



Tabling of Documents

**Alexander Sammurtok, MLA
Rankin Inlet South
October 2016**

Appraisal of Nanuq Lodge

Thank you, Mr. Speaker.

Mr. Speaker, as my colleagues will be well aware, I have been urging the government to consider all options for establishing an Elder's Facility in the community of Rankin Inlet.

Today, I would like to table an appraisal of the Nanuq Lodge building in Rankin Inlet, along with some photographs and floor plans. I encourage the government to review these documents with care as I am sure they will agree that this building would be ideal to convert into an Elder's Facility. Thank you.

Nanuq Lodge



Warm personal service on the shores of Hudson Bay.

Nanuq Lodge & Executive Suites

Box 630 Rankin Inlet, NU X0C 0G0
 Ph: (867) 645-2650 Fax: (867) 645-2640
 Email: nanuq@qiniq.com Web: www.nanuqlodge.com

Nanuq Executive Suites



*New Hotel — same dedication to service as
 in our Nanuq Lodge!*

Providing consistent friendly service that goes the extra mile has always been our mandate. We are knowledgeable and the North is our home; we will help you as you work or play here.

Nanuuq Lodge and Executive Suites – a warm welcome on the shores of Hudson Bay

Nanuuq Executive Suites

Located adjacent to our Nanuuq Lodge, this new facility offers seven 2-room (one bedroom) suites and eight hotel-style rooms.

Each suite has a living room, kitchenette area, and bedroom with a double bed, closet, bureau and TV. Kitchenettes offer a table/chairs, small refrigerator, sink, microwave, toaster, coffeemaker, hot water pot, utensils and other kitchen essentials (coffee, tea, sugar, creamer, salt, pepper, dishes, dish detergent, dish towels, can openers, and more). Living room includes a fold-out couch/bed, TV, and desk, plus phone and Internet.

The hotel-style rooms are comfortably spacious, each with a double bed, chair, desk, closet, TV, phone, clock radio and some supplies, coffee pot, cups, etc.

From Nanuuq Lodge guest book: "This place makes you feel right at home. The warmth of being at home away from home and awesome hospitality – people here are so friendly that you feel very good about yourself."
Magpie Amanaalik, Ottawa/Hall Beach



Hotel rooms or suites can be rented for long term stays.

Wireless Internet is available, without extra charge, but keep in mind that the Internet is slow here.

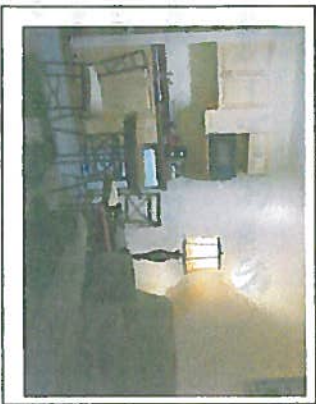
All bathrooms have a tub with shower. The laundry room is available to all guests without charge.

A common room with a view of Johnston Cove offers a wonderful place for small meetings. To make your stay more comfortable, there is a microwave oven, refrigerator, dishwasher, toasters, coffee pots, and dishes/utensils, plus a flatscreen TV. Guests can make simple meals, and we have an on-site freezer for guest use.

Small meetings and workshops can be held in the common room.

Both Nanuuq Lodge and Nanuuq Executive Suites are non-smoking buildings.

Rates: (includes continental breakfast)
Single room: \$220 per night.
Two-room suite: \$240 per night.
(Call to negotiate rates for long term stays.)



Owners live next door and can assist guests in solving problems. Airport pickups and drop offs can be arranged.

More from our guest book: "Thank you for all kindness and hospitality, you made me feel so at home. I see in the kindness and caring you give to your "teams" the same kindness and caring you give to all."
Ian Tamlyn, Chelsea, Quebec

Parking spots with plug-ins are available. Rental vehicles are sometimes available.

Both facilities are operated by Nanuuq Enterprises, owned by John Hickers, born at Pistol Bay south of Rankin.

We will work with our guests and companies on billing arrangements, we accept credit and debit cards, can invoice for stays, and can work with LCAs, POs, and more.

For reservations at either hotel, call (867) 645-2650 or email us at nanuq@qiniq.com.



Nanuuq Lodge

Located adjacent to Nanuuq Executive Suites, Nanuuq Lodge is our original hotel, which opened in 2005. This bed & breakfast hotel has 9 rooms, including one room that can accept pets.

Rooms here are smaller, but just as comfortable as in Nanuuq Exec. Suites. Each room has an ensuite bathroom with shower, one room has a tub. Seven rooms have double beds and two rooms are slightly larger and have twin beds.

A common room/kitchen overlooking Johnston's Cove has a microwave, coffeemakers, toasters, refrigerators, etc. This room offers a place to make simple meals and is also a wonderful meeting place. A continental breakfast is part of our room rate.

Rates: (includes continental breakfast.)
Single room: \$200 per night.
Twin-bedded room: \$240 per night.
(Call to negotiate rates for long term stays.)

Dog Team Rides

We also offer dog team experiences for individuals and groups. We offer rides from 1-3 hours. You'll experience travel on the sea ice and the beauty of the land, with opportunities to drive the team. Our dog teams are well-socialized, used to people and can be approached and handled.

Dog team rides range in price from \$50 to \$150, and are offered during good weather in our "snow" months.



**APPRAISAL OF A
COMMERCIAL - HOTEL PROPERTY
THE NANUQ LODGE**

AT:

RANKIN INLET, NUNAVUT

FOR:

JOHN HICKES

BY:

**Stewart, Weir, MacDonald Ltd.
Lauchlin R. MacDonald, AACI, P. App.**

July 1, 2015

File No.: 32181



PHOTOGRAPHS



STEWART, WEIR, MacDONALD Ltd.

Real Estate Appraisal and Consulting

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August 4, 2015

Mr. John Hickes
Nanuk Enterprises Ltd.
P. O. Box 630
Rankin Inlet, NU X0C 0G0

Dear Mr. Hickes:

**RE: Appraisal of the Nanuq Lodge - 1 Atausiq Street
Legally Described as: Lot 185, Plan 1282
Rankin Inlet, Nunavut**

In accordance with your request for an appraisal of the property described above, the following report has been prepared.

It should be noted that this report has been prepared at the request of yourself on behalf of Nanuk Enterprises Ltd., to estimate the *Market Value* of the property, for potential sale. It is not intended for use by any other party, and any liability in this regard is strictly denied.

The subject property consists of a 6,749 square foot parcel of C1 - General Business Commercial zoned land which has been improved with a two storey, nine room lodge, complete with a guest "breakfast" kitchen, small meeting room and manager's suite. The structure has a total gross area of 5,123 square feet, more less.

The property rights appraised are those of the lessee's interest in the leasehold estate as though unencumbered. The subject property was inspected on July 1, 2015, which is the effective date of this report.

This appraisal report has been prepared in accordance with accepted professional standards. The report describes the method of approach leading to the final estimate of market value, and contains data gathered in my investigation which, to the best of my knowledge is correct, subject to the Contingent and Limiting Conditions herein set out.

.../2

Mr. John Hickes
Nanuk Enterprises Ltd.
August 4, 2015
Page Two

It should be noted that it is not within the appraiser's realm of expertise to comment on environmentally-impacted soil. It should also be noted that any structural components that were not exposed or readily accessible were not inspected unless otherwise noted. This value estimate assumes that the subject site is free of contaminants and the existing structural components are in acceptable condition, thereby not adversely affecting the market value.

I have personally inspected the property and analyzed all available information considered pertinent to its valuation. Based on this inspection and analysis, it is my professional opinion that the subject property has a market value as at July 1, 2015, of **ONE MILLION TWO HUNDRED THIRTY-FIVE THOUSAND (\$1,235,000) DOLLARS.**

The data, analysis and conclusions upon which this value estimate is based, are contained in the following report to which your attention is directed.

Respectfully submitted,

STEWART, WEIR, MacDONALD LTD.

A handwritten signature in dark ink, appearing to read 'Lauchlin R. MacDonald', is written over a faint, circular embossed seal.

Lauchlin R. MacDonald, AACI, P. App.
Appraiser

LMD/ps

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SUMMARY OF SALIENT FACTS AND IMPORTANT CONCLUSIONS

TYPE OF PROPERTY:	Commercial (Lodge)						
ADDRESS OF PROPERTY:	1 Atausiq Street, Rankin Inlet, Nunavut						
LEGAL DESCRIPTION:	Lot 185, Plan 1282						
EFFECTIVE DATE OF APPRAISAL:	July 1, 2015						
SIZE OF LAND:	6,749 Square Feet						
SIZE OF BUILDING:	5,123 Square Feet (Gross)						
2009 ASSESSMENT:	<table><tr><td>Land</td><td>\$ 13,800</td></tr><tr><td>Improvements</td><td><u>321,800</u></td></tr><tr><td>Total</td><td>\$335,600</td></tr></table>	Land	\$ 13,800	Improvements	<u>321,800</u>	Total	\$335,600
Land	\$ 13,800						
Improvements	<u>321,800</u>						
Total	\$335,600						
2015 TAXES:	\$1,120.90						
ZONING:	C1 - General Business Commercial						
HIGHEST AND BEST USE:	A commercial use in keeping with the current zoning bylaw						
ESTIMATE OF LAND VALUE (as if vacant):	\$60,000						
ESTIMATE OF VALUE BY COST APPROACH:	\$1,785,000						
ESTIMATE OF VALUE BY DIRECT COMPARISON APPROACH:	N/A						
ESTIMATE OF VALUE BY INCOME APPROACH:	\$1,235,000						
FINAL ESTIMATE OF VALUE:	\$1,235,000						

DEFINITION OF APPRAISAL PROBLEM

Purpose and Function

The purpose of this appraisal report is to estimate the current market value of a commercial property - specifically a nine (guest) room lodge, located in Rankin Inlet, Nunavut. The function of this report is to establish the *Market Value* to assist in the potential sale of the property.

Legal Description

The subject site is legally described as Lot 185, Plan 1282, Rankin Inlet, Nunavut.

Property Rights Appraised

The property rights appraised are those of the lessee's interest in the leasehold estate.

Certificate of Title

The property is registered in the Land Titles Office, Iqaluit, to the ***Municipal Corporation of the Hamlet of Rankin Inlet*** as per Certificate of Title #46776, dated June 26, 1998. There is also a Leasehold Title registered to ***Nanuk Enterprises Ltd.***, as per LHT #52339, dated January 24, 2005.

Encumbrances

The subject property is appraised as free of encumbrances. For information purposes, the documents registered against both the Certificate of Title, and the Leasehold Title are listed below.

Certificate of Title #46776

Document	Reg No.	Date	Particulars
Lease	118,974	2005-01-24	In favour of Nanuk Enterprises Ltd. for the term of 20 years commencing 2004-10-01. Leasehold Title #52339 granted.
Caveat	118,976	2005-01-24	by Atuqtuarvik Corporation
Caveat	129,298	2011-09-15	by Atuqtuarvik Corporation

Leasehold Title # 52339

Document	Reg. No.	Date	Particulars
Mortgage	118,975	2005-01-24	to Atuqtuarvik Corporation

DEFINITION OF APPRAISAL PROBLEM, (Continued)

Caveat	118,976	2005-01-24	by Atuqtuarvik Corporation
Mortgage	129,297	2011-09-15	to Atuqtuarvik Corporation in the amount of \$1,070,000
Caveat	129,298	2011-09-15	by Atuqtuarvik Corporation

Sales History

Uniform Standards of Professional Appraisal Practice require investigation and analysis of transactions involving the subject property within three years prior to the effective date of appraisal. The subject property has not transferred in the three years prior to the effective date of this report.

Effective Date

The effective date to which this value estimate applies is July 1, 2015.

Market Value

For the purpose of this appraisal report, market value is defined by the Canadian Uniform Standards as follows:

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

Implicit in this definition is the consummation of a sale as of the specified date and the passing of title from seller to buyer under conditions whereby:

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

ASSUMPTIONS AND LIMITING CONDITIONS

1. By this notice, all persons reviewing, utilizing or relying on this report, in any manner, bind themselves to accept all limiting conditions and assumptions as outlined or as stated within the body of the report. Do not use this report if you do not so accept. These conditions are a part of the appraisal report, they are a preface to any certification, definition, fact or analysis, and are intended to establish as a matter of record that the appraiser's purpose and intended use are to provide a market value estimation for the subject property based upon the observed conditions of said property and the, then prevailing real estate market. This appraisal report is not an engineering, construction, legal or architectural study nor a survey and expertise in these areas, among others, is not implied.
2. It should be noted that this report has been prepared at the request of John Hickes of Nanuk Enterprises Ltd. to estimate the *Market Value*, to assist in the potential sale of the property. It is not intended for use by any other party, and any liability in this regard is strictly denied.
3. Because market conditions, including economic, social and political factors change rapidly and, on occasion, without warning, the market value estimate expressed as of the date of this appraisal cannot be relied upon as of any other date except with further advice from the appraiser in writing.
4. Information, estimates, and opinions that have been expressed in the appraisal report are obtained from sources considered to be reliable and they are believed to be true and correct. No responsibility is assumed for the accuracy of such items that were furnished by other parties.
5. No responsibility is assumed for matters of a legal nature that affect either the property being appraised or the title to it. It has been assumed that the title is good and marketable and, therefore, no opinion is rendered about the title. This property is appraised as if free and clear of any or all liens or encumbrances, unless otherwise identified.
6. It is assumed that the property is in full compliance with all applicable federal, territorial and local environmental regulations and laws, and zoning and land use regulations and restrictions unless the lack of compliance is stated, described and considered in this report.
7. Competent and reasonable management of the property is assumed.
8. All engineering studies are assumed to be correct. The plot plans, sketches and illustrative material in this report are included only to help the reader in visualizing the property and understanding the appraiser's interpretation as to its size.
9. The values contained in this report between land and improvements apply only under the program of utilization at the effective date of valuation. The separate valuation of the land or building must not be used with any other appraisal and are invalid if so used.

ASSUMPTIONS AND LIMITING CONDITIONS, (Continued)

10. This report is completed on the basis that testimony or appearance in court is not required as a result of this appraisal unless specific arrangements to do so have been made beforehand.
11. Unless otherwise stated in the appraisal report, there are no known unapparent or hidden conditions of the property (including but not limited to its soils, physical structure, mechanical and other operating system, its foundation, etc.) or adverse environmental conditions (on it or a neighbouring 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 inspection or became apparent during the normal research involved in completing the appraisal. The attached report should not be construed as an environmental audit or a detailed property condition report, as such reporting is beyond the scope of this report and the qualifications of the appraiser. The appraiser takes no responsibility whatsoever for the findings of said assessment. Responsibility is not accepted for any such unapparent or hidden conditions that do exist, or for any research, testing or engineering that might be required to discover whether such conditions exist.
12. It is imperative that the reader or any other interested party be aware that the appraiser did not inspect the premises for fire detection or smoke detection systems, or for the presence of carbon monoxide detectors, nor did the appraiser inspect the condition of such equipment, if present. The appraiser takes no responsibility whatsoever for the lack of, or condition of, detection devices that may be located on the premises, nor does the appraiser warrant compliance in any manner of such equipment, if present.
13. A variety of other assumptions may be required in the valuation process, specifically overall capitalization rates, gross income multipliers, vacancy rates, and costing procedures. These are made throughout the report where and if necessary and deemed appropriate.
14. Possession of this report, or a copy thereof, does not carry with it the right of publication, nor may it, in whole or part, be used by anyone but the client/addressee without the prior written consent of the appraiser.

SCOPE

The data contained herein was collected, confirmed and reported by the appraiser. Sources of the data utilized in the report include the following:

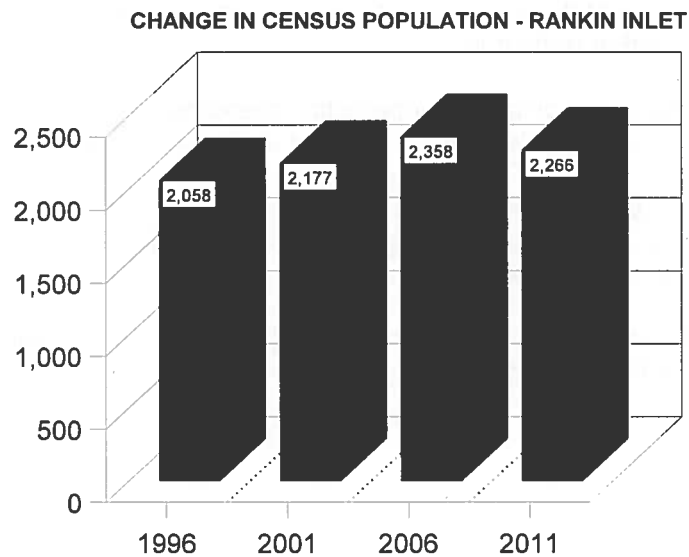
1. Detailed on-site physical inspection of the subject property, interior and exterior construction, and site improvements, including taking of photographs.
2. Inspection of subject neighbourhood, comparable land sales, and comparable improved property sales.
3. Conversations with officials in various government departments, including the Assessment Department and Public Safety and Development Department - Planning and Lands Division and Building Inspections Division, regarding zoning and land use controls, building regulations, utility services, property assessment and tax levies, regional and neighbourhood trends.
4. Canada Mortgage and Housing Corporation with respect to local and regional publications on market rents, vacancy rates, market trends, commercial building starts, commercial resale market, the local economy in general, and inspection procedures.
5. Conversations with the property owner and employees of the property owner.
6. Conversations with real estate sales agents and property management personnel with reference to current market rents and trends.
7. Iqaluit Land Titles Office regarding real property title searches, information on vacant land and improved property sales, including transfer and mortgage documents.
8. Local contractors concerning building and site improvement costs, current trends and economic expectations. Local service providers with regard to local service costs, current and expected trends in service costs.
9. Marshall & Swift - Marshall Valuation Service Manual - manual costing service in support of the cost estimate of the building.

HAMLET AND REGIONAL DATA

The Hamlet of Rankin Inlet is located on the west coast of Hudson Bay - 475 kilometres north of Churchill, Manitoba, and 1,088 kilometres east of Yellowknife, Northwest Territories. Until the early 1950s, few Inuit lived at the present day site. In 1955, the area was established as a mining site, with Rankin Inlet Nickel Mines Ltd. developing a producing mine. From 1954 to 1960, the Hudson's Bay Company Store, a hospital, homes for government employees, three churches, a school and a number of residences were added to the settlement. Inuit of the vicinity moved to the site to work in the nickel mine, and until 1962, when the mine was closed, a wage economy was the basis of the settlement. Today, with a population of 2,358, Rankin Inlet is the largest community in the Kivalliq Region, and second largest in Nunavut. As such, there is a significant (territorial) government presence, with the usual administrative positions driving the economy.

Demography

Census Canada reported the population to be 2,058 in 1996; 2,177 in 2001, 2,358 in 2006, and 2,266 in 2011, the most recent census. It is odd that the 2011 Census reports a decline of 92 persons. This may be explained, in part by the migration of some to remote mining and exploration camps.



HAMLET AND REGIONAL DATA, (Continued)

POPULATION BY SEX AND AGE (rounded numbers 2011)						
	TOTAL	0-14 YEARS	15-24 YEARS	25-44 YEARS	45-64 YEARS	65+ YEARS
All Persons	2265	705	605	665	420	65
Males	1170	360	300	335	230	30
Females	1100	350	300	330	195	25

Source: 2011 Census of Canada

Economy

The Territorial Government and its administration account for most of the economic activity in Rankin Inlet, either directly or indirectly. Rankin Inlet is the centre for the Kivalliq Region. Other major economic activities such as the service industry, transportation, and construction industries have developed around this administrative function. Traditional activities which include hunting, fishing, trapping and making arts and crafts continue to keep the culture alive, particularly with the local fish plant and abattoir.

Despite the selection of Iqaluit as the capital of Nunavut, Rankin Inlet, as Regional Centre, has sustained its position as the second largest community in Nunavut, with the strongest economy and the most jobs, next to Iqaluit. This is evidenced in part by the development of new capital projects, public and private, including a new 40,000 square foot Health Centre, residences for this facility, student residences for Arctic College, as well as some new private housing - single and multi family. The Siniktarvik Hotel five years ago, expanded their retail space with a new addition and front entry. This space, however, has not succeeded as planned, and after a period of less than two years, was converted to storage space. The secondary commercial area, toward the "peninsula" remains occupied, in terms of the office and retail space there, with tenants from the public and private sector. The local Co-op Hotel - a 22 room facility with 24 seat restaurant built in 2005, has flourished and the "Nanook Inn", which opened in late 2005, early 2006, with 10 rooms has, reportedly, operated at occupancy levels exceeding 70%, and is considering expansion.

There are two banks in Rankin Inlet, the Canadian Imperial Bank of Commerce and the Royal Bank, as well as the usual primary and secondary businesses such as manufacturing, construction, air and truck transport, buses and taxis; wholesalers and general retailers: food, clothing, appliances, recreational vehicles, office equipment, hardware, sporting goods, gifts, arts and crafts; building management and janitorial services; professional services: accountants, lawyers, consultants, outfitters, photographers, personnel suppliers; hospitality services: restaurants, hotels, vehicle rentals, and travel services. Many businesses are owned by privately owned Inuit Corporations such as the Ilagiktut, Piruqsaijit and Tapirit Development Corporations. Entrepreneurship prevails throughout the community and is an important factor in Rankin Inlet's growth as a business community.

HAMLET AND REGIONAL DATA, (Continued)

Recent Developments - Mining

The most significant development in the region in decades, perhaps in modern history, other than the creation of Nunavut, has to be considered the recent approvals for resource extraction in the Kivalliq Region.

In 2007, Cumberland Resources obtained all land rights necessary to advance construction of the 110 kilometre all weather access road to the company's Meadowbank gold project located 70 kilometres north of Baker Lake. Earlier approvals having been obtained from the Government of Nunavut and Canada (DIAND), had allowed initial construction commencing from the community of Baker Lake, some 18 kilometres. In the same year, Agnico Eagle took over Cumberland, and committed to development of the mine, which was designed to produce an average of 330,000 ounces of gold per year, over an eight year life, and today is one of Canada's highest output gold producers. The impact on communities in the Kivalliq Region has been phenomenal. Baker Lake, particularly, has approximately 150 persons employed at the mine, and a payroll of approximately \$10 million dollars per annum. The total Inuit workforce in 2011 was 38%. There were a total of 289 Inuit employed at the mine. The December, 2011 figure was up from 149 a year earlier.

Agnico-Eagle has even bigger plans for the Kivalliq Region. By 2015, it hopes to bring on the Maliadine gold mine near Rankin Inlet, and employ another 700 persons. Agnico Eagle has been very pro-active in its pursuit of Inuit staff. To combat what has been a problem attracting Inuit youth to the industry, Agnico has started a "Building People Initiatives" program - a plan to develop the capacities of the people needed to operate their mines in Nunavut. Young people have not been quick to recognize the opportunities. The problems, as perceived by Agnico, include a lack of interest in the industry, low high school graduation rates, and the inability of many grade 12 graduates to pass a trades entrance exam. Agnico anticipates a more positive response from local youth with their program. They want to develop a partnership agreement on education which will involve Kivalliq schools and put a "Mining Matters" program into schools, science camps and science fairs. The company also wants to develop a "co-op" pre-trades program, which would combine trades and professional studies at the high schools, with on-the-job practical experience at the mine site.

While Agnico-Eagle wants to improve its Inuit employment numbers and the kinds of jobs Inuit hold, its Meadowbank mine has already had a major impact on Nunavut's economy, raising its real gross domestic product considerably.

It has also fed lots of money into the Kivalliq region's economy through jobs and contracts with local suppliers. Agnico-Eagle workers from Nunavut earn an average annual salary of \$66,000. The annual payroll puts approximately \$19 million into the economy - and the increase in locally-available jobs has been accompanied by a decrease in income support, which has dropped by 20%.

HAMLET AND REGIONAL DATA, (Continued)

Meadowbank spends approximately \$200 million per year in Nunavut. A second operating mine at Meliadine could mean an additional \$200 annually coming into the territory - much of it locally. The value of Meliadine contracts in 2011, just to the end of August, was \$30 million, for Inuit based companies, mainly from Rankin Inlet.

Three years ago, the Nunavut Government officially reversed its previous ban on uranium exploration and mining in Nunavut. In a news release, NTI officials were quoted as declaring that "after several months of careful consultation with communities and various Inuit organizations and regulatory agencies, the NTI Board of Directors reviewed the policy concerning uranium mining, and made the decision to approve it. As owners of the Andrew Lake, End Grid and Lac Cinquante uranium deposits, and lands specifically selected for uranium potential, the challenge for the NTI Board was to develop and approve a policy that would allow Inuit to benefit from this resource and industry, while ensuring the protection of people, wildlife and the environment." Despite their misgivings about uranium, the Nunavut Tunngavik has long been supportive of gold and diamond exploration in Nunavut.

Areva Resources Canada Ltd., own uranium properties 80 kilometres west of Baker Lake. Areva, based in Saskatchewan, at one time, intended building a uranium mine at the site. Areva is the second largest uranium mining company in Canada, and its parent company in France is the second largest in the world. There are, reportedly, 100 million pounds of uranium at the Kiggavik-Sissons site. Their *proposed* mine would include a combination of open pit and underground mining and a mill to produce ore concentrate. The fly-in, fly-out operation would bring hundreds of jobs to the nearby communities, during its development phase, and approximately 300 permanent jobs during mining operations. Construction would take from two to three years, followed by ten years of production, and up to three years of decommissioning. The proposed mine would also involve the construction of either an all-season or winter road. The likelihood of this happening, however is very narrow. There has been a very aggressive movement from local communities against the project. Public opinion does not favour Areva.

Other

In 2010, the Nunavut Trades Centre opened. The \$23 million facility was built to support a made-in Nunavut supply of trades people to be employed in local communities and mining operations. The 20,000 square foot space - a state of the art complex - can accommodate more than 100 students between its classrooms, computer lab, four furnished workshop labs, lounges and a resource library. The facility currently offers programs for pre-apprentice electricians, oil burner mechanics, plumbing and trades access programs.

Last year, the Kivalliq corrections centre opened. This facility employs 45 new corrections workers. This is a first class facility, badly needed in the region, as the Baffin centre is much too crowded. Most of the positions are housed at a new apartment complex adjacent to the jail.

HAMLET AND REGIONAL DATA, (Continued)

Transportation

The Rankin Inlet Airport is managed by the Hamlet, however, the Government of Nunavut maintains ownership of the airport land and buildings, and Transport Canada remains as a regulatory body. The Hamlet acts as administrator. The landing strip is 6000' x 150', paved, and accommodates Rankin's designation as a Forward Operating Location for the Canadian Armed Forces. Services include a flight service station, weather, communications and flight planning, scheduled airfield maintenance, crash fire fighting and resource services, and aircraft parking plugs. Scheduled services include First Air and Canadian North via Yellowknife, Iqaluit, and Winnipeg; Calm Air and Kivalliq Air, via Churchill. There is a charter service as well provided by Keewatin Air.

Housing and Accommodation - 2011 Census Summary

Occupied Dwellings (2006)	625
Single Det'd Dwellings (%) of total	64
Semi-Det'd Dwellings (%) of total	5.6
Row Houses (%) of total	23.2
Other (%) of total	36
Number owned dwellings (2006)	205
Number Rented Dwellings (2006)	450
Number constructed before 1986	365
Number constructed between 1986 & 2006	290
Average Value of Dwelling (\$ - 2001)	\$163,577
Commercial Accommodation	Siniktarvik Hotel; (40 rooms); Co-op Hotel (22 rooms) Nanuq Lodge & Executive Suites (26 rooms); Katimavik Inn & Suites (25 rooms); Wild Wolf Inn (9 rooms plus an Annex of 6 rooms)

HAMLET AND REGIONAL DATA, (Continued)

Labour Force Statistics (Stats Canada 2006)

CHARACTERISTICS	Total	Male	Female
Labour force characteristics of the population age 15 and over			
Persons in the employed labour force	1095	555	540
2006 Participation rate	71.7	72.3	71.4
2006 Unemployment Rate	10.2	15.1	10.9
2006 Employment Rate	64.3	63.5	65.6
Industry characteristics of the population age 15 and over who have worked since January 1, 2005			
Total - all industries	1095	555	540
Persons in agriculture and other resource based industries (secondary)	25	20	10
Persons in manufacturing and construction industries (secondary)	85	65	20
Wholesale and Retail trade	125	60	65
Finance and Real Estate	45	25	15
Health and Education	245	65	180
Business Services	175	115	60
Other Services	400	200	210

Infrastructure

Power	NPC (area office Rankin Inlet) diesel generator, 3,930 Kw capacity.
Water	Source - Nipissar Lake 2 KM NW of the community; two gaseous chlorinators; piped utilidor system; trucked delivery daily by Hamlet.
Sanitation	Utilidor and buried sewage mains; Macerator with outfall to ocean. Garbage bagged and sewage (new) landfill site 2 km south of Hamlet.
Fuel	Capacity: P50 -6,309,100 l; Gas - 1,361,138 l; Turbo "A" 4,096,989 l Re-supply - NTCL tanker.

HAMLET AND REGIONAL DATA, (Continued)

Summary

Rankin Inlet may be considered the hub of the Kivalliq Region. With its good transportation facilities, accommodation, and service industry, it should maintain its position as such for the long term. Being heavily dependent on transfer payments and public sector employment, it is a community that has been exposed to, and considerably "vulnerable" to political whims, as are most or all Nunavut communities, with the possible exception of Baker Lake, which has changed considerably since Meadowbank went into operation. This is expected to change as more mines are developed nearby.

NEIGHBOURHOOD DATA

The subject property is located just east of what has become, over the past decade, the central core. Rankin Inlet has grown considerably over this time period, and the demand for commercial land has led to redevelopment of much of the immediate property from residential to commercial. The only two hotels in the community are within a couple of blocks of the subject, as is the Royal Bank, the Northern Store, the Hamlet Office, and most Government offices. The area has all of the usual amenities and services. The utilidor is nearby, but the subject improvement is serviced by truck for water. The fronting roadway is paved, but there are no sidewalks or curbs.

The area is fully serviced by water and sewer, as well as the usual utilities - electricity, telephone and cable, police and fire protection and garbage collection.

ARCTIC HOTELS - AN OVERVIEW

Without exception, every community in Nunavut and the Northwest Territories has some type of accommodation available for either the business traveller, or tourists. The types, sizes, and services available obviously vary considerably. The industry itself was founded on what has been a Government commitment (first Federal, and in the last 40 years, Territorial) to provide services and programs to every region and Hamlet. In the two northern territories (NWT and Nunavut), there are a total of 53 establishments, including Bed & Breakfasts. With the exception of the major centres (Yellowknife, Inuvik, Iqaluit, Norman Wells, Fort Simpson, Fort Smith, Hay River, Cambridge Bay and Rankin Inlet), the hotels are typically five to eight rooms, occasionally with shared bath. Meals in the smaller establishments are usually included in the rate, and are provided on a scheduled basis. Kitchen facilities vary with the number of rooms, or beds, from small residential types, with minimal equipment, to larger commercial units capable of providing meals on a full time (all day) basis.

With the exception of the larger communities (listed above), hotels usually enjoy a monopoly - they are the only establishments in their market, and are insulated from competition by the supply/demand ratios, and the inherent risk in developing a secondary, or competing facility. These situations allow the hotel to operate somewhat differently than their southern counterparts. Occasionally, guests are required to "double-up" - even though they may not know or be travelling with each other. Rates are set somewhat arbitrarily and not on a market basis. Furthermore, the nightly rate is the same per person whether the room is occupied by one or more guests. There was a time - pre 1995, when there may have been as many as four to a room at busy periods. This rarely happens in the "modern era" of northern travel. Construction crews may occupy a room as their base, however, usually lower rates are negotiated over long terms.

In most Nunavut communities, hotels are owned and operated by "Inns North" - a management company based in Winnipeg, with locally owned Co-op hotels. There are 22 such operations in the north (NWT and Nunavut). Of the 22, there are "monopolies" in 19 of these smaller communities. Rankin Inlet is no exception. *Inns North* operate a 22 room hotel, complete with 32 seat restaurant. In 2007, the Co-op purchased what had been the largest hotel in the region - the Siniktarvik Hotel - a full service 44 room complex with retail and office space included. They "mothballed" this property shortly after the purchase, but later opened it, initially with reduced capacity, but later with all rooms available.

Typically, hotels in the smaller communities rely on a variety of clientele, with government and (in Nunavut) Inuit organizations being the much relied upon source of steady business. There are, however, periods when construction crews dominate the facility for months on end. Indeed, the fortunes of some of the smaller establishments are very dependent on capital projects in the community going forward. The subject property, initially, developed a "clientele", with a significant amount of returning business. More recently, two (new) competing properties - Katimavik Suites and the Wild Wolf Inn have taken some of that business.

LAND DESCRIPTION AND ANALYSIS

Shape and Dimensions

The subject site - a corner property - has 19.827 metres (65.1 feet) of frontage on the adjacent roadway - Atausiq Street; a corner cut-off of 11.632 metres (38.2 feet), and 14.595 metres (47.9 feet) frontage on Miviik Avenue. The north boundary is 25.67 metres (84.2 feet) and the west (rear) boundary is 27.42 metres, or 90 feet. The overall area is 627 square metres, or 6,749 square feet. The site overlooks the sea (Johnson Cove), and has an unobstructed view. Reference is made to the photographs in the Addenda. We include also, a partial plan of survey on the second page following.

Availability of Services

The subject property is fully serviced with electricity, trucked water and sanitary sewer, telephone and cable television, police and fire protection and garbage collection. Heating is by oil which must be delivered to the subject property.

Ingress and Egress

Pedestrian and vehicular access to the subject property is available on the adjacent roadways.

Topography and Drainage

The subject site slopes gently toward the adjacent roadways. Drainage appears to be adequate, in a natural descent toward the sea.

Street Improvements

The fronting rights-of-way are paved, but no curbs or sidewalks have been developed. Street lights are nearby and maintained by the Nunavut Power Corporation.

Soil Characteristics

The soil in the area is sandy, with natural grasses and gravel surrounding the improvement.

LAND DESCRIPTION AND ANALYSIS, (Continued)

Environmental Issues

There were no obvious situations observed which may present an environmental risk. It should be noted that soil tests have not been conducted for the subject site, nor is it within the appraiser's realm of expertise to comment on environmentally-impacted soil. This appraisal assumes that the subject site is free of contaminants which could adversely affect the market value of the subject property.

External Obsolescence

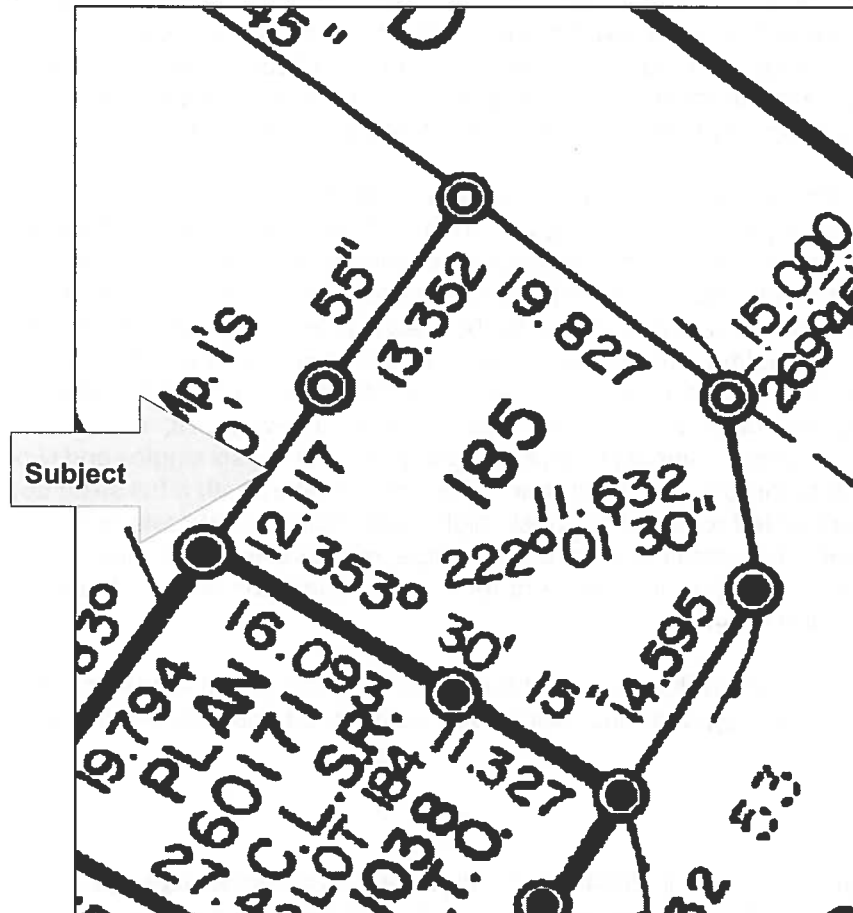
There are no negative adjacent uses.

Summary

There is nothing distinguishing the subject site from other lots in the area other than the strategic location near the core, overlooking the cove. The area has proven market acceptance, and the subject is a suitable part of that market.

LAND DESCRIPTION AND ANALYSIS, (Continued)

Lot 185, Plan 1282



DESCRIPTION OF IMPROVEMENTS

The subject site has been improved with a two storey wood frame commercial structure founded on steel pilings, with exterior cladding consisting of pre-finished steel panels on both the roof and walls. Fibre glass and rigid insulation has been used to insulate the floor (R40); the walls (R28) and the roof (R40). Windows are double pane, PVC, and entry doors, of which there are five (one on the second level) are solid core, insulated metal. The building is heated with an oil-fired hot water boiler located in a dedicated mechanical room on the main floor. There is a Heat Recovery Ventilator (HRV) located in this room as well as the 200 amp electrical panel. The rectangular shaped building has a footprint of (46.83' x 54.7'). Each storey is 10 feet in height.

The floor plan of the building has a main entry on the south (Miviik Avenue) side, with a small foyer for registration. Off this foyer, there is one guest room with full bath. The mechanical room is accessed off this room as well. Behind the registration counter is the manager/owner's suite. This is a two bedroom apartment (one of the bedrooms is occasionally used when needed for guest overflow). This apartment has a large modern kitchen, as well as two offices and two full baths. It has a total of 1,824 square feet. The second floor is accessed via a stairwell off the main entry. There is also a fire escape on the east side. The second floor has a breakfast room, meeting room, (this room has not been available for guest use in a few years, as the owner has incorporated it into his business.) laundry room and eight guest rooms - six singles and two double. Each has a three piece bathroom. All guest rooms are well furnished with a full sized double bed (two singles in the twin bedded room); small desk, night table, lamp and 30" television with cable. The breakfast room has a full sized refrigerator, bar fridge, microwave, small appliances (toaster, coffee maker), love seat, dining room table and four chairs, television and tv stand. There are ample utensils, dishes and flatware.

Interior finishes consist of carpet floor covers throughout, with lino in wet areas (bathrooms and kitchens). Walls are painted gypsum and ceilings are suspended acoustic T-bar with recessed fluorescent lighting.

Effective Age

The subject improvement was built in 2004/05, and therefore, its chronological age is 10 years, or so. Chronological age, also known as actual age or historical age, is simply the number of years that have elapsed since building construction was completed. The effective age of an improvement, however, is the age indicated by the condition and utility of the improvement. Effective age differs from actual age in that effective age considers depreciation and an interpretation of market conditions by the appraiser. Actual age considers only time; effective age considers all types of depreciation - physical wear and tear, and any loss in value due to functional and external considerations. This is not to say that actual age and effective age are always different. With typical maintenance, an improvement's actual age may be the same as its effective age.

The subject property has been well maintained. Furnishings are good quality and in good condition. The exterior is in good condition. Effective age of the improvement is considered to be 5 years.

DESCRIPTION OF IMPROVEMENTS, (Continued)

Remaining Economic Life

Economic life is defined as the period over which improvements to real property contribute value to the property. Economic life often differs from physical life, which is the estimated time period the improvement can be expected to physically exist. Remaining economic life is the difference between the economic life of the improvements and their effective age. The best method of determining the economic life of an improvement would be analyzing demolition permits for similar buildings. There are no other such developments, and therefore, this estimate is based on our physical inspection of the subject, as well as reference to industry standards. These types of improvements are expected to have a life of 60 years. On this basis, the remaining economic life of the subject property is estimated at 55 years. This estimate is supported by the estimate in the Marshall & Swift Valuation Service Manual.

ASSESSMENT AND TAXES

Assessment of the Hamlet of Rankin Inlet, for taxation purposes is the responsibility of the Government of the Nunavut Territory, Department of Community Government and Transportation. A general re-assessment was completed in 2005 for 2006 (and subsequent years) taxation.

The land assessment is meant to be indicative of market value as at base year 2004. The improvement assessment is depreciated replacement cost, base year 2004 as well. The replacement cost is derived from a Province of Alberta Assessment Cost Manual which uses the City of Edmonton as a base. Costs in Rankin Inlet are considerably higher however. It is noted that the assessor has not yet inspected the subject property and therefore, there is no improvement assessment on the property. For purposes of this valuation, it has been estimated at \$40 per square foot, or:

Land (actual)	\$ 13,800
Improvements	<u>321,800</u>
Total	\$335,600

The 2015 commercial mill rate was set at 3.34, having not changed in 9 years. On that basis, the taxes for 2015 are calculated as follows:

$$\frac{\$335,600 \times 3.34}{1000} = \$1,120.90$$

ZONING OR LAND USE CLASSIFICATION

The subject is zoned **C1 - General Business Commercial** under the Hamlet of Rankin Inlet Zoning By-Law #124 enacted April, 2001. Reference should be made to the zoning map found in the Addenda. It should be noted that the subject property conforms to the existing zoning by-law. The regulations and permitted uses are as follows:

General Business Commercial (C1)

All development requires Council's approval.

4.4.1

Permitted Development

- a) commercial uses including:
 - (i) general commercial establishment
 - (ii) bank
 - (iii) office
 - (iv) hotel**
 - (v) restaurants or other public eating establishments
- b) public office
- c) crafty shops
- d) parking lots
- e) development necessary to a permitted development

4.4.2

Conditionally Permitted Development

- a) temporary structure for sales, amusement, recreation or promotional uses
- b) residential uses combined with a commercial use provided that the residential use is above the ground floor of the establishment and that such dwellings have direct access to the outside street level.
- c) development accessory to a conditionally permitted development
- d) those uses which, in the opinion of Council are similar to a permitted use and which conform to the general purpose and intent of the zone.

4.4.3

Site Regulations

- a) Front Yard.....8 metres minimum
- b) Side Yard - 3.5 metre minimum or one half of the fire separation distance as determined by the Fire Marshall, whichever is greater.
- c) Rear Yard.....6 metres minimum
- d) No general business commercial building shall have a height exceeding 35 feet

ZONING OR LAND USE CLASSIFICATION, (Continued)

(10.7m)

- e) An area for the loading and off loading and storage of goods and materials of a size and location to the satisfaction of the Development Officer.
- f) A covered or screened area for garbage and trade waste.
- g) The design, siting, external finish, architectural appearance and landscaping generally of all buildings and structures shall be developed to the satisfaction of the development Officer or Council acting as Development Officer.

HIGHEST AND BEST USE ANALYSIS

Theory and Principle of Highest and Best Use

The term “highest and best use” is defined in *The Appraisal of Real Estate, Second Canadian Edition*, Appraisal Institute of Canada and Appraisal Institute, 2002, as:

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

There are many uses to which a site may be put. However, there is usually only one that is best in terms of generating net return in dollars or amenities. Some properties may have improvements nearing an end to their economic usefulness and site redevelopment is eminently justified to maximize return on investment. Other properties may have newer improvements with good investment returns so redevelopment is not justifiable. If a valuation is based on an analysis of an inferior use, the property value estimate will not reflect the market potential of the site. Consequently, the analysis to determine the highest and best use of the subject site is one of the most important components of the appraisal process.

The development of a highest and best use analysis requires the consideration of four implicit criteria. The highest and best use of both the land as though vacant and the property as improved must be:

1. Physically possible;
2. Legally permissible;
3. Financially feasible; and
4. Maximally productive.

Physically Possible Use

The first test a use must withstand is that of physical possibility. Factors such as shape and size of the site, soil bearing capacity, topography, and soil strata composition, are considered. In addition, infrastructure of the neighbourhood (water, sanitary sewer, storm sewer, electricity, telephone, etc.) must support the proposed use or be reasonably adaptable to accommodate the proposed use. Other factors to consider are location, exposure, and access/egress.

Legally Permissible Use

The use should conform to all zoning restrictions, land use regulations, other existing land use controls, titular restrictions, and any environmental regulations that may exist.

The application of the four highest and best use criteria considers a number of basic appraisal principles. In the analysis of both physically possible use and legally permissible use, the appraiser must consider probable use as it refers to the principle of conformity. Generally, the highest and best use conclusion should conform to neighbouring uses within a defined set of parameters.

HIGHEST AND BEST USE ANALYSIS, (Continued)

Furthermore, the analysis should evaluate proposed uses in relation to proposed or possible amendments and the probability or reasonable expectation of such changes in the foreseeable future. Time is a critical factor bearing on probability of use. Imminent changes are considered much more credible than vague references to some time in the future. The principle of change considers that zoning regulations, land use patterns, and neighbourhoods change over time, thus the highest and best use of a particular site can change over time as well. It is important that an appraiser defines the specific time applicable to an appraisal and to the highest and best use analysis.

Financially Feasible

The tests of physical possibility and legal permissibility are always applied before the remaining tests of financial feasibility and maximum productivity. If a use is physically impossible, or legally prohibited, the next criteria become irrelevant.

Financial feasibility describes a use which is expected to produce a positive return after covering operating expenses, financial obligations, and capital amortization. Data gathered for the financial analysis, such as income and expenses, vacancy rates, absorption period, constructions costs, etc., must be projected to occur over a defined investment horizon or holding period for the proposed use, and discounted using a market developed rate to produce the net present value in terms of current dollars for the site for the proposed use.

Maximally Productive

For the purpose of appraisal analysis, most profitable use refers primarily to monetary benefits in the context of investment value. From an investment perspective, highest and best use is synonymous with most profitable use, where an investor's primary concern is to maximize profits or returns.

In order for a proposed use to be the highest and best use, there must be a foreseeable demand for the use - it must be marketable. The principle of supply and demand is essential to a highest and best use analysis. Data such as demographic statistics, building permit data, vacancy rates and absorption rates relevant to the use must be considered, as well as a general awareness of trends in development in the community.

Highest and Best Use of the Site as if Vacant

The value of land is typically determined as though vacant and the fundamental concept of highest and best use applies to land alone. The highest and best use of land as though vacant must be considered in relation to its existing use and all potential uses. For an improved property, it is assumed that the parcel is vacant (hypothetically), or can be made vacant through the demolition of any improvements.

HIGHEST AND BEST USE ANALYSIS, (Continued)

Factors considered when arriving at an opinion of highest and best use include physical and functional limitations, legal restrictions, economic considerations relating to marketability, and financial viability. Therefore, underlying any consideration of highest and best use are the issues of the legality of the use (land use classification), the physical probability of the use, the economic feasibility of the existing or projected use given current market conditions, and whether the proposed use is most profitable amongst the alternatives.

The subject property comprises an irregular shaped parcel which has an area of 6,749 square feet. There is nothing distinguishing the lot from other lots in the area other than strategic location of the parcel. The site is similar in terms of soil content, amenities, street improvements, and required municipal services. The area has proven market acceptance and the subject parcel is a suitable part of that market.

In the estimate of highest and best use of a vacant site, the present land use classification governing the subject property must be considered. If the most probable use, or highest and best use, is considered to be a use which is not permitted by existing zoning regulations, ample evidence must be illustrated that the probability of a change in regulations is reasonably certain and imminent.

The subject property presently has a "C1", or General Business Commercial land use classification. Under the current land use classification, the permitted and discretionary uses were identified in the "Zoning or Land Use Classification" section above.

In terms of probable allowable uses, any use as specified in the current zoning regulations is obviously legally permissible. Furthermore, no changes are anticipated for the commercial zones in Rankin Inlet. Compliance with current zoning regulations are enforced by the Hamlet in order to protect the neighbourhood from adverse uses.

Conformity with the surrounding properties in the neighbourhood must also be considered. The predominant use of the subject neighbourhood is mixed. The strategic location near a prominent intersection has obviously influenced municipal planning officials and the authors of the zoning by-law. Consequently, it is reasonable to assume that the subject neighbourhood is suitable for this use.

After careful examination of the data presented above, it is determined that the highest and best use of the subject site as though vacant, would be a commercial development which conforms to all of the requirements of the current zoning classification. This use of the site would generate the strongest demand in the marketplace, and hence the highest value.

HIGHEST AND BEST USE ANALYSIS, (Continued)

Impact of Existing Improvements

The subject site is improved with a two storey nine room guest lodge, complete with a large manager/owner's suite and office. The subject property represents a legal conforming use with respect to the current land use classification as a commercial property, (hotel) and the current building develops the site in a manner conducive to the neighbourhood.

The subject is estimated to have an effective age of 5 years and a remaining economic life of 55 years. As such, the improvement would be considered to have a significant remaining life. The subject property is not subject to any regulatory controls, titular restrictions, or other constraints such as environmental regulations, which would affect the economic viability of the existing or future developments.

Highest and Best Use of the Property as Improved

For an improved site, the contributory nature of the improvements to the site must be evaluated in relation to the highest and best use of the site as if it were vacant. The subject property is improved with an nine room guest lodge, with manager's suite. The remaining life is long term, and adds considerable value over and above the vacant land value, and the subject is considered to be a marketable property. The above analysis indicates that the highest and best use of the site as vacant and as improved, are indeed the same. In conclusion, the highest and best use as improved is considered to be represented by the existing improvement.

PREAMBLE TO THREE APPROACHES TO VALUE

In appraising real property, there are usually three basic methods which may be applied in order to arrive at an estimate of market value. These methods are:

1. The Cost Approach
2. The Direct Comparison Approach
3. The Income Approach.

The Cost Approach involves estimating the replacement cost of the improvements on the site, including all costs which may be incurred to build such a property at today's rates. These costs are then depreciated according to the physical, functional and locational obsolescence which has accrued throughout the life of the structure. The estimate of land value as if unimproved is then added to yield an estimate of value by the Cost Approach.

The Direct Comparison Approach involves the gathering, analyzing and comparing of similar properties which have recently sold or which have been offered for sale on the open market. In order that such properties can be used as indices of value for the subject property, it is often necessary to adjust the sales or asking prices to take into account pertinent differences between the subject and to those used as indices of value.

The Income Approach involves estimating the gross income that the subject property is capable of producing. The gross income is then adjusted to reflect those losses due to vacancy and collection loss. From the resulting figure, the annual expenses which are fair and reasonable are deducted to yield a net operating income. At this point, one of several techniques is used to arrive at a capitalization rate, which is applicable to the subject, and which is used to estimate the market value of the subject property using this technique.

Due to the lack of comparable sales only the Cost Approach and Income Approach to Value have been applied in this analysis.

COST APPROACH TO VALUE

The Cost Approach is one of three approaches to value. The basis of this approach is as follows:

1. Estimate the land as if vacant.
2. Estimate the reproduction cost of the buildings and improvements as though new.
3. Estimate and deduct depreciation from all sources.
4. Add the land value to the depreciated value of improvements in order to arrive at a value for the property.

Inherent in this test of value is the Principle of Substitution, which states that when a property is replaceable, its value tends to be set by the cost of acquiring an equally desirable substitute property, assuming no costly or unnecessary delay is encountered when making the substitution. However, it should be noted that cost and value are not necessarily synonymous. It is quite possible for a property to be less valuable than cost immediately after construction, or, it is also possible that two structures of similar cost have different values.

COST APPROACH TO VALUE - ESTIMATE OF LAND VALUE

In the valuation of real property, land value is estimated as if unimproved, and in consideration of its highest and best use. There are six methods by which this may be accomplished.

- | | | |
|----|------------------------|----------------------------------------------------------------------|
| 1. | Direct Comparison; | |
| 2. | Extraction; | |
| 3. | Allocation; | |
| 4. | Direct Capitalization: | Land Residual Technique; |
| 5. | Direct Capitalization: | Ground Rent Capitalization; and |
| 6. | Yield Capitalization: | Discounted Cash Flow Analysis - Subdivision
Development Analysis. |

The preferred and most common method of valuing land is the Direct Comparison Approach. The value estimate is determined based on an analysis of recent sales of similar sites according to the highest and best use of the subject site. The Direct Comparison Approach relies solely on the availability of transactions in the marketplace which can be used for comparison purposes. It is based on the principle of substitution, where an informed purchaser would pay no more for a site than the cost of acquiring one of equal attractiveness or utility on the open market. The greatest weight is placed on actual sales of similar sites made relatively concurrent with the date of appraisal, under comparable conditions. This method has been selected for the analysis which will be developed in this report.

Application of the Direct Comparison Approach involves analyzing, comparing and adjusting the sale prices of similar vacant parcels to derive an indication of value for the land being appraised. Consideration is typically given to differences in location, physical characteristics, zoning (allowable land use), motivation, date of sale, as well as any other factors that may have affected the consideration. Zoning is often the most basic criterion in selecting comparable sales, as sites with the same land use classification generally share the same or similar highest and best use, and make the most appropriate comparables.

Separate adjustments are derived and applied to the comparable sale prices for each element of comparison. Typically adjustments are made in order of property rights, financing, sale and market conditions, then for location and physical characteristics. After adjusting for these differences, an estimate of market value is derived from each comparable sale. In the final conclusion of market value, the most emphasis, or weight, is placed on sales of those properties that are the most comparable to the subject, that is, those with the least amount of adjustment.

The alternative techniques available in estimating the value of vacant land - extraction, allocation, or income capitalization - are only used when sufficient comparable data is not available.

COST APPROACH TO VALUE - ESTIMATE OF LAND VALUE, (Continued)

There are few titled commercial lots available in Rankin Inlet, and furthermore, none have sold. Most of the land is leased from the Hamlet or Commissioner, and although assignment of leases are permitted, the Lands Officer has indicated that lease assignments in this community are virtually unheard of, at least for vacant land. Rankin Inlet is a community in which most lands have been turned over to the Municipality as part of the Land Claims Agreement. The Hamlet currently has a number of residential and commercial lots available for lease. Discussions with the Lands Officer at the Hamlet indicate that all lease prices are based on the most recent development costs set at \$73.87 per square metre, based on a price of \$55,400 for a 750 square metre lot. Newer sites in Area 5 are priced at \$125 per square metre, where costs to develop were higher. The list of available commercial lots indicates a flat rate of \$73.87 per square metre for all commercial lots, as they are in the older, or at least original core. There are no Hamlet adjustments for size, frontage, location, zoning or any other site specific elements of comparison. Discussions do indicate that the price is subject to negotiation on some of the larger commercial lots.

As discussed above, the lot prices commanded by the Hamlet for the available commercial lots in the core are based on a development cost per square metre of \$73.87 with no adjustment for the location or physical attributes of the site. That price is not considered unreasonable for typical residential lots or small commercial lots of 750 square metres, or less. The subject property consists of a site having 627 square metres, or 6,749 square feet. The site is level and provides excellent exposure on a street with high traffic, and strategic in terms of its proximity to most of the commercial development in the Hamlet. At a base rate of \$73.87 per square metre, the value of the subject would be \$46,316. This price does not consider the commercial zoning aspect, or the strategic location - both of which would suggest that the subject command at the very least, a premium of 25%. On that basis, the Market Value of the site is estimated at:

$\$46,316 \times 1.25 =$	\$57,895
Rounded	\$60,000

COST APPROACH TO VALUE - COST ANALYSIS

Reproduction and Replacement Cost

The cost approach involves comparing the cost to develop a replica of the subject property (reproduction cost), or a substitute property with the same utility as the subject property (replacement cost). The terms "reproduction cost" and "replacement cost" are defined in *The Appraisal of Real Estate, Second Canadian Edition*, Appraisal Institute of Canada and Appraisal Institute, 2002, as follows:

Reproduction cost is the estimated cost to construct, as of the effective appraisal date, an exact duplicate or replica of the building being appraised, insofar as possible using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building.

Replacement cost is the estimated cost to construct, as of the effective appraisal date, a building with utility equivalent to the building being appraised, using contemporary materials, standards, design, and layout. When this cost basis is used, some existing obsolescence in the property is assumed to be cured.

Reproduction cost is the theoretical base for the cost approach. Estimating reproduction cost may be complicated when materials used to construct the improvement are no longer available or if construction standards have changed. Reproduction cost, however, usually provides the basis for measuring all causes of depreciation, if and when required, including the cost of constructing superadequate features that may be functionally obsolete.

Replacement cost may be easier to obtain and may reduce the complexity of depreciation analysis as it can eliminate the need to estimate some, but not all, forms of functional depreciation. Replacement structures may cost less than identical structures because they would be constructed with readily available materials, and current construction standards, which also correct deficiencies, resulting in lower costs. A replacement structure would typically correct functional obsolescence resulting from superadequacies, however, the cost of removing items of curable functional depreciation and the excess operating costs of superadequacies must still be considered.

Replacement cost will be used in the appraisal in order to account for any construction standards which may have changed since the era in which the subject property was developed.

Several methods of calculating the replacement cost of improvements are available.

1. Cost Index Trending;
2. Unit-in-place Method;
3. Quantity Survey Method;
4. Comparative Method; and
5. Cost Services Method.

The Cost Services Method has been utilized in this report.

COST APPROACH TO VALUE - COST ANALYSIS, (Continued)

Cost Services Method

The use of cost services is one of the most widely used methods of estimating building construction costs. Cost services work on the basis of providing unit cost information for benchmark structures for a given date and for various types and classes of buildings. Index figures are supplied and used as multipliers to update these costs for individual geographic areas, based on material and labour cost changes and the passage of time.

The Marshall Valuation Service Manual, which is a manual costing service, has been relied upon and correlated with the current costs supplied by knowledgeable participants in the construction field.

The factors in the Manual cover the following:

1. **Land Acquisition**

- Broker's Fees
- Legal Fees

2. **On-Site Work** (where applicable)

- Survey and Test Borings
- Utilities, which include:
 - (a) Water connection to a central system
 - (b) Storm sewers
 - (c) Sanitary sewer connections to a central system
 - (d) Gas distribution connection
 - (e) Primary electrical distribution
 - (f) Telephone distribution

3. **Building and Equipment** (which include)

- (a) Layout
- (b) Excavation
- (c) Footings and foundations
- (d) Structural frame
- (e) Exterior walls
- (f) Roofing and insulation
- (g) Subflooring
- (h) Sidewalk overhangs
- (i) Sidewalks
- (j) Equipment rooms

COST APPROACH TO VALUE - COST ANALYSIS, (Continued)

3. Building and Equipment, (Continued)

- (k) Heating and cooling
- (l) Incinerators
- (m) Electrical wiring
- (n) Plumbing
- (o) Contractor's overhead and profit
- (p) Interior finish

4. Architectural and Engineering

- Site Planning
- Building and Improvements

5. Soft Costs and Financing

- Interest during construction
- Appraisal Fees
- Legal Fees

6. Administrative Overhead & Construction Supervision

- Construction supervision
- Field office expense
- Bookkeeping
- Salaries and overhead of staff

COST APPROACH TO VALUE - COST ANALYSIS - MARSHALL VALUATION SERVICE MANUAL

Section 13 - Average Class "D" Lodges

Replacement Cost		
Per Square Foot		\$ 96.42
Add: Extreme Climate Heat -	\$5.05	\$101.47
Multiplier Section:		
Storey Height	1.000	
Floor Area - Perimeter Ratio	1.034	
Current Cost	1.000	
Local Cost ¹	<u>3.803</u>	
Total	3.932	
Adjusted Basic Cost		
Per Square Foot	3.932 x \$101.47 =	\$398.98
Building Area	5,123 Square Feet	
Replacement Cost	5,123 Sq. Ft. @ \$398.98=	\$2,043,975

Furnishings & Equipment

1. Rooms - nine rooms @ \$4,000	\$36,000
2. Appliances	15,000
3. Small appliances & utensils	<u>5,000</u>
	\$56,000

Notes

1. There is no local cost factor published for Rankin Inlet. Furthermore, the Marshall manual does not adequately address extreme northern cost factors. The quarterly published "multiplier" for Yellowknife - the nearest "published" modifier - suggests that costs in Yellowknife exceed the (base) manual cost by 69% (Factor 1.69). Our firm has researched the published multiplier, relative to the "actual" cost on a number of projects - residential and commercial (manual vs actual). Our research has found that the published multiplier is low by 50% - 60%, depending on the type of construction. Accordingly, we have adjusted the Yellowknife multiplier by 50%. The factor above is based on the adjusted Yellowknife rate of 2.535, plus an additional 50%, suggesting that Rankin Inlet costs are 50% higher than Yellowknife. It should be further noted that the above cost is based on a competitive process, with **no** government restrictions. It is a well known, recognized and accepted fact that all projects that involve Government of Nunavut funding are inflated so as to require local suppliers who must adhere to Inuit content restrictions as per "Article 24" of the Nunavut Land Claim.

COST APPROACH TO VALUE - DEPRECIATION ANALYSIS

Depreciation may be defined as a loss in value due to any cause. These causes may involve lessening in value from the passage of time and wear and tear, or from changing public standards. It is calculated as the difference between the contributory value of an improvement and either its reproduction or replacement cost at the time of appraisal.

Depreciation may be measured by applying three different methods:

- The Market Extraction Method;
- The Age-Life Method; or
- The Breakdown (Observed Condition) Method.

Each method may be applied in combination with another to solve specific problems, or separately to test the reasonableness of the estimates derived from other methods. The market extraction and age-life methods deal with the property as a whole, expressing an overall estimate of depreciation from all causes, not always distinguishing between short-lived and long-lived items, and relying on general forecasts of effective age and economic life. The breakdown method, also known as the observed condition method, identifies each specific element of depreciation observed during the physical inspection of the property, and treats each element separately. The depreciation is deducted from the reproduction cost new calculated for the improvement. In this method, all physical building components belong to one of three categories as detailed below.

1. Physical Deterioration
 - (a) Curable - Deferred Maintenance (Repairs)
 - (b) Incurable
 - Short-Lived
 - Long-Lived
2. Functional Obsolescence
 - (a) Curable
 - Deficiency
 - Modernization
 - Superadequacy
 - (b) Incurable
 - Deficiency
 - Superadequacy
3. External Obsolescence
 - (a) Economic
 - (b) External

Physical Deterioration, Curable - Deferred Maintenance

Curable physical deterioration refers to items of deferred maintenance, which are items requiring immediate repair on the effective date of the appraisal. Curable items are termed so because the cost to cure is not more than the anticipated benefits to the owner after the changes, and any potential purchaser would likely repair or replace the items affected. It is aging, and simply wear and tear that causes deterioration.

COST APPROACH TO VALUE - DEPRECIATION ANALYSIS, (Continued)

Incurable Physical Deterioration, Short-Lived

Incurable physical deterioration, short-lived, is caused by the passage of time and wear and tear on the structures. These items are expected to have a shorter remaining economic life than the remaining economic life of the basic structure. They are expected to wear out and require repair or replacement sometime before the end of the remaining economic life of the improvement as a whole. Short-lived items differ from items of deferred maintenance in that they are not ready to be replaced on the date of the appraisal, but will likely require replacement in the foreseeable future. Once a short-lived item becomes 100% depreciated, it becomes deferred maintenance.

Incurable Physical Deterioration, Long-Lived

Long-lived items are expected to have a remaining economic life equal to that of the basic structure and include all items that were not identified as either items of deferred maintenance or as short-lived items. Physical deterioration, long-lived, as with short-lived, is caused by the passage of time. Examples of long-lived components include foundation, framing, and other structural components.

Functional Obsolescence, Curable

When there is a loss in value inherent in a structure from its inability to efficiently perform its proper function, it suffers from functional obsolescence. What was functionally adequate at the time of construction may become inadequate as design standards, mechanical systems, or construction materials change over time. Items are considered curable if the cost to cure is offset by the value increment equal to or greater than the expenditure. Curable forms of this type of depreciation are categorized into three categories.

(a) Curable Functional Obsolescence - Deficiency Requiring Addition

A structure suffers from functional obsolescence due to deficiency because it lacks something that competing properties in the market have.

(b) Curable Functional Obsolescence - Deficiency Requiring Substitution or Modernization

A curable deficiency is caused by something already present in the property that is either substandard in the current market, or defective and is preventing some other component in the property from working efficiently.

(c) Curable Functional Obsolescence - Superadequacy

A building component suffers from superadequacy if it is excessive in terms of what a typical buyer would expect in the property. Examples might include excessive mechanical systems or perhaps an overly elaborate entrance and foyer in an average quality building.

COST APPROACH TO VALUE - DEPRECIATION ANALYSIS, (Continued)

Functional Obsolescence, Incurable

Incurable functional obsolescence occurs when the cost of achieving a cure is greater than the anticipated increase in utility, therefore, it is not economically curable. The two classifications of incurable functional obsolescence are deficiency and superadequacy.

(a) Incurable Functional Obsolescence - Deficiency

A deficiency would be identified where a structure is lacking a component that is typical of competing properties in the marketplace.

(b) Incurable Functional Obsolescence - Superadequacy

Superadequacy is defined as an item that adds to reproduction cost new unnecessarily. An example of this form of obsolescence is the use of excessively thick concrete foundation walls.

External Obsolescence

External obsolescence results from negative influences caused by external factors outside the control of the property owner that generally result in decreased demand, and therefore a loss in value. External obsolescence may be attributed to economic or locational factors.

(a) External Obsolescence - Economic

Economic external obsolescence results from external factors that affect the whole market, whether it be municipal, regional, or territorial (or provincial). Examples include closure of a major industry, high unemployment, or periods of high interest rates.

(b) External Obsolescence - Locational

Locational obsolescence is a loss in value as a result of a negative influence away from the property.

COST APPROACH TO VALUE - DEPRECIATION ANALYSIS, (Continued)

The effective age of the subject has been estimated at 10 years. With an estimated useful life of 60 years, the physical depreciation is estimated at 17%. Functional obsolescence has also been considered. The subject commercial improvement provides good utility, therefore, no allowance will be made for functional obsolescence.

External obsolescence has also been considered. There are no factors external to the property which detract from value. No allowance has been made for external obsolescence.

Summary - Cost Approach To Value

Total Reproduction Cost (Building)	\$2,043,975
LESS: Depreciation (17%)	<u>(347,475)</u>
Depreciated Cost	\$1,696,500
ADD: Furnishings & Equipment (Depreciated @ 50%)	28,000
Land Value	<u>60,000</u>
Total Property Value	\$1,784,500
 Rounded	 \$1,785,000

DIRECT COMPARISON APPROACH

The Direct Comparison Approach is a method of estimating market value whereby the subject property is compared with similar properties that have sold recently. The underlying assumption is, naturally, that if the subject property had been in competition with the comparable property or properties, and appealing to the same class of purchaser, it would have been in the same market. This approach is based on the Principle of Substitution which maintains that a prudent purchaser will not pay more for a property than it would cost to buy an equally desirable substitute property provided there is no undue delay in performing the substitution.

In applying the Direct Comparison Approach, a systematic procedure is used, and the steps of the procedure are as follows:

1. Survey the marketplace to locate comparable properties:
 - (a) that have sold recently;
 - (b) that are currently offered for sale; and
 - (c) on which offers have been made.
2. Gather and validate pertinent information about each comparable property.
3. Analyze sales with regards to date of sale, length of time property was offered, terms of sale, and motivation of buyer and seller.
4. Compare the subject property in detail with each comparable property.
5. Correlate the market data, perform necessary adjustments, and obtain an indication of the value of the subject property.

The Direct Comparison Approach is particularly useful in the appraisal of single family residential property, however, this approach can also be used for other property types for which there are active, viable markets. We have researched the "northern market" for sales and/or offers of hotels/motels in remote communities. Unfortunately, there have been no sales of relevance in the northern market in the past ten years. The Direct Comparison Approach has therefore not been included in this analysis.

INCOME APPROACH TO VALUE

The Income Approach converts a stream of future expected incomes from a property into present value or worth. This approach assumes that there is a relationship between the income, specifically the net income, that a property is capable of earning, and its value at any given moment in time.

In the Income Approach, the estimated annual net income produced by a property is capitalized at an appropriate rate into an indication of the market value of the subject property. Capitalization is the process through which a future income stream that can be produced by a property is converted into an indication of market value via the application of factors to the income stream.

The basic steps of the Income Approach are:

1. Estimate the total annual gross income of the property. Deduct from that gross income an allowance for vacancy and collection loss, to arrive at an Effective Gross Income (EGI).
2. Estimate the annual operating expenses which include all expenditures that must be made to protect the income flow.
3. Estimate the Net Operating Income (NOI) which is that income remaining after deducting operating expenses from the Effective Gross Income.
4. Select the appropriate method of capitalization.
5. Select an appropriate capitalization rate.
6. Apply the appropriate capitalization process to convert the Net Operating Income into an indication of market value.

Some of the terms associated with the Income Approach are defined below:

- i) **Gross Income:** Estimate of total possible revenue from all sources if the property was fully and continuously rented for a full year with no rental loss.
- ii) **Effective Gross Income:** Gross income less losses incurred through vacancy and collection loss.
- iii) **Expenses:** Operating expenses which are required to maintain an income flow for the income-producing property. Some examples of operating expenses are property taxes, insurance, repairs and maintenance costs, as well as management fees.
- iv) **Net Operating Income:** Operating income left after expenses have been deducted from the Effective Gross Income.

INCOME APPROACH TO VALUE, (Continued)

- v) Capitalization: The process of converting the Net Operating Income of a property into its capital value by the application of an appropriate factor.

The Income Approach is an important valuation method utilized to arrive at an estimate of value for an income producing property. Income producing property is typically purchased for investment purposes and from the investor's point of view, earning power is the critical element that affects the property's value. One essential investment premise is that the higher the earnings, the higher the value. An investor who purchases income producing real estate is essentially trading a sum of present dollars for the right to receive future dollars. The Income Approach implements the net annual income that a property is expected to produce. The estimated net income is capitalized, according to prevailing rates of return on similar properties, to indicate the price an investor would be justified in paying for the property ownership.

INCOME APPROACH TO VALUE -INCOME AND EXPENSE ANALYSIS

The subject property is improved with a nine room "Lodge" that includes a large, good quality manager/owner's suite on the main floor. Detailed financial and operating data for the years 2011 and 2012 have been provided. Although 2013 is available, this statement includes the operations of an adjacent property - a 15 unit hotel that was developed by the owner (of Nanuq Lodge) to address what was becoming a "success" issue with the existing nine suite lodge. They didn't have the capacity to deal with the overflow.

The years 2011 and 2012 have been reproduced on the following page. Having discussed the operations of years 2013 and 2014 with management, assumptions have been made as to how the subject property (the original lodge) would perform in today's market. The reader's attention is directed to the comments following the statement reproduction on page 44.

INCOME APPROACH TO VALUE - INCOME AND EXPENSE ANALYSIS,
(Continued)

INCOME & EXPENSE STATEMENT - 2011 & 2012		
	2011	2012
REVENUE		
Revenue (Rooms)	\$ 453,868	\$ 683,631
Gov't Assistance	10,209	16,453
Rental Revenue	6,000	6,000
Misc Income	0	0
Effective Gross Income	\$ 470,077	\$ 706,084
EXPENSES		
Advertising & Promo	9,015	10,918
Accounting & Legal	14,335	13,090
Bad Debts	32,114	41,798
Repairs & Maintenance	8,483	13,725
Casual Labour	38,998	86,622
Communications	11,336	15,197
Depreciation	83,499	132,469
Fees & Licences	1,230	4,563
Insurance	27,458	22,344
Interest & Bank Charges	13,277	22,755
Interest on long term debt	58,051	158,875
Office Supplies	7,876	7,796
Supplies	100,327	94,831
Utilities	41,671	88,270
Vehicle & Travel	7,399	11,034
Total Expenses	(455,069)	(724,287)
Net Income (Loss)	\$ 15,008	\$ (18,203)

INCOME APPROACH TO VALUE - INCOME AND EXPENSE ANALYSIS,

(Continued)

Summary of Income

To value the subject property using the above statements, they must be analyzed further, and "reconstructed", so as to provide a clear indication of the subject property's potential from the perspective of an investor. There are components of the statement that are not included when determining the "Net Operating Income" for capitalization. Debt service and depreciation are always excluded, for example. There are typically other costs that although relevant from an accounting and tax return perspective, should be "normalized" before being relied upon for *Income Valuation*. Accordingly, a restructure operating statement has been developed, and is found on the page following, with appropriate notes.

INCOME APPROACH TO VALUE - INCOME AND EXPENSE ANALYSIS, (Continued)

Normalized Income Statement - Nanuq Lodge	
Revenue	
Lodge Guests	\$492,750
Rent	24,000
Total Revenue	\$516,750
Expenses	
Advertising & Promotion	9,966
Accounting & Legal	8,000
Bad Debts	2,000
Repairs & Maintenance	11,104
Casual Labour	52,560
Communications	11,336
Consulting Fees	2,000
Depreciation	N/A
Fees and Licences	250
Insurance	24,901
Interest & Bank Charges	600
Property Taxes & land lease	1,121
Supplies (Office)	7,836
Supplies - Other (Food)	97,579
Utilities	47,921
Vehicle & Travel	9,216
Management	70,000
Total Expenses	356,390
Net Operating Income	\$160,360

With the above NOI calculated, a suitable capitalization procedure may now be used to estimate the market value of the subject property.

INCOME APPROACH TO VALUE - INCOME AND EXPENSE ANALYSIS,

(Continued)

Notes to Reconstructed Operating Statement

Revenues	The statements indicate total revenues of \$706,084 in year 2012 and \$470,077 in year 2011. Apparently (as per the owner's declaration) the 2012 statement included a few months in which the new 15 unit complex had guests. As this appraisal is for the original 9 room lodge, the revenues have been estimated, based on the current per night rate of \$200, and an occupancy of 75%. There were years when the lodge operated at more than 75%, according too the owners, however, with the new complex in the mix and other competing properties, 75% is likely as high as it would get today. The statement includes government grants. These have not been included. The statement also includes an annual rental of \$6,000 for the manager's suite. This has been adjusted to \$2,000 per month. The managers enjoy a large two bedroom, two bath suite that includes a small workshop. As they are, essentially, live-in managers, their board is included in the lodge's operations. A rental of \$2,000 per month, including all utilities (and food) is considered reasonable.
Advertising & Promo	The estimate for this cost has been averaged over the two years. Presumably, it is a cost that influences revenues to some extent.
Accounting & Legal	The owners report that in 2007, charges for this expense were very high. Up to that point (since they opened), their inexperience and neglect in terms of record keeping, resulted in professional fees (accounting) that were extreme, and not typical of this type and size of operation. This function is now under control, and bookkeeping, rather than accounting, constitutes most of this cost. This allowance has been stabilized for purposes of this exercise at \$8,000 per annum.
Bad Debts	The bad debts recorded in both years are not typical for a hospitality business of this size. This cost has been normalized at \$2,000 per annum to account for the odd receivable (usually a bad cheque) that may occur. Management reports that cheques are rarely accepted.
Repairs & Maintenance	This expense is not typically related to occupancy. Components of the building that are looked after under this heading include mechanical systems, care of the structure and minimal reserves for replacement of long life components. Years 2011 and 2012 have been averaged.

INCOME APPROACH TO VALUE - INCOME AND EXPENSE ANALYSIS, (Continued)

Casual Labour	Small Inns or Lodges are typically "mom and pop", or family run businesses. Quite often (and this is a cost that is related to occupancy), part time help is required - usually for housekeeping. We have based this expense on a rate of \$16 per hour, for two persons, working a six hour day - 75% of the available days (to coincide with the 75% occupancy). The three year average has been used in this analysis.
Communications	This expense includes telephone, cable tv and internet charges. As these are <i>fixed</i> (not tied to occupancy) charges, the costs from 2011 have been included, as 2012 may have included a few months of the new complex.
Consulting Fees	These costs may not be incurred every year. They include such things as legal, appraisal, and other professional services that may be particular to the industry. An annual allowance of \$2,000 is included in the restructured statement.
Depreciation	Depreciation of the asset is not included as an expense when calculating the "net operating income" for capitalization.
Fees and Licences	These are inconsistent from year to year in the statement. An allowance of \$250 per year has been included in the restructured statement as a stabilized figure.
Insurance	The average premium for the two years is \$24,901, and will be used in the reconstructed statement.
Interest & Bank Charges	Interest is never included as an expense. Bank charges have been stabilized at \$50 per month.
Property Taxes & Land Lease	There was no allowance for this expense in the statement. The annual property taxes are \$1,120 and the land lease \$1.00.
Office Supplies	This is a fixed cost, more or less, and not tied to occupancies. Years 2011 and 2012 have been averaged.
Supplies - Other	This expense is for food. The lodge supplies a good continental breakfast which includes a variety of fresh baked muffins, breads for toast, cereals, juices, coffee, tea and milk. Years 2011 and 2012 have been averaged.

INCOME APPROACH TO VALUE - INCOME AND EXPENSE ANALYSIS,
(Continued)

Utilities	Utilities are a function of occupancy, to a certain extent. Heating fuel is constant, however, water and electricity varies with occupancy. The utility expense from the year 2011 has been used, with a premium of 15% included to account for increased costs today.
Vehicle & Travel	This is a fixed cost. Years 2011 and 2012 have been averaged.
Management	There is no allowance in the statement in any year for management. For accounting purposes, the property has been viewed as a Bed & Breakfast, managed internally by the owners. Typically, B&Bs are smaller operations - two to four bedrooms, with minimal management. Guests are usually shorter term than the subject experiences, and they are usually gone after breakfast. The subject has longer term occupancies, and greater capacity than a typical B&B. Management duties would include tending to reservations, check-in and out, supervision of the casual staff and ensuring that breakfast supplies are on hand, records keeping, advertising etc. The daily baking of fresh muffins has become a signature function of management as well. Guest look forward to the daily variety of wholesome muffins. An allowance for "rent" in the manager/owner's suite has been included as revenue. A reasonable expense must therefore be included for management. It is estimated that \$70,000 annually would attract a competent management (spousal) "team".

INCOME APPROACH TO VALUE - CAPITALIZATION PROCESS

Overall Rate Capitalization

Capitalization can be defined as a technique of converting an income stream into a capital sum by measuring the present worth of the future income stream to arrive at the indicated value of the property. The valuer projects gross income, effective gross income, and finally net income. The net income is capitalized into a value indication. The present worth of the net annual operating income is measured at an appropriate rate to determine overall property value. It is imperative in the consideration of income that the typical investor requires not only a return of his capital investment in the property, but also a rate of return on the investment which is commensurate with risk.

In the simplest form of capitalization, an income stream is converted into a capital sum, or in other words, indicated property value, by dividing net annual income by an appropriate capitalization rate. The variety of capitalization procedures used in the Income Approach relate to differing concepts, data projections, and quality and durability of the income stream. In each valuation, the appraiser selects the method and technique considered best suited to the appraisal problem.

The two capitalization methods most often utilized are Direct Capitalization and Yield Capitalization. Yield Capitalization uses the discounting procedure to convert future benefits to present value on the premise of a required level of profit or rate of return on investment capital. In Yield Capitalization, investment goals pertaining to the return on and of invested capital are specified and simulated by means of formulas and factors designed to reflect various investment expectations. This method tends to be complex, and will not be used in this analysis.

The Direct Capitalization Procedure is considered most appropriate as it closely parallels the actions of investors for the type of real estate under analysis by directly applying the selected overall capitalization rate to the estimated net income for the subject property. The Direct Capitalization Procedure is simple and thus easily understood. The capitalization rate, or factor, can be derived directly from the marketplace. Direct Capitalization does not specify a distinction between return on and return of capital, nor does it define value in terms of specific assumptions made by investors.

Direct Capitalization

Direct Capitalization is used to convert an estimate of single years income into an indication of value in one direct step. The annual estimated income is divided by an appropriate rate or multiplied by an appropriate factor. The chosen rate or factor represents the relationship between income and value as observed in the marketplace.

Direct Capitalization is market oriented and stresses the analysis of market evidence and valuation by assuming the inferences of typical investors. Direct Capitalization may be based on gross potential income, effective gross income, net operating income, or equity dividend.

INCOME APPROACH TO VALUE - CAPITALIZATION PROCESS, (Continued)

The selection of the income to be capitalized is determined by the purpose of the analysis and data availability.

Application

As described earlier, Direct Capitalization is a method used to convert a single years estimate of income into a value indication via the Income Approach. Although any interest in real estate with an income stream can be valued by Direct Capitalization, the most common interest appraised is the fee simple estate. The Direct Capitalization formula applicable to this type of valuation is:

$$\text{Value} = \text{Net Operating Income} \div \text{Overall Capitalization Rate}$$

The overall capitalization rate can be determined from comparable sales, effective gross income multipliers and net income ratios, band of investment or weighted-average techniques, debt coverage ratios, and yield capitalization techniques.

Deriving capitalization rates from comparable sales is the preferred technique when sufficient data of similar, competitive properties is available. Data concerning sale price, income, expenses, financing terms, and market conditions at the time of sale must be available for each transaction examined. If differences exist between the comparable sale and the subject property that could affect the overall capitalization rate, judgement must be used to reconcile the differences as to whether the rate for the subject property should be higher or lower than the rate in a specific sale.

Overall Rate Derivation

The overall capitalization rate is a rate which represents what prudent purchasers are requiring or obtaining for property investments which are similar to the subject in terms of physical characteristics, size and duration of income stream. Accordingly, we have researched the local area market and other markets for recent sales of similar properties in order to ascertain the overall capitalization rate considered applicable to the subject property. Unfortunately, there were no recent sales in the local or regional market. Two recent sales from Iqaluit, as well as sales from western Canada - specifically Alberta, were selected for use in this analysis. The sales used are all moderately sized hotels offering limited services, for the most part. They are located in smaller centres - though all are considerably larger than Rankin Inlet. These market transactions are detailed on the following pages.

INCOME APPROACH TO VALUE - CAPITALIZATION PROCESS, (Continued)

Comparable Sales - Hotel Properties

Comparable Sale #1

Address:	101 Grove Place, Drumheller, AB
Property Name:	Travelodge
Legal Description:	N/A
Registration #	151006651
Vendor:	SMH Management Ltd.
Purchaser:	1843716 Alberta Ltd.
Description:	Older two storey, 49 room hotel that has been maintained over the years. Upgraded roof, newer TVs, replaced linens, balconies, flooring, AC units. Low price point hotel. Good exposure.
Building Age:	1979
Building Area:	16,500 +/-
Land Area:	47,480 Square Feet
Date of Sale:	Sept 8, 2014
Sale Price:	\$3,500,000
Total Revenues:	\$1,216,895
Avg Room Rate:	\$108
RevPAR:	\$68.04
Net Income:	\$431,053
Overall Capitalization Rate:	12.32%
Sale Price Per Room:	\$71,428
Remarks:	Located on Hwy # 9 in Drumheller, on the Red Deer River. A southern AB tourist destination, 140 km northeast of Calgary. Dinosaur museum nearby.

INCOME APPROACH TO VALUE - CAPITALIZATION PROCESS, (Continued)

Comparable Sale #2

Address:	5720 - 44 Ave, Stettler, AB
Property Name:	Super 8
Legal Description:	N/A
Registration #	Ref # 47031
Vendor:	CFP Hotels Ltd.
Purchaser:	1752697 Alberta Ltd.
Description:	Older format motel-style which was constructed in the early 1970s. The property had been maintained to a good standard and includes a free standing restaurant, which was leased to a third part at time of sale. There are 49 rooms. and surface parking.
Building Age:	1970
Building Area:	17,000 SF +/-
Land Area:	51,401 Square Feet
Date of Sale:	November 29, 2013
Sale Price:	\$3,600,000
Total Revenues:	\$1,261,433
Avg Room Rate:	\$110
RevPAR:	\$70.53
Net Income:	\$441,502
Overall Capitalization Rate:	12.26%
Sale Price Per Room:	\$73,469
Remarks:	This property had historically reasonably good operating performance, though it was impacted by the development of newer hotels within the Stettler market over the five years prior to the sale. Occupancy had ranged from 50 - 65% occupancy.

INCOME APPROACH TO VALUE - CAPITALIZATION PROCESS, (Continued)

Comparable Sale #3

Address:	4704 42 Avenue, Innisfail, AB
Property Name:	Super 8
Legal Description:	N/A
Registration #	Reg # 132167745
Vendor:	219281 Alberta Ltd.
Purchaser:	993107 Alberta Ltd.
Description:	Typical Super 8 - limited service hotel. Was originally a 30 room inn called the Highwayman. Converted to a Super 8 in 2010. Expanded to 50 rooms. Has a restaurant leased to a third party.
Building Age:	1975 & 2010
Building Area:	17,000 SF +/-
Land Area:	169,448 Square Feet
Date of Sale:	April 1, 2013
Sale Price:	\$4,900,000
Total Revenues:	\$1,311,644
Avg Room Rate:	\$95.00
RevPAR:	\$71.87
Net Income:	\$624,307
Overall Capitalization Rate:	12.74%
Sale Price Per Room:	\$98,000
Remarks:	Project had performed relatively well during the first year as a Super 8, and had an occupancy rate of 49%, with an ADR of \$101. Modest upside given the size of the community and existing competition.

INCOME APPROACH TO VALUE - CAPITALIZATION PROCESS, (Continued)

Comparable Sale #4

Address:	923 - 925 Federal Road, Iqaluit, NU
Property Name:	Nova Inn
Legal Description:	Lots 2, Block 70, Plan 4150
Registration #	152609
Vendor:	994459 Nunavut Ltd. and the Navigator Inn (2000 Ltd)
Purchaser:	Northern Property Real Estate Investment Trust
Description:	75 room full service hotel (six suites) on four floors. Main floor includes meeting rooms, lounge and dining room. Excellent location, across from the Legislative Assembly.
Building Age:	2006
Building Area:	43,491 Square feet
Land Area:	36,117 Square Feet
Date of Sale:	April 14, 2011
Sale Price:	\$19,223,631
Total Revenues:	\$3,785,088
Avg Room Rate:	\$188.00
RevPAR:	\$113.00
Net Income:	\$1,685,600
Overall Capitalization Rate:	8.76%
Sale Price Per Room:	\$305,930
Remarks:	This property was purchased along with a larger portfolio that included one other hotel, a number of apartment suites, an office building and other considerations (land, building materials). Although the above price was negotiated separately, there were other considerations that apparently inflated the price.

INCOME APPROACH TO VALUE - CAPITALIZATION PROCESS, (Continued)

Comparable Sale #5

Address:	1036 Mivvik Street, Iqaluit NU
Property Name:	Navigator Hotel
Legal Description:	Lots 70-2, 70-3, 514 & 517, Plan 914
Registration #	152609
Vendor:	994552 N.W.T. Ltd
Purchaser:	Northern Property Real Estate Investment Trust
Description:	45 room full service hotel (sixteen suites) on two floors. Developed in five stages from 1972 - 1993. Meeting rooms, restaurant (leased); bar (leased). Good location, near the airport. Purchasers were interested in the long term potential of the land.
Building Age:	1972, 1982, 1987, 1990, 1993
Building Area:	34,197 Square Feet
Land Area:	52,026 Square Feet
Date of Sale:	April 14, 2011
Sale Price:	\$3,721,135
Total Revenues:	\$1,697,309
Avg Room Rate:	\$198.00
RevPAR:	\$90.00
Net Income:	\$514,238
Overall Capitalization Rate:	13.82%
Sale Price Per Room:	\$82,691
Remarks:	This is an older property which will likely, in 5 - 10 years, be redeveloped. It was acquired as part of a larger portfolio.

INCOME APPROACH TO VALUE - RECONCILIATION OF OVERALL CAPITALIZATION RATES

The capitalization rates indicated in the sales transactions for which capitalization rates were available are listed below in order of low to high.

Indicator#	Capitalization Rate
4	8.76%
2	12.26%
1	12.32%
3	12.74%
5	13.82%

The overall capitalization rate is a rate which represents what prudent purchasers are requiring or obtaining for property investments which are similar to the subject in terms of physical characteristics, size, and duration of the anticipated income stream.

The subject was developed in 2005, and initially enjoyed a fair bit of success, with more than its share of the market, in terms of occupancy, versus the competing properties of the day. Almost 50 rooms have been added to the Rankin Inlet market since 2012. Any potential purchaser would weigh this turn of events and gauge an offer accordingly.

As there were no recent sales in the local market, we have expanded the scope of our research to include income properties which have sold in Iqaluit, as well as Alberta. The capitalization rates, including the dated sales from Iqaluit, provide a range of 8.76% to 14.07%. When estimating a capitalization rate that would be specific to the subject, a number of factors have been considered. The subject is located in a remote arctic community, with little exposure to the investment community. As mentioned earlier, Rankin Inlet is likely to experience continued growth as mining companies explore the Territory and the Federal Government increase their presence in the Arctic.

Relative to the comparable sales listed on the previous pages, the subject is similar to some, inferior to more, in terms of quality. It has more competition in its own market than is typical in Arctic communities - Iqaluit being the exception. A capitalization rate that recognizes this limitation, yet considers the subject in the context of the local competition and its significant share of that market, would be from the mid to upper end of the range. A rate of 13.00% would not be unreasonable, applied to the estimated net operating income.

Market Value = Net Operating Income ÷ Capitalization Rate

Value = \$160,360 ÷ 0.130

= \$1,233,538

Rounded \$1,235,000

RECONCILIATION OF VALUE INDICATIONS

The value of the subject property has been estimated using the Cost Approach and the Income Approach. The value indications by each of the approaches are as follows:

- | | | |
|----|-------------------------------------|-------------|
| 1. | Value indicated by Cost Approach: | \$1,785,000 |
| 3. | Value indicated by Income Approach: | \$1,235,000 |

The Cost Approach

The Cost Approach is based on the principle of substitution which affirms that when a property is replaceable, its value tends to be set by the cost of acquiring an equally desirable substitute property, assuming no costly or unnecessary delay is encountered when making the substitution.

Typically, in applying the Cost Approach, land value is estimated by one of several alternate procedures, the Sales Comparison Approach, the Abstraction Method, the Land Residual Method, or the Land Development Method. In this analysis, the lessees have an Equity Lease that has been paid out. The land value is based on the development cost with consideration to the zoning and location. The site is zoned commercial in the very centre of the community.

Income Approach

The Income Approach is based on projections of income, actual expenses, and vacancy rates, which are all based and supported by an investigation of local needs and trends, existing and proposed competition, management, and operating experiences of similar developments.

The value indication derived through income analysis is also based on capitalization rates developed from actual sales of other similar projects, albeit, in other markets. The subject has a long history in Rankin Inlet and although its share of the market has decreased in the past few years due to new competition, with regular injections of capital, so as to maintain its condition, it is expected to retain its fair share of the market.

FINAL ESTIMATE OF VALUE

In the final determination of overall market value, most weight shall be given the valuation technique which provides the most data conducive to the appraisal problem. The appraisal procedures completed in this analysis include the Cost Approach and the Income Approach.

The Cost Approach is viewed as the least reliable indicator of value. The primary drawback in the Cost Approach is that it totally ignores the forces of supply and demand. The reproduction cost of the improvement has been determined with reference to numerous sources and it is felt that an accurate cost estimate has been provided. However, the results of the Cost Approach to Value are not always consistent with market value. This appraisal procedure does not consider the economic forces of supply and demand, or other factors that influence property value within an investment market. Construction costs have risen dramatically lately, and incomes servicing the required debt have not increased at the same rate.

The Income Approach is based on actual income and projections of income and expenses. We have investigated competing properties as much as possible, as well as expected rentals and rates for leaseholds on properties like the subject. Included as well, are analyses of local needs and trends, existing and proposed competition, management, and operating experiences of similar developments. The value indication derived through income analysis is also based on capitalization rates developed from actual sales of other hotel properties.

With most emphasis on the value indication provided by the Income Approach, the market value of the subject property as at July 1, 2015, is fairly represented as follows:

ONE MILLION TWO HUNDRED THIRTY-FIVE THOUSAND (\$1,235,000)DOLLARS

Exposure Time

In conjunction with the value estimates contained herein, it is critical to note the accompanying review of market exposure times upon which these value estimates have been based. Market exposure time is presumed to have occurred within the period ending at the effective date of this report, and is the anticipated length of time, in the current market, which is required to attract a potential purchaser and reach a final agreement of purchase and sale. Further consideration must include the time between execution of the final agreement and the actual date of closing the transaction.

This factor has proven extremely important with respect to properties similar to the subject in the current market. It is not uncommon for commercial properties - in particular hotels, to have been exposed to the market for a period in excess of six months prior to their eventual sale.

It is important to note, however, that asking (listing) prices are often reduced within these time periods. In some cases, there may be more than one price reduction. By strict definition, exposure time is to be calculated from the last price reduction (or original listing price if no

FINAL ESTIMATE OF VALUE, (Continued)

reduction) to the date of sale. With this in mind, exposure times reflected by these types of properties would then tend to be toward the lower end of this range.

Having regard to all of the foregoing, the estimates of value contained herein presume that the subject property has been exposed to the market for the preceding, say, ***six to nine months prior to its sale***. Naturally, emphasis must be given to establishing a realistic and competitive listing price in the current market.

CERTIFICATE OF APPRAISER

Re: Nanuq Lodge, Rankin Inlet, Nunavut.

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

- the statements of fact contained in this report are true and correct;
- 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 or bias 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 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 one provided significant professional assistance to the person 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 real estate appraiser personally inspected the subject site on July 1, 2015.

CERTIFICATE OF APPRAISER, (Continued)

Based upon the data, analyses and conclusions herein, the market value of the leasehold interest in the property described, as at July 1, 2015, is estimated at

ONE MILLION TWO HUNDRED THIRTY-FIVE THOUSAND (\$1,235,000) DOLLARS

Respectfully submitted,

STEWART, WEIR, MacDONALD LTD.



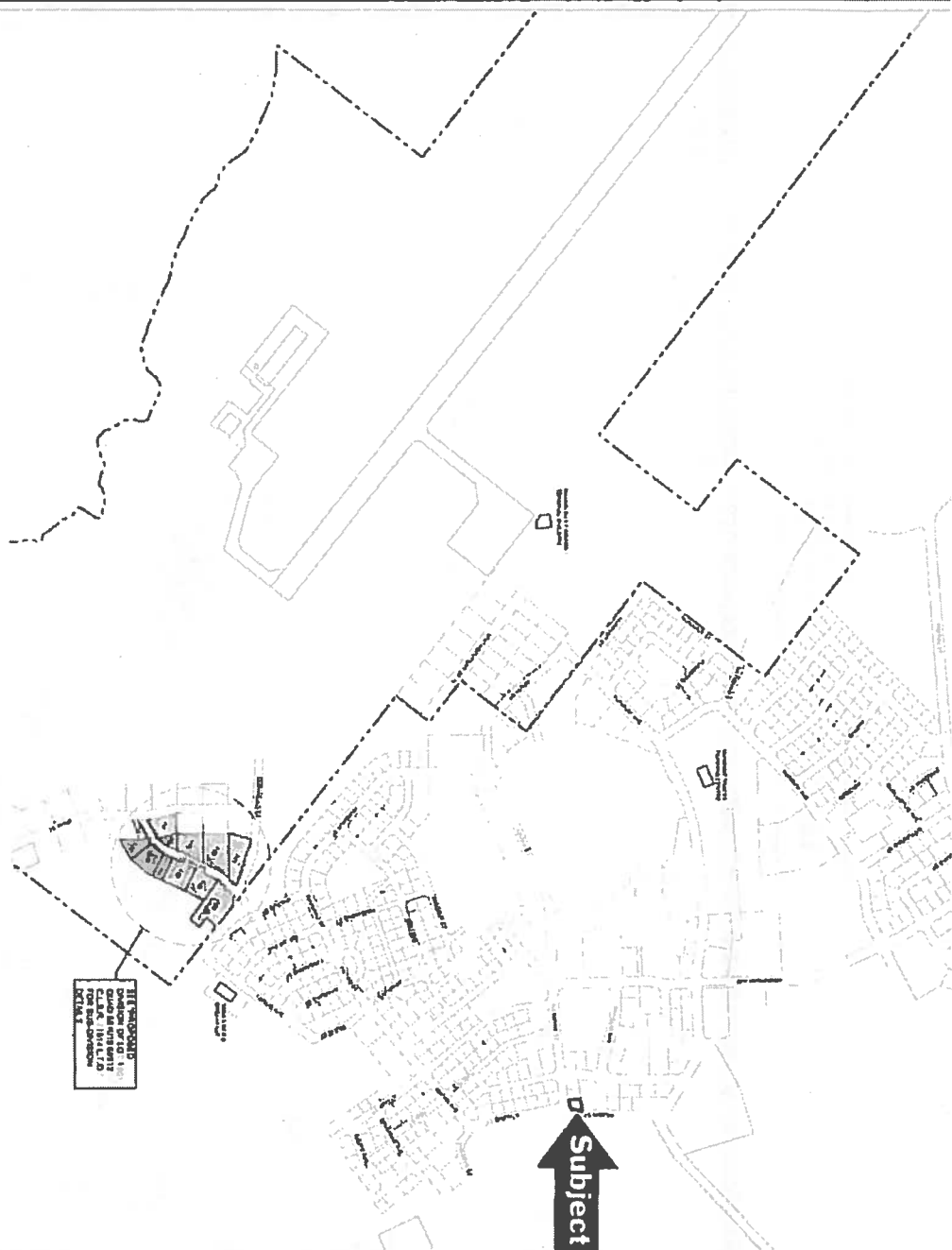
Lauchlin R. MacDonald, AACI, P. App.
Appraiser

Date: August 4, 2015

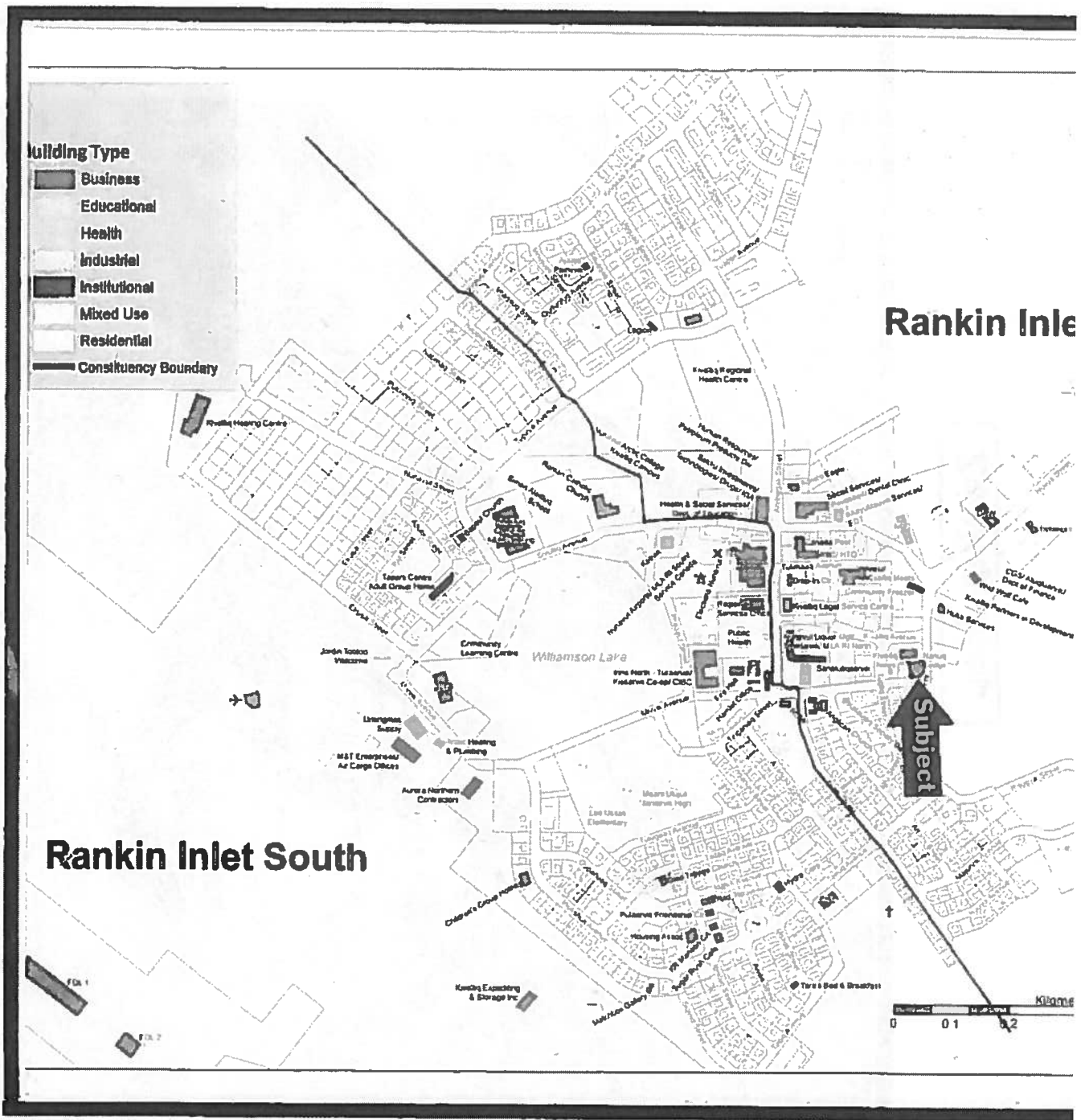
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ADDENDA

Local Area Map

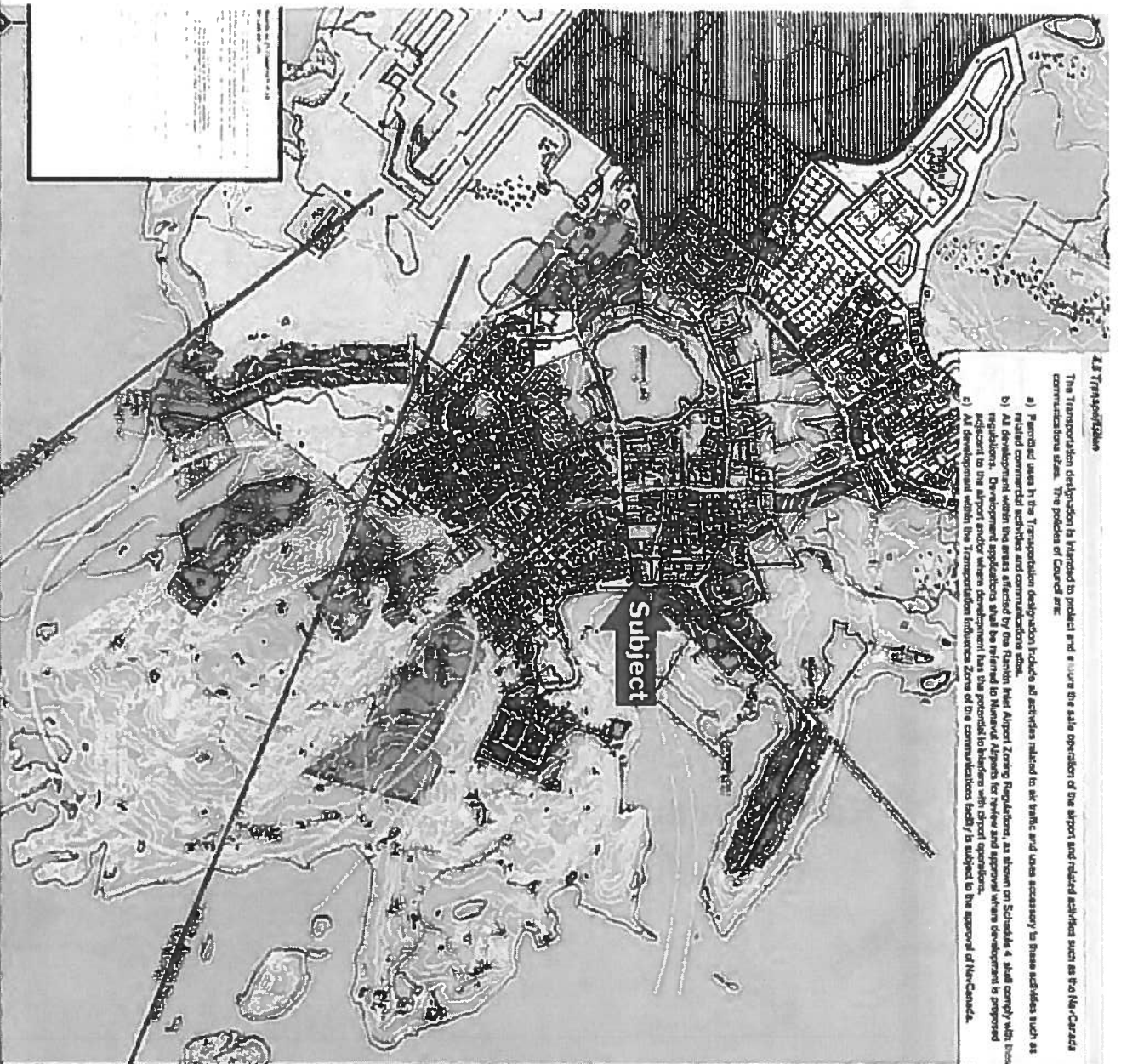


Neighborhood Map



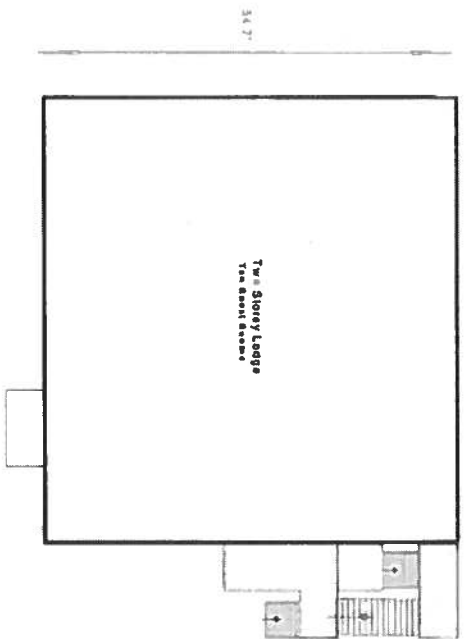
The Transportation department is charged to protect and ensure the safe operation of the airport and related activities such as to the Canada communications zone. The policies of Council are:

- a) Permitted uses by the Transportation department include all activities related to air traffic and those necessary to those activities such as the operation of the airport and related communications zone.
- b) All development within the areas affected by the Flight Level Airport Zoning Regulations, as shown on Schedule 4, shall comply with those regulations. Development applications shall be referred to Municipal Airports for review and approval where development is proposed adjacent to the airport and/or where development has the potential to interfere with airport operations.
- c) All development within the Transportation Influence Zone of the communications facility is subject to the approval of the Council.



Zoning Map

SKETCH



Drawn by: Alex Blum v1: 5/20/12
Comments:

AREA CALCULATIONS SUMMARY

Code	Description	Net Size		Net Totals		LIVING AREA BREAKDOWN	
		Net Size		Net Totals		Breakdown	Subtotals
GLA1	First Floor	2561.60		2561.60		First Floor	2561.60
GLA2	Second Floor	2561.60		2561.60		Second Floor	2561.60
P/P	Deck	100.00		100.00			
OTH	Landing	40.00		40.00			
	Upper Landing	30.00		30.00			
	Landing	50.00		120.00			

Net LIVABLE Area

(rounded)

5123

2 Items

(rounded)

5123

(General)

Nunavut

(Général)

CIRCOSCRPTION DÉMOCRATIQUE
DU NUNAVUT

NUNAVUT
REGISTRATION DISTRICT

This is to Certify that

Les présentes attestent que

THE MUNICIPAL CORPORATION OF THE HAMLET OF RANKIN INLET

is (are) now the owner(s) of an estate in fee simple of and in

est (sont) actuellement le(s) propriétaire(s) d'un domaine en fee simple sur
le(s) bien(s)-fonds suivants

LOT ONE HUNDRED EIGHTY-FIVE (185)
PLAN 1282
RANKIN INLET

- subject to, as provided in an Agreement between the Inuit of the Nunavut Settlement Area and Her Majesty the Queen in right of Canada,
- 1) any third party interests in the land existing at the time of the conveyance of the land to the Municipal Corporation
 - 2) RESTRICTIONS ON THE SALE, ASSIGNMENT AND CREATION OF ANY INTEREST OR RIGHTS in the land, and

subject to the provisions of the Land Titles Act, the encumbrances and
intérêts notifiés par le mémorandum underwritten or endorsed on this
sous réserve de la Loi sur les titres de biens-fonds, et des charges et
intérets signifiés par le mémoire souscrit ou endossé au présent certificat

Signed and sealed
Signé et scellé

1998-06-26

Postal address of owner
Adresse postale du propriétaire

P.O. Box 310
RANKIN INLET NU X0C 0G0
CA

Jeff Mason

DIRECTOR
AGENTS TRAITER

(General)

Nunavut

(Général)

CIRCOSCRIPTION D'ENREGISTREMENT
DU NUNAVUT

NUNAVUT
REGISTRATION DISTRICT

This is to Certify that

Les présentes attestent que

MANUK ENTERPRISES L.TD., a body corporate

DUPLICATE
CERTIFICATE
OF TITLE
NOT ISSUED

is (are) now the owner(s) of a leasehold estate for the term of twenty
(20) years commencing on the 1st day of October, 2004 upon the
terms and conditions contained in lease registered under daybook
number 118 B74 of and in

est (sont) actuellement le(s) propriétaire(s) d'un domaine à bail sur tel(s)
dern(s)-fonds suivant(s)

LOT ONE HUNDRED EIGHTY-FIVE (185)
PLAN 1282
RANKIN INLET

subject to the provisions of the Land Titles Act, the encumbrances and
interests notified by memorandum underwritten or endorsed on this
certificate

sous réserve de la Loi sur les titres de biens-fonds, et des charges et
intérêts signalés par le mémoire souscrit ou endorsed au présent certificat

Signed and sealed
Signé et scellé

2005-01-24

Postal address of owner
Adresse postale du propriétaire

P.O. Box 630
RANKIN INLET NU X0C 0G0
CA

Jeff Mason

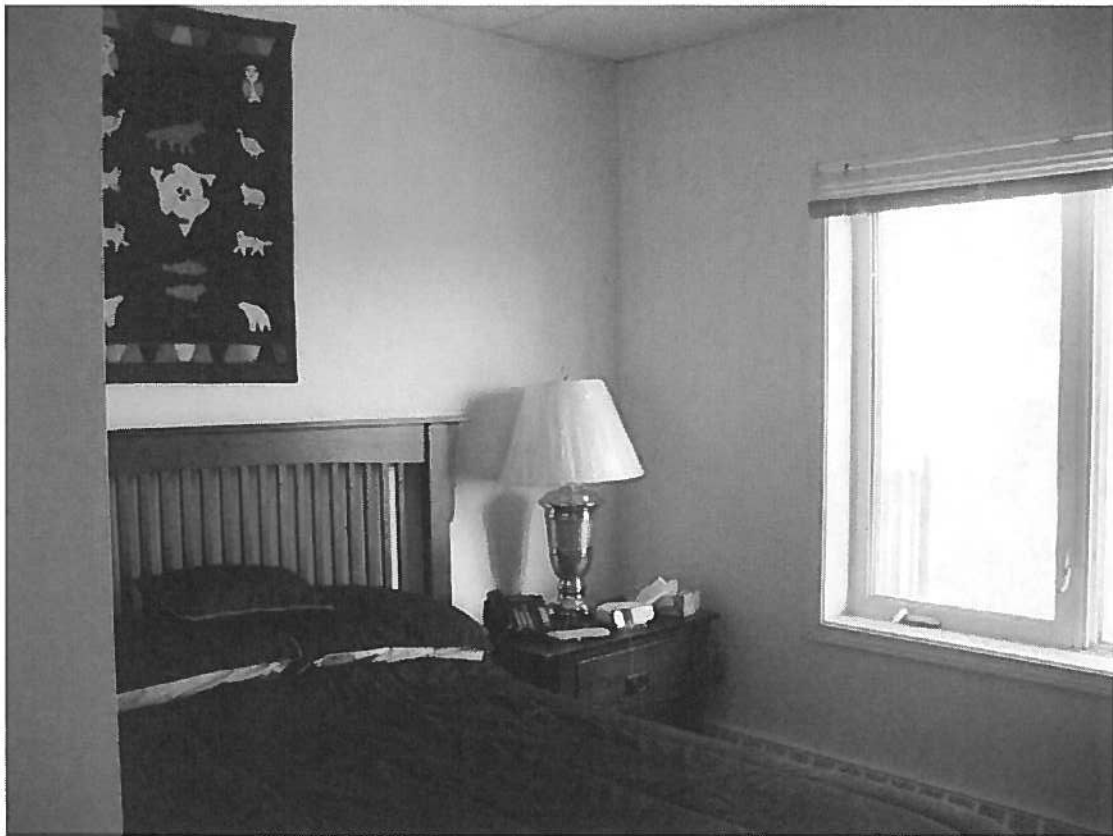
DIRECTOR
REGISTRAR

NUNAVUT REGISTRATION DISTRICT
CIRCOSCRPTION D'ENREGISTREMENT DU NUNAVUT

Notarized by Registrar and brief particulars of encumbrances and interests on reverse - Enregistré par le directeur et les détails des charges et intérêts au verso

ADDITIONAL PHOTOGRAPHS

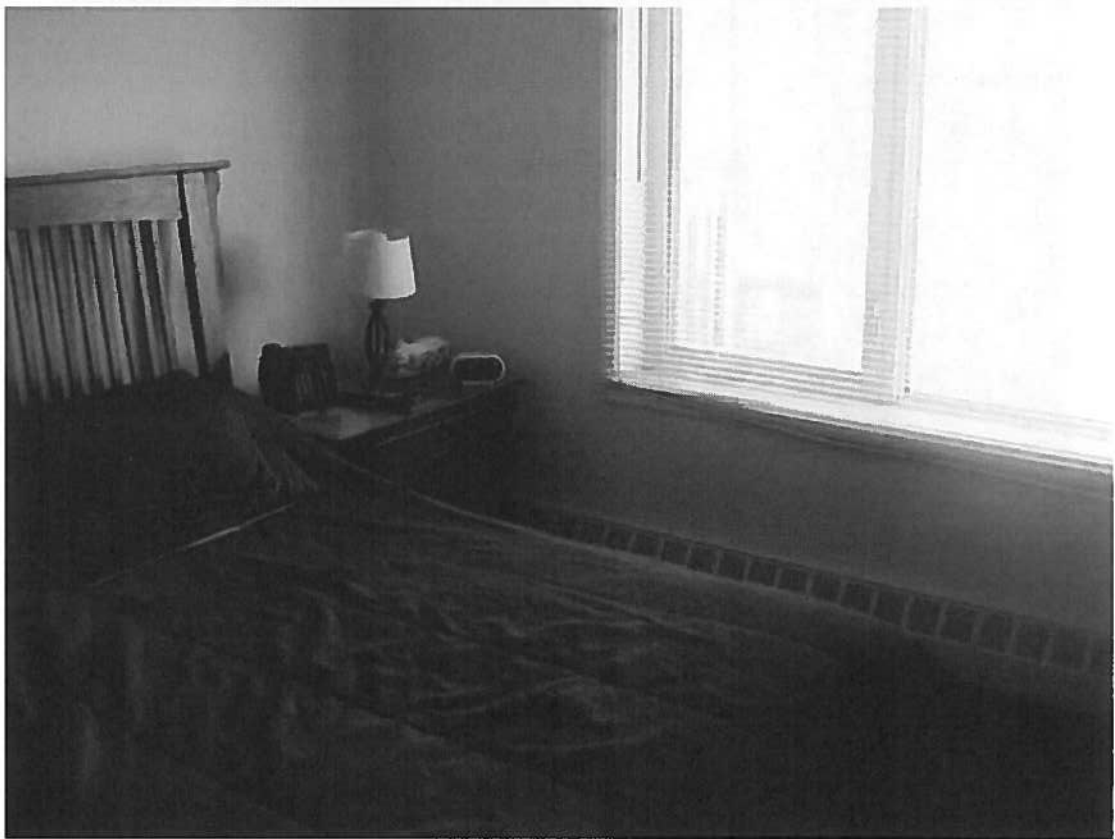


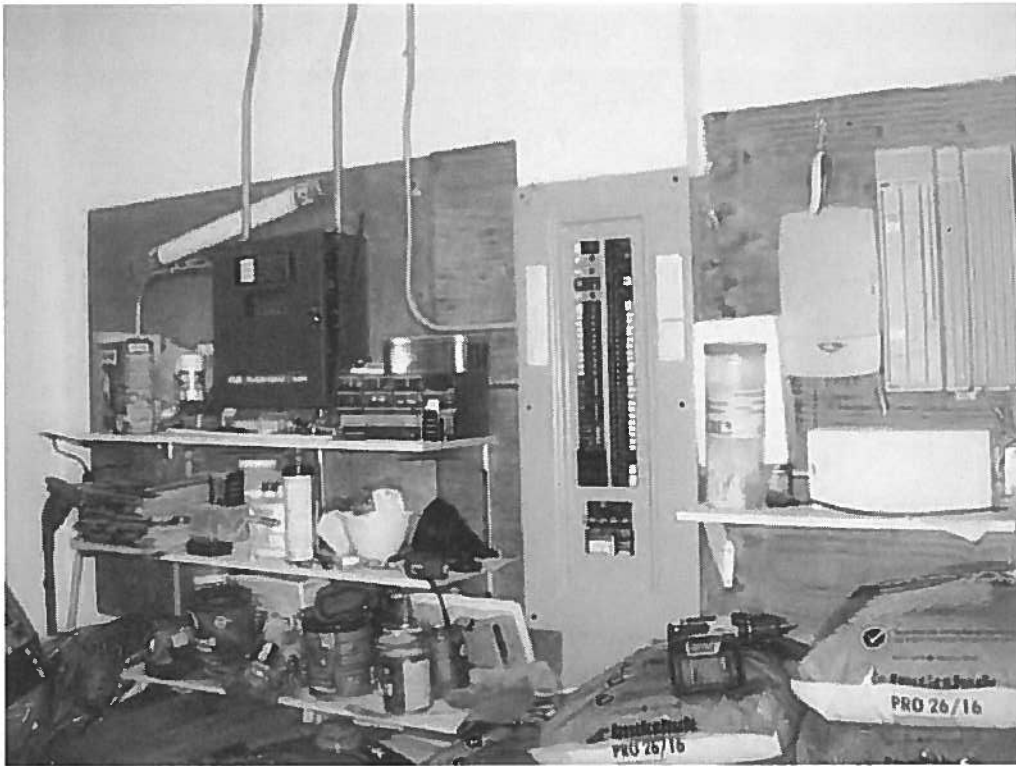






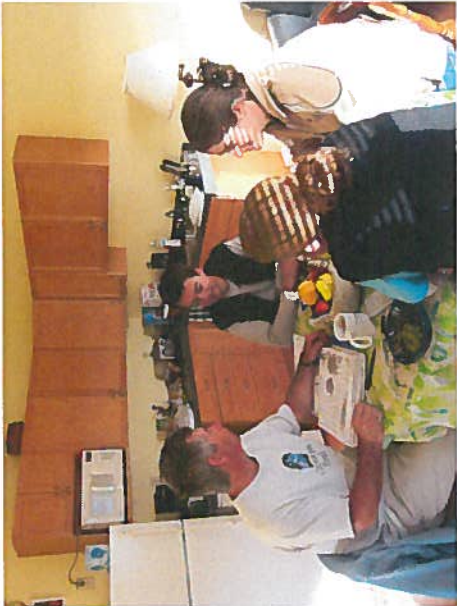
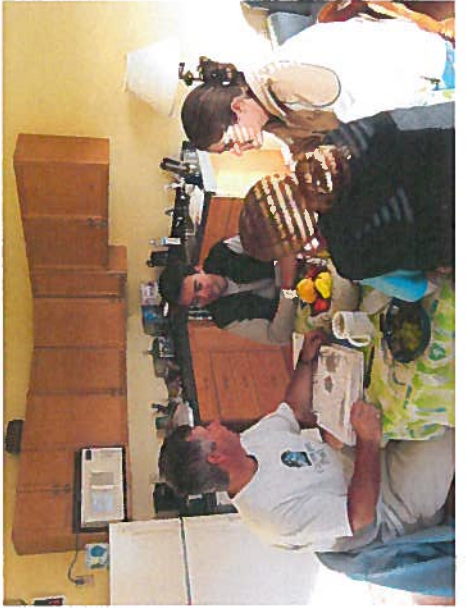




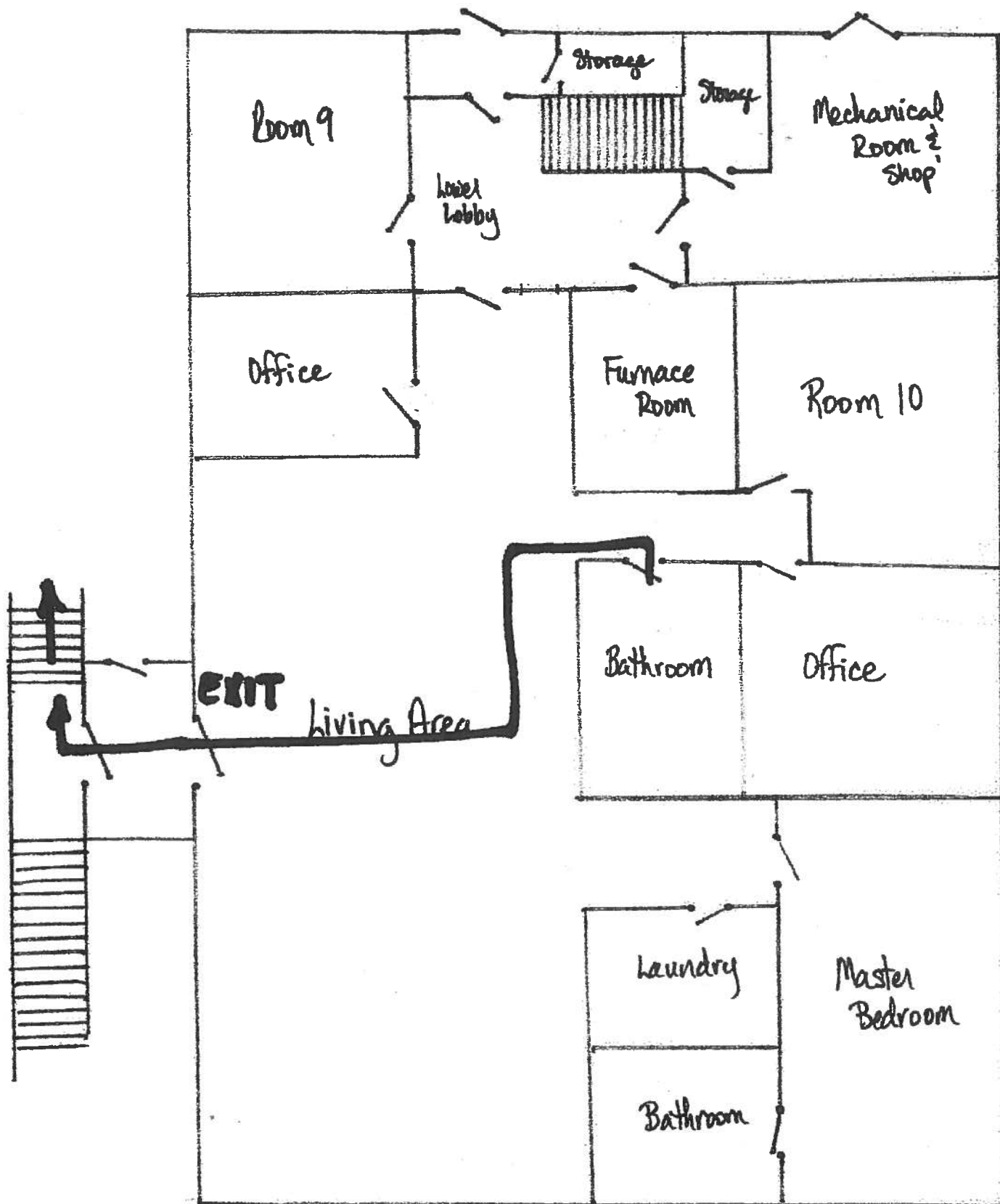


PHOTOGRAPHS



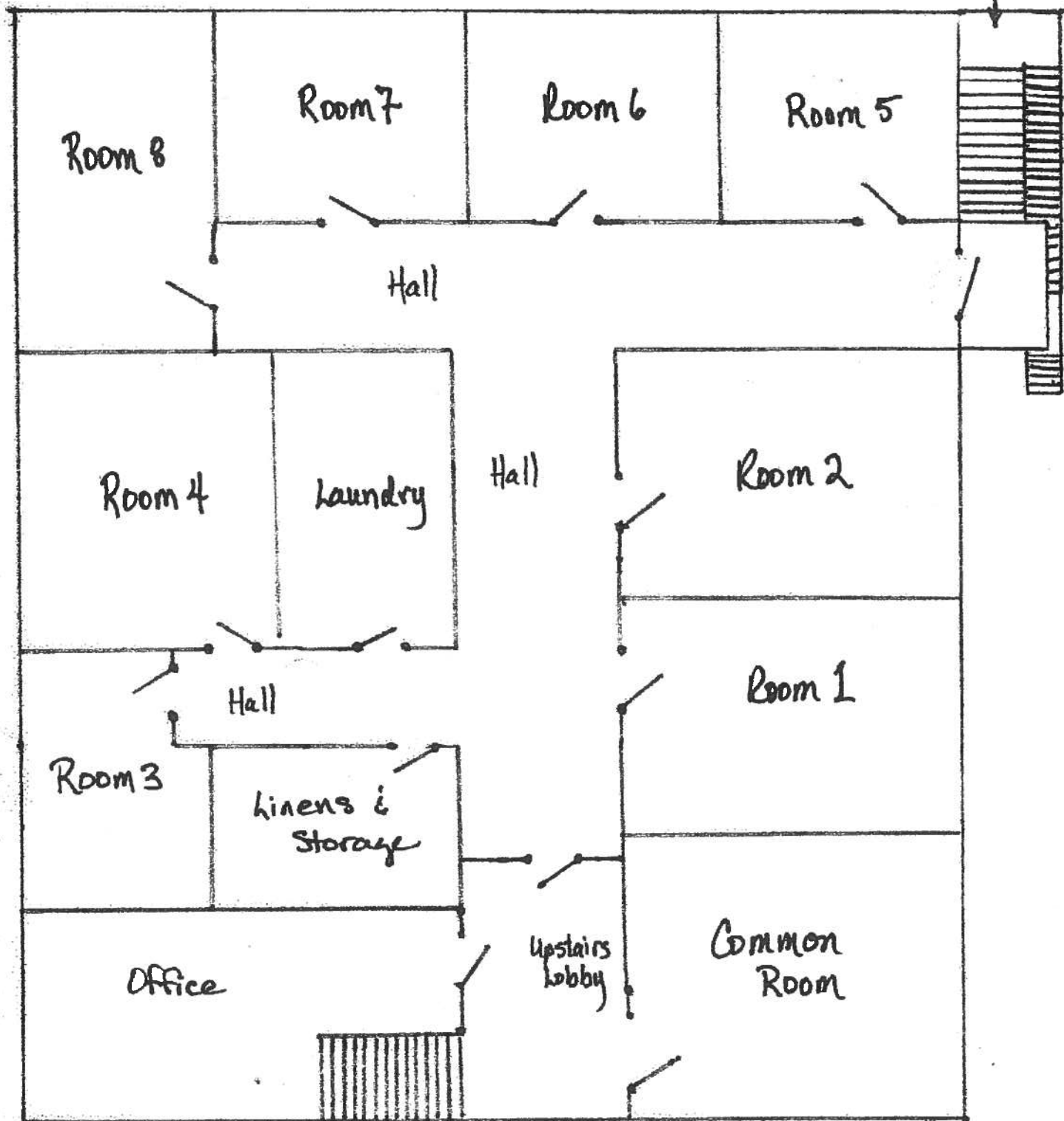


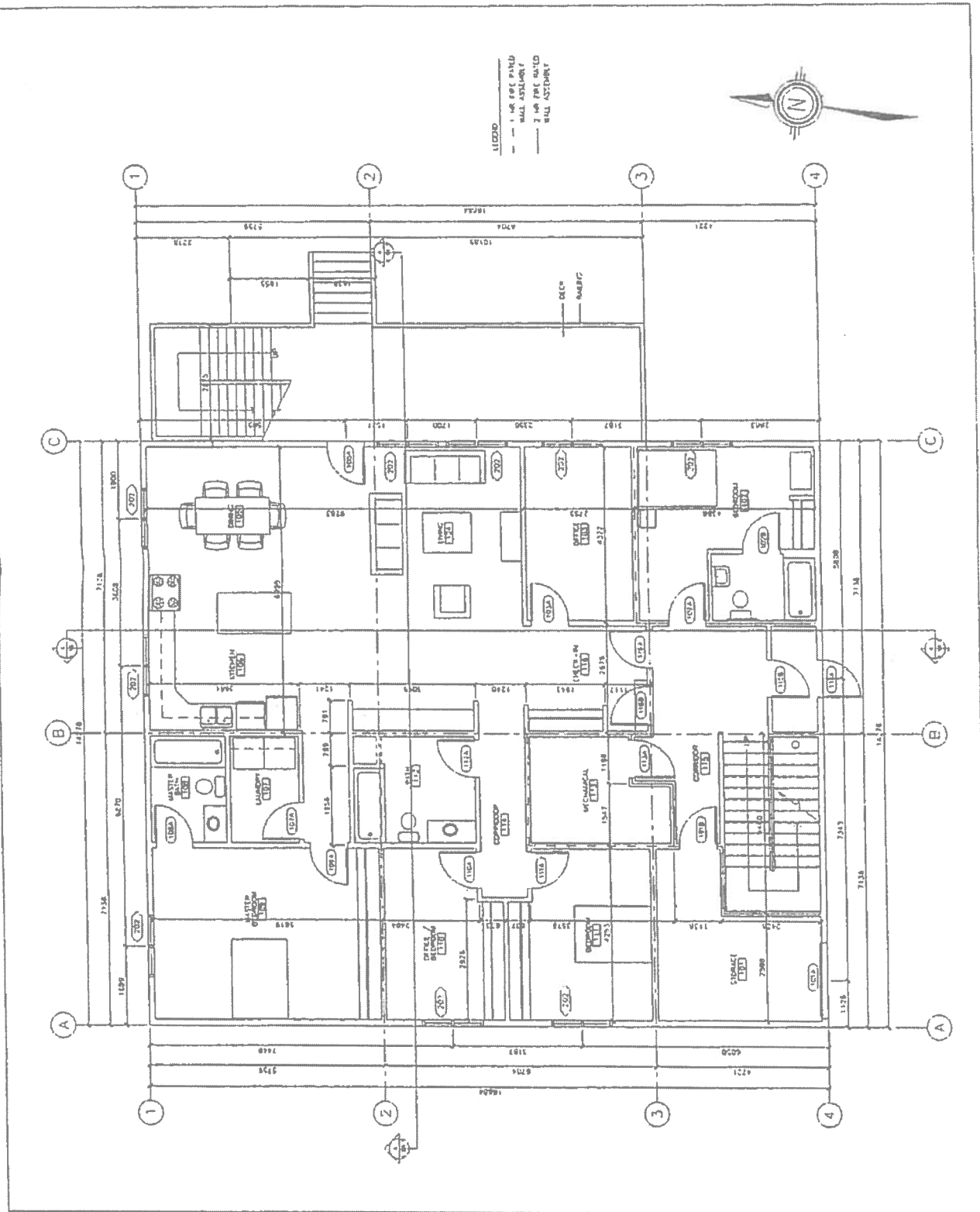




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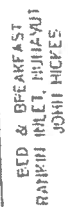
FIRE ESCAPE





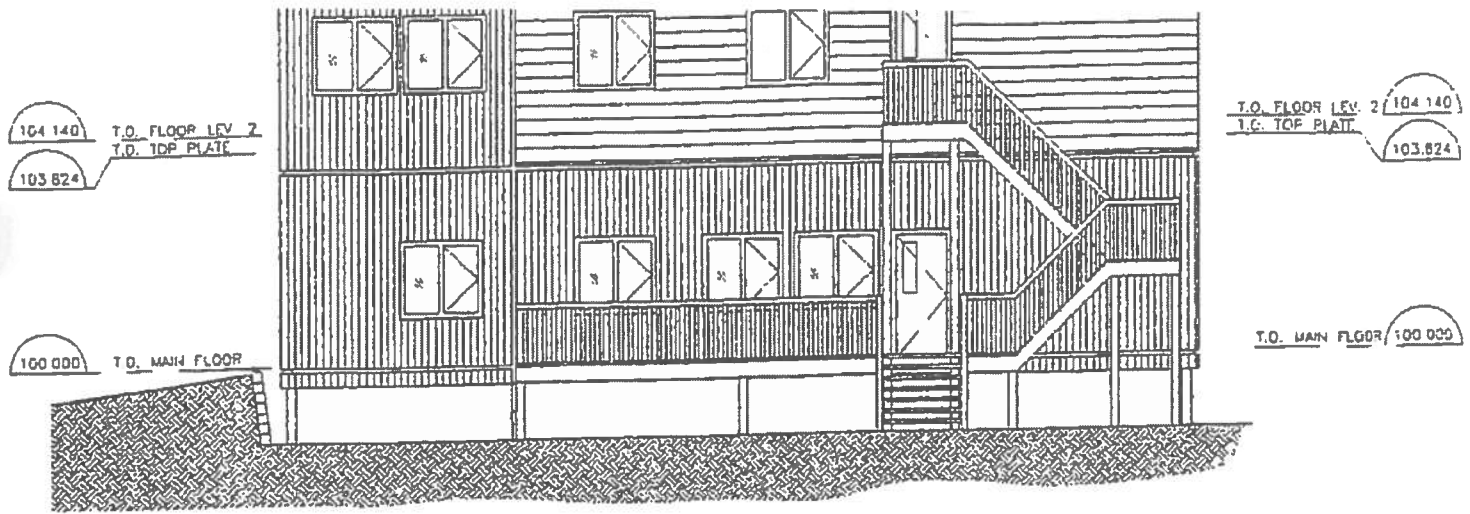
BED & BREAKFAST
 PARTIAL
 JOHN HICKES

Last Version - owner's quarters lower level
 - Guest rooms upper
 - Added bathrooms upper level.

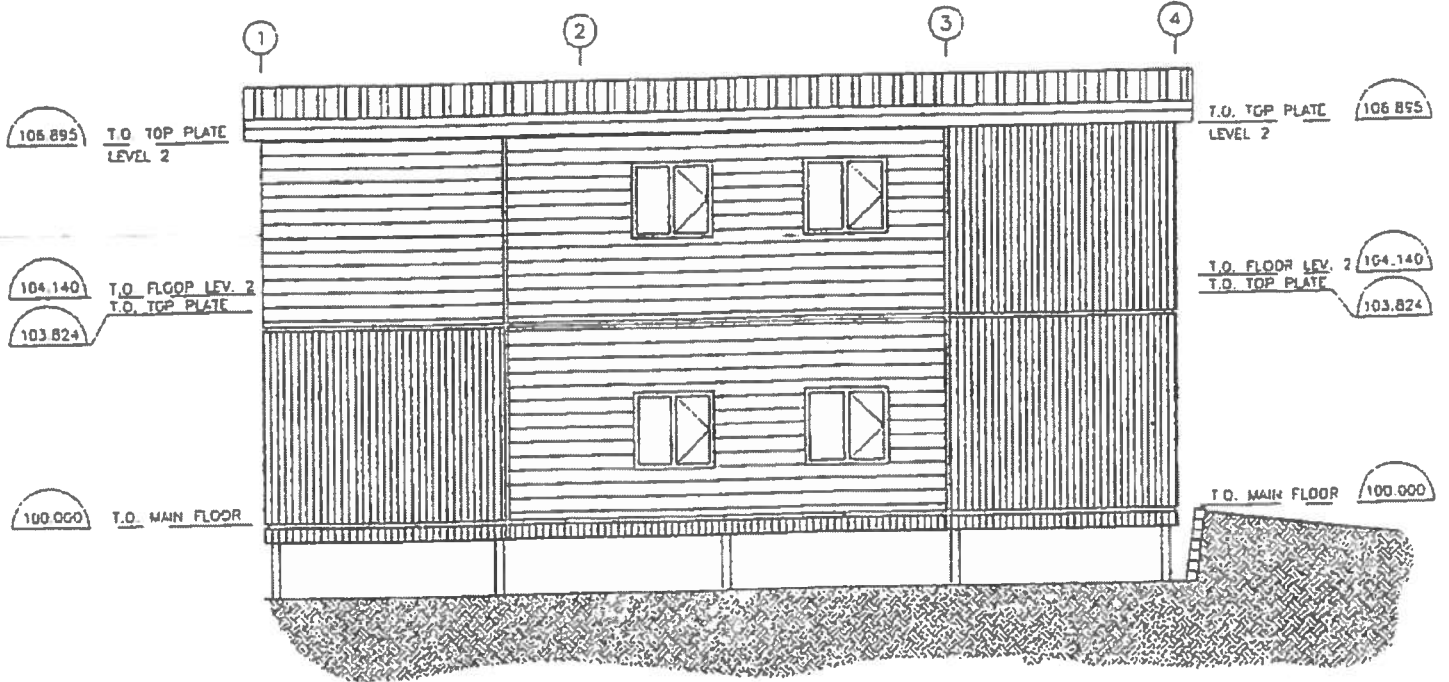


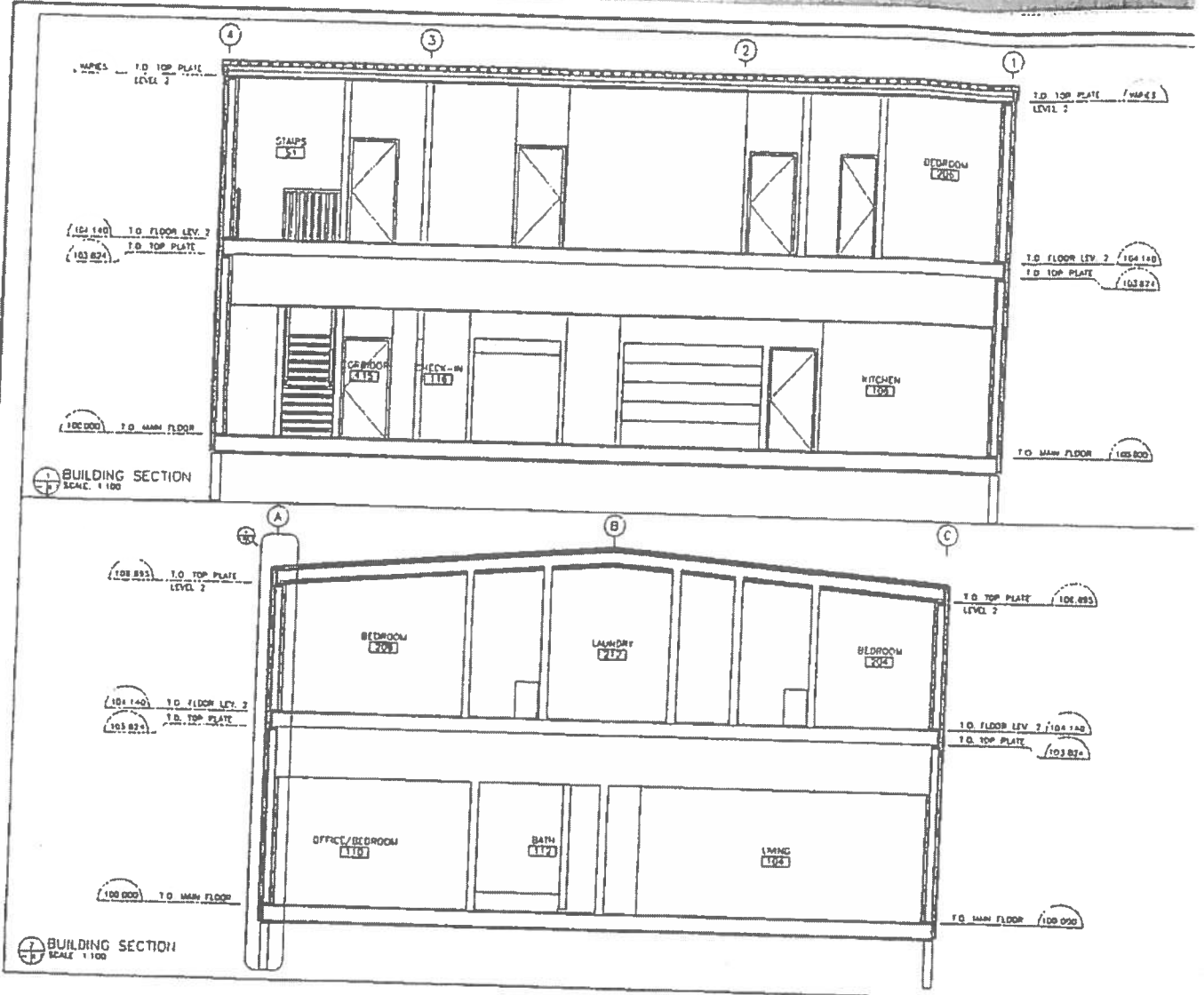
TRAIL FENCE PLAN - UPPER LEVEL

4. HOG-73



1
 5
 EAST ELEVATION
 SCALE: 1:75

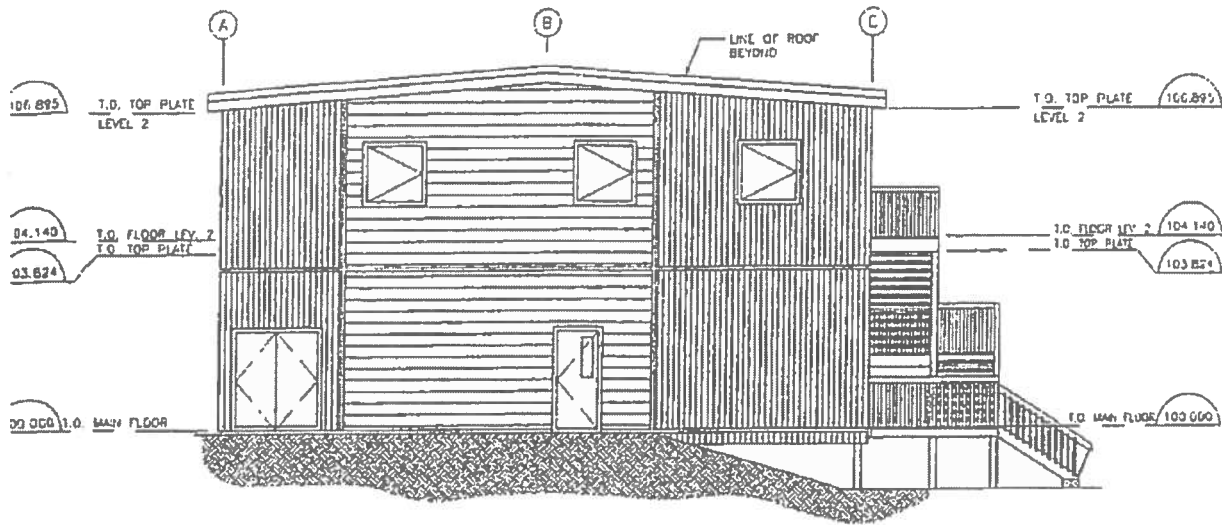




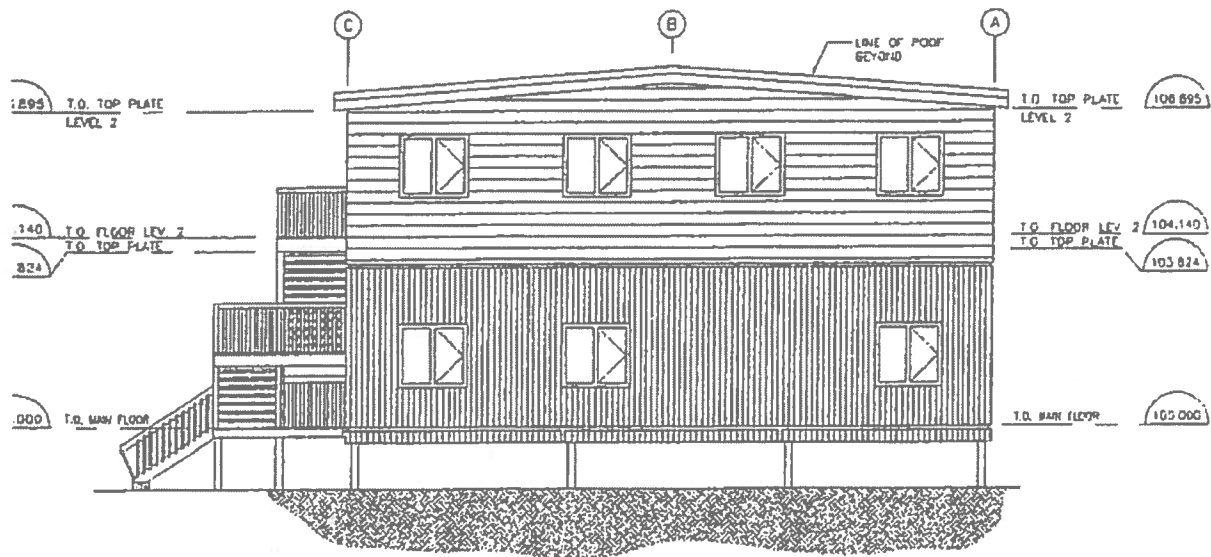
FSC

GROUP

FERGUSON SIMPSON
ENGINEERS AND ARCHITECTS
P.O. BOX 1195
PILLOW HAVEN, CANADA
X0A 0A0



SOUTH ELEVATION
SCALE: 1/32



NORTH ELEVATION
SCALE: 1/32

NO.	REVISION	DATE
1		

HOTEL

RANKIN INLET, NUNAVUT

BUILDING ELEVATION

REPORT BY RCS	DATE DB	DATE DB
PROJECT NO. AEL17040-041.000-1		
SHEET 4		

