Ambassador to Canada conveyed the Suez Canal Authority’s CCCC, the world’s largest port construction company, and anticipated. I greatly look forward to what the next year brings.

We were pleased this year to welcome Chinese investors, part of a consortium that has been building a new cruise terminal at the Port of Sydney. The Port of Sydney has a long history of attracting foreign investment, and we believe that this new terminal will be a catalyst for further growth in the region.

Our communities surround one of the best natural harbours in eastern North America. It’s an exciting time to introduce new opportunities for our port, and its potential, to the world. It is through this belief in our potential, and the will to succeed despite the challenges, that keeps us going.

Partners, have been building a consortium of interests to work positively with the provincial government on a municipal-provincial-territorial foreign trade zone designation for CBRM. We continue to support of the efforts to grow the Port of Sydney.

Foreign Trade Zone designation for CBRM. We continue to welcome the support we have received from the federal government not only supports the secondment of ACOA executive Marlene Usher to lead the Port of Sydney in its efforts to become a world-class port.

The federal government not only supports the secondment of a federal employee to the Port of Sydney, it also established a federal project to double our cruise ship capacity. As Chair of the Board, we welcome the support we have received from local communities who understand the importance of our port to the region.

Pardon the seafaring theme, but it takes everyone rowing together to get our port moving forward. We’d like to thank our colleagues in the federal and provincial governments who have a proven track record of supporting positive outcomes for our port.

CEO, Port of Sydney

As you can see on the next page, progress has been steady.

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Marina services and boardwalk amenities under management of Port of Sydney

Cruise ships aren’t the only vessels making a stop at the Port of Sydney these days. Two marinas are available for berthing near the Cruise Pavilion. The skys by the Cruise Pavilion can accommodate larger super yachts. The nearby marina can accommodate approximately 20 smaller vessels and sailboats. An MOU with Dobson Yacht Club to assist with this year’s operation of the marina was beneficial.

The Port of Sydney handles the management of the new docks and the retail aspect of the boardwalk and shops at the Cruise Pavilion. The Port of Sydney is currently seeking an adventure-type business, such as kayaking, paddle boats and/or bicycle rentals for next season.

This luxury vessel looked for several days and had 30 crew and passengers. Welcoming more vessels of all sizes is our past at the Port of Sydney.

Financial Snapshot

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Actual</th>
<th>Budget</th>
</tr>
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<tbody>
<tr>
<td>Vessel generated revenue</td>
<td>$1,327,822</td>
<td>$1,865,143</td>
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<tr>
<td>Business development</td>
<td>977,259</td>
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<td>Government funding</td>
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<td>Rental and security</td>
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<td>Other</td>
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<td><strong>Total Revenue</strong></td>
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<tr>
<th>Expenses</th>
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<td>Wage</td>
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<tr>
<td>Business development</td>
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<td>Cruise and other promotion</td>
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<tr>
<td>Security</td>
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<tr>
<td>Occupancy costs</td>
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<tr>
<td>Other</td>
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<tr>
<td><strong>Total Expense</strong></td>
<td>$1,668,318</td>
<td>$1,689,488</td>
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**Operating Income** $193,062

Why a second dock is **important** for the future of our Port...

To successfully compete in the growing cruise ship industry, the Port of Sydney must be prepared to welcome vessels that exceed 300 meters in length.

Not only is a second dock absolutely necessary to accommodate the larger vessels wanting to call at the Port of Sydney, it is needed to sustain the Port’s existing business. Without an expansion, our Port will be sending away business as smaller lines upgrade to larger ships and expect a guaranteed berth.

Holland America Group is our biggest customer. Their 130 metre Royal Caribbean needs to call in 2018. We would love to have them!

The Port of Sydney competes on the Canadian/ Newfoundland Cruise itinerary. The cruise business provides a boost to the tourism attractions around Cape Breton Island. During the ‘shoulder seasons’ May, June, September, and October, which are months outside of the standard tourism season. Buses of visitors to the major attractions around Cape Breton Island are beneficial, but especially so for the not-for-profit museums such as Old Sydney Society, Mines Museum, Jost House and Whitney Pier Historical Museum. Attractions like the Highland Village, Bell Museum and Goat Island also welcome a large number of cruise visitors.

Sustaining and enhancing our competitiveness in the Canada- New England cruise arena will grow our port’s cruise industry just by the more increase in ship size and capacity, thus increased impact on the tourism industry. As cruise industry experts noted, “No new berth would limit growth potential in terms of large vessels (thus passenger throughput). There would be lower economic impacts to the community” Bermello, Ajamil & Partners 2014.

The Sydney Marine Terminal is the only public, deep water facility in CBRM. Our very successful cruise industry limits the potential for other non-cruise business outside of the cruise ship days. All fuel consumed on Cape Breton Island is discharged by Imperial Oil at the Sydney Marine Terminal. A second berth creates new business opportunities for our port in project cargo, certain types of break-bulk and dry bulk cargo.

The proposed second berth is estimated to cost $20 million. The Cape Breton Regional Municipality has committed $6,666,667 through their capital budget. Both the federal and provincial governments are assessing their ability to contribute the balance.

Without a second berth, large vessels will likely bypass Sydney in favour of a destination where they can berth.

BERMELLO, AJAMIL & PARTNERS

Message from the CEO Port of Sydney

Our communities surround one of the best natural harbours in eastern North America. It’s an exciting time to introduce our port, and its potential, to the world. It is through this belief in our potential, and the will to succeed despite the challenges, that keeps us going.

As you can see on the next page, progress has been steady.

Our private sector partners, Harbor-Port Development Partners, have been building a consortium of interests believing in our potential, and the will to succeed despite the challenges, that keeps us going.

Part of that involves ensuring Cape Breton’s rail line remains in place. We support the efforts to grow the Port of Sydney.

Foreign Trade Zone designation for CBRM. We continue to work positively with the provincial government on ensuring Cape Breton’s rail line remains in place. We have agreements in place with our Aboriginal partners. We hope, very soon, to have a municipal-provincial-federal project to double our cruise ship capacity through the construction of a second berth. As Chair of the Board, we welcome the support we have received in further developing the Port of Sydney.

Message from the Chair of the Board Port of Sydney

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Our private sector partners, Harbor-Port Development Partners, have been building a consortium of investors to support the container terminal development project. We were pleased this year to welcome Chinese investors, CCCCT, the world’s largest port construction company, and delegates from the Chinese port city of Dalian. Egypt’s ambassador to Canada conveyed the Suez Canal Authority’s interest in the Port of Sydney.

The progress made in the past year has been better than anticipated. I greatly look forward to what the next year may bring for the Port of Sydney.

Marlene Usher
CEO, Port of Sydney

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Financial Snapshot

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<tr>
<td>Business development</td>
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<td>Government funding</td>
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<td>Rental and security</td>
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<td>Other</td>
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<td><strong>Total</strong></td>
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<td>$1,193,364</td>
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<td>Occupancy costs</td>
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<td>Other</td>
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<tr>
<td><strong>Total</strong></td>
<td>$1,865,348</td>
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Operating income: $157,754

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Message from the Chair of the Board
Port of Sydney

Michael Merritt, CEO of CBRM

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Port of Sydney Update

Why a second dock is important for the future of our Port...

To successfully compete in the growing cruise ship industry, the Port of Sydney must be prepared to welcome vessels that exceed 300 metres in length.

Not only is a second dock absolutely necessary to accommodate the larger vessels wanting to call at the Port of Sydney, it is needed to sustain the Port’s existing business. Without an expansion, our Port will be turning away business as critter lines upgrade to larger ships and expect a guaranteed berth.

Holland America Group is our biggest customer. Their 330 metre Royal Princess wants to call in 2016. We would love to have them!

The Port of Sydney competes on the Canadian/Europe Cruise itineraries. The cruise business provides a boost to the tourism attractions around Cape Breton Island during the ‘shoulder season.’ May, June, September, and October, which are months outside of the standard tourism season. Buses of visitors to the major attractions around Cape Breton Island are beneficial, but especially so for the non-profit museums such as Old Sydney Society, Maces Museum, Josie House and Whitney Pier Historical Museum. Attractions like the Highland Village, Bell Museum and Goat Island also welcome a large number of cruise visitors.

Sustaining and enhancing our competitiveness in the Canada-New England cruise arena will grow our port’s cruise industry just by the mere increase in ship size and capacity, thus increased impact on the tourism industry. As cruise industry experts noted, “No one berth would limit growth potential in terms of large vessels (thus passenger throughput). There would be lower economic impacts to the community.”

The Sydney Marine Terminal is the only public, deep water facility in CBRM. Our very successful cruise industry limits the potential for other non-cruise business outside of the cruise ship days. All fuel consumed on Cape Breton Island is discharged by Imperial Oil at the Sydney Marine Terminal. A second berth creates new business opportunities for our port in project cargo, certain types of break-bulk and dry bulk cargo.

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Mr. Mikkel Marine announces plans to locate at the Port of Sydney. This expansion was facilitated by Harbour-Port Development Partners.

"We’re talking about a port that’s ready for construction. The project owner is in possession of all the permits necessary to start construction. It has deep water. It’s two days closer sailing than to New York, three days closer than Atlanta. It’s two days closer than Montreal with the ability to handle bigger ships."

— Karin Mikkelsen, Harbour-Port Project Manager — BECHTEL (Dec 5, 2015)

CBBM council approves agreements with the local aboriginal community to move forward port development in Sydney.

"We’ve got a beautiful, large sheltered Harbour and its proximity to the Maritimes and the U.S. east coast, for us, it’s excellent on the transportation side of our business. If given us a great place to call home down the road as we continue to grow."

— Cliff Weldon, Chief, Membertou

CBRM officially grants Harbour-Port Development Partners exclusive development rights to build the financial, and operating consortium to develop the Port of Sydney.

Delegation from Dalian Foreign Affairs Office visits Port of Sydney. The Port of Dalian trades with more than 300 ports in 160 countries and processes more than 10 million containers a year.

China Communications Construction Company conducts site visit at Port of Sydney. They will proceed with feasibility work.

"The spinoff from free zone areas is significant. When I say 30 per cent increase (in employment), I’m probably low."

— Jianwei Zhang, Dalian Foreign Affairs Office

The largest vessel to offload in an Eastern Canada port (2016)

9,300 TEU

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Proposed Port of Sydney vessel capacity

18,000+ TEU

18,000+ TEU

18,000+ TEU

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— Cliff Weldon, Chief, Membertou

CBRM officially grants Harbour-Port Development Partners exclusive development rights to build the financial, and operating consortium to develop the Port of Sydney.

Delegation from Dalian Foreign Affairs Office visits Port of Sydney. The Port of Dalian trades with more than 300 ports in 160 countries and processes more than 10 million containers a year.

China Communications Construction Company conducts site visit at Port of Sydney. They will proceed with feasibility work.

"The spinoff from free zone areas is significant. When I say 30 per cent increase (in employment), I’m probably low."

— Jianwei Zhang, Dalian Foreign Affairs Office

The largest vessel to offload in an Eastern Canada port (2016)

9,300 TEU

The largest vessel to offload in an Eastern Canada port (2017)

9,300 TEU

Proposed Port of Sydney vessel capacity

18,000+ TEU

18,000+ TEU

18,000+ TEU

18,000+ TEU

18,000+ TEU

The NOVAPORTE container port and transhipment hub is showcased at the Suez Canal Global Conference.
Message from the Chair of the Board

Welcoming more vessels of all sizes is our goal at the Port of Sydney.

The Port of Sydney handles the management of the new marina, which opened in 2016. The marina can accommodate approximately 20 smaller vessels and sailboats. An MOU with Dobson Yacht Club to assist with this year’s operation was signed, reflecting the growing importance of the marina.

The financial snapshot shows a significant increase in vessel-generated revenue. This is a result of the marina and the increased business it brings. Other revenue sources, such as business development, rental and security, and cruise and other promotion, also saw growth.

Accounting for the costs of operating the Port of Sydney, the operating income shows a positive increase. This is a testament to the hard work and dedication of our employees and the support we have received.

Looking ahead, we are excited about the potential of the Port of Sydney and the role it can play in the tourism industry. With the construction of a second berth, we hope to attract more vessels of all sizes, thus increasing the economic impact to the community.

Future of our Port... Why a Second Dock

Port of Sydney Development Corporation
60 Esplanade
Sydney, NS B1P 1A1
Phone: 902 564 0800
Fax: 902 564 9111

Revenues

<table>
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<tr>
<th>Financial Snapshot</th>
<th>2015</th>
<th>2016</th>
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<tbody>
<tr>
<td>vessel generated revenue</td>
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<td>$1,237,822</td>
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<tr>
<td>business development</td>
<td>$0</td>
<td>$567,231</td>
</tr>
<tr>
<td>rental and security</td>
<td>$254,101</td>
<td>$278,425</td>
</tr>
<tr>
<td>cruise and other promotion</td>
<td>$180,009</td>
<td>$134,557</td>
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<tr>
<td>security</td>
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<tr>
<td>occupancy costs</td>
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</tr>
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<td>other</td>
<td>$162,725</td>
<td>$182,815</td>
</tr>
<tr>
<td>wages</td>
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<td>$686,548</td>
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<tr>
<td>other</td>
<td>$0</td>
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<tr>
<td>total revenue</td>
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<td>$2,315,277</td>
</tr>
<tr>
<td>operating income</td>
<td>$9,605</td>
<td>$127,758</td>
</tr>
</tbody>
</table>

The Port of Sydney Update

The proposed second berth is estimated to cost $20 million. The Port of Sydney has partnered with BERMELLO, AJAMIL & PARTNERS to complete the design work. The design is currently at the tender stage.

Why a second dock is important for the Port of Sydney...

The Port of Sydney competes on the Canada/New England cruise itinerary. The cruise business provides a boost to the tourism industry. As cruise industry experts noted, “No new berth would limit growth potential in terms of large vessels wanting to call at the Port of Sydney, it is important for the Port of Sydney to have a second dock.”

The closer proximity of Goat Island also welcome a large number of cruise visitors. The Port of Sydney competes on the Canada/New England cruise itinerary. The cruise business provides a boost to the tourism industry. As cruise industry experts noted, “No new berth would limit growth potential in terms of large vessels wanting to call at the Port of Sydney, it is important for the Port of Sydney to have a second dock.”

The construction of the second berth will likely bring new economic opportunities to the community. The Port of Sydney hopes to work positively with the provincial government on a municipal-provincial-Foreign Trade Zone designation for CBRM. We continue to support the efforts to grow the Port of Sydney.”

Partners 2014

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Financial Snapshot

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