

“Black Sea Property” AS, org. no. 914 892 902
Market Update with Forward Plan for “Aheloy Resort”

Report Headlines:

- Building works to resume at “Aheloy Resort”
- Construction permits and documentation is in order for building P,N and M
- Preparation process is well underway and all necessary arrangements are made with the construction supervisor, architect and investor control teams
- Signed “Letter of Intent” for the execution of finishing works at “Aheloy Resort” with the preferred construction company – San Marko LTD. We expect to enter into a final agreement soon.
- San Marko believes in the development and sees opportunity to profit by owning units in “Aheloy Resort”. BSP Agreed on partial interception payment to the contractor with apartments in building “N” at a price of EUR 500 per sq. m without VAT.
- BSP 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
- Prior to opening additional 50 units are projected to be sold to clients
- “Aheloy Resort” is scheduled to partially open(P,N and M) and operate for the full 2017 summer season

The report describes the progress made as of the end of June 2016. Following the decision made back in August 2015 by the Board of BSP together with its local partner Mr. Boyan Bonev (owning the remaining 25% interest in the resort) to resume construction works at “Aheloy Resort”. The preparation process for re-starting the construction works is now under way and the intention is to open the resort for commercial operations for the summer season of 2017. The key steps leading up to the re-start of the construction works are described below.

1. An analysis report of the remaining works (for building “N”, vertical planning, landscape and access road) has been prepared by the local construction advisory firm, “ET Koliانا”. Based on its findings a new calculation of quantities and works specifications were provided to the construction companies selected through a tender procedure and they were again invited to revise their previously submitted offers for finishing works.
2. Out of the seven companies initially invited to submit proposals for construction works, BSP met again with the three companies that provided the best offers for executing the

works required for finishing building “N” and for the vertical planning, the landscape all around buildings “P”, “N” and “M” and road access to the site. BSP chose these companies based on their revised offers received late May and after extensive discussions over the work organization and work specifications. The company has also performed a limited due diligence of the companies who have submitted offers.

3. Signing a contract with San Marko LTD for execution the finishing works at the site. At the moment we are finalizing the contracts details. We expect this process to be quite fast and actual agreement signing to take place in the near future. San Marko Ltd. is available to begin construction works on the site immediately.
 - Delegating the finishing works to San Marko Ltd. is the preferred option as this company has significant experience in the construction of residential and hotel buildings at the southern Black Sea coast and gave the overall best offer. It possess numerous available workforce and machinery. They feel comfortable that for the task presented will need approximately three full months to complete (three month for building “N” and the landscape and approximately in total 8 months for finishing works in building “M”). In building “N” the construction company has indicated that they would like to receive about 15% of their final remuneration in apartments, where the price is set at EUR 500 per sq. m without VAT. San Marko also has excellent connections with Turkish based Real Estate agencies, who now experience high demand of clients willing to buy second homes in Bulgaria.
4. Our team of lawyers reviewed all construction documentation / permits of the site, and found all in order. The initial scope will be for fully finishing Building “N” and for the vertical planning, landscape all around buildings “P”, “N” and “M” and road access. The finishing works of the N building will be immediately followed by executing the works in buildings “M”, “P” and the commercial areas.
5. Our lawyers has also prepared and approved a contract with the construction supervision company “Inex Consult” (this company initially was engaged to oversee the supervision functions from the start of the resort construction).
6. BSP held talks with the architect Dimitar Kabapchiev to revise some of the floor plans (section N1, the landscape, pool and the existing villas) from idea plans into technical and submit them to regulators for an approval. We have been assured the execution of the above mentioned plans will be fairly quick and could be also do simultaneously with the building works, as the architect is the one originally designed the buildings.
7. We are ready to sign a contract and place the selected investor control team ET Koliانا to oversee the works from the first day works are resumed.
8. We are currently exploring options for connecting the "Aheloy Resort" to all necessary infrastructure facilities, such as water conduits and external electrical grid. The most

likely option at the moment is to set up our own utility network, as this is expected to be more cost efficient and cheaper in the long term.

9. BSP follows closely the trends in the Bulgarian sea side property market and the tourist segment. The recent development in the relations between Russia and Turkey, combined with the unstable situation in northern Africa – firms up the position of the Bulgarian seaside as highly attractive destination. BSP research shows that the Bulgarian 3 -4 star seaside holiday resorts position very well among the German and Russian tourists looking to receive “value for money” during their summer vacation. Each year BSP observes an upward trend in tourist spending, both for accommodation and other leisure activities. The increase of course is market regulated, however it surpasses times-fold CPI indexation. BSP wishes to take advantage of this upward trend and will initiate preliminary discussions with major tour operators, who now show immense interest in taking up Aheloy resort, once the construction is underway.

Please see appendix I for the forward plan.

To summarize:

- Building works to resume at “Aheloy Resort” and the resort is scheduled to open and operate for the full 2017 summer season.
- Signed “Letter of Intent” for the execution of finishing works at “Aheloy Resort” with San Marko. We expect to enter into a final agreement soon.
- San Marko believes in the development and sees opportunity to profit by owning units in “Aheloy Resort”. BSP Agreed on partial interception payment to the contractor with apartments in building “N” at a price of EUR 500 per sq. m without VAT.
- BSP 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.
- Prior to opening additional 50 units are projected to be sold to clients.
- The tasks that will occupy BSP’s focus going forward during the summer 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 and working capital
- Sale of apartments
- Organizing for opening the resort and its hotel operations

Oslo, 22 June 2016

The Board of Black Sea Property AS

Disclaimer

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:

- Black Sea Property has relied primarily on information provided by the board and management of the Developers in written or oral form;
- The information includes non-factual information with regard to forward looking information which intrinsically is subjective and based on “best judgment”.

Accuracy and completeness of information:

- Although Black Sea Property believes the information to be correct as the time of the issuance of this presentation, there is no certainty that the information is correct or that it is complete. It is fully possible that had Black Sea Property had access to other or more extensive information, the conclusion and information of the report could have been materially different;
- The conclusions in this report are made on the basis of a number of important assumptions. Whereas these are made to the best of our ability, based on discussions with management and access to relevant information, there is no certainty with regard to the correctness of these assumptions. Even relatively moderate changes to our assumptions may lead to material changes in the conclusion of this report and the valuation of the developers and developments.

Black Sea Property judgment with regard to non-factual information:

- Whereas the information provided to us has been the basis for the valuation and analysis, Black Sea Property has, as far as possible, evaluated the substance of the information independently and made its own opinion with regard to the implication of the information on the value of the developments.

Liability

- Black Sea Property expressly disclaim any representation and warranty with regard to the content and conclusions of this report;
- Black Sea Property will not accept any responsibility for the use of or reliance up on the information contained in this report whatsoever.

Appendix I

Forward plan.

The plan is following plan is coordinated with the existing budget estimates and the progress made in preparation for the restart of the finishing works.

BSP Forward Project plan			
Activity	Status	Expected Start Date	Expected Finish Date
Building works			
Finding contractor	Completed		
Tendering	Completed for N and lanscape		
Contract signings	In progress		Jun-16
Outdoor works	Projected	Jul-16	May-17
Building "N"	Projected	Sep-16	May-17
Building "M"	Projected	Sep-16	May-17
Building "P"	Projected	Nov-16	May-17
Deciding which Commercials to open	Pending	Sep-16	Oct-16
Building Commercials	Projected	Nov-16	May-17
Deciding Water & Sewage	Awaiting Planning Approval	Aug-16	Aug-16
Building W&S		Sep-16	Mar-17
Deciding Electric connection	Expecting Offer	Aug-16	Aug-16
Building outside electric		Sep-16	Mar-17
Financing			
Budgeting	Completed		
Selling apartments "N" Building	Pending	Nov-16	ongoing
Selling apartments in the market	Pending	Feb-17	ongoing
Opening Resort			
Organizing operating team	Pending	Feb-16	Mar-17
Deciding which part to open	Pending	Aug-16	Oct-16
Finding resort management company	Pending	Sep-16	Feb-17
Contract	Pending	Jan-17	Mar-17
Contractual Issues			
Making contract management	Pending		Mar-17
Making contract maintenance	Pending		Feb-17
Making contracts units sale	Pending		Oct-16