Appraisal Report

East Luther Proton Pit
ALPS ID: 4875

Lands Described as
046384 Southgate Road 04
Southgate Township, Ontario

Prepared for:
Meghan Townsend, MPS, BSc, Dipl.M.A.
CAO/Clerk, Town of Grand Valley
5 Main Street North
Grand Valley, ON L9W 5S6

Paul D. Bender, MRICS, ASA, IFAS, AACI
Property Valuation Consulting

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Paul D. Bender, MRICS, ASA, IFAS, AACI
Property Valuation Consulting

January 30, 2025
Town of Grand Valley
5 Main Street North
Grand Valley, ON L9W 5S6

Attention: Meghan Townsend, MPS, BSc, Dipl.M.A., CAO/Clerk

Re: Appraisal of the East Luther Proton Pit, Municipally Described as 046384 Southgate Road 04, Southgate Township, County of Grey, ON

As requested, I have inspected the above-captioned lands (the "Subject Property") and prepared this appraisal for the purpose of estimating its market value for a disposition of the real estate asset.

Briefly stated, the Subject Property comprised a parcel of vacant land of about 98 acres, situated within a sparsely populated area of the Township of Southgate, County of Grey. The site is specifically located about 20 km west of the Town of Shelburne and approximately 25 km east of the Town of Mount Forest. Surrounding land usage is mainly focused on farming activities with a few rural detached homes.

Part of the site is licensed for aggregate extraction, below water, to a maximum of 100,000 tonnes annually. The remainder of the Subject Property comprises off-licensed lands of non-workable conservation/hazard lands and workable acreage for agricultural and other rural uses. Aggregate resources are very limited in the licensed area of the lands, and the existing sand and gravel pit has a limited remaining physical life for economic extraction. The terminal use after the depletion of the mineral resources is estimated to be for open space and recreational uses.

As at the effective valuation date of November 25, 2024, the highest and best use of the Subject Property is for an interim sand and gravel pit use on the licensed area of 19.3 acres, conservation uses on approximately 30 acres and for agricultural and rural uses on the balance of the lands, i.e., 48.7 acres. The market value of the Subject Property is estimated to be $650,000, or $6,600 per gross acre, as summarized below:

Subject Property (Highest and Best Use)	**Overall**	**Per Acre**	**Total (%)**
Estimated Market Value of the Licensed Aggregate Lands	$188,816	$9,796	29.0%
Estimated Market Value of the Off-Licensed Lands	$462,750	$5,880	71.0%
ESTIMATED MARKET VALUE OF THE SUBJECT PROPERTY	**$651,566**	**$6,649**	**100%**
Rounded	**$650,000**	**$6,600**	

The Subject Property's estimated market value applies solely as at the effective valuation date of November 25, 2024. Existing stockpiles of extracted aggregate material have not been included in the valuation.

This appraisal has been completed within the terms of reference and scope of work as described in this report. The reader is advised that I have invoked certain Extraordinary Assumptions, Hypotheticals and Extraordinary Limiting Conditions, as outlined in Section 2.1.11 (pages 5 and 6), which underlie the valuation analysis and market value conclusion in this appraisal. Furthermore, it is noted that the report's content, and the accompanying Addenda, must be read as a whole; sections taken alone may be misleading and lead the reader to an incorrect conclusion.

Respectfully submitted,

Paul D. Bender, MRICS, ASA, IFAS, AACI
Valuation Consultant

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1 Executive Summary

1.1 General Description

1.1.1 Effective Valuation Date

The effective valuation date is the date of site inspection, i.e., November 25, 2024.

1.1.2 The Subject Property

The Subject Property is comprised of a large holding of rural land located between the towns of Shelburne and Mount Forest. The lands are unserviced and vacant. A portion of the site has been used for aggregate extraction with the balance of the lands being open space, rural and agricultural. It is identified as PIN 37272-0129 (LT): Part Lot 32, Concession 2 EPR, Geographic Township of Proton, now the Township of Southgate, County of Grey, Ontario.

Figure 1: The location of the Subject Property.

1.1.3 Ownership

On May 26, 1993, title to the Subject Property was conveyed by Harold Gordon Townsend to the Corporation of the Township of East Luther, virtue Instrument R331062, for the total cash consideration of $200,000. Ownership of the lands has remained under the stewardship of the Town of Grand Valley.

1.1.4 Property Assessment

The Subject Property was identified on the municipal tax roll as 42-07-090-007-018-00-0000. For the 2020 Tax Assessment Year, it had an assessed value of $177,000 based on the Valuation Date of January 1, 2016. The assessment appears to be reasonable, but it is not indicative of current market value.

1.1.5 Site Area

The Subject Property has an estimated acreage of 98 acres (39.66 ha). Approximately 19.7% of the site is licensed for aggregate extraction, below the water table, to a maximum of 100,000 tonnes annually. The balance of the lands are heavily wooded with swampy features and open fields used for agricultural tillage.

1.1.6 Aggregate Extraction

The area of the site used for aggregate extraction is 19.27 acres (7.8 ha), as noted on the Aggregate Licence No. 4875 issued by the Ministry of Natural Resources and Forestry ("MNRF"). Recent geological investigations have indicated that the remaining aggregate reserves in situ are 88,500 tonnes of sand and stone at an average depth of 5.0 metres. Existing stockpiles of extracted aggregate material have not been included in the author's investigation and valuation conclusions.

1.1.7 Land Use Designation (Official Plan) and Zoning Classification

The Subject Property is located outside the Niagara Escarpment Plan Area. The Official Plan for the Township of Southgate, 'Schedule A Map 1 Land Use', indicates that the Subject Property has three land use designations: Hazard Land, Provincially Significant Wetland and Rural.

Land uses are regulated through Zoning By-Law 19-2002 (Office Consolidation July 2024). The zoning map for the Township of Southgate indicates that the Subject Property has four zoning classifications that regulate the following approximate areas of the site:

- Extractive Industrial Zone (M4): ± 9.5% of the overall acreage
- Wetlands Protection Zone (W): ± 40.3% of the overall acreage
- Environmental Protection Zone (EP): ± 1.8% of the overall acreage
- Agricultural Zone (A1): ± 48.5% of the overall acreage

1.1.8 Highest and Best Use Conclusion

The estimated highest and best use of the Subject Property is for an interim sand and gravel pit use on the licensed area of 19.27 acres, conservation uses on about 30 acres, and for agricultural/rural uses on the balance of 48.7 acres. The terminal use of the lands, after the economic mineral resources are depleted from the extraction area of the sand and gravel pit, is estimated to be for open space and recreational uses, as at the effective valuation date of November 25, 2024.

1.2 Valuation Analysis Summary

1.2.1 Selected Valuation Methodology

The Income Approach and the Direct Comparison Approach have been applied in the valuation analysis. The Income Approach utilized a Discounted Cash Flow analysis to convert forecasted revenues into a

Present Value estimate of the aggregate resources that could be economically extracted from the Subject Property. Existing stockpiles of extracted aggregate material have not been included in the valuation.

The Direct Comparison Approach has been applied to value the terminal use of the licensed lands, or "reversion", after the economic aggregate resources are depleted. This methodology has also been applied to value the off-licensed lands, being the remainder of the Subject Property, which has a combination of conservation/hazard lands and agricultural/rural lands.

1.2.2 Market Value Conclusion

The Subject Property's market value is estimated to be $650,000, or $6,600 per acre, as summarized below:

Subject Property (Highest and Best Use)	**Overall**	**Per Acre**	**Total (%)**
Estimated Market Value of the Licensed Aggregate Lands	$188,816	$9,796	29.0%
Estimated Market Value of the Off-Licensed Lands	$462,750	$5,880	71.0%
ESTIMATED MARKET VALUE OF THE SUBJECT PROPERTY	**$651,566**	**$6,649**	**100%**
Rounded	**$650,000**	**$6,600**	

The Subject Property's estimated market value applies solely as at the effective valuation date of November 25, 2024. This appraisal has been completed within the terms of reference and scope of work as described in this report. The reader is advised that the writer has invoked the following Extraordinary Assumptions, Hypotheticals and Extraordinary Limiting Conditions, which underlie the valuation analysis and market value conclusion in this appraisal, specifically:

- The Appraiser has reviewed, considered, and relied upon the information provided by the Authorized Client to estimate the market value of aggregate reserves, in situ. The Appraiser did not verify any of the supplied information with external consultants to determine the validity and accuracy of the information. In the event that any of the information is found to be either invalid or amended, the Appraiser reserves the right to consider the information that invalidates or amends the data provided and make any necessary changes to this Appraisal and its valuation conclusion(s).
- The Appraiser does not have the expertise to estimate the quantity and quality of the aggregate resource located within the lands licensed for aggregate extraction. Reliance has been made on the geological data provided by William D. Fitzgerald, MSc., P.Geo. If the estimated quantity and quality of the aggregate resources are found to be materially different from the data received, the valuation analyses and the estimate(s) of market value expressed in this Appraisal are invalid.
- It is assumed that the Subject Property is unaffected by any adverse environmental conditions on the soil surface and/or in the soil structure. The estimate(s) of value stated in this Appraisal is predicated on the absence of any adverse condition or substance potentially affecting the Subject Property, including any off-site migration to the site.

The appraisal assignment has been completed within the scope of work detailed in Section 2.1.13 and is subject to the Ordinary Assumptions and Limiting Conditions stated in Addendum A.

2 Terms of Reference

2.1 Assignment Overview

2.1.1 Authorized Client

The party (the "Authorized Client") commissioning this report is the Corporation of the Town of Grand Valley.

2.1.2 The Effective Valuation Date

The effective valuation date is at the inspection date of November 25, 2024.

2.1.3 The Appraised Property and Ownership

The Subject Property is owned by the Corporation of the Township of East Luther, now the Township of Southgate under the stewardship of the Town of Grand Valley, and it has operated the East Luther Proton Pit (the "Proton Pit") for sand and gravel commodities since May 1993.

2.1.4 Authorized Use of the Appraisal

Paul D. Bender, MRICS, ASA, IFAS, AACI (the "Appraiser") has prepared this valuation report (the "Appraisal"). The Authorized Use of the Appraisal is to assist the Authorized Client in the sale of the Subject Property.

2.1.5 Authorized Users

The Authorized Users of the Appraisal solely applies to the Authorized Client. It is not reasonable for any person other than the Authorized Client and the Authorized Users to rely upon the Appraisal without written authorization from the Authorized Client and the Appraiser. This Appraisal has been prepared based on the assumption that no other person will rely upon it for any other purpose and all liability to such a person is denied.

2.1.6 Purpose of the Appraisal

The purpose of this Appraisal is to estimate the market value of the Subject Property for disposition.

2.1.7 Definition of Market Value

The opinion(s) of market value provided in this assignment is premised on the definition of market value as provided by The Appraisal of Real Estate, Third Canadian Edition:

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

Implicit in this definition are elements requisite to a fair sale. These intrinsic components include:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in Canadian dollars, or in terms of financial arrangements comparable thereto; and
- 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.

2.1.8 Property Rights Appraised

The property rights appraised within the Appraisal are those of the fee simple estate.

The Dictionary of Real Estate Appraisal[1] defines fee simple estate as: "Absolute ownership unencumbered by any other interest or estate subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

2.1.9 Reasonable Exposure Time

Reasonable exposure time is always presumed to precede the effective date of the appraisal. It may be defined as: "*…the estimated length of time the property interest being appraised would have been offered on the market before the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. It is always presumed to have preceded the effective date of the appraisal…*"[2] The reported estimates of value are based on an exposure time of about six months.

2.1.10 Professional Standards of Reporting

The Appraisal of the Subject Property has been prepared in compliance with the Canadian Uniform Standards of Professional Appraisal Practice ("CUSPAP"), effective January 1, 2024. As such, relevant material has been provided in this 'Concise Report', a reporting format that includes all relevant information for this assignment with supporting data in the Appraiser's work file, and it references a geological assessment prepared by William D. Fitzgerald, MSc., P.Geo., for the Subject Property. The depth of discussion contained in this report is specific to the needs of the Client and for the intended use stated.

2.1.11 Extraordinary Assumptions, Hypotheticals and Extraordinary Limiting Conditions

The valuation analyses and conclusion(s) of value are premised on the following assumptions:

- The Appraiser has reviewed, considered, and relied upon the information provided by the Authorized Client to estimate the market value of aggregate reserves, in situ. The Appraiser did not verify any of the supplied information with external consultants to determine the validity and accuracy of the information. In the event that any of the information is found to be either invalid or amended, the Appraiser reserves the right to consider the information that invalidates or

[1] *The Dictionary of Real Estate Appraisal, Sixth Edition, American Institute of Real Estate Appraisers*

[2] *Canadian Uniform Standards of Professional Appraisal Practice (2024), Appraisal Institute of Canada*

amends the data provided and make any necessary changes to this Appraisal and its valuation conclusion(s).

- The Appraiser does not have the expertise to estimate the quantity and quality of the aggregate resource located within the lands licensed for aggregate extraction. Reliance has been made on the geological data provided by William D. Fitzgerald, MSc., P.Geo. If the estimated quantity and quality of the aggregate resources are found to be materially different from the data received, the valuation analyses and the estimate(s) of market value expressed in this Appraisal are invalid.
- It is assumed that the Subject Property is unaffected by any adverse environmental conditions on the soil surface and/or in the soil structure. The estimate(s) of value stated in this Appraisal is predicated on the absence of any adverse condition or substance potentially affecting the Subject Property, including any off-site migration to the site.

The appraisal assignment has been completed within the scope of work detailed in Section 2.1.13 and is subject to the Ordinary Assumptions and Limiting Conditions stated in Addendum A.

2.1.12 The Scope of Work

The work program for the appraisal assignment included the following:

- A personal inspection of the Subject Property was made on November 25, 2024, accompanied by a representative from the Town of Grand Valley.
- Consideration was given to the physical, functional and economic characteristics of the Subject Property relative to its estimated highest and best use.
- Property data was sourced from the pit's operational plans and other data provided by the owner, and from the records of the Municipal Property Assessment Corporation.
- William D. Fitzgerald, MSc., P.Geo. was interviewed, and he provided additional information relative to the findings of his geological report, dated February 26, 2024.
- A sub-search of the Subject Property's title history was completed, and the relevant documents were examined by the Appraiser, as provided by Teranet Ontario.
- Relevant economic trends and market conditions during the effective valuation period were considered and analyzed as a basis for estimating the highest and best use of the Subject Property.
- Municipal data was obtained and reviewed from various sources including government publications, municipal economic development departments and real estate publications.
- Data was obtained from the Ontario Ministry of Mines to locate and view information about pits and quarries within the Subject Property's estimated market area. The information provided the necessary data to estimate the market share of licensed/permitted acreage of local operators.
- TOARC production data was examined and analysed for certain aspects of aggregate production in Ontario, and specifically, the volume of aggregate production extracted from pits and quarries within the geographical market area of the Subject Property.
- The municipality's Official Plan and Zoning By-Law were reviewed to determine the appropriate land use designations and regulations regarding the current use of the Subject Property.

- The highest and best use of the Subject Property was estimated based on the four criteria of legal permissibility, physical possibility, financial feasibility, and maximum productivity.
- The Income Approach is the primary valuation method for appraising an aggregate-producing property, which uses a valuation procedure, Discounted Cash Flow, to convert forecasted revenues into a Present Value estimate of the aggregate resources that can be economically extracted. The Direct Comparison Approach is applied to estimate the market value of the licensed acreage after the economic aggregate resources have been depleted in the lands. This valuation methodology was also applied to value the balance of the Subject Property's off-licensed lands.
- The results of the valuation analyses are stated within a range of probable market value and correlated into a point estimate, as at the effective valuation date of November 25, 2024.

2.1.13 Other Documents Relied Upon in the Appraisal

The Appraiser has reviewed and/or relied upon portions of the following documents, which led to the opinion(s) stated in this Appraisal:

- Aggregate Investigation geological report prepared by William D. Fitzgerald, MSc., P.Geo., for the Corporation of the Town of Grand Valley Pit (February 26, 2024)
- Copies of Mandatory Annual Compliance Assessment reports ("CAR") provided by the Client to the Ministry of Natural Resources and Forestry for years 2022, 2023 and 2024
- Copies of Licence Production Reports provided by the Client to The Ontario Aggregate Resources Corporation ("TOARC") for the years ending 2014 to 2024 inclusively
- Property Assessment Notice for the 2017 to 2020 property taxation years
- Operational Plans for the Subject Property's aggregate licence, prepared by Henderson, Paddon & Associates Limited (Match 9, 1992)
- Aggregate Resource Inventory, Master Plan Grey County, Produced for the County of Grey (October 13, 2004)
- Aggregate Resources Inventory of East Luther Township, Dufferin County, Southern Ontario, Aggregate Resources Inventory Paper 31, Ministry of Natural Resources (1980)
- Aggregate Resources Inventory of Grey County, Southern Ontario, Aggregate Resources Inventory Paper 180, Ministry of Natural Resources (2009)
- Stage 1 and 2 Archaeological Assessment, Gravel Pit Expansion, 046365 Southgate Road 04, Part Lot 31, Concession 3, Former Township of Proton, Municipality Of Southgate, Grey County, prepared for Bye Construction, by Scarlett Janusas Archaeology Inc. (October 30, 2019)
- Summary Statement & Planning Analysis for a Class A License Application under the Aggregate Resources Act, Proposed Gravel Pit above the Maximum Predicted Water Table (Hog's Back Pit), Prepared for Bye Construction, by Cuesta Planning Consultants Inc. (April 2022)

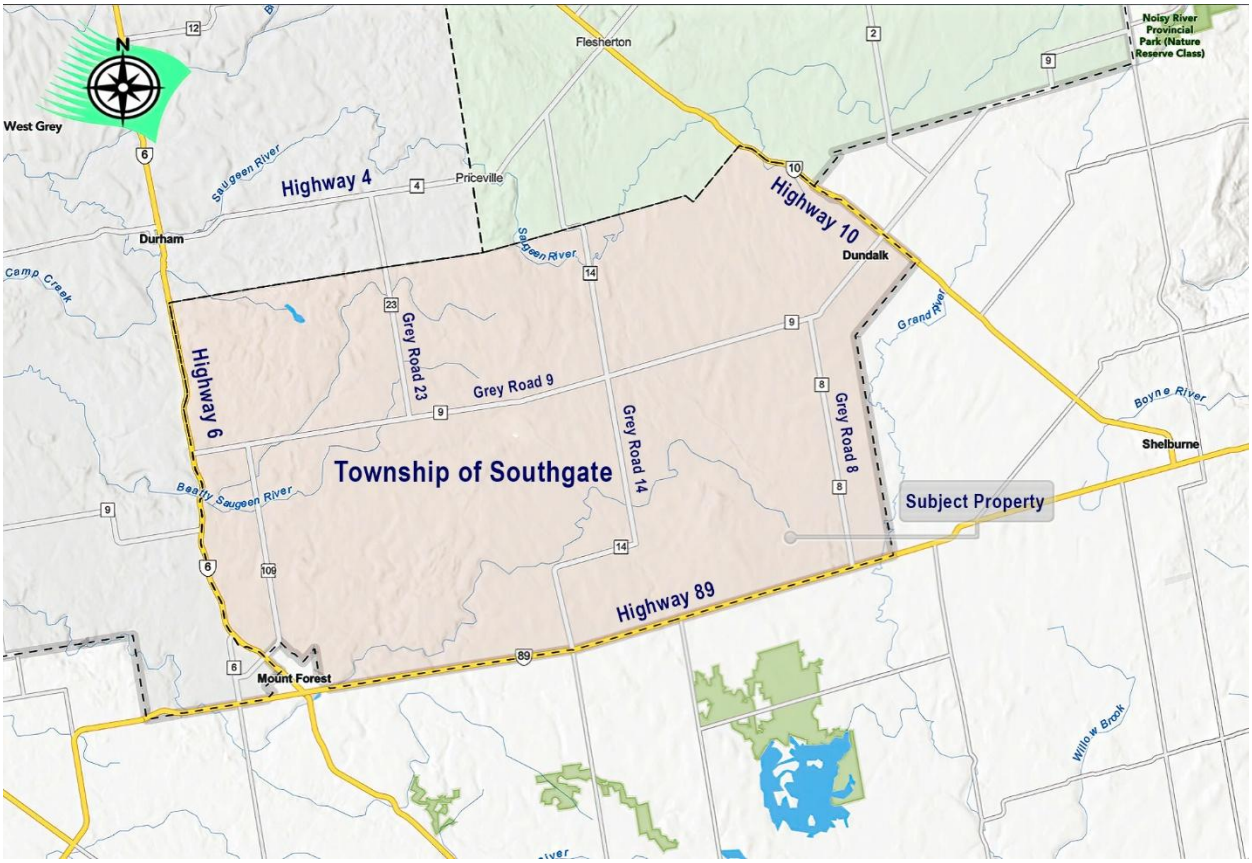
3 Presentation of Relevant Data

3.1 The Township of Southgate

3.1.1 Community Profile

The Township of Southgate ("Southgate") is a township located in southwestern Ontario, and specifically within the southeast corner of Grey County. Southgate was formed on January 1, 2000, when the Village of Dundalk, the Township of Proton and the Township of Egremont were amalgamated into a single lower-tier municipality. Dundalk and Holstein are the two largest communities, and other smaller settlement areas include Bethel, Birdell, Boothville, Cedarville, Conn, Dromore, Egerton, Gildale, Hopeville, Keldon, Kingscote, Landerkin, Proton Station, Robbtown, Signet, Swinton Park, Tartan, Thistle, Varney, etc.

Figure 2: The Township of Southgate is located in Grey County



3.1.2 Economic Overview

Agriculture is the dominant sector of the economy in Southgate. Many farms in Southgate have secondary businesses on the farm to service the rural farm community. For the last 20 years, Amish Mennonites have been purchasing farmland in Southgate and have expanded the land base available for agriculture.

The Dundalk area offers most of the local industrial employment, with 30 small manufacturers operating mostly metal fabrication businesses in the surrounding rural area. Southgate has developed a 220-acre "Eco Park" that is reportedly 90% sold out with few acres remaining. A new development by Envest has

recently been fully permitted, and the anaerobic biodigester is expected to be operational by late-2026. Two other industries in the park are involved with the environment sector: Lystek which produces liquid fertilizer and Gro-Bark which produces soil from compost and wood chips.

3.1.3 Demographics

Statistics Canada's Census of Population (2021) indicates that the population of Southgate comprised 8,716 individuals, a modest change of 18.5% from its 2016 population of 7,354. In 2021, the municipality had an estimated land area of 643.08 km^2 with a population density of 13.6/km^2. There were 3,257 total private dwellings with 3,017 private dwellings occupied by usual residents.[3]

3.1.4 Transportation Network

Southgate is a rural community bounded on the west by Highway 6 and on the east by Highway 10. Other roads traversing the municipality consist of a network of county roads, concession lines and sideroads, which are generally laid out in an orthogonal grid plan.

3.1.5 Geological Overview

Grey County contains some of the most scenic glacial terrain in southern Ontario. The Niagara Escarpment is a very prominent bedrock feature that traverses the northern and northeastern part of the County. The bedrock valleys of the Beaver River Valley and Owen Sound are notable Escarpment features that extend southerly for significant distances.

The oldest part of the glacial landscape is in the southeast part of Grey County, specifically around the communities of Dundalk and Maxwell. The local landscape comprises a broad rolling till plain punctuated by a series of northwest-southeast oriented drumlins and several linear esker ridges oriented in the same general direction. Much of the Townships of West Grey, Southgate and Chatsworth, and an area near Flesherton, are dominated by a series of moraines and glacial spillways which contain large quantities of sand and gravel resources. There are numerous sand and gravel pits and rock quarries operated by well established business operators in the various municipalities that comprise Grey County.[4]

3.1.6 Summary

The Township of Southgate is located within the southeast corner of Grey County. Local land use is a mix of agricultural operations and rural residential housing, along with a small number of industries and local commercial businesses. The municipality has experienced modest historical growth in population and not anticipated to materially change anytime soon. There are significant resources of sand and gravel deposits in various parts of Southgate Township. The bulk of the resource is said to be contained in the Singhampton Moraine and the adjacent outwash spillway channels. In the longer term, potential exists for local aggregate producers to export materials to the northwestern part of the Greater Toronto Area ("GTA"); however, for the foreseeable time, most aggregate material produced will likely be used locally.

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[3] *Statistics Canada. 2023. (table). Census Profile. 2021 Census of Population. Statistics Canada Catalogue no. 98-316-X2021001. Ottawa. Released November 15, 2023.*

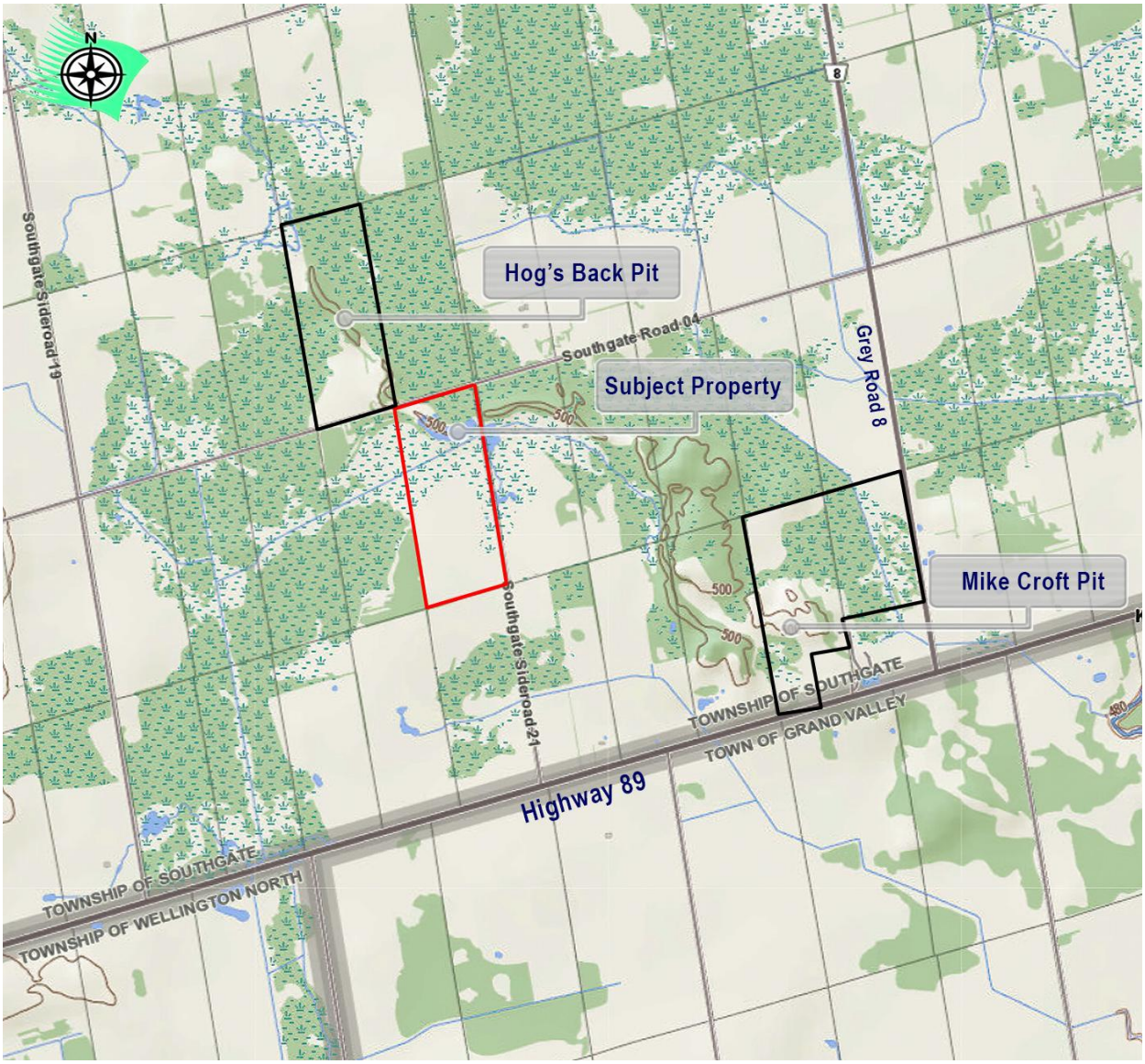
[4] *Aggregate Resource Inventory Master Plan, Grey County (October 2004)*

3.2 Subject Neighbourhood

3.2.1 Geographic Location

The Subject Property was situated within a sparsely populated rural area, bounded by the unopened road allowance for Southgate Sideroad 21 and fronting the south side of Southgate Road 04. Land usage was mainly focused on farming activities with a few rural homes, as well as the nearby St. Patrick's Roman Catholic Church and cemetery located about 4.5 kms to the west. The Town of Shelburne is situated about 20 km to the east and the Town of Mount Forest is about 25 km to the west.

Figure 3: The Subject Neighbourhood and Predominant Land Uses[5]



[5] *Make a Topographic Maps, Ministry of Natural Resources and Forestry, modified by the author (not to scale)*

3.2.2 Predominant Surrounding Land Uses

As illustrated in the figure on the preceding page, the immediate area surrounding the Subject Property comprises large areas of low-lying woodlands/wetlands, traversed by small watercourses and swampy features, and other open areas comprising pasture lands and fields for agricultural crops. There are two aggregate-producing properties in proximity, which includes the Hog's Back Pit and the Mike Croft Pit.

The Hog's Back Pit

The Hog's Back Pit is situated nearly directly across from the Subject Property, fronting the north side of Southgate Road 04. This property is identified as Index-06 in this Appraisal and full transactional details are provided in the Addenda – Addendum E: Summaries of the Comparable Sales.

This former wayside pit was purchased in 2019 for $500,000 by H. Bye Construction Limited, a building contractor in nearby Mount Forest. The company has made an application under the Aggregate Resources Act (ARA) for a Class 'A' license to mine aggregate above the water table and to extract 100,000 tonnes of material annually. The estimated volume of aggregate reserves in the proposed licensed area was estimated to be approximately 336,000 tonnes. The main haulage route for the extractive operation would be east on Southgate Road 4 to Grey Road 8 and then south to Highway 89. The application remains pending approval for licensing.

The Mike Croft Pit

The Mike Croft Pit is identified as Index-08 in this Appraisal and full transactional details are also provided in the Addenda – Addendum E: Summaries of the Comparable Sales.

Currently listed for sale, this property is located southeast of the Subject Property, with good access to the north side of Highway 89. A trailer park abuts the north and west boundaries of the site. The owner holds a Class 'A' Licence to extract aggregate above the water table, which provides for a maximum of 100,000 tonnes of material annually. The pit has been operating for a lengthy period of time. A site visit indicated a well-established pit floor and open faces along the northern and eastern pit walls. The agent indicated that recent survey work done by a prospective purchaser had indicated about 300,000 tonnes of material remained in situ, which appears to be predominantly sand material with minimal stone content.

The property is currently listed for sale at the asking price of $1,625,000. It was reported that some interest has been shown by two separate buyers with the offer prices being in the $1,500,000 range, but no firm agreement has materialized. Additionally, there was some interest to develop a waste transfer facility on the site, but the prospective party lost interest in pursuing the necessary approvals.

3.2.3 Summary Remarks

Land use in the immediate area is a mixture of low-lying woodlands/wetlands, traversed by small watercourses and swampy features, pasture lands and fields for agricultural crops. Land use to the east and west has been identified as managed forest/Conservation Authority lands. The most notable land uses relevant to this Appraisal are two nearby sites formerly/presently used for aggregate extraction, with a pending application for Class 'A' Aggregate Licence for the Hog's Back Pit. Generally, the existing land uses surrounding the Subject Property are stable and not anticipated to materially change anytime soon.

3.3 Aggregate Production Overview

3.3.1 Overview of the Aggregate Industry

TOARC, the trustee of the Aggregate Resources Trust was created under the authority of the *Aggregate Resources Act, R.S.O. 1990, c.A.8*, and among other responsibilities, it is charged with the collection and disbursement of aggregate fees and the publication of production statistics for aggregates. TOARC has published *Aggregate Resources Statistics in Ontario Production Statistics* ("TOARC Statistics") annually since 1998. The Overview in *Production Statistics 2022* states that the aggregate industry plays a foundational role within the Ontario economy. The economic activity generated by industry begins with the aggregate production itself but also feeds industries which receive and use the raw materials, including cement and concrete products and other aggregate-based products.[6]

The TOARC Statistics publishes a review of annual aggregate production in Ontario, along with specific production data for the Ministry of Natural Resources and Forestry ("MNRF") reporting district of Aurora Midhurst Owen Sound District, including the 'Upper Tier Municipality/Territorial District of Grey County', and specifically for the 'Single/Lower Tier Municipality of Southgate Township'. The TOARC Statistics for this market area have been analyzed to estimate the size and distribution of aggregate production relative to the probable market share of the Subject Property.

3.3.2 Aggregate Production in Ontario

TOARC Statistics for annual aggregate production in Ontario[7], for the 13-year period of 2011 to 2023, indicated that the annual production peaked in 2021 with a total extraction of 178M. The lowest volume was reported in 2013 at 143M. Since that time, the volume of aggregate production has been trending upward, with significant extraction occurring over the past three years; however, production totalled just 167M, a decrease of 6M, or -3.5% less than the tonnage reported in 2022. The final production numbers for 2023 and the preliminary numbers for 2024 were not available at the time of writing this report.

Most of the aggregate production has been extracted from licensed pits and quarries on private lands, and a much smaller volume was generated by extraction from aggregate permits on Crown land, forestry aggregate pits and wayside pits. In 2023, there were 3,565 licences for pits and quarries on private land in areas designated under the *Aggregate Resources Act*, and 2,429 aggregate permits on Crown land and 1 wayside permit.

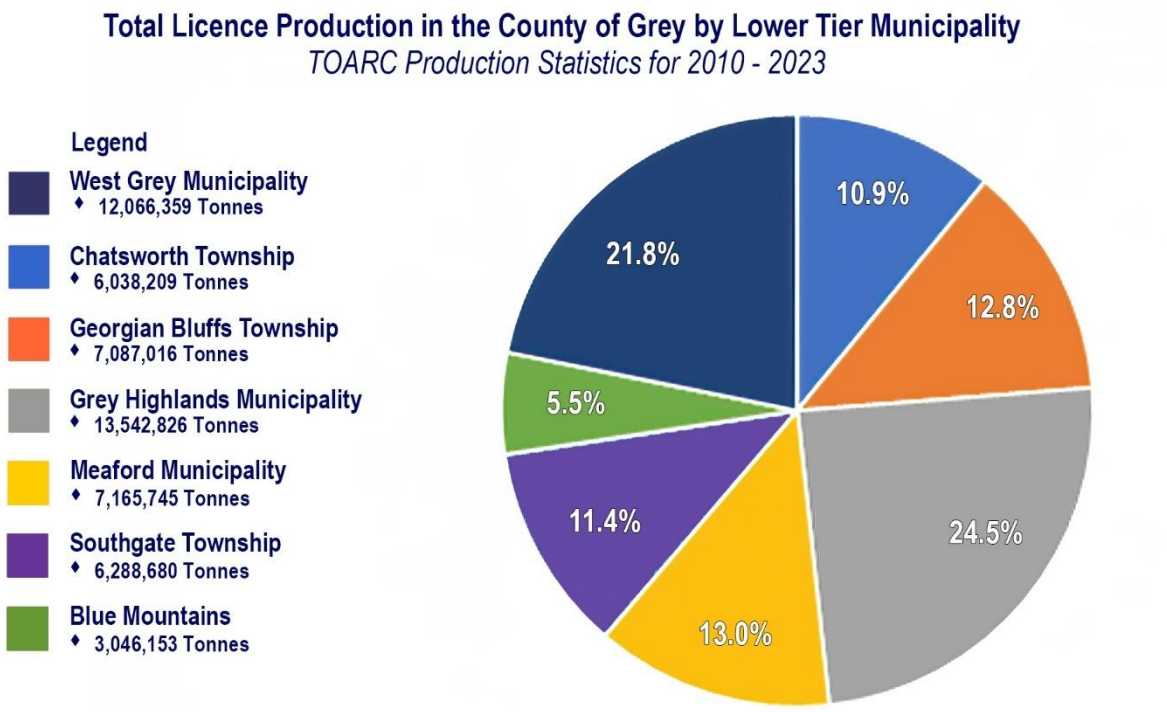
3.3.3 Aggregate Production in Grey County

As noted, the Subject Property is located within the lower tier municipality of Southgate Township, which forms part of the upper tier municipality of Grey County. Oversight of aggregate producing pits and quarries are administered by the MNRF reporting district of Aurora Midhurst Owen Sound District. There are seven lower tier municipalities for production reporting in Grey County, including: Chatsworth Township, Georgian Bluffs Township, Municipality of Grey Highlands, Municipality of Meaford, Southgate Township, The Town of Blue Mountains, and the Municipality of West Grey. The Municipality of Grey Highlands produces nearly one-quarter of licensed aggregate production, followed by the Municipality of

[6] *Aggregate Resources Statistics in Ontario, Preliminary Production Statistics 2023, The Ontario Aggregate Resources Corporation (TOARC).*
[7] *Ibid.*

West Grey. Both municipalities combined produce nearly one-half of all aggregate production during the past 14-year period of 2010 to 2023. Southgate Township had a market share of 11.4%, as shown below:

Figure 4: Market Share of Lower Tier Municipalities in Grey County[8]



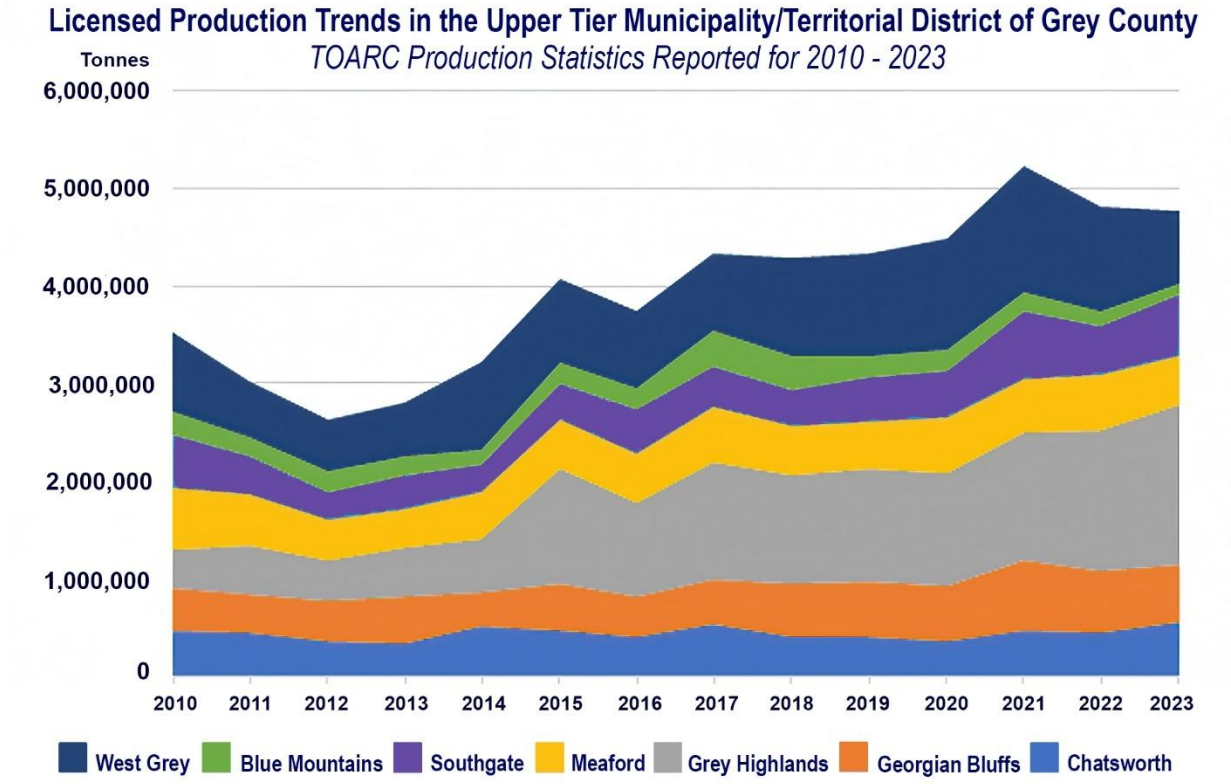
As illustrated in the figure on the following page, the licensed production of aggregates in the County of Grey has generally been trending up since 2010, with the peak year being in 2021 when TOARC reported a total volume of 5,233,443 tonnes for the district. Production levels declined during 2022 and 2023, but production levels still maintained a record of about 4.8M tonnes annually.

The Municipality of Grey Highlands achieved the greatest volume of production and largest market share of the seven lower tier municipalities. Since 2015, annual production has generally exceeded 1M tonnes annually, rising to a record high of 1.7M tonnes in 2023. Similarly, production levels in the Municipality of West Grey have also seen a significant increase during the same period. During the past 14 years, only the Township of Chatsworth and the Georgian Bluffs Township have remained relatively stable with little growth in production levels and market share.

The Township of Southgate has produced a total of 6,288,680 tonnes during the past 14-year period of 2010 to 2023. On an annualized basis, the average volume of extracted aggregate material was approximately 449,192 tonnes. There was some modest increase in production during 2020 to 2023, ranging from approximately 500,000 to 650,000 tonnes during this period. Looking ahead, it is expected that production trends will continue to climb modestly, but in the short term will remain well under a 1M tonnes given the competition from active pit and quarries in locations closer to the Great Toronto Area.

[8] *Ibid.*

Figure 5: Trends of Aggregate Production in the County of Grey



3.3.4 Competitive Sub-Market Conclusions

It is expected that the primary sub-market competing with the Subject Property is within a 40-kilometre radius, being the approximate economic distance for delivering most types of sand and gravel commodities by trucks. This is an area roughly bounded north of Markdale, east of Shelburne (Mono Township), south to Fergus and west to Harriston. Within this sub-market, there are 144 licensed pits and quarries, comprising 10,584 acres (4,283 ha), as summarized below:

Table 1: Pit and Quarry Operations in the Sub-Market Competing with the Subject Property

Competing Sub-Market	No. of Licences	Licensed Lands (ha)	Licensed Lands (Acre)
Northwest Quadrant	42	1,193.28	2,948.59
Northeast Quadrant	30	799.94	1,976.65
Southwest Quadrant	29	504.01	1,245.41
Southeast Quadrant	43	1,785.96	4,413.11
TOTALS	**144**	**4,283.19**	**10,583.76**

It is estimated that the most significant competition to the Subject Property would be the pits and quarries operating in the northwest and northeast quadrants of the sub-market, with lesser influence from operators in the southwest quadrant, and much less from operators in the southeast quadrant that draws significant demand from the Greater Toronto Area for aggregate commodities.

Within the northwest and northeast quadrants, there are 72 licences with 4,925.24 acres (1,993.17 ha) licensed for aggregate extraction. The primary producers that control about 51.5% of the total licensed lands in these two areas are summarized below:

Table 2: Major Aggregate Producers in the Northwest and Northeast Sub-Market Area

Aggregate Producer	Upper Tier Municipality	Max. Annual Tonnage	Acres	Ha	Market Share (Lic. Land)
LaFarge Canada Inc.	Grey County	4,300,000	917.48	371.30	18.63%
Strada Aggregates Inc.	Dufferin County	3,750,000	368.18	149.00	7.48%
Mulmur Aggregates Inc.	Grey & Dufferin Counties	772,100	314.16	127.14	6.38%
Mike Croft Contracting Inc.	Grey County	950,000	289.35	117.10	5.87%
Durham Stone And Paving Inc.	Grey County	375,000	233.09	94.33	4.73%
St. Marys Cement Inc. (Canada)	Dufferin County	99,999,999*	165.10	66.81	3.35%
Harold Sutherland Const. Ltd.	Grey County	350,000	149.25	60.40	3.03%
H. Bye Construction Ltd.	Grey County	100,129,999*	101.93	41.25	2.07%
	Totals	**210,627,098**	**2,538.54**	**1,027.33**	**51.54%**

** Note: Licences with 'Unlimited Tonnage' are further identified as having a maximum of 99,999,999 tonnes annually.*

3.3.5 Summary

The major sand and gravel deposits in Grey County are situated in the southern portion of the county, mainly in the Municipality of West Grey and the Township of Southgate. The central feature in this area of the County is the glaciofluvial portion of the Singhampton moraine, which was deposited during a major melting event during the retreat of glacial ice toward Georgian Bay. Historical aggregate production in the area was mainly limited to supplying local markets and a substantial proportion of production was from secondary sand and gravel deposits close to Owen Sound, Meaford, Thornbury and Hanover. A modest amount of pit development also occurred in the towns of Durham, Markdale and Flesherton.

At present, there is growing demand for aggregate commodities in the County, particularly as evidenced by the upward trend in licensed production from pits and quarries located in the Municipality of Grey Highlands and the Municipality of West Grey. Both municipalities combined produce nearly one-half of all aggregate production during the past 14-year period of 2010 to 2023.

Southgate Township has significant aggregate reserves although production levels have been relatively stable with some modest increase production during 2020 to 2023, ranging from approximately 500,000 to 650,000 tonnes during this period. In the short term, extracting and processing aggregate commodities will likely remain limited to supplying local markets, with annual production remaining well under a 1M tonnes given the competition from active pit and quarries located closer to the Greater Toronto Area.

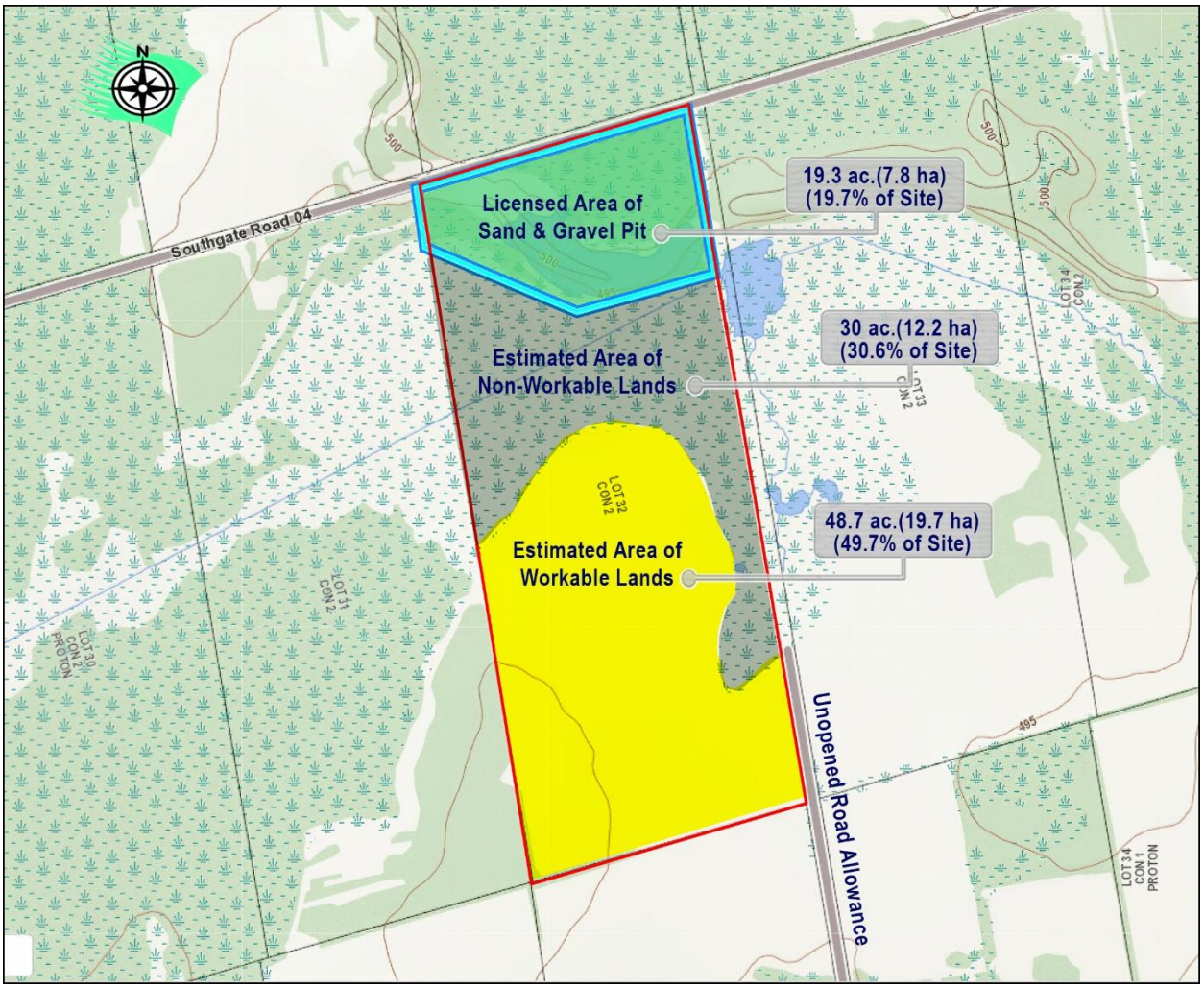
It is estimated that the Subject Property is situated in a competitive sub-market within an approximate radius of 20-to-40 km from the site. As discussed, there are a large number of properties licensed for pits and quarries within this area, with large scale operations owned by well-known companies in the aggregate industry. Given the small volume of the mineral reserves remaining in situ, the Subject Property will not be competitive with the production scale of these operators, and it would unlikely attract interest as an adjunct to their business concerns. It is more likely that market interest will be mostly limited to local contractors and/or builders supplying aggregate products in conjunction with their core businesses.

3.4 Subject Property

3.4.1 The Appraised Lands

The Subject Property has an estimated acreage of 98 acres (39.66 ha). The area of the site used for aggregate extraction is 19.27 acres (7.8 ha), and about one-third of the site has low-lying wetlands and a heavy tree cover. Roughly one-half of the lands are estimated to have 48.7 acres of workable acreage for agricultural and other rural uses. [9]

Figure 6: Sketch of the Subject Property[10]



3.4.2 Ownership

On May 26, 1993, title to the Subject Property was conveyed by Harold Gordon Townsend to the Corporation of the Township of East Luther, virtue Instrument R331062, for the total cash consideration

[9] *A property boundary survey is not available that definitively provides an estimate of the site's gross acreage. Accordingly, the site's area has been sourced from the MPAC tax assessment record for the Subject Property. The area of the lands licensed for aggregate extraction has been sourced from the MNR Licence data provided by the Ontario Mapping Tool "Pits and Quarries."*

[10] *Make a Topographic Maps, Ministry of Natural Resources and Forestry, modified by the author (not to scale).*

of $200,000. Ownership of the lands has remained under the stewardship of the Town of Grand Valley. To the best of the Appraiser's knowledge, the Subject Property has not been offered for sale or received any offer for sale within the 3-year period prior to the Effective Valuation Date of this Appraisal.

3.4.3 Title Charges, Easements and Encumbrances

The Parcel Register, dated December 11, 2024, indicates that there are no registered mortgage interests. There are no other known rights-of-way, easements or other registered title encumbrances identified on the Parcel Register. Title documents are included in the Appraiser's work file and available by request.

3.4.4 Assessment Data

The Subject Property was identified on the municipal tax roll as 42-07-090-007-018-00-0000. For the 2020 Tax Assessment Year, it had an assessed value of $177,000 based on the Valuation Date of January 1, 2016. The assessment appears to be reasonable, but it is not indicative of current market value. The parcel was identified under the Municipal Property Assessment Corporation ("MPAC") Property Code of 100 "Residential Vacant Land."

3.4.5 Licensed Area for Aggregate Extraction

The licensed acreage of the Proton Pit is 19.27 acres (7.8 ha), as noted on the Aggregate Licence No. 4875 issued by the Ministry of Natural Resources and Forestry. The authorization type of licence is a Class 'A' Licence > 20,000 tonnes annually, which provides for a maximum extraction of 100,000 tonnes within an extraction area of 12.6 acres (5.1 ha). There is no known 'Permit to Take Water' issued for the Proton Pit's operation by the Ministry of the Environment, Conservation and Parks to take water from the environment. It is inferred that the water displacement from the dragline excavation and run-off from stockpiles would not reach the threshold of 50,000+ litres of water daily.

As illustrated in the preceding Figure 6: Sketch of the Subject Property, the off-licensed lands are a mixture of low-lying woodlands/wetlands, traversed by a small watercourse and swampy features, and other open areas comprising open fields, likely used primarily as pasture lands. It is estimated that the non-workable land for agricultural uses comprises approximately 30 acres (12.2 ha), roughly one-third of the Subject Property's overall area. The remaining land comprises the workable acreage being approximately 48.7 acres (19.7 ha), about one-half of the entire acreage for the site.

3.4.6 Site Frontage and Access

The licensed area of the Proton Pit has a gated site entrance and a haul road accessing the south side of Southgate Road 04; however, this access point does not provide ingress and egress to the interior open fields south of the low-lying woodlands/wetlands. Once the extraction area of the licensed lands is mined-out, and aggregate reserves are exhausted, the existing road entrance will have diminished use and no practical utility to the off-licensed lands.

Access to the non-licensed lands (the non-workable and workable acreage) is problematic as there is no practical way of extending the site entrance/haul road across the low-lying woodlands/wetlands, which have a 'Provincially Significant Wetlands' designation that prohibit interference with a wetland. There is an unopened road allowance for Southgate Sideroad 21, along the east side of the Subject Property, but passage from Southgate Road 04 along this unimproved course is hindered by swampy terrain.

The remaining access point to the southerly lands could follow the Southgate Sideroad 21 allowance northerly from Highway 89. Please refer to the sketch entitled 'Figure 3: The Subject Neighbourhood and Predominant Land Uses', page 10. This route appears to be a roughly constructed laneway following the road allowance to the neighbouring farm fields south of the Subject Property. The laneway may provide some seasonal access although further investigations are warranted. In any event, ingress and egress to the workable acreage will remain a physically challenging aspect of the Subject Property.

3.4.7 Site Improvements

There are no existing buildings or structures on the site. There are no sanitary sewers, storm sewers or watermains directly connected to the lands. Hydro and telephone services are available for lateral connections at Southgate Road 04.

3.4.8 Planning Framework and Regulatory Context

The Official Plan for the Township of Southgate, 'Schedule A Map 1 Land Use', indicates that the Subject Property has three land use designations: Hazard Land, Provincially Significant Wetland and Rural. The land use designations are illustrated in the figure on the following page, which permit the following:

Hazard Lands Designation

Permitted uses in the Hazard Lands designation are: forestry and uses connected with the conservation of water, soil, wildlife and other natural resources; agriculture; passive public parks; public utilities; and, resource-based recreational uses. The aforementioned uses will only be permitted where site conditions are suitable and where the relevant hazard impacts have been reviewed and found to be acceptable to the Township in consultation with the Conservation Authority.

Buildings and structures are generally not permitted; however, non-habitable buildings connected with public parks, such as picnic shelters, may be allowed. Minor extensions or enlargements of other types of existing buildings and structures may be permitted provided the appropriate conservation authority supports such extensions or enlargement. A Planning Act application (e.g., Zoning By-law Amendment, Permission To Enlarge A Legal Non-Conforming Use or Minor Variance) may also be required.

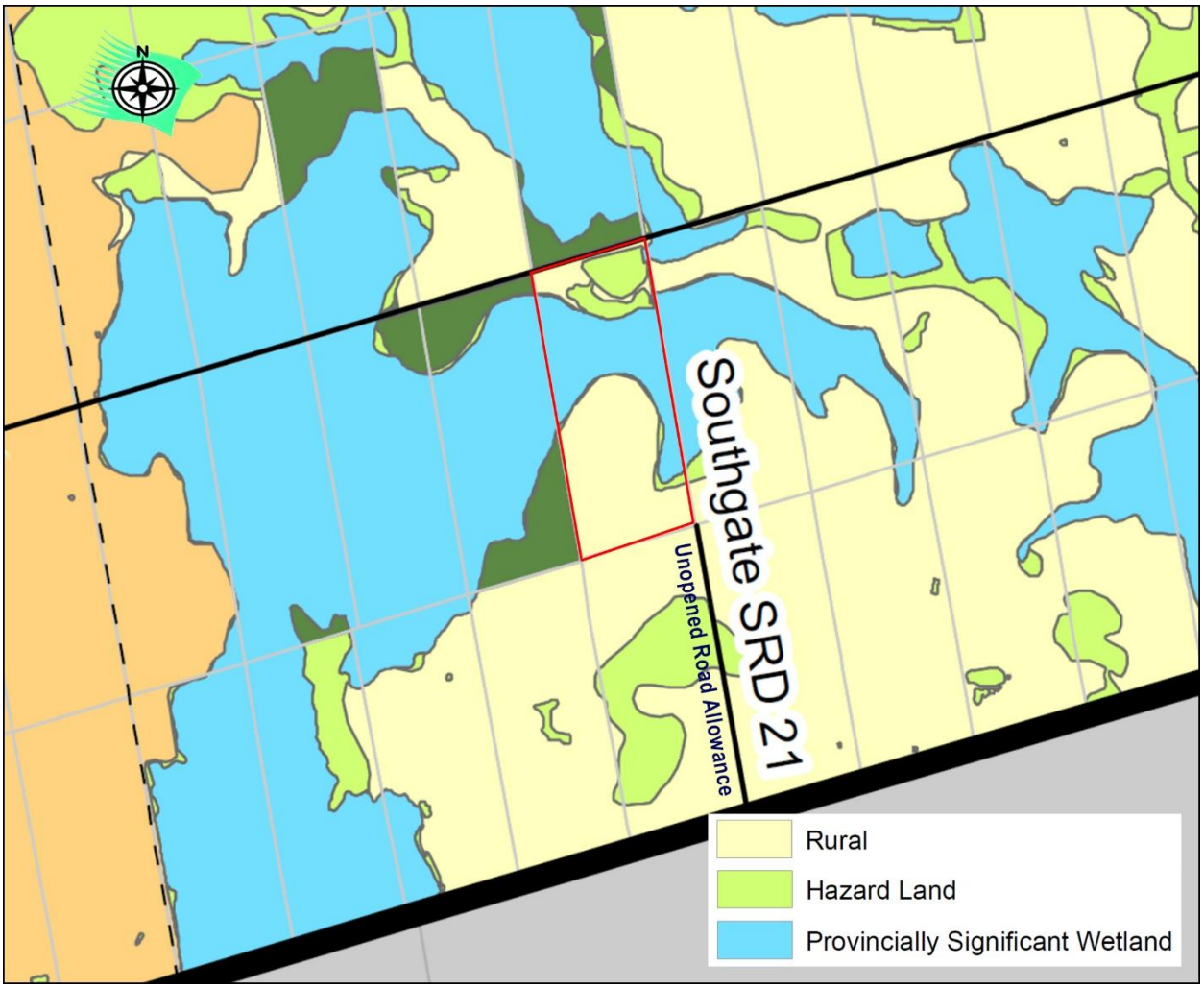
Provincially Significant Wetlands Designation

No development or site alteration is permitted within the Provincially Significant Wetlands designation except where such activity is associated with forestry and uses connected with the conservation of water, soil, wildlife, and other natural resources and will not negatively impact the integrity of the wetland, but shall not include buildings. With regard to forestry, selective cutting practices are acceptable whereas clearcutting is not permitted. In all instances, the Conservation Authority must be consulted prior to tree/vegetation removal to ensure conformity with the Conservation Authority's regulation. Clearcutting in wetlands is considered an interference with a wetland, which is prohibited in the 'Development Interference with Wetlands, and Alterations to Shorelines and Watercourse Regulation'.

Rural Designation

Permitted uses in the Rural designation are: all of the uses permitted in the 'Agricultural' designation as per Section 5.4.1.1; non-farm residential uses; resource-based recreational uses; small-scale transport terminals, buildings and yards associated with trades, including contractors yards, plumbing, electrical, heating/cooling shops, etc.; residential farm cooperatives; agri-miniums; institutional uses including cemeteries, churches, or schools; and, recreational or tourist-based rural clusters.

Figure 7: Official Plan Modified-Schedule-A-Map-1 (Excerpt)[11]



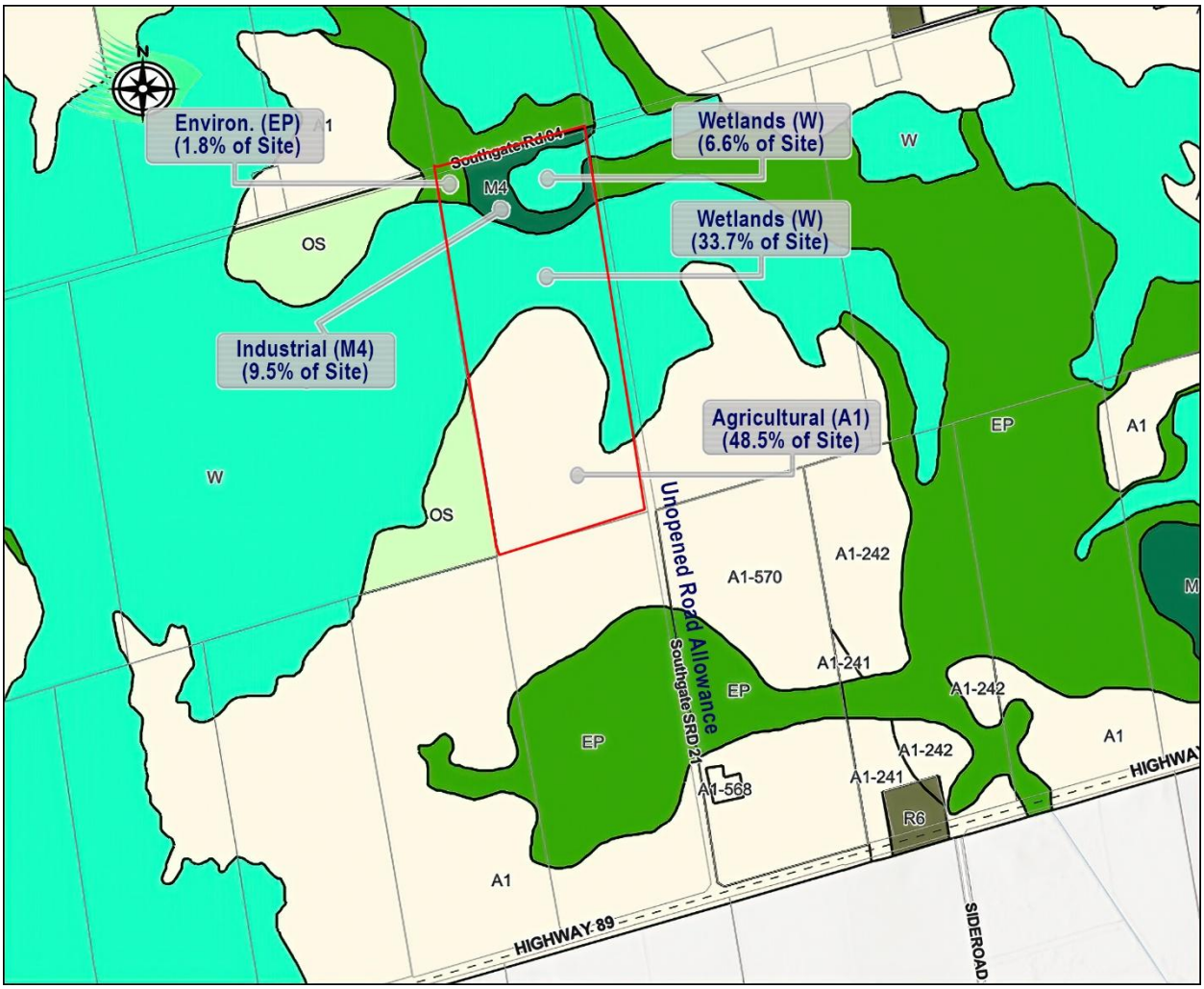
Land uses are regulated through Zoning By-Law 19-2002 (Office Consolidation July 2024). The zoning map for the Township of Southgate indicates four zoning classifications that regulate permitted uses for the Subect Property: Extractive Industrial Zone (M4), Wetlands Protection Zone (W), Environmental Protection Zone (EP) and Agricultural (A1). The following approximate areas of the zoning classifications have been estimated using the mapping and measuring tool of the Grey County GIS mapping service.

- Extractive Industrial Zone (M4): ± 9.5% of the overall acreage
- Wetlands Protection Zone (W): ± 40.3% of the overall acreage
- Environmental Protection Zone (EP): ± 1.8% of the overall acreage
- Agricultural Zone (A1): ± 48.5% of the overall acreage

The figure on the next page illustrates the specific zoning areas placed on the Subject Property. It is notable that only a small portion of the licensed area for aggregate extraction is zoned Extractive Industrial Zone (M4), and the remainder is zoned Environmental Protection Zone (EP) and Wetlands Protection Zone (W).

[11]*Township of Southgate, Schedule 'A' Map 1 Land Use (May 4, 2022), modified by the Appraiser.*

Figure 8: Township of Southgate Zoning By-Law Map (Excerpt)[12]



The permitted uses of the four zoning classifications are briefly summarized below:

Section 25: Extractive Industrial Zone (M4)

- Extractive industrial uses
- Agricultural uses, excluding any dwelling unit or any other building or structure except a fence

Section 30: Wetlands Protection Zone (W)

- Forestry or Conservation Use, Passive Recreation Use, Public Park
- Agricultural Use

Section 29: Environmental Protection Zone (EP)

- Forestry or Conservation use
- Passive Recreational use
- Public Park

[12] *Township of Southgate Zoning, Grey County GIS Mapping and Measurement Tool, modified by the Appraiser.*

- Agricultural use
- Parking area

Section 6: Agricultural Zone (A1)

- Agricultural uses and commercial greenhouses
- One single detached dwelling on a lot
- A Bed and Breakfast, A Home industry, A Home occupation
- A Vacation Farm
- Temporary Farm Help Accommodation
- A Wayside pit or Quarry
- Forestry or conservation
- Uses, buildings or structures accessory to a permitted use
- One secondary dwelling unit is permitted – see 6.13

3.4.9 Pit Licensing and Operational Plans

The Subject Property has a Class "A" licence, Category 1 (ALPS 4875), which permits the Corporation of The Town of Grand Valley to operate a licensed pit on a 7.8-hectare site, with a maximum tonnage of 100,000 tonnes annually, below water, under certain prescribed and additional conditions, as described in the attached schedules to the licence.

The approved Operational Plan (the "Plan") was prepared by Henderson, Paddon & Associates Limited for Gordon Townsend, dated March 9, 1992, and it comprises four drawings illustrating the existing site features, an operational plan, final rehabilitation and cross-sections of the pit.

The 1992 drawing of the existing site features indicated the existing contours and features including bush, buildings, roads, fences, lots, concessions and the boundary of the licenced area and the location of cross sections. There was an existing entrance/exit with a lockable gate leading into the pit with an overburden stockpile on the east side of the pit and a gravel stockpile to the west. A post and wire fence ran parallel along the south side of the Southgate Road 04, and along the east and west boundaries of the licensed area. The site's east boundary abutted an unopened 20-metre Township Road allowance

Lands south of the licensed area comprised a large area of hazard (swamp) lands traversed by a small watercourse, and lands southerly of the swamp were cleared for rural/agricultural uses. A large area of the licensed pit area was covered with mature mixed hardwood and cedar trees. The existing water table was identified at 491.5 MASL based on the swamp elevation. There were no water wells within the licensed boundary area or within 300 metres of the pit's boundary.

The area of the Subject Property to be licensed was 19.37 acres (7.84 ha) with an extractable area of 13.12 acres (5.31 ha). The existing disturbed area of the property was approximately 0.94 acres (0.38 ha).

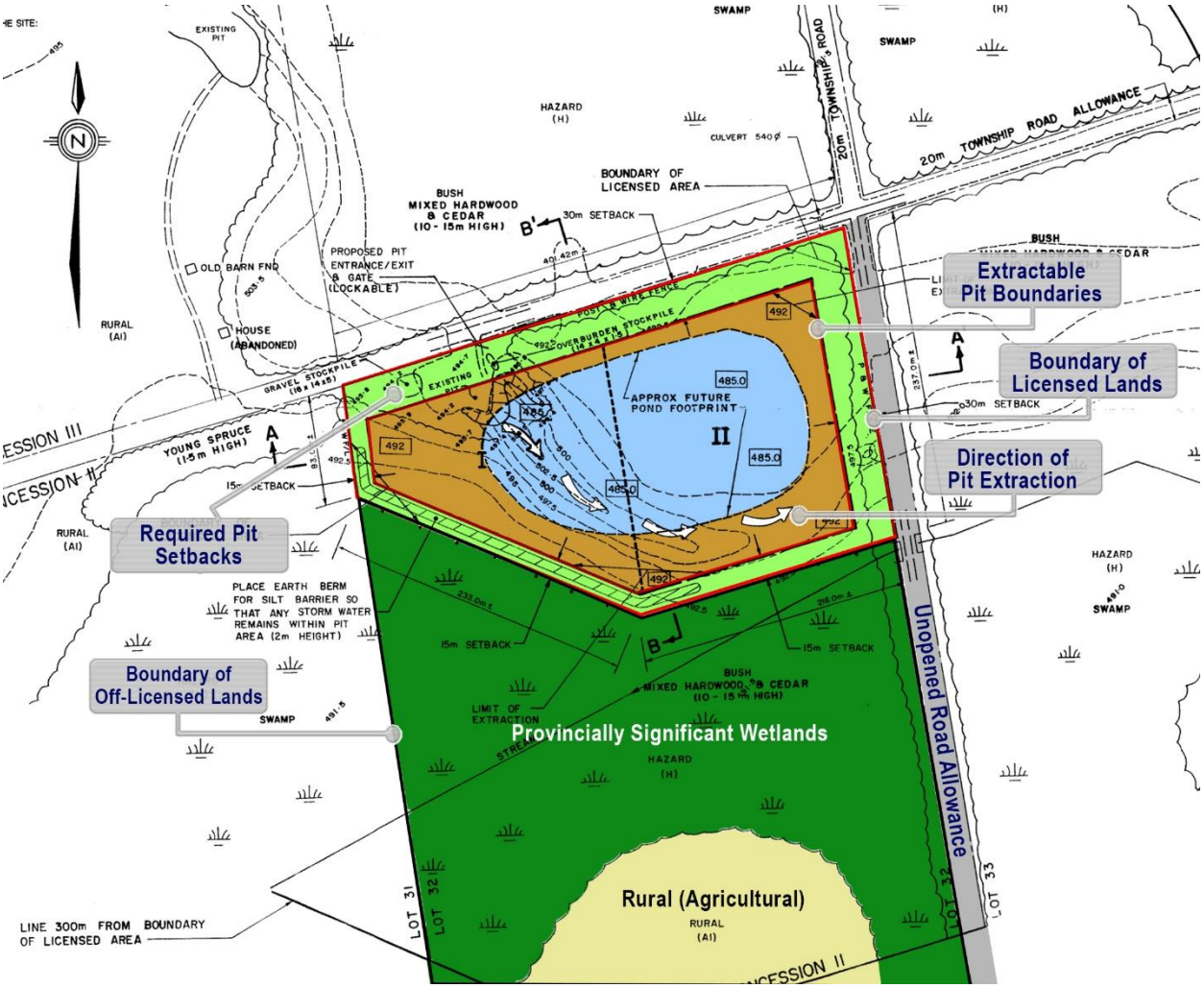
3.4.10 Extraction Area

The operational plan for the pit indicates that the area to be extracted was 12.6 acres (5.1 ha), which was about 65.4% of the licensed area of 19.3 acres (7.8 ha). Accompanying notes indicated the following:

- Topsoil and overburden will be placed separately in berms within setbacks no closer than 3 metres from the licensed boundary, convenient to the stripping operation. Stockpiles following

the order of operations will be limited to a maximum height of 12 metres and located adjacent to the extraction face, but no closer than 30 metres from the licensed boundary.

Figure 9: Operational Plan for the East Luther Proton Pit (Excerpt)[13]



- Excavation below the water table will occur, with no dewatering. There will be no discharge or diversion of surface water offsite. Stormwater will evaporate or infiltrate the pit floor. There will be no wash ponds or drainage facilities required for the pit's extractive operation.
- Berms will be constructed to a maximum of 2.0 metres high with a 3-metre flat top, 2:1 side slopes and seeded to prevent erosion. Topsoil and overburden will be piled separately.
- Stripping will proceed far enough ahead of the extraction operation to prevent contamination of the aggregate materials and stockpiled within the licensed setbacks. Excavation and progressive rehabilitation will follow the order and direction of operations as shown, which generally follows a southeasterly direction from the northwesterly corner of the licensed area.
- Equipment to be used on the site includes a portable crusher, trucks, front-end loaders, dozer and required petroleum spill clean-up equipment, and also a backhoe or dragline to excavate

[13] *Operational Plan excerpt (Henderson, Paddon & Associates Limited for Gordon Townsend, 1992), annotated/modified by the Appraiser.*

aggregate material from the pond. A portable crusher will be used on a temporary basis and will be located on the pit floor close to the working face.

- Rehabilitation will be progressive following the order of extraction operations. Rehabilitate Phase 1 prior to excavating Phase II, etc. Final 3:1 Side slopes will be uniformly graded using a small dozer and onsite material, and the slopes will be topsoiled and seeded.

3.4.11 Progressive Rehabilitation and Final Rehabilitation Plans

The progressive and final rehabilitation of the licensed lands follow the details outlined in the Plan. CAR documentation was not available, but it is assumed that the aggregate operation is in general compliance. The Plan requires the following measures for the progressive and final rehabilitation of the pit:

- The final area of the pit to be rehabilitated will be 13.12 acres (5.31 ha). Rehabilitation is to be progressive following the order of operations, with one phase to be completed prior to proceeding with the subsequent phase.
- Final depths of excavation were based on the approved Plan, with the final elevation (anticipated) to be 485.0, being the ultimate depth of extraction in the pit area, and a final contour of 490.0.
- The final 3:1 slopes are to be established using on-site material. Excavation will commence in steps from the limit of extraction to the pit floor so that sufficient remaining material enables uniform grading of the resource to the required 3:1 slopes.
- No stormwater will be diverted off-site or stored on-site. Surface water will disappear through evaporation and infiltration, and eventually drain into the pond once fully excavated.
- Final rehabilitation will require a deep rip of the pit floor to loosen soil for proper permeability. The pit floor and side slopes should be graded reasonably smooth. Other than the pond, areas within the extraction area will be finished with 100 mm topsoil (minimum) and planted with grasses and legumes.
- After depletion, the pit will be directed towards natural revegetation resulting in a wildlife habitat surrounding and including the pond.

3.4.12 Quantity and Quality of Aggregates in Situ

William D. Fitzgerald MSc., P.Geo. conducted field investigations involving six test holes within an area of approximately 2.47 acres (1.0 ha) of potential aggregate resource reserves. He noted that the licensed area of the pit lies within an esker, a ridge of gravel and sand deposit from a glacial meltwater river, that extends along the existing pond to the east boundary of the licensed pit. The test holes excavated east of the pond confirmed that the esker did not extent to the east more than 100 metres on average.

The test holes generally encountered medium and fine sand with various percentages of stone material to a maximum of 5 metres. The deposits had potential to produce Granular A and Granular B stone and sand products. The estimated volume of proven aggregate was calculated to be 50,000 m^3, or 88,500 tonnes, excluding existing stockpiles on the site. It was assumed:

- The area extracted and now covered with water is depleted of usable aggregate.
- The areas to the south and east of the pond contain no accessible aggregate, except those as indicated in Mr. Fitzgerald's accompanying report, dated February 26, 2024.

3.4.13 Forecasted Production and Economic Life of the Pit

There have been low volumes of aggregate commodities historically extracted from the Proton Pit during the period of 2014 to 2024. The maximum tonnage extracted was 5,300 tonnes in 2015, and the pit is currently idle. It is noted that many of the smaller sand and gravel pit operations for this market area would probably not exceed 25,000 tonnes annually. Given the remaining aggregate reserves of 88,500, it is estimated that about one-quarter of the reserves, or 22,125 tonnes, could be economically extracted annually over an economic life of four years for the Proton Pit, after which time the licensed area of the Subject Property would be rehabilitated for an alternative use.

3.4.14 Estimated Highest and Best Use

The estimated highest and best use of a property is the fundamental premise underlying an opinion of market value. According to Section 2.32 of CUSPAP, highest and best use is defined as "the reasonably probable use of a property, that is physically possible, legally permissible, financially feasible and maximally productive, and that results in the highest value."

There is sufficient economic demand in the local market for sand and gravel products, tempered by the presence of competing operators within an approximate 20-to-40 km radius from the Subject Property. Aggregate extraction is estimated to be financially feasible and a maximally productive use of the lands comprising a licensed area of 19.3 acres (7.8 ha). Testing has indicated that there are 88,500 tonnes of probable aggregate reserves, in situ, excluding existing stockpiles of extracted material. The terminal use after depletion of the resources is estimated to be for open space and recreational uses, consistent with the operational plans for the progressive and final rehabilitation of the licensed lands.

The balance of the Subject Property comprises off-licensed lands, which are further described as workable and non-workable lands for rural and agricultural uses. The planning and regulatory framework precludes any modification or interference with wetlands, and in this regard, these non-workable lands of about 30 acres (12.2 ha) have no other functional use other than for open space and conservation. The remainder of the acreage in the southerly part of the Subject Property is approximately 48.7 acres (19.7 ha), which is estimated to be workable acreage for mainly agricultural uses, namely pasture lands and fields for agricultural crops. There would be little potential for developing a single detached dwelling on these lands given the existing access challenges; however, there may be an opportunity for a recreational building for an occasional/seasonal use and/or structures accessory to a permitted agricultural use.

It is concluded that no other use(s) would provide a greater economic return to the lands than an interim sand and gravel pit on 19.3 acres, open space/conservation on about 30 acres and agricultural uses for the remainder of the Subject Property, as at the effective valuation date of November 25, 2024.

Photograph 1: A satellite image of the Subject Property illustrating the surrounding land uses.

Photograph 2: The gated entry and haul road to the Proton Pit's extraction area.

Photograph 3: A southeasterly view of the pit's laydown area and stockpiles of extracted material.

Photograph 4: A northwesterly view across the stockpiled material to the frontage along Southgate Road 04.

Photograph 5: A southerly view across the existing pond in the extraction area of the Proton Pit.

Photograph 6: A detailed view of the cobble stones and other stockpiled material on the site.

3.5 Valuation Methodology

3.5.1 Preamble

The Subject Property comprises a sand and gravel pit, sensitive wetlands, and open lands for pastures and growing agricultural crops. The lands are vacant and unimproved without buildings. A gated entrance from Southgate Road 04 is the primary access point into the site, which leads to the stockpiles in the laydown area and disturbed areas of the pit. The sand and gravel pit represents about 29.7% of the Subject Property's area, but it is currently the principal use of the entire acreage. The off-licensed lands with open fields have been used for agricultural uses, which represents approximately 49.7% of the 98 acres. Site ingress and egress to these open lands in the southerly half of the Subject Property is highly constrained by the lack of access to improved road frontage. The remaining off-licensed lands, being about 30.6% of the acreage, is non-workable for agricultural purposes, with no other functional use than open space, conservation and recreational uses.

3.5.2 Traditional Valuation Methodologies

There are three valuation approaches that may be applied to estimate the market value of a property: the Cost Approach, Direct Comparison Approach and the Income Approach. These methodologies can be independently applied or used together in the valuation of a property depending on its physical characteristics, financial history, economic viability, market competition and the availability of relevant comparative data. All three approaches endeavor to replicate the actions of market participants.

In this instance, the Income Approach is the appropriate methodology for appraising an aggregate-producing property, which involves the capitalization of expected revenues from aggregate material in situ. The generally accepted procedure is a Discounted Cash Flow (DCF) analysis, which determines the value of forecasted revenues over a projected timeline. In this instance, the revenues are based on a flow of prospective royalties that could be earned from every tonne of aggregate extracted over an economic period of aggregate extraction. Once the reserves are exhausted, the market value of the licensed lands at the end of the pit's physical life, the "Reversion", is estimated and discounted to a Present Value ("PV"). The PV sum of the forecasted revenues and the Reversion is the estimated market value of the property.

The appropriate methodology for appraising off-licensed lands, typically rural property, is a comparative process, which mirrors the actions of market participants in selling and buying this type of real estate. As such, the valuation of the off-licensed lands is limited to the Direct Comparison Approach.

It is noted that the Direct Comparison Approach applied to the valuation of pits and quarries is generally less reliable given that the transactional data is often insufficient to permit a detailed analysis. There are considerable variables to aggregate operations that influence value, including the types of mining, location, topography, sizes, shipping methods and other factors, which weaken a comparative analysis. Confirming information is difficult to obtain, and independently verify, given the reluctance of the parties to the sale to publicly disclose such data. As such, market sales are typically utilized as comparative benchmark values against valuation conclusions from other methodologies.

The Cost Approach is not relevant to the purpose of this valuation and the appraised property types.

3.6 Income Approach

3.6.1 Application of the Income Approach to the Licensed Lands

The Income Approach is the primary method in appraising the market value of real estate that provides stable income and investment return to an owner. The economic premise underlying the methodology is that the present worth of something can be expressed as the 'present value of future benefits.'

The Income Approach has two generally accepted valuation procedures for converting future revenues into a present estimate of value: direct or 'overall' capitalization of stabilized net annual income into perpetuity, and a Discounted Cash Flow analysis ("DCF") of annual cash flows over time and reversionary value at the end. The DCF procedure has the greatest application for valuing aggregate-producing lands, which converts forecasted annual net cash flows into a present value estimate.

In this instance, the annual cash flows were derived from a 'royalty fee', like a land rental or licence rate, collected by the property owner for each tonne of aggregate extracted from the pit or quarry by an independent operator. The periodic cash flows are based on an estimate of level aggregate production, discounted by an interest rate or discount rate, which is a rate of return on capital that considers all expected property benefits over the period in the analysis. The reversionary value of any remaining resources at the end of the period is also converted into a present value estimate. The sum of the annual discounted cash flows and the lump sum of the remaining aggregate resources in situ, or alternatively, the property's Reversion, is the estimated market value of the lands being appraised.

3.6.2 Aggregate Resource Evaluation

The geological report prepared by William D. Fitzgerald MSc., P.Geo., estimated that the volume of remaining aggregate resource, in situ, was 50,000 m^3, or 88.500 tonnes, excluding existing stockpiles on the site. The potential reserves were said to be within an area of approximately 2.47 acres (1.0 ha) of potential aggregate resource reserves. The site testing conducted by Mr. Fitzgerald indicated medium and fine sand with various percentages of stone material to a maximum of 5 metres. The deposits had potential to produce Granular A, Granular B stone and sand products. It was assumed that the area extracted and now covered with water was depleted of usable aggregate. Furthermore, the area to the south and east of the pond contained no accessible aggregate. The highest quality of the reserves was found in the pit's northwest corner. The resource reserves in the northeasterly portion of the tested area had aggregate resources of lower quality – medium to fine silty, clayey sand and 15%-to-20% fine-to-medium stone – with significant overburden to clear. This material would likely have limited marketability beyond pit run.

3.6.3 Annual Aggregate Production

The economic and physical life of the Proton Pit is estimated to be 4 years. The total tonnage is based on extractions of 22,125 tonnes annually over a forecasted time of 4 years, or a total of 88,500 tonnes for the period. The terminal use of the licensed acres at the property's Reversion is estimated to be for open space, recreational and conservation uses. The market value of the lands in year 20 is discounted to PV estimate.

3.6.4 Estimated Royalty Rate

A royalty rate is defined as "*Money paid to an owner of real property or mineral rights to deplete a natural resource (e.g., oil, gas, minerals, stone, builders' sand and gravel, timber); usually expressed as a portion of the revenue received for, or price per unit of, the resource extracted."*[14]

Typically, the royalty is paid on a net basis whereby the operator pays all operating expenses in operating the extraction of aggregates and all costs associated with the rehabilitation of the lands, as stated in the approved operational plans for the licence. Royalty rates for aggregate extraction are difficult to determine in the marketplace. Pit owners and operators are reluctant to provide details given the confidential nature of such arrangements and the competitive nature of the aggregate-producing industry.

The royalty rate payable to the Crown for permits to extract aggregates from Crown Lands in 2024 is $0.60 per tonne, and it will increase in 2025 to $0.616 per tonne; however, the Crown rates are not reflective of typical market rates for extraction on private property. For high-quality concrete and asphalt stone products and lower quality granular aggregate, royalty rates can range considerably depending on the characteristics of the aggregate resource and proximity to prospective consumers. Higher quality resources closer to primary markets would achieve a higher royalty rate than resources located farther away, given that trucking costs constitute 50% of the operating costs associated with a pit operation.

The Appraiser has anecdotal and informed information for royalty rates in other aggregate-producing regions of Ontario, which typically range from a low of $0.75 per tone to a high of $2.00 per tonne, depending on the physical qualities of the reserves and market variables. It is noted that the extraction of aggregate material below the water table is more expensive – draglines could add $1.50 to $2.00 per tone in additional costs to an operator – and would result in a lower royalty rate, all other things held equal.

Regarding the quantity and varying quality of the aggregate resources, it was concluded that a royalty rate of $0.75 per tonne would be appropriate for the resources identified on the Proton Pit's licensed lands. The estimated rate assumes that an agreement would have a provision for a minimum annual volume of materials extracted from the lands. Furthermore, it would be reasonable to expect that the royalty rate will rise over time following the Ontario Consumer Price Index.

3.6.5 Interest and Yield Rates

Annual cash flows in a DCF analysis and the reversionary value of lands at the end of the investment period are discounted to a present value using a discount rate. A discount rate is defined as "*… a yield rate used to convert future payments or receipts into present value*..."[15] The sum of the discounted cash flows and the present value of a property reversion is the estimated market value of an income-producing property.

Discount rates are ideally derived from actual market transactions; however, owners and operators of licensed pits and quarries are reluctant to disclose physical information of their pits and quarries, and closely guard operational data, including their opinions on discount rates. Consequently, discount rates can be estimated by proxy to prevailing interest rates and yield rates from various investments, including yield rates and Internal Rates of Return ("IRR") from income-producing real estate. In this instance, the yields from the following investments have been considered: Government of Canada Bonds, Commercial Real Estate Mortgages and Improved Income Producing Real Estate.

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[14] *Dictionary of Real Estate Appraisal*

[15] *The Appraisal of Real Estate Appraisal, p. 20.17.*

As a benchmark comparison, the Bank of Canada benchmark long-term bond yield was 3.63% in April 2024. As of January 10, 2025, the yield rate has declined to 3.54%. The benchmark long-term bond represents a very low-risk investment yield.[16] The Bank of Canada Prime Rate was 6.95%, as of June 5, 2024. The Prime Rate has currently declined to 5.45%, as of January 8, 2025. During late-2024, banks were currently quoting 6.92% interest for a 5-year term and 6.78% for 10-year terms. Yield data for prime commercial investment properties within large market areas of Canada provide additional perspective on past real estate investment yields.

The National Investment Trends Survey produced by Altus Group Limited indicates that the yield rates vary by geographic markets and by property type. Survey participants for four benchmark asset classes in the Toronto market were forecasting upward pressure on average IRRs that ranged from 5.8% (suburban multiple unit residential) to 7.0% ("Class AA" downtown office) in the 4th quarter of 2023. For the 1st quarter of 2024, the survey for the Toronto market indicated IRRs ranging from a low of 6% to 7.5% for a benchmark industrial building. Generally, higher yields were forecasted for a comparable benchmark property in the cities of Montreal, Ottawa, Calgary, Edmonton and Vancouver.

Markets and property types with higher risk profiles result in higher yields, and lower risk result in lower yields. As such, the appropriate discount rate for valuing a quarry takes into consideration the perceived relation of risk in market opportunity and value of aggregate reserves. Typical purchasers of aggregate properties consider aggregate resources in situ as "future money in the bank", which depends on:

- proximity of the pit or quarry to major markets
- proximity of the pit or quarry to competing pits and quarries
- the short-term need for additional aggregate supply in the competing market
- the prospective purchaser's opinion on the quantity and quality of the reserves

An aggregate extraction operation within a reasonable forecasted period would have moderate risk to an operator, largely driven by competing market forces and not necessarily by the physical characteristics of the property. Given the quantity and quality of aggregate resources identified in the Subject Property, its proximity to market and the estimated annual production, it was concluded that a discount rate in the range of 7% to 8% would be appropriate for discounting the annual forecasted cash flows received from royalties on the extracted aggregates. A higher rate of 10% would apply to the relative uncertainty of the Subject Property's highest and best use at the reversionary end of the 4-year projection period.

3.6.6 DCF Assumptions

The lands comprising the licensed acreage for a sand and gravel pit was valued by applying a DCF analysis to the forecasted revenues over a projected timeline. The revenues assume a flow of prospective royalties that would be earned from every tonne of resource extracted over a period of 4 years and the estimated market value of the property's Reversion in the 20th year of the cash flows. As stated in earlier narrative, the economic life of the pit is estimated to be 4 years, notwithstanding that existing stockpiles on the Subject Property could extend the available resources beyond this time. (It should be noted that the existing stockpiles on the site have not been included in this Appraisal.)

[16] *Selected Bond Yields, Bank of Canada, average yield for long-term bonds quoted as at November 25, 2024.*

The following briefly notes the underlying assumptions in the valuation modelling:

- Quantity of aggregate reserves were provided by William D. Fitzgerald MSc., P.Geo
- Projected volume of annual aggregate extraction was estimated at 22,125 tonnes.
- A timeline of 4 years was used for the initial projection period of extractive activity.
- The maximum economic period of aggregate extraction was assumed to be 4 years.
- A royalty rate of $0.75 per tonne was applied to the aggregates extracted from the pit.
- Site rehabilitation costs were assumed to be the responsibility of the quarry operator.
- The Future Value ("FV") of annual cash flows from the forecasted royalties were discounted by a range of annual rates of 7% to 8%, to discount the potential revenues to a Present Value ("PV") estimate of net income from the pit's operation.
- The FV of the property's Reversion at the end of the pit's physical life, i.e., 4 years, is estimated to be $10,000 per acre, given its unimpeded site accessibility and its estimated highest and best use.
- The Reversion's FV was discounted at the end of the 20th year by a discount rate of 10%, to a PV estimate of the licensed lands' market value for its alternative highest and best use.

The pertinent details of the aggregate operation, market production, valuation assumptions and conclusions are presented in the tables on pages 37 to 41; details of the DCF analysis are presented in Table 9: DCF Analysis for the Subject Property, page 40.

3.6.7 Valuation Conclusion for the Subject Property's Licensed Lands

After consideration of all relevant factors, it is concluded that the licensed lands have an estimated market value of $188,800, or about $9,798 per acre, in contribution to the Subject Property's overall value.

As a check, the following transactions, including a current listing, of aggregate-producing properties have been considered as relative valuation benchmarks. Full details of each property are included in the Addenda (Addendum E: Summaries of the Comparable Sales). The properties are not directly comparable. All four properties have significantly greater volumes of aggregate reserves and longer physical life expectancies. In particular, the Rocklyn Quarry and the Morgan Pit are large-scale aggregate operations that would likely attract a different type of buyer than for what would be expected for a small pit such as the Subject Property. Given the licensed size of the Subject Property and its limited aggregate reserves, it is expected that its market value in absolute terms would be well below the comparative metrics shown below:

Table 3: Summary of Relevant Sales-Offering of Aggregate-Producing Properties

Index	Address	Type	Acres	Sale Date	Sale Price	S. P./Acre
05	Rocklyn Quarry, Meaford	Stone Quarry	100.65	Sept 17-20	$1,400,000	$13,910
06	Hog's Back Pit, Southgate	Sand & Gravel	101.74	Sept 04-19	$500,000	$15,124
07	Morgan Pit, Chatsworth	Sand & Gravel	133.46	Jan 25-24	$1,940,000	$14,536
08	Mike Croft Pit, Southgate	Sand & Gravel	148.81	Listing	$1,625,000	$10,920

3.7 Direct Comparison Approach

3.7.1 Valuation of the Off-Licensed Lands (Non-Workable and Workable Agricultural Lands)

The Direct Comparison Approach is related to the Principle of Substitution, which affirms that a buyer would not be justified in paying more for a property than the price for an equally desirable substitute having the same utility as a subject property. This methodology reflects the typical behaviour of sellers and buyers in the real estate market who use a similar type of comparative analysis to arrive at a sale price. The negotiations can be based on the overall selling price of the land, but frequently it is based on a unit value. For agricultural and rural lands, the commonly used unit of comparison is the sale price per acre, which employs a comparison analysis with quantitative or qualitative adjustments. Four sales are considered as benchmarks in valuing the Subject Property's off-licensed lands. Full details of the sale transactions are detailed in the Appraisal's Addenda (Addendum F: Summaries of the Comparable Sales).

Table 4: Summary of Relevant Sales of Rural-Agricultural Properties

Index	Address	Type	Acres	Sale Date	Sale Price	S. P./Acre
01	265745 Southgate Rd, 26	Vacant Land	56.89	Feb 25-23	$210,000	$3,691
02	265039 Southgate Rd. 26	Vacant Land	72.25	May 19-23	$690,000	$9,550
03	018247 Melancthon-Proton	Vacant Land	90.0	Aug 26-24	$900,000	$10,000
04	476342 3rd Line Road	Vacant Land	98.0	July 30-24	$1,000,000	$10,204

3.7.2 Benchmark Sale for Off-Licensed Lands (Non-Workable Open Space, Conservation Lands)

Index-01: 265745 Southgate Road 26, Township of Southgate, ON

This is a 56.89-acre parcel of land located about 20 minutes northwest of Dundalk, near the settlement area of Hopeville. The site fronts the south side of Southgate Road 26. Surrounding land use is a mixture of agricultural fields, heavily wooded areas along with various farms and rural single-family houses. The property comprised an elongated-shaped site, with a heavy tree cover. The site was mostly low-lying, with marshy vegetation and coniferous trees. A small watercourse traversed the site and flowed to the west as a tributary of the Saugeen River. There was a gated entry from the north side of the road allowance, which led into a cleared area with an old trailer and shed. The lands had been used by the previous owner for recreational purposes. As the lands were in a regulated area under the Saugeen Valley Conservation Authority, it was unlikely that the site would be suitable for a building permit.

The property was listed for sale in late-2022 at the asking price of $275,000. On February 25, 2023, it sold for $210,000 cash, and title was conveyed on March 22, 2023, via Instrument GY240907. The selling price per gross acre of the site is estimated to be $3,691 per acre. Some upward adjustment would be necessary for the time of sale, but a downward adjustment would be needed for better access. On balance, this sale is a reasonable proxy for the market value of non-developable open space/conservation lands, with a fully adjusted selling price in the range of $3,000 to $3,500 per acre. This range of value has been applied to the area of the Subject Property's off-licensed environmental lands.

3.7.3 Benchmark Sales for Off-Licensed Lands (Workable Agricultural Lands)

Index-02: 265039 Southgate Road 26, Township of Southgate, ON

This parcel of land is located about 25 minutes northwest of Dundalk in the general vicinity of Swinton Park, north of the settlement of Hopeville. The site fronts the south side of Southgate Road 26. Surrounding land use is a mixture of agricultural fields, heavily wooded areas along with various farms and single-family houses. It has an area of 72.25 acres, with frontage of 780 feet along the road allowance, and a depth of about 4,038 feet. It is estimated that approximately 30 acres of the site were workable acreage, and the balance was non-workable lands. The tree cover was a mixture of hardwood trees and bush. At the time of inspection, there was a notice posted at the site entrance that indicated that timber was being harvested by the new owner. The site was marginally improved with a dilapidated house.

The property was listed the property for sale in the Spring of 2023 at the asking price of $700,000. It sold for $690,000 after a marketing time of 4 days. The selling price per gross acre of the site is estimated to be $9,550 per acre.

Index-03: 018247 Melancthon-Proton Townline, Township of Melancthon, ON

The 90-acre site fronts the east side of Melancthon-Proton town line, close to County Road 8 and Riverview. Surrounding land use is a mixture of agricultural fields, heavily wooded areas and a few isolated rural single-family houses. The parcel is irregular in shape, and about half of the area is non-workable acreage with a heavy tree cover. The Grand River meanders through the interior of the property in a north and southerly direction, effectively bifurcating the parcel in half. Approximately 28 acres was leased to a tenant farmer for crop production. The property was improved with an existing house that reportedly required substantial repair; however, it would probably be demolished for redevelopment. There was a gated entrance on the east side of the road allowance, with a gravel road leading into the interior.

The property was listed for sale in Spring 2024 at the asking price of $1,175,000; on August 26, 2024, it sold for $900,000 to SMT Line Inc. Title was conveyed on October 31, 2024, via Instrument DC266020. The selling price per gross acre of the site is estimated to be $10,000.

Index-04: 476342 3rd Line Road, Township of Melancthon, ON

The 98-acre parcel fronts the west side of 3rd Line Road, northeast of the intersection of the 5th Sideroad and Highway 10, about 7 to 8 km north of the Town of Shelburne. The Melancthon landfill site is located about 1.5 km northwest of the property. Surrounding land use is a mixture of farms and a few isolated rural single-family houses. This sale consists of an agricultural parcel, with about 40 acres being workable, and a heavy cover of hardwood and softwood trees on the remaining acreage. A small tributary of the Boyne Rover traverses the lands and flows year-around to a small pond. The open acreage has a field entrance from the west side of the 3rd Line.

The property was listed for sale in the summer of 2024 at the asking price of $1,200,000. On July 30, 2024, it sold for $1,000,000 to Dev Farms Ltd. Title was conveyed on September 17, 2024, via Instrument DC264850. The selling price per gross acre of the site is estimated to be $10,204.

The three sales of farmlands, discussed on the preceding pages, generally indicate a range from about $9,600 to $10,200 per acre for lands with a mix of workable and non-workable acreage. All the sales had good ingress and egress characteristics with frontages along improved roads. Various adjustments would be needed to compare these transactions to the open lands in the southern part of the Subject Property,

notably all the sales had better access. It is difficult to find current sales of farmlands with similar access challenges as the Subject Property, which at best, has only seasonal access through an unopened road allowance. It is likely that a significant downward adjustment to the selling prices of the comparable sales to reconcile this aspect of the Subject Property. On balance, it is concluded and estimated that the contributory market value of the Subject Property's off-licenced agricultural lands would lie within a range of $7,000 to $8,000 per acre.

3.7.4 Summary of Valuation Conclusions for the Subject Property's Off-Licensed Lands

As at the effective valuation date of November 25, 2024, it is concluded that the estimated market value of the off-licensed lands in contribution to the overall market value of the Subject Property is as follows:

Table 5: Valuation Conclusions for the Subject Property's Off-License Lands

Estimated Market Value of the Off-Licensed Lands (Non-Workable Agricultural-Rural Lands)			
Estimated Acreage of the Environmental Wetlands (Non-Workable)	30.00		
Estimated Market Value of Environmental Wetlands, Per Acre	$3,000	to	$3,500
Estimated Market Value of Environmental Wetlands (Overall)	$90,000	to	$105,000
Conclusion of Market Value of the Off-Licensed Environmental Lands		**$97,500**	
Estimated Market Value of the Off-Licensed Lands (Workable Agricultural-Rural Lands)			
Estimated Acreage of the Agricultural Lands (Workable)	48.70		
Estimated Market Value of Agricultural Lands, Per Acre	$7,000	to	$8,000
Estimated Market Value of the Off-Licensed Lands (Overall)	$340,900	to	$389,600
Conclusion of Market Value of the Off-Licensed Agricultural Lands		**$365,250**	

3.8 Final Estimate of Market Value

3.8.1 Valuation of the Aggregate Licensed Lands

The methodology applied to the valuation of the aggregate licensed lands resulted in an estimate of $188,800 as its contributory value to the overall market value of the Subject Property, as follows:

A. Estimated Market Value of the Licensed Lands	
Licensed Area of the Aggregate Lands (Economic Extraction from the pit)	19.27 acres
Estimated Range of Market Value of the Aggregate Reserves in Situ	$57,818 to $56,524
Conclusion of Market Value of Aggregate Reserves in Situ	**$57,171**
B. Estimated Market Value of the Lands at End of the Pit's Physical Life (Agricultural- Rural Uses)	
Remaining Acreage at End of Pit's Economic Life	19.27 acres
Conclusion of Market Value of Subject Property's Reversion	**$131,645 (PV)**
TOTAL ESTIMATED MARKET VALUE OF THE LICENSED ACREAGE	**$188,800 (Rounded)**
	$9,798 per Acre

3.8.2 Valuation of the Off-Licensed Lands (Non-Workable and Workable Agricultural Lands)

The methodology applied to the valuation of the off-licensed lands resulted in an estimate of $462,750, as its contributory value to the overall market value of the Subject Property, as follows:

A. Estimated Market Value of the Off-Licensed Lands (Non-Workable Environmental Lands)	
Estimated Acreage of the Environmental Wetlands (Non-Workable)	30.0 acres
Estimated Range of Market Value of the Environmental Wetlands	$90,000 to $105,000
Conclusion of Market Value of the Off-Licensed Environmental Lands	**$97,500**
B. Estimated Market Value of the Off-Licensed Lands (Workable Agricultural-Rural Lands)	
Estimated Acreage of the Agricultural Lands (Workable)	48.70 acres
Estimated Range of Market Value of the Agricultural Lands	$340,900 to $389,600
Conclusion of Market Value of the Off-Licensed Agricultural Lands	**$365,250**
TOTAL ESTIMATED MARKET VALUE OF THE OFF-LICENSED ACREAGE	**$462,750**
	$5,880 per Acre

3.8.3 Market Valuation Conclusion for the Subject Property

As at the effective valuation date of November 25, 2024, it is concluded that the estimated market value of the Subject Property is $650,000, or approximately $6,600 per acre:

Estimated Market Value of the Licensed Lands	**Overall**	**MV (%)**	**Per Acre**
Total Estimated Market Value of the Licensed Acreage	$188,800	29.0%	$9,798
Total Estimated Market Value of the Off-Licensed Acreage	$462,750	71.0%	$5,880
TOTAL ESTIMATED MARKET VALUE OF THE SUBJECT PPROPERTY	**$651,566**	**100%**	**$6,649**
Rounded	**$650,000**		

Table 6: Summary of Relevant Information for the Subject Property

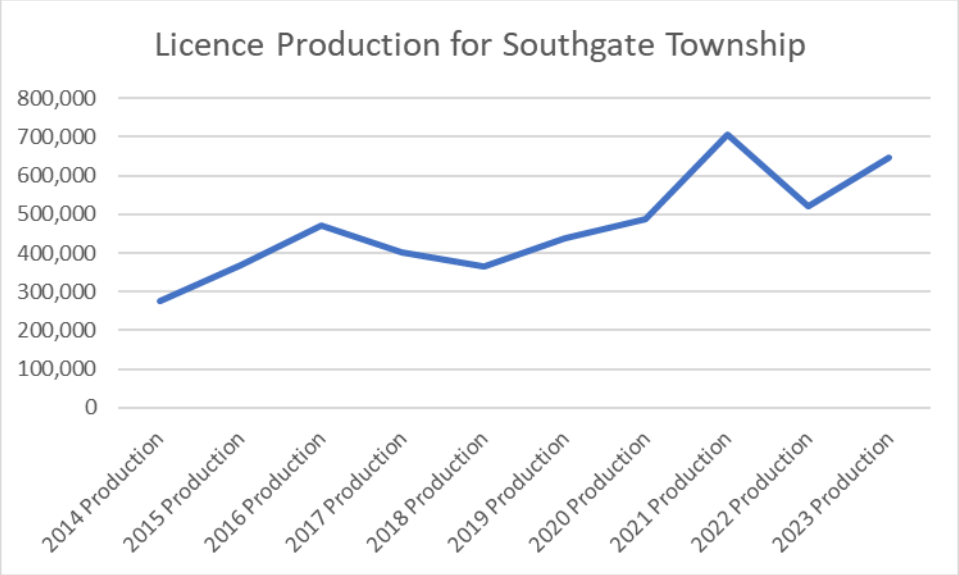
SITE INSPECTION		
	Date	25-Nov-24
	Inspection Type	Full inspection, met representative at site
SUBJECT PROPERTY		
ADDRESS AND OWNERSHIP		
	Municipality	Grey County
	Township	Township of Southgate
	PIN	37272-0129 (LT)
	Title Ownership	Corporation of the Town of Grand Valley
	Purchase Price	$200,000
	Registered Date	26-May-93
	Instrument Number	GY87863
ASSESSMENT AND ANNUAL TAXES		
	Assessment Roll Number	42-07-090-007-018-00-0000
	Assessment (AVD)	January 1, 2016
	Assessment Amount ($)	$177,000
	Annual Taxes (2019)	n/a
PHYSICAL DESCRIPTION		
	Property Area (Ha)	39.66
	Property Area (Acres)	98.00
	Lot Area Source	MPAC
	Topography	Vacant land, treed and open fields
	Services	Unserviced
SITE IMPROVEMENTS		
	Building Type(s)	None
	Building Area (Sq.Ft.)	n/a
	Condition	n/a
LAND USE REGULATIONS		
	Regional OP Land Use Designation	n/a
	Local OP Land Use Designation	Hazard Land, Prov. Significant Wetland, Rural
	Secondary Plan	n/a
	Zoning	Extractive Indust., Wetlands, Environ., Agricultural
LEASEHOLD INTERESTS		
	Tenant (Last Name)	n/a
	Monthly Rent	n/a
	Excluding Utilities	n/a
	Tenure	n/a

Table 7: Summary of the Subject Property's Aggregate Operation

LICENSING	
Pit Name	East Luther Proton Pit
MNR Reporting Area	Southern Region
MNR Reporting District	Aurora Midhurst Owen Sound District
Licence Number	4875
Licence Holder	Corporation of the Town of Grand Valley
Licence Type	Class A
Maximum Annual Tonnage	100,000
Licensed Area (Ha)	7.80
Licensed Area (Acres)	19.27
Extraction Area (Ha)	5.1
Extraction Area (Acres)	12.60
Operating Business/Entity	Corporation of the Town of Grand Valley
AGGREGATE PRODUCTS (FOB)	
Granular A	$0.00
Granular B Type I (Pit Run)	$0.00
Granular B Type II	$0.00
Granular M	$0.00
Pit Run	$0.00
Clear Stone (19 mm)	$0.00
Concrete Asphalt Sand	$0.00
Screenings, Topsoil, etc.	$0.00
AGGREGATE PRODUCTION	
Sand and Gravel Extraction (Tonnes)	
Year 1-2014	300
Year 2-2015	5,300
Year 3-2016	5,000
Year 4-2017	0
Year 5-2018	5,000
Year 6-2019	1,500
Year 7-2020	0
Year 8-2021	7,757
Year 9-2022	1,627
Year 10-2023	0
Year 11-2024	0
Average Tonnage (Period)	**2,408**
AGGREGATE RESERVES	
Sand and Gravel (tonnes)-Taking	88,500
Reserves Source	William D. Fitzgerald, MSc., P.Geo
Sand and Gravel Mix	70% Stone / 30% Sand
Rock Density (TOARC Source)	1.77
REHABILITATED USE OF LANDS	
Existing HBU	Sand and Gravel Pit & Rural Lands
Estimated Terminal HBU	Rural /Agricultural

Table 8: Market Summary (Licence Production for the Township of Southgate)

PHYSICAL ATTRIBUTES	
Estimated Aggregate Reserves (tonnes)	**88,500**
Maximum Annual Tonnage for Licence	100,000
Physical Life of Pit (Years)	0.885
MARKET ANALYSIS	
Geographic Market (TOARC)	Township of Southgate
2014 Production	274,685
2015 Production	369,838
2016 Production	470,398
2017 Production	401,750
2018 Production	366,644
2019 Production	439,647
2020 Production	486,158
2021 Production	707,284
2022 Production	520,156
2023 Production	647,600



Average Production (tonnes) - 10 Years	468,416
Forecasted Annual Production (tonnes)	22,125
Subject Property's Forecasted Share	4.7%

Table 9: DCF Analysis for the Licensed Area of the Subject Property[17]

Assumptions

Aggregate extraction is estimated over a forecasted 4-year period with annual cash flows from royalty payments

Maximum annual extraction of 22,125 tonnes, or 88,500 tonnes in total, for the 4-year period

Royalty Rate is estimated at $0.75 per tonne (net TOARC fee) and adjusted annually for inflation over 4 years

The market value of the licensed lands at the end of the pit's physical life is discounted to a Present Value estimate

Estimated Present Value of Net Income With an Aggregate Operator Paying Royalty Rent							
	Future Value			Present Value of Net Income to Land			
				7.0%		8.0%	
Year	Production Tonnes	Estimated Net Revenue	Revenue per Tonne	Factor	PV	Factor	PV
1	22,125	$16,594	$0.75	0.934579	$15,508	0.925926	$15,365
2	22,125	$16,926	$0.77	0.873439	$14,783	0.857339	$14,511
3	22,125	$17,264	$0.78	0.816298	$14,093	0.793832	$13,705
4	22,125	$17,609	$0.80	0.762895	$13,434	0.735030	$12,943
∑ Years	∑ Tonnes	∑ FV	Tonne		∑ PV		∑ PV
4.00	88,500	$68,393	$0.77		$57,818		$56,524

A. Estimated Market Value of the Licensed Lands

Licensed Area of the Aggregate Lands (Economic Extraction from the pit)	19.27	Acres	
Estimated Range of Market Value of the Aggregate Reserves in Situ	$57,818	To	$56,524
Conclusion of Market Value of Aggregate Reserves in Situ		**$57,171**	

B. Estimated Market Value of the Licensed Lands at the end of the Pit's Physical Life (Agricultural- Rural Uses)

Remaining Acreage at End of Pit's Economic Life	19.27	**Future Value (FV)**	**Present Value (PV)**
Market Value of Lands, per Acre	$10,000	$192,742	$131,645
Conclusion of Market Value of Subject Property's Reversion			**$131,645**

TOTAL ESTIMATED MARKET VALUE OF THE LICENSED LAND ACREAGE	**$188,800**	**Rounded**
	$9,798	**Per Acre**

Estimated Market Value of the Off-Licensed Lands (Non-Workable Agricultural-Rural Lands)			
Estimated Acreage of the Environmental Wetlands (Non-Workable)	30.00		
Estimated Market Value of Environmental Wetlands, Per Acre	$3,000	To	$3,500
Estimated Market Value of Environmental Wetlands (Overall)	$90,000	To	$105,000
Conclusion of Market Value of the Off-Licensed Environmental Lands		**$97,500**	
Estimated Market Value of the Off-Licensed Lands (Workable Agricultural-Rural Lands)			
Estimated Acreage of the Agricultural Lands (Workable)	48.70		
Estimated Market Value of Agricultural Lands, Per Acre	$7,000	To	$8,000
Estimated Market Value of the Off-Licensed Lands (Overall)	$340,900	To	$389,600
Conclusion of Market Value of the Off-Licensed Agricultural Lands		**$365,250**	

[17] *The decimal numbers shown for the Revenue per Tonne have been rounded and the results may differ slightly from the actual calculations performed in the Microsoft Excel 365 DCF analysis, which calculates with a minimum of 3 decimals.*

Table 10: Summary of Valuation Assumptions and Conclusions

Gross Area of Subject Property	98.00	acres	MPAC Assessment Record
Licensed Acreage of Pit Operation	19.27	acres	
Estimated Economic Aggregate Reserves	88,500	tonnes	
Maximum Annual Extraction	22,125	tonnes	
The Physical Life of the pit for economic extraction	4.0	years	

Overall Market (Southgate Township, Grey County)	468,416	(Average Production for 10-years)
Annual Production of Subject Property	22,125	
Estimated Market Share of Production	4.7%	

Royalty Rate	$0.75	per tonne (Net of TOARC Fees)	
Inflation for Forecasted Revenues	1.02		
Discount Rate for Cash Flows - Low to High Range	7.0%	to	8.0%
Discount Rate Applied to the Licensed Lands at Reversion	10.0%	"Reversion" = End of Pit's Economic Life	
Projection Period for Aggregate Extraction	4.00	years	Economic Forecasted Period
Forecasted Annual Production annually for 20 years	22,125	tonnes	
Remaining Aggregate Reserves at the end of 20 years	0	tonnes	Remaining Economic Reserves
Remaining Economic Period for Future Extraction	0	years	Remaining Economic Life of Pit
Remaining Residual Reserves (Economic)	0	tonnes	Estimated Economic Extraction
Remaining Lands at the End of the Pit's Physical Life	19.27	Acres	
Residual Use of Lands at the End of the Pit's Physical Life	Recreation, Open Space, Conservation & Agricultural		
Estimated Market Value of Lands at Reversion (per Acre)	$10,000	Per Acre	
Estimated Acreage of Off-Licensed Environmental Lands	30.00	Acres	
Estimated Market Value of Environmental Wetlands	$3,000	to	$3,500 per Acre
Estimated Acreage of the Off-Licensed Agricultural Lands	48.70	Acres	
Estimated Market Value of Agricultural-Rural Lands	$7,000	to	$8,000 per Acre

VALUATION SUMMARY

Estimated Market Value of the Licensed Lands	**Overall**		**Per Acre**
Estimated Market Value of Aggregates Reserves in Situ	$57,171		$2,966
Estimated Market Value of Licensed Lands, at Reversion	$131,645		$6,830
TOTAL ESTIMATED MARKET VALUE	**$188,816**	**29%**	**$9,798**

Estimated Market Value of the Off-Licensed Lands	**Overall**		**Per Acre**
Estimated Market Value of Non-Workable Lands	$97,500		$3,250
Estimated Market Value of Workable Agricultural Lands	$365,250		$7,500
TOTAL ESTIMATED MARKET VALUE	**$462,750**	**71%**	**$5,880**

	Overall		**Per Acre**
OVERALL MARKET VALUE OF SUBJECT PROPERTY	**$651,566**	**100%**	**$6,649**
Rounded	**$650,000**		**$6,600**

3.8.4 Appraiser's Certification

Current Effective Valuation Date: November 25, 2024

Property Appraised:

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

- 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 impartial and unbiased professional analyses, opinions and conclusions.
- I have no past, present or prospective interest in the property that is the subject of this report and no personal and/or professional interest or conflict with respect to the parties involved with this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in and compensation is not contingent upon developing or reporting predetermined results, the amount of value estimate, a conclusion favouring the client, or the occurrence of a subsequent event.
- My analyses, opinions and conclusions were developed and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP) and the Professional Standards of the Royal Institution of Chartered Surveyors.
- I have the knowledge and experience to complete this assignment competently.
- I have personally inspected the Subject Property on November 25, 2024. The inspection was considered sufficient to describe the real estate, develop an opinion of highest and best use and make meaningful comparisons with other market data.
- Except as herein disclosed, no one else has provided significant professional assistance to the person signing this report.
- As of the date of this report I have fulfilled the requirements of the Continuing Professional Development Program of Appraisal Institute of Canada and the Society of American Appraisers. I am a member in good standing of the Appraisal Institute of Canada, the American Society of Appraisers and the Royal Institution of Chartered Surveyors.

I have estimated that the market value of the Subject Property is $650,000, alternatively as approximately $6,600 per acre, as at the effective valuation date of November 25, 2024.

The valuation conclusions stated above apply solely as at the effective valuation date, November 25, 2024, and are premised on certain Extraordinary Assumptions, Hypotheticals and Extraordinary Limiting Conditions, detailed in the Terms of Reference, paragraph 2.1.12, page 5. as well as the Ordinary Assumptions and Limiting Conditions included in report's Addenda (Addendum A).

Paul D. Bender, MRICS, ASA, IFAS, AACI — Dated: January 30, 2025
Valuation Consultant

Appraisal Institute of Canada Membership 219100; American Society of Appraisers Membership 078151
Royal Institution of Chartered Surveyors Membership 1223534