

**INTERIM REPORT TO THE CREDITORS OF**  
**SEAQUEST CORPORATION**  
**AND**  
**SEAQUEST CAPITAL CORPORATION**  
**(Herein referred to collectively as “Seaquest”)**

**November 16, 2011**

As you are aware, on October 24, 2011, Seaquest filed a Notice of Intent to File a Proposal (the “**NOI**”) pursuant to the Bankruptcy and Insolvency Act, putting into effect a stay of proceedings for a period of 30 days to enable Seaquest to formulate a proposal for the settlement of its liabilities.

Subsequently, all of the employees of Seaquest were terminated by management and the directors resigned. On November 3, 2011 by Order (the “**Receivership Order**”) of the Ontario Superior Court of Justice, BDO Canada Limited (“**BDO**”) was appointed as Interim Receiver to take possession and control of the books and records and assets of Seaquest and Greg S. MacLeod was appointed as Chief Restructuring Officer (“**CRO**”) to work with the Interim Receiver and Seaquest’s stakeholders to make a determination as to whether a viable restructuring proposal can be developed.

If Seaquest expects to bring forward a viable restructuring proposal and requires more time to do so, it can ask the Court to extend the stay of proceedings for up to 45 days. Such a request must be made before the expiration of the initial 30-day stay period on November 23, 2011. If the request is not made or if Seaquest’s request is denied by the Court, then Seaquest will be deemed bankrupt effective November 24, 2011, and BDO will assume the duties of Trustee in Bankruptcy, and the proposal process and the interim receivership will be complete. This interim report is to update all creditors on the status of the CRO’s considerations in respect of extending the NOI.

Immediately following the issuing of the Receivership Order, BDO and the CRO relocated Seaquest’s books and records, computers and servers to BDO’s offices. Significant time was spent organizing the records, including accessing electronic accounting records, to facilitate a review. As well, BDO and the CRO have conducted many hours of interviews of persons including the former CEO and director, managers, employees, investors, advisors and other parties involved with Seaquest, connected companies and investment transactions. As a result of the review of the available information and these meetings, significant progress has been made towards forming a preliminary assessment of the existence and the estimated value of Seaquest’s assets including real property, personal property and the loan and investment portfolio.

At a high level, Seaquest’s situation can be broadly summarized as follows:

- The investment portfolio is comprised of a large number of highly speculative and illiquid loans and shareholdings, the majority of which consist of loans and advances to non-arm's length companies, indirect subsidiaries and affiliated companies. Most of the loans are unsecured. The few secured loans are to companies that are themselves underperforming, inactive or insolvent. None of the portfolio investments is being serviced at the present time. In summary, there is little or no prospect for meaningful recovery in the short term, or over the long term of the investment portfolio, without additional funding.
- Seaquest owns a residential condominium and an executive aircraft. BDO has obtained preliminary value assessments of these assets and net of existing mortgages and encumbrances there is very little, if any, net realizable value in either of these assets.
- Seaquest appears to have incurred substantial operating losses that have been funded, at least in part, by portfolio investors.
- The books and records have been poorly maintained and are not adequate for an enterprise of this nature.
- Seaquest's internal control and governance systems were inadequate.
- Seaquest is not operational and has no recurring revenue or cash flow streams at the present time.
- There are no directors or management team.
- There are no committed funding sources at present.

That said, over the next couple of days, the CRO and BDO are continuing to engage parties to discuss the possibility of continuing with restructuring options. Since Seaquest has no ability to self fund, it is clear that a significant funding commitment will be necessary to carry out the restructuring plan, including short-term funding to support Seaquest through an NOI extension as discussed above. We recognize that the situation is very critical and time is very short. We are continuing to work diligently; however, absent satisfactory funding commitments to support a restructuring plan, it will be difficult for the CRO or BDO to support an extension.

We have spoken with many of you over the past 12 days and you will appreciate that the situation is very fast-paced. We certainly acknowledge your concerns and we appreciate your continued patience and support. We will do our best to keep you abreast of events as they unfold and particularly in respect of the extension deadline next week.

**Greg S. MacLeod,**  
Chief Restructuring Officer