

“Black Sea Property” AS, org. no. 914 892 902  
Market Report “Aheloy Resort”

Report Headlines:

- Building works at “Aheloy Resort” are resumed as of 1<sup>st</sup> September 2016.
- Signed “Construction Contract” with “San Marko Group” EOOD for the execution of finishing works at “Aheloy Resort” (building “N”, vertical planning, landscape and access road) in line with the LOI described in Market Update of 23<sup>st</sup> June.
- All necessary arrangements are made with the construction supervision company, the architect and investor control team.
- Amendments to parts of the plans is in preparation in order to comply with present regulations.
- “Aheloy Resort” is scheduled to open and operate for the full 2017 summer season.

Construction works resumed.

Resuming construction works at “Aheloy Resort” as of September 1<sup>st</sup> 2016. Signed Construction agreements with the construction company “San Marko Group” EOOD.

- For fully finishing building “N” for the amount of BGN 1’520’000 w/o VAT.
- The vertical planning, landscape all around buildings “P”, “N” and “M” and access road to the site for the amount of BGN 257’000 w/o VAT. Currently updating the landscape idea plans to final technical approved by the municipality building commission.
- The timeframe for execution of CIW and completion to a level required for obtaining Act.16 under the construction agreements is six months.
- Two sample units are to be constructed meeting and showing our requirements as to quality, materials and approved installations. These two units will serve as a base and exact quality of the rest of the units will be required upon acceptance.
- EPO Aheloy agreed on partial payment to the contractor with apartments to intercept 15% of their final remuneration, where the price is set at EUR 500 per sq. m without VAT. San Marko also has excellent connections with Real Estate agencies, who now experience high demand of clients willing to buy second homes in Bulgaria. EPO Aheloy considers selling at a preference price 30 additional units at a price of EUR 500 per sq. m without VAT in order to provoke initial interest

towards the development using Real Estate network connection of the construction company.

Focus on the construction works start.

- All relevant and requested documentation for the site and buildings is in the process to be submitted to the contractor “San Marko Group”.
- The construction supervision company “Ineks Consult” is to be engaged, and contract is to be signed outlining their obligations. Boyan Bonev (BSP’s local partner) intends to involve engineers from his team to assist and somewhat reduce their scope of work.
- BSP is ready to place an Investor Control team “Et Koliana” to report promptly and to monitor quality, approved materials, problem matters, timeline and expenses during the construction process.
- The architect Dimitar Kabapchiev revise some of the plans (electrical building N, section N1, the landscape, pool and the existing villas) from idea plans into technical and submit them to regulators for an approval. We also need to prepare new plans for fire notification installation.
- EPO Aheloy is still trying hard to find reasonable solution for the new sewage plans approval. As to the electrical supply to the site, EVN are pushing us to sign a new contract that envisages each apartment unit to have its own electricity meter and that they are the ones to perform the works of bringing power to the site. This would mean that we need a new project for the electrical part of the buildings and increased cost of the electrical installations.

To summarize:

- Building works are active at “Aheloy Resort” and the resort is scheduled to open and operate for the full 2017 summer season.
- Signed “Construction Contract” for the execution of finishing works at “Aheloy Resort” with San Marko Group.
- The tasks that will occupy EPO Aheloy’s focus going forward during the coming months are:
  - Overseeing the execution of the building works
  - Deciding and building the commercial areas and restaurants
  - Constructing the outside utility connections
  - Securing long term bank financing.
  - Sale of apartments to secure necessary working capital.
  - Organizing for opening the resort and its hotel operations

You will be punctually informed of further advances related to the project.

Oslo, 1<sup>st</sup> September 2016

The Board of Black Sea Property AS

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Black Sea Property AS has produced this report. Black Sea Property has made no enquires as to the correctness of the information provided to us by the Developers, and we have not requested or taken part in any due diligence reviews discussed in this report:

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## Appendix I

Forward plan. The following plan is coordinated with the existing budget estimates and the progress made.

"EPO Aheloy "Forward Project plan			
Activity	Status	Expected Start Date	Expected Finish Date
<b>Building works</b>			
Finding contractor	Completed		
Tendering	Completed for Building "N" and Landscape		
Contract signings	Completed engaged "San Marko Group" EOOD as a contractor		
Outdoor works	In Progress	Sep-16	May-17
Building "N"	In Progress	Oct-16	May-17
Building "M"	Projected	Sep-16	May-17
Building "P"	Projected	Nov-16	May-17
Deciding on Commercials	Pending	Sep-16	Oct-16
Building Commercials	Projected	Nov-16	May-17
Deciding Water & Sewage	Awaiting Planning Approval	Sep-16	Oct-16
Building W&S		Nov-16	Mar-17
Deciding Electric connection	Expecting Contract form EVN	Aug-16	Sep-16
Building outside electric		Sep-16	Mar-17
<b>Financing</b>			
Budgeting	To be finalized and Board approved		Oct-16
Selling apartments "N" Building	Pending	Nov-16	ongoing
Selling apartments in the market	Pending	Feb-17	ongoing
<b>Opening Resort</b>			
Organizing operating team	Pending	Feb-16	Mar-17
Establish resort management company	Pending	Oct-16	Feb-17
Contract	Pending	Jan-17	Mar-17
<b>Contractual Issues</b>			
Making contract management	In Progress		Mar-17
Making contract maintenance	In Progress		Feb-17
Making contracts units sale	In Progress		Oct-16