

General Manager Summary Report to Shareholders March 2021 for fiscal year end October 31, 2020

The year ending October 31, 2020 was another successful year of growth and diversification for the Great Western Railway group of companies including record breaking results across several areas of our business. Here are a few highlights and notes of the past year:

Safety & Health

- The last year brought many new challenges due to operating under new protocols as a result of the Covid-19 virus. As of March of 2020, we implemented various restrictions that remain in place today. These include no indoor, in person business meetings with clients, no business travel, distancing and heightened sanitizing standards throughout the operation, mask requirements, zero tolerance for employees in the workplace with any symptoms of illness, vehicle modifications, weekly “all employee” conference calls to provide Covid-19 updates, and other safety and business updates, and to review any new standards.
- While we had one of our employees contract the Covid-19 virus this past year while outside of the workplace, it was caught early, and we had zero transmission amongst the rest of the team. That employee had a great recovery with no severe symptoms throughout his illness.
- On other safety related matters, we had a derailment back in November 2019 of 4 loaded sand cars that derailed upright in the siding at Ponteix. This is the same event we reported in our update last year. Damage was minimal, there were no injuries and no product was lost as a result. The cause was a track related condition. The rest of the year saw zero significant unsafe incidents.
- We completed our first full year of operations under the “OCS Main Track” rules method of control by which we implemented a third-party Rail Traffic Dispatch system which has added an additional layer of safety to the operation. The whole team has performed very well in this new system.

Business development

- The purchase of the Fife Lake Railway has provided us with flexibility for car storage options, and with the assistance of our in-house grain coordination through our grain company, Great Western Commodities, we are now seeing growth of grain shipments at Rockglen. We are very excited about this and are expecting further growth along that subdivision this year.
- While we started off the year buying and selling grain to ship along our line, we have been able to shift to more of a coordination role between buyers and producers throughout the year which has been the first choice of business for our grain company.
- With favourable market conditions and hard work from the Great Western Commodities side of our business, grain shipments have increased by more than 90% over the past 2 years. We have seen growth in shipping of various grain products. Notably, durum, which has been our third most prominent grain shipment in the previous few years, has now moved into the number 2 position behind lentils. This was the target for this past year and we are very happy to see more durum moving along the GWR.
- The Shaunavon elevator was purchased this past year by Adroit Overseas, one of our railway’s largest shippers. We see this as a great fit as they plan to grow the business substantially at this location.
- We added to our grain fleet this past year by purchasing an additional 94 rail hopper cars. This brings our own rail fleet to 241 cars. This provides us more flexibility with car supply and loading to better support our producers and shippers. We also have the opportunity to lease out these cars to other shippers when some of our fleet is expected to be idle. We have already made use

of this option which has added to our revenue stream. All of our rail cars are marked as GWRS, and have a number sequence starting with 306.

- We continue to work with interested parties looking to invest in existing or new terminals along our line. I am confident that we will see some movement on this concept over the next year. We are very sensitive in trying to ensure that any such facility will be complimentary to current business along this line as our goal is to continually support long term and existing operations while we seek further growth providing producers greater opportunity to ship from local facilities.
- Fertilizer freight was also strong this past year reaching record levels, which resulted in record revenues from our in-house transload business as well.
- As has been the case for the last several years, we were the contract operator of all freight along the Red Coat Road and Rail line this past year and expect to renew that operating agreement for the next year once again.
- With the impact of Covid-19 and the fall in the energy market over last year, frac sand shipments were well below previous year results, and we expect these to remain low throughout this year as well.
- Car storage revenue for our line was another area where we have seen record positive results this past year. Both daily storage revenues, and storage switching revenues set records this past year with us reaching over 2500 cars in storage at one point this past year. We have diversified our customer base in our storage service from 6 active customers in early 2015 to 17 this past year. This has diversified not only our customer base, but also the industries we serve to better manage any cyclical risk that may exist across various industries.
- Our non-grain related revenue and new service revenue streams over the past few years have assisted in strengthening our revenue diversification which will continue to provide diversification and solid financial risk management throughout any business cycles that we may face. All this leads to even stronger support for our agricultural communities and producers in the future.
- Overall, in the last fiscal year, with the highest grain shipments we have seen in several years, and with record revenues across several of our diverse and newer revenue streams, we brought in all time record breaking revenues this past year which were 90% higher than the previous year, and 34% higher than the next highest revenue year. Net operating income finished the year very strong as well, ending up 32% higher than any of the previous 4 years.
- As our shareholders are already aware, we were pleased to be able to return another small dividend payment after this past year, while still reinvesting significant funds back into our infrastructure and operation.
- We have been discussing the possibility of hosting a tourist train operation along our line, perhaps near the Eastend/Shanavon area. This is in early stages but the concept is moving along with greater confidence. You can be assured that any such arrangement will be supported by only the highest standards of safety management should this proceed. This may be an exciting addition to the local communities in our area.
- As we expand our focus on industrial growth, we are working with various parties to expand sales and shipping of aggregates across our line, across the province and beyond. Aside from 2 of our own rock pits along the line, we have several other private aggregate suppliers located near our line including one of the largest high quality rock pits in Saskatchewan.
- For our own 2 pits, we are currently finalizing an agreement that may use up most or all of the remaining material from our Arbuthnot pit, and we expect to get into our pit near Eastend this year, crushing and shipping by end of this summer.

Operating Department Highlights

Mechanical

- The mechanical department has taken on expanded responsibilities over the years from its beginnings as a locomotive maintenance department, to now overseeing maintenance of our on and off track equipment, on road vehicles, and hi-rail trucks, and now with an active railcar repair department. We added to the car repair department this past year by recruiting a certified car repair employee with over 20 years experience. We have been active in repair and maintenance of our own railcar fleet, we have taken on some contracts to inspect and repair other fleets, and are in the process of becoming "AAR" certified which will allow us open access to repair any rail cars along our line which will generate further revenue to support operations, and will provide greater service choices for our customers.
- Most of our locomotive fleet saw a high level of reliability all year long with the exception of one of our 4000 hp GE locomotives, (GWRS 575). We had several maintenance issues with this unit over the year, most notably, multiple turbo failures. The unit has been back in reliable active service now for some time.
- While the previous sale of our older Alco locomotive fleet was complete long ago, all parts and materials for those units have now been moved off our property.
- At the end of this last year, we made an agreement to purchase 2 - 4000 hp GE Dash 8 locomotives from Wabtec (previously GE Transportation). These are the GWRS 577, and 578. These units have since arrived on the property and are in transition to regular service. Watch for pictures of these units to be on our website soon in our green and white paint scheme.
- We are planning to start expansion work to our mechanical facility this coming year.

Track Maintenance

- In another year of breaking records, this past year saw our largest track program ever. We changed out over 27,000 rail ties over segments of our Shaunavon and Altawan Subdivisions. We also saw large programs on our rail replacement, surfacing program, and crossing rehabilitation across the system.
- As was the case in the previous year, we have been following our plan resulting from previous engineering bridge inspections and were able to get ahead of schedule on maintenance activities over many of our 47 bridges along the line.
- The track department oversaw the planning and construction of two new car repair tracks in the Assiniboia yard. Our two new tracks are located just east of our mechanical shop in Assiniboia. We have also added a small spur on the Fife Lake Subdivision that will be used strategically to support switching moves on the south end of our Fife Lake Railway.
- To support growth, we have recently hired a track supervisor who will report directly to our Superintendent of Track, Pat Kushniruk. Our new supervisor will be responsible for day-to-day maintenance activities as he gets more familiarized with his role here at Great Western Railway.
- Over the past year, we engaged an engineering firm to provide specific inspection and recommendations as we work towards increasing our track capacity to 286k lbs across more areas of our lines. With the added bridge maintenance activities, we have added at least 90 miles to our 286k capability (at slower speeds) along our Shaunavon subdivision from Assiniboia to as far as Cadillac for now. We expect to add to this capacity each year going forward. This is a key factor that will support possible high throughput terminal location sites.
- We recently did a walkthrough of the track maintenance building in Shaunavon and started a list of likely projects for future renovation of that facility.
- We have an application submitted with the federal government for a 50% funding contribution for a track expansion project that would include adding 12,000 feet of track on the east end of

the Shaunavon Subdivision. We have received approval at the first stage and expect to hear back on the next stage of approval in the coming months.

Transportation Department

- We have added to the transportation department this year by adding a casual employee who is a qualified conductor.
- Our train crew employees have taken on added function in their role this past year as we introduced the mCrew digital management system within our car management system. This allows for easier and up to the minute reporting of train operations functions as the crews operate through the day. Placing, moving, and updating rail cars in the system can be done on the fly by the crews in the field who are making the moves which cuts down on delay of information, and reduces risk of loss of accurate data flow from the field to our administrative team.
- We have completed the first phase of renovations to the Assiniboia bunkhouse facility which we purchased from CP previously. As you may recall, we initially performed needed foundation and siding work the previous year. The current reno includes a new conference/training room and three new offices as well as upgrades to many outdated areas of the crew facilities. The next phase which is starting now will include some final interior work, and addition of signage at the site.

Administrative Department

- We have recently hired an additional administrative employee to help balance the workload in this department as we have shifted one of our admin employees into a new management role responsible for formalizing best practices, processes, and to implement and support enhanced digital management systems.
- We are currently looking at possible sites around Shaunavon for expanded office space for our Head Office location. We have outgrown the working capacity of the current office location.
- As is the case for all short line railways these days, we have a challenging time with accessing what we consider to be acceptable insurance rates for our business. Liability insurance is covered well with no specific concerns, but we face increasing challenges in accessing adequate policies for our own property despite having an excellent claims history. We continue to lobby the government for assistance with this issue.
- One of the focus items for the admin department over this past year has been to research, and implement modern digital management systems that will better support our team in the areas of efficiency, data access, and financial security. This includes network security, digitized approval and payment processes with multiple approval steps, railcar management programs, revenue capture automation and reporting, and access to vast reporting of key performance metrics that help drive more clarity to financial results and enhance forecasting to include more meaningful planning to improve service, operations, and overall business results.

Overall, it has been another great and successful year at Great Western Railway, Fife Lake Railway, and Great Western Commodities. I would like to thank all our shareholders, customers, and our experienced and supportive board of directors for another year of moving the GWR forward as we continue to seek ways to better support the core of our mission, the agriculture communities of south-west and south-central Saskatchewan. We just wrapped up our 20th year of operation, and we plan to

hold some celebrations as soon as we work our way out of the current Covid-19 restricted environment. We have a very dedicated and skilled team of employees that are responsible for executing on all the favourable results that I am fortunate enough to be able to report on each year. Nothing happens in our business that is not the direct result of combined efforts of **all** of our front-line employees, admin staff, and management team working together with great pride.

Thanks everyone! and stay well,



Andrew Glastetter