produce unaudited financial statements for The Company that consist of a Balance Sheet and an Income Statement, but do not include a Cash-Flow Statement or Statement of Changes in Equity.

The Company management also produces management financial statements for The Company (the farm) that include a Balance Sheet and an Income Statement up to the earnings before taxes.

We have analyzed the last five years of financial statements as part of this analysis and created expected consolidated financial statements for combined The Company operations using the farm’s tax returns in estimating total income taxes payable, and interviews with management in estimating interCompany adjustments that have to be made to account for transactions within The Company. The importance of correct interCompany adjustments is crucial to the valuation, therefore should any of the major transactions be false or incomplete, this Valuation could be different, including the Conclusion of Value.

Furthermore, we must notice that the financial statements of both entities were prepared using different accounting methods. The farm's statements were prepared using the Cash method, in contrast to the Accrual method used for The Company accounts. In analyzing the year-end figures, we concluded that the actual differences should not be material enough to significantly affect the valuation and impair the financial statements analysis. We looked at the discrepancies in the interCompany rental income/expense recognition and the amount of interCompany inventory in the balance sheets at the year-end in assessing the possible magnitude of differences for consolidation purposes.

We could not account for the farm or The Company separately since both legal entities are operated as a single business and were intended to be sold as a single business asset, and both entities were material for the financial statements analysis.

While preparing the consolidated financial statements, we also made several reclassification adjustments related mostly to reclassifying 'amounts due to shareholders' as Equity rather than Liability, which is more in line with expectations of a user of financial statements may have for the purpose of business valuation.

Expected consolidated income statements and balance sheets can be observed in Appendices 1 and 2 respectively.

The Company does not produce segmented financial statements.

The Company accounts for its work-in-process inventory using the weighted average input cost and for its finished goods balance using the FIFO method.

Summary Description of Financial Performance

As previously outlined, we have used the last five years for the financial analysis and believe this to be the most recent and reflective of The Company current dynamics.

Over this period, The Company has exhibited exceptional growth in terms of revenue (increase of 66.4% from the year 2012), operating income (increase of 274.4% from the year 2012), net income (increase of 271.1% from the year 2012), assets (increase of 25.6% from the year 2012) and equity (increase of 68.3% from the year 2012). It is also important to note that this growth has been consistent throughout the whole five year period.

3.3 Financial Statements Trend and Industry Comparison Analysis

Peer Comparison

We could not use peer comparison due to the lack of comparability and direct competition as discussed in Section 3.1 Information Analysis.

Liquidity Ratios

The Current Ratio was calculated as: Average Current Assets / Average Current Liabilities. The Quick Ratio was calculated as: (Average Current Assets – Average Inventory) / Average Current Liabilities.

The Working Capital Turnover was calculated as: Revenue / Average Working Capital, where the Working Capital is the difference between Current Assets and Current Liabilities.

Figure 1: Liquidity ratios

All figures are in $CAD		2016	2015	2014	2013	2012
Current Ratio		0.97	0.82	0.64	0.58	0.60
	Change	19%	29%	9%	-3%	
Quick (Acid) Ratio		0.38	0.26	0.15	0.15	0.12
	Change	43%	77%	-3%	23%	
Working Capital Turnover		(102.02)	(11.46)	(5.04)	(4.10)	(4.10)
	Change	790%	128%	23%	0%	

Current Ratio exhibited an increase over the last 3 year-period, but is still below 1, giving an indication of high short-term capital leverage, which is normal for a quickly expanding business.

The Company managed to control Inventory Balance better during the expansion, which resulted in Quick Ratio improving faster than the Current Ratio.

The Working Capital Turnover pattern is misleading. While The Company continued to manage negative working capital over the last five years, it contracted it and eventually turned it into a positive figure by the end of 2016. Accompanied by significantly expanding revenues, it provides a misleading picture in this case of improvement in working capital management with 3-digit efficiencies.

Turnover Ratios

The Receivables Turnover was calculated as: Revenue / Average Trade Accounts Receivable. The Payables Turnover was calculated as: (Cost of Sales + Operating Expenses – Depreciation) / Average Trade Accounts Payable. The Inventory Turnover was calculated as: Cost of Sales / Average Inventory.

The Operating Cycle was calculated as Days Trade Receivables Outstanding + Inventory Days – Days Trade Payables Outstanding.

Figure 2: Turnover ratios

All figures are in $CAD		2016	2015	2014	2013	2012
Receivables Turnover		53.64	33.12	25.05	25.70	33.78
	Change	62%	32%	-3%	-24%	
Payables Turnover		7.85	9.03	13.77	16.46	23.90
	Change	-13%	-34%	-16%	-31%	
Inventory Turnover		1.71	1.33	1.32	1.62	1.52
	Change	29%	1%	-19%	7%	
Operation Cycle (days)		266.79	326.23	317.49	261.00	265.65
	Change	-18%	3%	22%	-2%	

Both trends in the Receivables and Inventory turnovers resulted in a significant improvement in the operational cycle of The Company over the period.

On the other hand, the decrease in Payables Turnover was significant enough to offset the improvements on the assets side and maintain Operation Cycle length fairly consistent over the last five years.

Leverage Ratios

Net Fixed Assets represents the cost of long-term tangible assets minus their accumulated depreciation. Tangible Net Assets represent all assets minus intangible assets such as trademarks (but not Accounts Receivable), minus all liabilities. In the case of The Company, it is the same amount as Net Assets or Equity.

Figure 3: Leverage ratios

All figures are in $CAD		2016	2015	2014	2013	2012
Net Fixed Assets, C$		775,104	723,512	726,181	678,650	672,301
	Change	7%	0%	7%	1%	
Current Liabilities to Tangible Net Assets		0.56	0.68	0.76	0.84	0.82
	Change	-18%	-11%	-10%	3%	
Total Liabilities to Tangible Net Assets		1.35	1.64	1.87	2.09	1.03
	Change	-18%	-12%	-11%	104%	
Total Assets to Equity		1.79	1.96	2.11	2.26	2.24
	Change	-9%	-7%	-6%	1%	
Total Debt to Total Assets		0.75	0.84	0.89	0.93	0.46
	Change	-10%	-6%	-5%	102%	
Long-term Debt to Equity		0.79	0.96	1.11	1.26	1.24
	Change	-17%	-14%	-11%	2%	

The Net Fixed Assets remained stable over the last five years and upon scrutiny, we identified the lack of depreciation charges that we normalize for. This is discussed in the relevant section of this Report. Nevertheless, even with normalizing adjustments, the balance remained fairly stable over the period.

All five leverage ratios exhibit decreases in leverage levels across all types of financing and viewpoints.

Solvency Ratios

The Interest Coverage Ratio was calculated as: Earnings Before Interest and Tax (EBIT) / Interest Expenses.

The Z-Score ratio represents the number of standard deviations any particular year figure is from the five-year mean.

Figure 4: Solvency ratios

All figures are in $CAD		2016	2015	2014	2013	2012
Interest Coverage Ratio		143.29	48.55	23.43	13.80	22.67
	Change	195%	107%	70%	-39%	
	Z-Score	1.74	(0.03)	(0.50)	(0.68)	(0.52)

The Interest Coverage Ratio also exhibits significant improvement over the last five years and is in line with the Leverage Ratios trends outlined above.

Income Statement Ratios

Due to complications of consolidating accounts from The Company Land The Company (the farm), we decided to leave Gross Profit analysis outside the scope of this Report and rather use the aggregate operating expenses and net operating income instead, and present financial statements respectively. For this reason, the Gross Profit analysis is not applicable.

Further, the Altman Z-Score ratio is not applicable due to The Company being a private Company and fair value market adjustments are available only for 2016.

The Net Earnings Standard Deviation for the last five years was C$43,045, which shows how significant the rise in net earnings has been over the period. It is important to note that this increase also has been fairly consistent (please refer to the table below).

Figure 5: Income statement ratios

All figures are in $CAD		2016	2015	2014	2013	2012
Revenue		849,990	728,912	597,796	547,025	510,799
	Change	17%	22%	9%	7%	
Operating Income		126,531	121,871	60,579	37,027	33,795
	Change	4%	101%	64%	10%	
Net Income Before Tax		133,510	123,462	62,220	40,447	38,040
	Change	8%	98%	54%	6%	
Net Earnings		125,905	110,848	55,859	36,172	33,872
	Change	14%	98%	54%	7%	
	Z-Score	1.24	0.89	(0.39)	(0.84)	(0.90)
Return on Equity		19%	20%	12%	10%	9%
	Change	-4%	74%	22%	8%	
Return on Assets		12%	10%	6%	4%	4%
	Change	11%	78%	40%	7%	

All the ratios clearly exhibit the ongoing rapid expansion of The Company operations and a higher rate of profitability improvement over that of expansion.

3.4 Financial Statements Analysis Summary

Overall, the financial statements analysis reveals the strong growth in operations over the period, and improvements in the balance sheet showing the The Company improved financial position over the last five years of operation.

This analysis is in line with our discussions held with management and qualitative considerations that they provided.

3.5 Normalizing Adjustments

We have normalized the income statements for The Company in order to account for a more reasonable economic reality. This involved addressing depreciation, historical earnings (including discretionary earnings), forgone rental income or additional financing expenses, payroll costs, income tax and fair market value of assets (revaluation). We discuss these adjustments in the following sections.

Depreciation

After reviewing the net book values and the expected market values of property (both residential and non-residential) and equipment estimated by Serecon's appraiser, we conclude that the amount of possible adjustment to depreciation annual charges would be significant. Based on the difference between the net book value and expected market value and considering the number of years passed, we increased the depreciation charges for each year approx. by C$50,000.

Historical Earnings Normalization

We used the Consumer Price Index adjustments published by the Bank of Canada for the years 2016-2012 to adjust the net earnings and discretionary net earnings in those years to the price level of the year 2016. This is a reasonable normalization since dollars from 2012 are not the same value as those in 2016.

Forgone Rental Income as an Approximation for Financing Adjustments

The Company owns significant operational real property. With fair market value adjustment discussed below, The Company operates at approximately a 43/57 Debt/Equity ratio, which may generally be considered as low. The long-term leverage ratio is even lower at 20/80 level of Debt/Equity.

If we consider non-operating property such as the residential house and land, the total Debt/Equity ratio decreases to the 24/76 level.

Due to the lack of comparability with industry leverage ratios, we leave the decision on optimal financing outside the scope of the analysis, but introduce the expected rental expense for the operational part (only) of the real property to estimate the cost of financing this property.

The simplified explanation would be that a potential buyer would likely want to invest less in the real property and use available leverage to finance it at a lower cost of capital.

Management Labour

None of the General Managers report their salaries and benefits in The Company accounts. We use expected professional management costs for such an operation at C$80,000 a year to normalize for management labour.

Income Tax

Income tax was missing in the original accounts prepared by management for The Company (the farm). We added the income tax based on the earnings reported in the respective tax returns and estimated effective tax rate at 35%.

Fair Market Value Adjustment

Based on the real estate and equipment market values review performed by Serecon's specialist, we expect the fair market value of fixed assets to be at C$745,113 higher than respective net book value as at January 1st, 2017.

We present the summary of our normalizing adjustments in the following Table.

Figure 6: Normalizing adjustments

All figures are in $C	2016	2015	2014	2013	2012
Depreciation (P&L)	50,000	50,000	45,659	50,000	50,000
Management expenses (P&L)	80,000	80,000	80,000	80,000	80,000
Rental rate (P&L)	21,000	21,000	21,000	21,000	21,000
Income tax (P&L)	(3,931)	8,492	7,112	11,297	12,055
Historical Seller's Net Earnings (SDE)	-	1,684	1,497	1,556	1,894
Fair Market Value of Assets (BS)	745,113	-	-	-	-

We present the normalized Income Statement in the Appendix 3.

4.0 Valuation Approaches and Methods Considered and Used

4.1 Asset / Cost Approach

The cost approach to value is one of the applicable valuation methods. Under this approach, we expect the business value of The Company to be approximately C$1,395,000 as outlined in the analysis below.

Applicability

The Company operations rely on capital expenditure such as the shop, honey and mead production equipment. There is also significant value of non-operating assets attached to the business, mainly residential house and part of the land occupied by the house, a breeding farm and other non-operating assets.

We also expect that there may be a significant amount of goodwill and other intangible assets (recipes, trademarks) attached to the business given the recognized brand and developed recipes. Nevertheless, we have decided to consider the asset approach in our assessment. It provides us with a strong "floor" comparison value for the results of other valuation methods.

Normalizing Adjustments Affecting the Valuation

The Fair Market Value adjustment is the only normalization that has to be considered when using this valuation approach.

We present the results of our asset-based valuation in the Table below.

Figure 7: Asset Approach

All figures are in $C	2016	FMV adjustment	BS
ASSETS			
Current			
Cash and deposits	9,250		9,250
Accounts Receivable	7,955		7,955
Inventory	203,741		203,741
Other Current Assets	87,790		87,790
	308,736		**308,736**
Property, Plant and Equipment	775,104	745,113	1,520,217
Other Assets	-		-
	1,083,840		**1,828,953**
LIABILITIES			
Current			
Bank indebtedness	199,316		199,316
Accounts payable and accrued liabilities	83,474		83,474
Income tax payable	8,305		8,305
Other Current Liabilities	2,462		2,462
	293,557		**293,557**
Long Term Liabilities	141,360		141,360
	434,917		**434,917**
SHAREHOLDERS' EQUITY			
Loans due to shareholders	361,574		361,574
Common shares	20		20
Revaluation surplus	-	745,113	745,113
Retained earnings	287,328		287,328
	648,923		**1,394,036**

Summary

In our opinion, the asset-based approach results in a gross asset value of C$1,828,953, and after considering anticipated liabilities, the net asset value would be C$1,394,036.

4.2 Capitalization of Earnings Method

The income approach is the second valuation approach that has been considered.

Applicability

Unfortunately, we could not use this method because after all normalizing adjustments, the earnings figures would become negative and therefore no value in the business itself could be estimated.

4.3 Market Approach

We have used the Direct Market Data Method with Information from Transaction Databases for this business valuation, given a small estimated market capitalization.

This approach is applicable and sound to this business valuation due to comparability of business transactions in terms of size and location. We used this approach as a primary approach to the valuation.

Under this approach, we expect the value of The Company to be in the range of C$1,470,000 to $C1,670,000.

Comparable Transactions Selection

For the transactions population, we used the ValueSource BIZCOMP® dataset for the industry codes with SIC:

- 5149 -Groceries and Related Products (for health products retail distribution)
- 2099-Food preparations not elsewhere classified (for health products manufacturing)
- 2084 - Wines, Brandy, and Brandy Spirit (manufacturing)
- 5181 - Beer and Ale (beer and ale sold via retail method)
- 7999 - Recreation (tourist attractions

To reflect the size of this valuation, we then sampled for the market transactions starting with reported Seller's Discretionary Earnings (SDE) within US$ 50,000 – 500,000 range. The Company normalized SDE for the year ended January 1 2017 was approximately C$125,000.

Figure 8: SDE Calculation

All figures are in $CAD	2016	2015	2014	2013	2012
Adjusted earnings	**(21,164)**	**(44,382)**	**(97,912)**	**(126,126)**	**(129,183)**
Adjusted earnings w/o tax	(17,490)	(23,276)	(84,439)	(110,553)	(112,960)
SDE	125,161	118,441	58,578	34,121	34,396
CPI	128.4	126.6	125.2	122.8	121.7
CPI adjusted	**125,161**	**120,125**	**60,075**	**35,677**	**36,290**

Figure 9: Comparable Market Transactions

SIC	Description	Sales, USD k	SDE, USD k	Selling Price, USD k	State	Year	SDE Multiplier
5181	Beer/Wine retail store	375	62	72	PA	2010	1.16
5181	Beer/Wine retail store	890	150	760	PA	2005	5.07
5181	Beer/Wine retail store	420	50	120	AZ	2014	2.40
2099	Health products manufacturing	523	96	250	GA	2004	2.60
5149	Retail - health drinks	506	70	100	MO	2011	1.43
7999	Recreation - Tourist Attraction	517	381	500	FL	2009	1.31

Figure 10: Comparable Market Transactions: Indicators

	Revenue, USD k	SDE, USD k	Price, USD k	Price / Revenue	Price / SDE
Low	$375	$50	$72		
High	$890	$381	$760		
Mean	$539	$135	$300	0.56	2.23
Median	$520	$83	$185	0.36	2.23

This database provides information for the private markets. SDE is more important for business valuation than Revenue in most cases because this is what brings the value to a new private owner, so we used the Price/SDE as the main market multiple for this business valuation. The typical sale in the BIZCOMP database does not include inventory, real estate, accounts receivable and the interest-bearing debt.

The sales figure is more important to compare with the scale of operations.

Valuation

Since the SDE's mean is just slightly higher than The Company SDE in the last few years, and the sales figure was comparable throughout the period, we consider it appropriate to use it and established high and low Price / SDE multiplicators for this business valuation. We used the average The Company SDE over the last five years in making a final valuation.

Figure 11: Market Approach Valuation

All figures are in $CAD	Mean	Low	High
Business valuation	168,096	79,469	278,790
Real estate	1,520,217	1,520,217	1,520,217
Accounts receivable	7,955	7,955	7,955
Interest-bearing debt	(340,676)	(340,676)	(340,676)
Inventory	203,741	203,741	203,741
Valuation after the adjustments	**1,559,333**	**1,470,707**	**1,670,027**

Based on the Direct Market Data method, we recommend using $C1,560,000 as a value of The Company as at January 1st, 2017.

4.4 Other Valuation Approaches Applicability

The Discounted Cash Flow approach is not suitable for this valuation because of the nature of the business. It is a routine operations business run without formal strategy and business plans, rather than a project-based business with a projected cash flow stream and definite life cycle.

The Market Approach for middle-market private companies and public companies is not applicable given the estimated market capitalization of no more than C$10 million. Such comparison would be significantly flawed, because it is considered inappropriate and misleading in the valuation practice to compare companies with largely different EBITDA or SDE if they are not both publicly traded.

The Excess Earnings Method (so called combined Asset-Income approach) was not used due to the unique operations growth dynamics of The Company and negative earnings figures after normalization adjustments.

5.0 Valuation Adjustments

5.1 Valuation Adjustments Applicability

We have not applied marketability and/or control adjustments to this valuation based on the nature of the purpose of this valuation as outlined at the beginning of this Report.

The specific adjustments pertinent to specific valuation approaches such as that of historical SDE normalization (for Market Approach) or the Fair Value Market adjustment (for the Asset Approach), are discussed in the relevant sections of this Report.

The specific balance sheet adjustments required under the Market Approach with the use of the BIZCOMP data set are discussed in Section 4.0 Valuation Approaches.

6.0 Representations of the Valuation Analyst

- The analyses, opinions, and conclusion of value included in the Report are subject to the specified assumptions and limiting conditions, and they are the personal analyses, opinions, and conclusion of value of the valuation analysts.
- The economic and industry data included in the valuation report have been obtained from various printed or electronic reference sources that the valuation analyst believes to be reliable. The valuation analysts have not performed any corroborating procedures to substantiate that data unless otherwise explicitly stated in the Report.
- The Valuation engagement was performed in accordance with CACVA's Professional Standards.
- The information and use of this Report is restricted to the parties of potential acquisition. This Report is not intended to be, and should not be used by anyone other than such parties.
- The analyst's compensation is fee-based; it is not contingent on the outcome of the valuation.
- The valuation analysts have no obligation to update the Report or the Conclusion of Value for information that comes to their attention after the Report date.
- There were no conflicts of interest identified during the Valuation.
- We assume no responsibility for the accuracy, completeness and correctness of the Management Information and the information received from other sources.

7.0 Conclusion of Value

7.1 Synthesis and Reconciliation of the Values

We express our determination of value in this Conclusion of Value presented in the Table below based primarily on the Market Approach. It is our opinion that the appropriate conclusion of value for The Company as of the valuation date is $1.560 million (rounded).

Figure 12: Conclusion of Value

All figures are in $C	Medium	Low	High	Relevant figures
Net Assets Method (secondary approach)		1,394,036*		Figure 7 (p. 17)
Direct Market Data Method (primary approach)	1,559,333	1,470,707	1,670,027	Figure 11 (p. 19)
Suggested Fair Market Value	**1,560,000**	**1,470,000**	**1,670,000**	

*Based on the Asset-based approach, which provides the floor price in the case of positive goodwill

7.2 Completion of this Valuation

This Conclusion of Value completes this Valuation engagement as at April 30th, 2017. The analysis was performed solely for the purpose described in this report, and the resulting conclusion of value should not be used for any other purpose.

The Conclusion of Value is subject to the assumptions and limiting conditions and to the valuation analysts' representation.

The valuation analysts have no obligation to update the report or the conclusion of value for information that comes to his or her attention after the date of the report.

7.3 Qualifications of the Valuation Analysts

Serecon Inc., April 30th, 2016

8.0 Appendix 1: Income Statements for The Company

All figures are in $C	2016	2015	2014	2013	2012
Revenue	**849,990**	**728,912**	**597,796**	**547,025**	**510,799**
Cost of Sales	**341,288**	**257,309**	**210,217**	**225,749**	**230,599**
Other Operating Expenses					
Advertizing and Promotion	28,315	27,163	27,279	25,105	18,317
Amortization and Depreciation	11,713	9,121	14,584	11,515	15,601
Automotive	9,737	8,950	11,711	9,301	6,838
Bad debt	-	-	-	-	5
Dues and subscriptions	1,473	898	1,031	1,226	1,677
Insurance	16,620	10,053	8,860	8,452	7,150
Interest and bank charges	11,785	12,461	11,400	9,029	9,074
Licenses, permits and taxes	1,199	1,049	1,045	1,091	1,947
Office	7,547	6,356	6,489	6,033	9,651
Professional fees	17,999	17,015	17,809	16,023	19,291
Rent	1,188	1,104	5,594	862	-
Repairs and maintenance	13,607	8,407	7,956	7,162	3,263
Selling expenses	6,296	4,454	4,764	3,274	3,872
Telephone	5,375	5,410	5,065	4,635	5,305
Training and seminars	1,429	1,230	476	375	357
Travel	1,613	4,400	840	2,422	2,322
Utilities	8,351	9,432	9,513	10,364	9,030
Wages and benefits	237,923	222,231	192,584	167,381	132,704
Total Other Operating Expenses	**382,170**	**349,733**	**327,000**	**284,248**	**246,406**
Operating Income	**126,531**	**121,871**	**60,579**	**37,027**	**33,795**
Other income (expenses)					
Gain (loss) on disposal of property, plant and equipment	-	(45)	-	-	(1,225)
Bees and crops sold	6,979	5,898	1,641	3,419	5,470
	6,979	**5,853**	**1,641**	**3,419**	**4,245**
EBIT	134,448	130,320	64,994	43,606	39,795
Income (loss) before income taxes	133,510	127,724	62,220	40,447	38,040
Income tax	7,605	12,614	6,361	4,275	4,168
Net income (loss)	**125,905**	**115,110**	**55,859**	**36,172**	**33,872**

9.0 Appendix 2: Balance Sheet Statements for The Company

All figures are in $C	2016	2015	2014	2013	2012
ASSETS					
Current					
Cash and deposits	9,250	17,663	150	31,562	24,375
Accounts Receivable	7,955	23,736	20,284	27,446	15,122
Inventory	203,741	195,514	191,892	126,506	151,356
Other Current Assets	87,790	103,221	17,226	(540)	(540)
	308,736	**340,134**	**229,552**	**184,974**	**190,313**
Property, Plant and Equipment	775,104	723,512	726,181	678,650	672,301
Other Assets	-	-	-	-	-
	1,083,840	**1,063,647**	**955,733**	**863,624**	**862,614**
LIABILITIES					
Current					
Bank indebtedness	199,316	261,571	283,048	281,730	291,552
Accounts payable and accrued liabilities	83,474	97,830	34,645	41,257	19,307
Income tax payable	8,305	12,575	6,249	4,275	4,168
Other Current Liabilities	2,462	-	954	(188)	-
	293,557	**371,976**	**324,896**	**327,074**	**315,027**
Long Term Liabilities	141,360	143,468	149,809	156,792	161,906
	434,917	**515,444**	**474,705**	**483,867**	**476,933**
SHAREHOLDERS' EQUITY					
Loans due to shareholders	361,574	386,759	430,440	392,458	444,705
Common shares	20	20	20	20	20
Revaluation surplus	-	-	-	-	-
Retained earnings	287,328	161,423	50,568	(12,720)	(59,044)
	648,923	**548,202**	**481,028**	**379,757**	**385,681**

10.0 Appendix 3: Normalized Income Statements for The Company

All figures are in $C	2016	2015	2014	2013	2012
Revenue	**849,990**	**728,912**	**597,796**	**547,025**	**510,799**
Cost of Sales	**341,288**	**257,309**	**210,217**	**225,749**	**230,599**
Other Operating Expenses					
Advertizing and Promotion	28,315	27,163	27,279	25,105	18,317
Amortization and Depreciation	61,713	59,121	60,243	61,515	65,601
Automotive	9,737	8,950	11,711	9,301	6,838
Bad debt	-	-	-	-	5
Dues and subscriptions	1,473	898	1,031	1,226	1,677
Insurance	16,620	10,053	8,860	8,452	7,150
Interest and bank charges	11,785	12,461	11,400	9,029	9,074
Licenses, permits and taxes	1,199	1,049	1,045	1,091	1,947
Office	7,547	6,356	6,489	6,033	9,651
Professional fees	17,999	17,015	17,809	16,023	19,291
Rent	22,188	22,104	26,594	21,862	21,000
Repairs and maintenance	13,607	8,407	7,956	7,162	3,263
Selling expenses	6,296	4,454	4,764	3,274	3,872
Telephone	5,375	5,410	5,065	4,635	5,305
Training and seminars	1,429	1,230	476	375	357
Travel	1,613	4,400	840	2,422	2,322
Utilities	8,351	9,432	9,513	10,364	9,030
Wages and benefits	317,923	302,231	272,584	247,381	212,704
Total Other Operating Expenses	**533,170**	**500,733**	**473,659**	**435,248**	**397,406**
Operating Income	**(24,469)**	**(29,129)**	**(86,080)**	**(113,973)**	**(117,205)**
Other income (expenses)					
Gain (loss) on disposal of property, plant and equipment	-	(45)	-	-	(1,225)
Bees and crops sold	6,979	5,898	1,641	3,419	5,470
	6,979	**5,853**	**1,641**	**3,419**	**4,245**
EBIT	(16,552)	(20,680)	(81,665)	(107,394)	(111,205)
Income (loss) before income taxes	(17,490)	(23,276)	(84,439)	(110,553)	(112,960)
Income tax	3,674	21,106	13,473	15,572	16,223
Net income (loss)	**(21,164)**	**(44,382)**	**(97,912)**	**(126,126)**	**(129,183)**