

August 1, 2018

Chief Compliance Officer
Canadian Transportation Agency
Ottawa, Ontario K1A 0N9

Dear Sir/Madam:

Re: August 1, 2018 Report to the Canadian Transportation Agency (“Agency”) required under the Agency Decision No. CONF-11-2018 dated June 13 , 2018 (“Decision”)

Further to the Agency's Decision and the Agency's order pursuant to that Decision that HBR “initiate the repair of the railway line by July 3, 2018 and to complete the repair and resume operation of the railway line as expeditiously as possible”, set out below is the status of the process to repair the line along with an update on how HBR is attempting to ensure that the necessary funds are available to fully repair the line.

PROGRESS OF REPAIRS

HBR began the necessary process to complete the repairs of the line railway before the July 3 date set by the Agency in its Decision.

As the Agency is aware HBR does not have the financial capability to undertake the full repairs of the damage to the railway caused by the spring 2017 flood, However, HBR and its shareholders have been in discussions with the Federal Government and a potential buyer with the objective of ensuring that the necessary funds are in place to fully repair the Gillam to Churchill line and resume operation as expeditiously as possible.

To accomplish this objective — especially given the substantial amount of work that needs to be performed on the line — HBR retained AECOM in mid-June to prepare a comprehensive RFP to attract the necessary expertise to carry out the repairs to the line. That process is an essential and necessary first step to the repair of the railway.

The work to be performed pursuant to the RFP is “to repair the Herchmer Subdivision and perform the required works to restore service of the line between Gillam and Churchill, MB”.

A summary of the status of the RFP process and the anticipated schedule for full repair of the rail line to Churchill, assuming the necessary funding is in place, is set out below.



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- AECOM inspected the HBR track on June 11 and 12 to determine if there were any substantive changes to the condition of the line from when it was last inspected by AECOM.
- Using this information AECOM prepared the bid documents which were sent to HBR for comments.
- HBR provided its final comments on the RFP Bid documents on June 25.
- AECOM pre-screened six potential bidders (contractors) on June 27, and the RFP was issued to those six contractors on June 28.
- All six contractors are reputable and experienced contractors and have the necessary experience to perform the repairs to the rail line.
- HBR and AECOM personnel held a conference call on July 6 to coordinate a site visit. The mandatory site visit was scheduled for July 12 and 13.
- Details of the site visit were confirmed with contractors the next day on July 7.
- On July 12 and 13, four of the six pre-screened contractors attended the site visit in order to carry out mandatory inspections in advance of making bids.
- Since the site visit AECOM has been receiving technical questions from the four remaining contractors regarding the repair project. Pursuant to the terms of the RFP answers to these questions have been provided. The final answers were provided on July 31.
- The bids are due on August 3, 2018.
- AECOM is confident that there will be multiple bids and methodologies to consider.
- As soon as the bids are received they will be reviewed in detail and a contract will be awarded to the successful bidder (assuming the funding from the new purchaser with the support of the Federal Government is obtained).
- Assuming funding is available, it is AECOM's expectation that mobilization to the site will be commenced by the time of the next report (September 1).
- Based on present estimates HBR anticipates that a substantial amount of the work will be completed this year with the balance of the work being completed by mid-2019. HBR also anticipates that limited service will be restored for the winter of 2018/19 with full service being restored once the repairs are complete. A more fulsome description of the repair schedule will be provided to the Agency in HBR's September 1 Report.

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- AECOM has confirmed with HBR that the RFP process was undertaken in a prudent and expeditious manner and will result in the repairs being appropriately commenced as quickly as reasonably possible.

STATUS ON SALE OF HBR AND FEDERAL FUNDING

As the Agency is aware HBR does not have the financial capability to fund the full repair of the line. In order to attempt to ensure the necessary funding is in place to fully repair the line HBR and its shareholders have made considerable efforts over the last many months to sell HBR and/or obtain federal funding for the repairs of the line.

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If the Agency has any questions please do not hesitate to contact HBR's lawyer Forrest Hume. HBR will endeavor to respond as quickly as possible to any such questions.

Yours truly,

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Sergio Sabatini
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Sergio Sabatini
President, HBR

